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STATE OF TEXAS §
§
COUNTY OF CHAMBERS §

ECONOMIC DEVELOPMENT PROGRAM AGREEMENT

This Economic Development Program Agreement (the **"Agreement"**) is entered into this 9th day of August, 2023, by and between Sumika Semiconductor Materials Texas, Inc, a Texas corporation ("**SST**"), and Chambers County, Texas, a Texas political subdivision ("**County**") (SST and County collectively referred to herein as the "parties" and each individually as a "party").

WITNESSETH:

WHEREAS, in accordance with Article III, Section 52-a of the Texas Constitution and Chapter 381 of the Texas Local Government Code ("**Chapter 381**") the County Commissioners Court of Chambers County, Texas ("**County Commissioners Court**") has the authority to develop and administer a program for entering into a tax abatement agreement with an owner or lessee of a property interest subject to ad valorem taxation, provided the execution, duration, and other terms of the agreement are governed, to the extent practicable, by the provisions of Sections 312.204, 312.205, and 312.211 of Chapter 312 of the Texas Tax Code ("**Chapter 312**"), as if the County Commissioners Court were a governing body of a municipality; and

WHEREAS, on the 26th day of March 2019 the County Commissioners Court adopted a Chapter 381 Economic Development Policy ("**Chapter 381 Policy**"), setting forth policies, guidelines, and criteria for economic development incentives provided by the County under Chapter 381, a copy of which is attached as **Exhibit A**; and

WHEREAS, on the 26th day of April 2022, the County Commissioners Court adopted an Economic Development Policy ("**Chapter 312 Policy**"), setting forth policies, guidelines, and criteria for economic development incentives provided by the County under Chapter 312, a copy of which is attached as **Exhibit A-1**; and

WHEREAS, on the 13th day of December 2022, SST submitted an application proposal for tax abatement (the **"Tax Abatement Proposal"**, a copy of which is attached as **Exhibit B**), in accordance with County policy; and

WHEREAS, on the 28th day of February 2023, the County Commissioners Court passed an Order establishing a Reinvestment Zone ("**Zone**") under Chapter 312, known as the Sumika Semiconductor Materials Texas Reinvestment Zone #1, after complying with all of the relevant notice requirements under Chapter 312; and

WHEREAS, SST owns the Premises, as hereinafter defined, and SST expects to develop and construct thereon a chemical plant and all necessary and auxiliary improvements (the **"Chemical Manufacturing Facility"**), as described in the Tax Abatement Proposal; and

WHEREAS, the Premises are located entirely within the County and the Zone; and

WHEREAS, the County finds that the terms of this Agreement and the development of the Premises and proposed Chemical Manufacturing Facility promote economic development in the County and, as such, satisfies requirements of the Chapter 381 Policy; and

WHEREAS, the County also finds that the improvements sought are feasible and practical and would benefit the County after expiration of this Agreement; and

NOW, THEREFORE, the County, for good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, which consideration includes the expansion of primary employment, the attraction of major investment in the County, increased payroll that contributes to the economic development of the County and enhancement of the tax base in the County, and certain Chapter 381 and PILOT Payments as defined in this Agreement, and SST, for good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, which consideration includes the tax abatement set forth herein below, as authorized by Section 381.004 of Chapter 381, hereby contract, covenant, and agree as follows:

Section 1. Definitions

For purposes of this agreement, when not inconsistent with context, words used in the present tense include the future tense, words in the plural include the singular, and words in the singular include the plural. The words "shall" and "will" are mandatory and the word "may" is permissive. Words not defined in this Agreement shall be given their common and ordinary meaning. The following capitalized terms shall have the meanings ascribed to them:

"**Affiliate**" shall mean any Person directly or indirectly controlling, controlled by, or under common control with SST. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract, or otherwise.

"Construction Phase" means a material and substantial improvement of the Premises which represents a separate and distinct construction operation undertaken for the purpose of constructing the Chemical Manufacturing Facility. The period of the Construction Phase ends when the Chemical Manufacturing Facility is substantially completed consistent with Section 6.

