

TAX ABATEMENT AGREEMENT

STATE OF TEXAS §

COUNTY OF McLENNAN §

This Tax Abatement Agreement (hereinafter "Agreement") is entered into by and between McLennan Community College (hereinafter "College") and Knauf Insulation, Inc. (hereinafter "Owner") on the ____ day of _____, 2022.

WHEREAS, the College is authorized to enter into Tax Abatement Agreements pursuant to Chapter 312 of the *Texas Property Tax Code* (the "Tax Code"), and

WHEREAS, the College has by order adopted tax abatement guidelines ("Guidelines") which provide criteria governing tax abatement agreements to be entered into by the College as contemplated by the Tax Code; and

WHEREAS, the College has adopted a resolution stating that it elects to be eligible to participate in tax abatement in accordance with the Tax Code; and

WHEREAS, the City Council of the City of McGregor has by ordinance established Tax Increment Reinvestment Zone Number One, City of McGregor, Texas ("Reinvestment Zone") in accordance with Section 312.001 and Chapter 311 of the Tax Code; and

WHEREAS, the Owner's land (or proposed land) is located within the Reinvestment Zone; and

WHEREAS, the McLennan Community College Board of Trustees finds that the improvements and additions proposed by the Owner will benefit the economy of the County and the State of Texas, increase the local tax base, and will increase employment and decrease underemployment within the County and the State of Texas; and

WHEREAS, a copy of this Agreement has been furnished, in the manner prescribed by the Tax Code, to the presiding officers of the governing bodies of each of the taxing units in which the Owner's land is located; and

WHEREAS, the McLennan Community College Board of Trustees finds that the Owner's project is feasible and practicable and would be of benefit to the land included in the Reinvestment Zone, and the taxing units with jurisdiction over the land after expiration of this Agreement.

NOW, THEREFORE, in consideration of the recitals set forth above and the mutual obligations and promises set forth below, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the College and Owner agree as follows:

SECTION 1. Recitations. The parties agree that the recitations above in this agreement are true and correct and shall be incorporated into this Agreement.

SECTION 2. Term. This Agreement is for Ten (10) years of partial abatement of College property taxes on Personal Property Additions only as set forth herein.

SECTION 3. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

- a. "Land" means the tract of land described in Exhibit "A" attached hereto and incorporated herein for all purposes.
- b. "Taxable Value" means the appraised value, for property tax purposes, as certified by the McLennan County Appraisal District.
- c. "Start Date" means January 1, 2024.
- d. "Completion Date" means the date that the Project on the Land is complete as certified by Owner to the County.
- e. "Force Majeure" means any contingency or cause beyond the reasonable control of a party including, without limitation, acts of God or the public enemy, war, riot, civil commotion, insurrection, adverse weather, government or de facto governmental action (unless caused by acts or omissions of such party), fires, explosions or floods, strikes, slowdowns or work stoppages.
- f. "Reinvestment Zone" means Tax Increment Reinvestment Zone Number One, City of McGregor, Texas.
- g. "Project" means, development and construction/installation of real property improvements and personal property additions on the Land as promised by the Owner.
- h. "Personal Property Additions" means the equipment, machinery, and other personal property improvements installed on the Land as part of the Project. The term does not include inventory or office furnishings.
- i. "Base Year" means the 2021 tax year.
- j. "Base Year Taxable Value" under this Agreement means the taxable value of any Personal Property on the Land on January 1, 2021.
- k. "Term of Abatement" or "Abatement Period", unless terminated sooner as provided elsewhere herein, means the 10-year period from and after the Start Date during which partial tax abatement for College ad valorem taxes is granted.
- l. "Abatement Year" means a College tax year covered by the Abatement Period.

SECTION 4. Abatement Limited. The tax abatement provided in this Agreement is only for the *increased* Taxable Value of Personal Property Additions located on the Land over the Taxable Value of any Personal Property located on the Land in the Base Year, and is only for the term and at the percentages set forth herein. In addition, abatement does not include Farm-to-Market/Lateral Road Taxes.

SECTION 5. Owner Obligations.