"**Eligible Property Value**" shall mean, with respect to each calendar year, the fair market value of the Chemical Manufacturing Facility including all buildings, structures, fixed machinery and equipment, site improvements, office space, and related fixed improvements on the tax rolls of the Chambers County Appraisal District as of such calendar year.

"**Financing Party**" shall mean the lenders, security holders, investors, equity providers, and others providing financing or refinancing to or on behalf of SST, for the development, construction, ownership, operation, or maintenance of the Chemical Manufacturing Facility or any portion thereof, or any trustee or agent acting on behalf of any of the foregoing.

"**Force Majeure**" shall mean, without limitation, Acts of God or the public enemy, war, terrorism, criminal acts by unrelated third parties, riot, civil commotion, insurrection, governmental or de facto governmental action, fire, explosions, floods, strikes, adverse weather, pandemic, or any other extraordinary event beyond the control of SST (including, without limitation, broad based extraordinary economic events) that makes it reasonably impracticable to accomplish a desired objective.

"**Ineligible Property Value**" shall mean, for each calendar year, the value as listed on the tax rolls of the Chambers County Appraisal District of the following: land; inventories; supplies; tools; furnishings and other forms of movable personal property; vehicles; watercraft; aircraft; housing; deferred maintenance investments; any improvements which are not integral to the operation of the facility; property which has an economic life of less than 15 years; property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated, or directed by a political subdivision of the State of Texas.

"**Payment Deadline**" shall mean, with respect to each Chapter 381 Payment and Chambers County School Equalization District PILOT Payment, January 31st of the year immediately following the calendar year in which an abatement under Section 4 of this Agreement is granted.

"Permanent Employee" shall mean a person whose employment is both permanent and full-time as reflected in the applicable payroll system of SST, or an entity controlled by or under common control with SST who is expected or scheduled to work at least [1,800] hours in a twelve-month period as an employee at the Chemical Manufacturing Facility.

"**Person**" shall mean an individual or a corporation, partnership, trust, estate, unincorporated organization, association, or other entity.

"**Premises**" shall mean all that parcel of land and improvements to be owned by SST as hereinafter described in **Exhibit C** attached hereto.

"Undocumented Worker" means an individual who, at the time of employment by SST, is not: (i) lawfully admitted for permanent residence to the United States, or (ii) authorized under law to be employed in that manner in the United States.

Section 2. General Provisions

A. **County Authorization**. This Agreement was authorized by the County Commissioners Court and was approved by the affirmative vote of a majority

of the County Commissioners Court at its regularly scheduled County Commissioners Court meeting on the 8th day of August, 2023, authorizing the County Judge to execute this Agreement on behalf of the County. The County's execution of this Agreement is authorized by Chapter 381 and constitutes a valid and binding obligation of the County.

B. **SST Authorization**. The undersigned officers of SST have authority to execute this Agreement on behalf of the SST.

C. **Compliance**. The parties intend for this Agreement to comply with Chapter 381 and Sections 312.204, 312.205, and 312.211 of Chapter 312. The County has determined that this Agreement satisfies all requirements for tax abatement set forth in the Chapter 381 Policy. To the extent that this Agreement deviates from a requirement of the Chapter 381 Policy, the County hereby grants SST a variance from such deviation.

D. **Tax Increment Financing**. The County represents that the abatements provided by this Agreement will not be diminished or otherwise jeopardized by tax increment financing arrangements in the County, if any.

E. **Ownership of Premises**. The Premises will be owned by SST or an SST Affiliate, and in no event shall be owned by any member of the County Commissioners Court.

Section 3. Permitting

The County shall use its best efforts to expedite processing of any permits, re-zoning requests, licenses, or other approvals associated with the building and development of the Premises and Chemical Manufacturing Facility.

Section 4. Tax Abatement

The County hereby grants to SST a tax abatement with respect to the Chemical Manufacturing Facility. The tax abatement shall begin on January 1, 2026, and shall continue for ten years.

In each year of this ten-year period, the tax abatement shall equal one hundred percent (100%) of the County Property Tax (including all general, I&S, Road and Bridge Special, and Road and Bridge FMFC ad valorem taxes of the County) imposed on the Eligible Property Value.

In each year of this ten-year period, the tax abatement shall equal one hundred percent (100%) of the property taxes imposed on the Eligible Property Value by the Chambers County School Equalization District.

Section 5. SST Payments to County

For each year in which SST receives abatement under Section 4, SST agrees to tender to the County, on or prior to the Payment Deadline, all payments due under this Agreement by check or other mechanism acceptable to County. Such payments shall include the following:

A. **Chapter 381 Payments.** Chapter 381 Payments shall mean for calendar years 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, and 2035, a payment from SST to County equal to forty percent (40%) of the County Property Tax abated pursuant to this Agreement (the "**Chapter 381 Payment**").

B. **Chapter 381 Community Impact Program Contribution (the "CIPC").** The CIPC shall be calculated to equal approximately 3.00% of the tax savings derived from the County Tax abated each year pursuant to this Agreement. The CIPC is intended to foster public-private investment in comprehensive literacy programs, promotion of the arts, public health, and an array of targeted civic infrastructure which supports economic and community development. This contribution is provided for in Sections 381.004(b) and 381.004(c) of the Texas Local Government Code.

Prepayment of the CIPC: SST agrees to prepay a forecasted estimate of the CIPC in the amount of $77,514 to the County within 30 days after the date the County signs this Agreement, which estimate is based on the estimated assessed values, tax rates, and the negotiated 5% net present value discount illustrated on **Exhibit E**.

C. **Chapter 381 Administration Fee.** The "**Administration Fee**" shall equal 0.625% of the Chapter 381 Payment for each calendar year cited in Section 5.A. This fee is considered payment for Chapter 381 administrative services as provided for in Section 381.004(c) of the Texas Local Government Code.

D. **Chambers County School Equalization District Payment in Lieu of Tax (CCSED PILOT).** The CCSED PILOT Payment shall equal one hundred percent (100%) of the CCSED Tax abated each year pursuant to this Agreement.

Section 6. Covenants

A. **Construction Covenant**. SST or an SST Affiliate covenant to substantially complete, or cause to be substantially completed, construction of the Chemical Manufacturing Facility on or before December 30, 2025 ("**Construction Covenant**") **and** provided that SST or an SST Affiliate shall have such additional time as may be required by the effects of Force Majeure.

B. **Operation Covenant**. SST or an SST Affiliate shall operate the Chemical Manufacturing Facility in accordance with prudent industry standards and applicable law (unless prevented by Force Majeure) and in a manner that is

consistent with the general purpose of encouraging development within the Zone.

C. **Property Tax Covenant.** Throughout the term of this Agreement, SST shall timely pay all property taxes imposed by the County on Ineligible Property Value; provided that SST shall have the right to contest in good faith the validity or application of any such property tax assessment and shall not be considered in default hereunder so long as such contest is diligently pursued to completion.

D. **Management Change Notice Covenant**. During the term of this Agreement, SST shall notify the County in writing of any change of the Chemical Manufacturing Facility Operations Manager within thirty (30) days of such change.

E. **Best Efforts to Increase Local Employment Covenant.** SST represents and agrees that the agreed-to construction and operation of the Chemical Manufacturing Facility will stimulate employment and the local economy. To this end, SST represents and agrees that:

a. SST represents and agrees that commencing at the time the Chemical Manufacturing Facility achieves steady-state commercial operations, it shall have created at least fifty (50) Permanent Employee positions at the Chemical Manufacturing Facility and shall maintain such jobs throughout the Abatement Term.

b. SST represents and agrees it will use commercially reasonable good faith efforts to fill these jobs directly or indirectly with residents of Chambers County, with the goal that approximately twenty-five percent (25%) of the Permanent Employee positions referenced above will be offered to or filled by residents of Chambers County.