As a condition precedent to the granting of the partial tax abatement as set forth in this Agreement, Owner shall, subject to events of Force Majeure and casualty where applicable:

- a. Acquire legal and taxable title to the Land;
- b. Erect, construct, install and add to the Land the Project, more fully described in Exhibit “B” to be completed not later than January 1, 2024, including the Personal Property Additions made the subject of this Agreement. The Personal Property Additions must have a Taxable Value as of January 1, 2024 of **\$119,100,000**.
- c. Create and fill **150** jobs (the “Targer Employee Count”) in McLennan County with an average annual salary of \$50,000 by January 1, 2024.
- d. Provide the Appraisal District with documentation and information reasonably requested for each Tax Year that will assist in determining the Taxable Value. This information shall be provided no later than April 15, subject to extension as allowed by law;
- e. Allow access to the Property, at reasonable times and with reasonable notice, by (i) College representatives for the purpose of inspecting the Project to determine compliance with this Agreement, and (ii) Appraisal District employees and contractors for appraisal purposes;
- f. Comply with all certification and reporting requirements set forth in this Agreement;
- g. Timely pay all unabated property taxes and rollback taxes.

SECTION 6. Abatement.

6.1 Subject to the terms and conditions of this Agreement, College hereby grants Owner a partial abatement of College property taxes as set forth below on the increase in the Taxable Value of the Personal Property Additions attributable to the Project over the Base Year Taxable Value of any personal property on the Land. The Start Date is January 1, 2024.

6.2 During the Abatement Period, the percentage abatement applicable shall be as set forth below:

Year 1	75%
Year 2	75%
Year 3	75%
Year 4	75%
Year 5	75%
Year 6	50%
Year 7	50%
Year 8	50%
Year 9	50%
Year 10	50%

SECTION 7. Limitation on Use. Owner agrees to limit the use of the Property to the proposed commercial uses and to limit the uses of the property to uses consistent with the general purpose of encouraging development of the designated Reinvestment Zone during the term of this Agreement.

SECTION 8. Tax Exemptions, Exceptions, or Credits. Any of the Property that is separately exempt or excepted from property taxation, or for which the Owner receives a property tax credit is not eligible for abatement and cannot be credited towards the the minimum taxable investment in personal property.

SECTION 9. No Sale or Assignment to Tax Exempt Entity in Whole or in Part. Any sale or assignment of the Property in whole or in part to an entity that is exempt from property taxation shall be a breach of this Agreement and shall terminate this Agreement. Furthermore, not less than 30 days after the assignment or sale, the Owner must repay all taxes that have been abated to that date without any discount for the time-value of money. NO PRO-RATA reimbursement shall apply. The College is acting based on the belief that the Property will be taxable and provide property tax revenues long after the Abatement Term. Therefore, any breach of this provision is a complete breach requiring complete repayment of any incentives.

For the avoidance of doubt, no condemnation will be considered a “sale or assignment” for purposes of this Section 9.

SECTION 10. Unabated Taxes. Owner shall pay all unabated taxes when due. Failure to do so may result in termination of this Agreement. If Owner protests the Taxable Value of the Property, the Owner shall pay the taxes due to the College on the portion of the Taxable Value not protested after application of the Abatement Percentage. Once the value is determined the abatement percentage is applied and the Owner shall pay the taxes due on the taxable value not abated within 30 days.

Taxes assessed prior to the beginning of the Abatement Period or that are not abated during the Abatement Period shall be paid by Owner prior to such taxes becoming delinquent, subject to the right of Owner to timely and properly protest such taxes in accordance with Tax Code, Chapter 42 or its successor. Owner shall notify College in writing of any such protest, and keep the College informed of the results thereof. If the protest is denied, Owner shall have the right to appeal the matter to state district court but shall pay the portion of the tax required by Tax Code, Section 42.08 or its successor.

Nothing herein shall prevent the College from enforcing the collection of taxes owed to the College in any manner provided under the Texas Property Tax Code, including placing a lien on the Additions and Improvements. The College shall be entitled to recover any penalties, interest, court costs and attorney’s fees allowed under the Texas Property Tax Code, and this includes for the collection of previously abated taxes that must be repaid under any provision of this Agreement.

If a protest results in the decrease of the Taxable Value, less depreciation, by 25% or more, the College reserves the right, and Owner grants to the College the right, to terminate this Agreement.

SECTION 11. College Protections.