c. SST represents and agrees that these will be truly "new jobs" for Chambers County and does not expect that the Chemical Manufacturing Facility will solely or primarily have the effect of transferring employment from one part of Chambers County to another.

d. SST agrees to make every commercially reasonable effort to use local resources in employees, goods, and services at the facility, so long as the local goods and services are comparable in quality, specifications, and price (including, for example, standards for bonding capacity, financial and staffing capacity, expertise and experience, integrity, and reliability, etc.).

e. SST has executed the certification attached hereto as **Exhibit "D."** During the Term of this Agreement, SST agrees not to knowingly employ any undocumented workers and, if convicted of a violation under 8 U.S.C. Section 1324a (f), SST shall repay the taxes abated herein, and any other funds received by SST from the County as of the date of such violation within 120 days after the date SST is notified by the County of such violation,

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plus interest at the rate of four percent (4%) compounded annually from the date of violation until paid. SST is not liable for a violation of this section by a subsidiary, affiliate, or franchisee of SST or by a person with whom SST contracts. SST hereby verifies in accordance with the requirements of Chapters 2271, 2274, and 2274 of the Government Code and subject to applicable law that SST will not Boycott Israel, does not and will not Boycott Energy Companies, and does not and will not Discriminate Against Firearm Entities or Firearm Trade Associations, as such capitalized terms are defined in such chapters of the Government Code and subject to the provisions of such chapters of the Government Code.

F. **Good Neighbor Covenant.** SST or an SST Affiliate represent and agree that the planned use of the Chemical Manufacturing Facility and Premises will not constitute a hazard to public safety, health, or morals and provide for adequate buffer zones to holistically protect the quality of life of Chambers County residents.

Section 7. Records and Audits

A. **Annual Certification.** Not later than January 31 of each year during the term of the tax abatement, SST shall submit to the County a certification from SST as to the conditions and covenants set forth in Section 6, provided that once the Construction Covenant is met, no further certification shall be required with respect to the Construction Covenant.

B. **County Access to Premises**. For the sole purpose of verifying SST's annual certification, County employees or representatives shall have reasonable access to the Premises during the term of this Agreement. The County shall give prior notice to SST and SST employees shall have the right to accompany County employees. While on the Premises, County employees shall follow SST safety policies and not interfere with SST operations. The County shall keep all information obtained while on the Premises confidential and shall execute a commercially reasonable form of confidentiality agreement drafted by SST before entering the Premises.

C. **Confidentiality**. Because of the highly competitive nature of the industry in which SST does business, the County agrees that the reports which SST is required to submit may contain information which SST considers to be valuable proprietary information. As such, the County agrees to keep any and all reports provided by the SST and any records reflecting information obtained while on the Premises as confidential information to the extent the documents are not public information under the Public Information Act, Chapter 552 of Texas Government Code, as amended.

D. **Exemption Application.** In each year that an abatement shall be claimed under this Agreement, SST shall, on or before April 30 file an exemption application based on Texas Tax Code Section 11.28 with the Chambers County Appraisal District.

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Section 8. Default and Termination

A. **Default**. In the event that SST either fails to meet the Construction Covenant or breaches the terms or conditions of this Agreement, SST shall be in default of this Agreement.

B. **Cure**. In the event SST defaults in its performance of the Agreement, the County shall give SST written notice of such default. SST shall have sixty (60) days after said written notice to cure the default. If the default is not reasonably susceptible to cure within such sixty (60) day period and SST has commenced and is pursuing cure of same, then, after first advising the County of SST's efforts to cure same, SST may utilize an additional ninety (90) days for such purposes. The County may authorize additional time to cure defaults, which authorization shall not be unreasonably withheld.

C. **Remedy for Uncured Default**. The County's sole and exclusive remedy against any Person for breach of this Agreement, in the event of default after the expiration of the applicable notice and cure periods, shall be that the County may, at its option, terminate the Agreement and all future tax abatements under this Agreement shall be void. Notwithstanding the foregoing, if SST fails to meet the Construction Covenant, SST shall repay to the County, without penalty or interest, all tax abatements received under this Agreement with a credit for any payments made to the County under Section 5 hereof. If SST breaches a covenant in Section 6, other than the Construction Covenant, for any year, the County shall not be entitled to terminate this Agreement, but may, at its option, rescind the tax abatement pertaining to such year.

D. **SST's Remedies**. The SST may institute proceedings as may be necessary or desirable in its opinion to defend against (i) improper assertions of default or (ii) improper attempts to terminate this Agreement, to withhold or obtain payments prescribed by this Agreement, or to seek repayment of amounts paid under the Agreement. Such proceedings may include, but are not limited to, seeking specific performance and/or injunctive relief, or enforcement by mandamus, or such other remedy as may be available at law, in equity, or otherwise. Such rights and remedies are not exclusive and are in addition to any other rights or remedies the SST may have at law, in equity, or otherwise.

E. **Mutual Termination**. The parties may terminate this Agreement by mutual agreement at any time.

Section 9. Effect of Sale, Assignment, or Lease of Property

This Agreement shall be binding on and inure to the benefit of the parties and their respective successors and assigns. Neither Party may assign its rights and duties hereunder, in whole or in part, without prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned, or delayed; provided that SST may assign this Agreement and all of its rights hereunder to any SST Affiliate without the

County's consent. In addition, this Agreement and all rights hereunder may be assigned for the benefit of any Financing Party. Any assignment in violation of this Section 9 shall not affect any tax abatements with respect to which SST or an SST Affiliate is already entitled.

Section 10. Notice

All notices called for by this Agreement shall be addressed to the following, or such other party or address as either party designates in writing, by certified mail, postage prepaid or by hand delivery:

SST:

Sumika Semiconductor Materials Texas Inc.
1415 Louisiana Street, Suite 3410
Houston, TX 77002

With an additional copy to:

Sumika Semiconductor Materials Texas Inc.
Attn: Plant Manager
1350 Industrial Road
Baytown, TX 77523

County:

County Judge
County of Chambers, Texas
P.O. Box 939
Anahuac, Texas 77514

With an additional copy to:

Baytown Economic Development Foundation
1300 Rollingbrook Drive, Ste. 505
Baytown, TX 77521

Section 11. Indemnification

A. **INDEMNITY.** IN ADDITION TO THE OTHER REMEDIES AFFORDED TO THE COUNTY IN THIS AGREEMENT, SST SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE COUNTY, ITS COMMISSIONERS, OFFICERS, EMPLOYEES, ATTORNEYS, CONTRACTORS, OR AGENTS (HEREINAFTER "**COUNTY'S INDEMNIFIED PARTY**") FOR, FROM AND AGAINST ANY AND ALL LOSSES, LIENS, CAUSES OF ACTION, SUITS, JUDGMENTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COURT COSTS, REASONABLE ATTORNEY'S FEES AND COSTS OF INVESTIGATION, REMOVAL AND REMEDIATION, AND GOVERNMENTAL

OVERSIGHT COSTS), ENVIRONMENTAL OR OTHERWISE, OF ANY NATURE, KIND OR DESCRIPTION, OF ANY PERSON OR ENTITY RESULTING FROM SST'S BREACH OF ANY REPRESENTATION, WARRANTY, OR COVENANT MADE BY SST UNDER THIS AGREEMENT .

B. **Notice of Indemnified Loss**. The County's Indemnified Party shall promptly notify SST of any indemnified Losses or Claim for indemnified Losses in respect of which the County's Indemnified Party may be entitled to indemnification under this Section 11. Such notice shall be given as soon as reasonably practicable after the County's Indemnified Party becomes aware of the Loss or Claim for Losses.