11.1 No abatement period may commence until the Owner holds legal title to the Land.

11.2 Failure to install Personal Property Additions on the Land as part of the Project having a Taxable Value on January 1, 2024 of \$119,100,000 will result in a reduction of the Abatement Percentage in the first Abatement Year of percentage points equal to the percentage that the actual Personal Property Additions fall short of \$119,100,000. For example, if the actual Taxable Value is 10% short, the Abatement Percentage for that Abatement Year will be reduced by 10 percentage points. If the shortage is more than 25%, the College shall have the right to terminate this Agreement.

11.3 For subsequent Abatement Years, the Taxable Value of the Personal Property Additions must be \$119,100,000 less applicable depreciation. To the extent that the Taxable Value of the Personal Property Additions is short of that amount, the Abatement Percentage for that Abatement Year will be reduced. For example, if the actual Taxable Value is 10% short, the Abatement Percentage for that Abatement Year will be reduced by 10 percentage points. If the shortage is more than 25%, the College shall have the right to terminate this Agreement.

11.4 If, in any two (2) consecutive Abatement Years of this Agreement the Owner fails to employ, at the Project, 95% of the Target Employee Count (measured on December 31 of each year during the term) having an average annual salary of no less than \$50,000 before benefits, the Abatement Percentage for such two (2) consecutive Abatement Years will be reduced by the number of percentage points the actual employment at the required average salary was short of 150. For example, if the actual employees at the stated average salary is 10% less than 150, the Abatement Percentage for that Abatement Year will be reduced by 10 percentage points. In such event, the Owner will promptly pay to the College the applicable taxes as a result of such Abatement Percentage reduction. If the actual number of employees at the required average salary falls below 75% in any Abatement Year, the College may terminate this Agreement. This reduction is cumulative of any reduction set forth above.

Each year on or before December 15, the Owner shall provide a report to the College setting forth the employee identification numbers, positions, zip codes and salaries, before benefits, of each person employed at the Project; and setting out the average salary.

For purposes of averaging salaries, the salaries of anyone with an ownership interest in the Owner shall not be included.

11.6 Personal Property Additions may not be removed from the Project unless replaced by Personal Property Additions of equal taxable value.

11.7 The Personal Property Additions shall be insured by the Owner against casualty loss.

SECTION 12. Default and Remedies. The College may declare a default if the Owner breaches any material term or condition of this Agreement. If the College declares a default of this Agreement, this Agreement shall terminate 30 days after written notice to the Owner. No opportunity to cure as a matter of contract exists hereunder. However, by mutual agreement the

College and the Owner may, by addendum, work out a solution whereby the Agreement is not terminated. The College may sue to recover reimbursements owed to it by the Owner. If the College finds it necessary to hire attorneys to enforce this Agreement, the College shall be entitled to recovery of its reasonable attorney's fees incurred in doing so.

SECTION 13. Miscellaneous Terms and Conditions.

13.1 Notices. Notices required to be given by this Agreement shall be mailed, certified mail return receipt requested, to the following addresses:

McLennan Community College
President's Office
1400 College Drive
Waco, TX 76708

And

Knauf Insulation, Inc.
One Knauf Drive
Shelbyville, IN 46176

13.2 Reporting. Upon reasonable request, the Owner shall provide a report to the College regarding the progress of the Project, employment numbers, payroll, personal property, or other matters related to the Project or the operation thereof.

13.3 Applicable Law and Venue . This Agreement shall be construed under the laws of the State of Texas. The parties agree that this Agreement is made and entered into by and between them in McLennan County, Texas, that the obligations to be performed and payments to be made under this Agreement are performable and payable in McLennan County, Texas and that venue of any and all disputes shall lie in a court of competent jurisdiction in McLennan County, Texas.

13.4 Amendment or Assignment. This agreement may not be amended or assigned without the express written consent of both parties. Any assignee of the Owner must both be approved by the College and must sign an agreement binding itself to the terms of this Agreement.

13.5 Severability. Should any section, paragraph, sentence, clause, or phrase of this Agreement be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Agreement be pre-empted by state or federal law or regulation, such decision or pre-emption shall not affect the validity of the remaining portions of this Agreement or its application to other persons or circumstances.

EXECUTED this ____ day of _____, 2022.

McLennan Community College

By: _____

Johnette McKown, President

Attest:

EXECUTED this ____ day of _____, 2022.

Knauf Insulation, Inc.

By: _____

Its: _____

Knauf Insulation, Inc.

By: _____

Its: _____