C. **Defense of Third-Party Claims**. In the event any action or proceeding shall be brought against the County's Indemnified Party by reason of any matter for which the County's Indemnified Party is indemnified hereunder, SST shall, upon notice from the County's Indemnified Party or its authorized agents or representatives, at SST's sole cost and expense, resist and defend the same with legal counsel selected by SST; provided, however, that SST shall not admit liability in any such matter on behalf of the County's Indemnified Party without the County's express written consent. Nothing herein shall be deemed to prevent the County's Indemnified Party at its election and at its own expense from cooperating with SST and participating in the defense of any litigation by their own counsel. If SST fails to retain defense counsel within ten (10) business days after receipt of County's Indemnified Party written notice that the County's Indemnified Party is invoking its right to indemnification under this Agreement, the County's Indemnified Party shall have the right to retain defense counsel on their own behalf, and SST shall be liable for all usual and customary defense costs incurred by the County's Indemnified Party.

D. **Limitation on Indemnity**. The amount owing to a County Indemnified Party will be the amount of the County Indemnified Party's losses net of any insurance proceeds received by the County Indemnified Party following a reasonable effort by the County Indemnified Party to obtain such insurance proceeds.

Section 12. Miscellaneous

A. **Severability**. The provisions of this Agreement are severable, and if for any reason a provision of this Agreement is determined to be invalid by a court having competent jurisdiction over the subject matter of the invalid provision, the invalidity shall not affect other provisions that can be given effect without the invalid provision. Furthermore, in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as a part of this Agreement, a provision as similar in its terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

B. **Venue; Governing Law**. Exclusive venue for any action, cause of action, lawsuit, or other proceeding under or in connection with this Agreement shall be and lie in Chambers County, Texas, and the parties hereby submit themselves to the jurisdiction thereof; and this Agreement shall be governed by and construed in accordance with the laws of the State of Texas without respect to the conflict of laws rules thereof.

C. **Binding Nature of Agreement**. This Agreement shall be binding on and inure to the benefit of the parties, their respective successors, and assigns.

D. **No Third-Party Rights or Benefits**. This Agreement is solely for the benefit of the parties hereto and do not create rights, contractual or otherwise, in other Persons.

E. **Interpretation**. This Agreement shall, in the event of any dispute over its meaning or application, be interpreted fairly and reasonably, and neither more strongly for nor against any party. Section, subsection, and other headings are for convenience only and shall not be used to interpret this Agreement.

F. **Survival of Terms; Rights and Remedies Cumulative; No Waiver**. All rights, duties, liabilities, and obligations accrued prior to termination shall survive termination or expiration of this Agreement. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by either party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance, or otherwise. The failure by either party to exercise any right, power, or option given to it by this Agreement, or to insist upon strict compliance with the terms of this Agreement, shall not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach thereof, nor a waiver by such party of its rights at any time thereafter to require exact and strict compliance with all the terms hereof.

G. **Counterparts; Electronic Delivery**. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered (whether delivered in person, by mail, email, facsimile, or other electronic format) shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

H. **Estoppel Certificate**. Any party hereto may request an estoppel certificate from another party hereto so long as the certificate is requested in connection with a bona fide business purpose. The certificate, which will upon request be addressed to a subsequent purchaser or assignee of SST, shall include, but not necessarily be limited to, statements (to the actual knowledge of the party providing such) that this Agreement is in full force and effect without default (or if default exists, the nature of default and curative action, which should be

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undertaken to cure same), the remaining term of this Agreement, the levels of tax abatement in effect, and such other matters reasonably requested by the party(ies) to receive the certificate. The County Judge for the County shall provide any such certificate on behalf of the County.

l. **Entire Agreement**. This Agreement constitutes the entire Economic Development Program Agreement between the parties, supersedes any prior understanding or written or oral Economic Development Program Agreements or representations between the parties, and can be modified only by written instrument subscribed to by all parties. Notwithstanding the foregoing provision, this Agreement does not modify, alter, or amend any other agreement or instrument among the County and SST relating to matters other than the abatement of property taxes.

** * * Signature Page Follows * * **

EXECUTED the ____day of 08/09/2023 | 09:41:36 CDT _____2023.

CHAMBERS COUNTY, TEXAS

DocuSigned by:
By: Jimmy Sylvia
1492530299FA478...
Jimmy Sylvia, County Judge

ATTEST:
DocuSigned by:
Heather H. Hawthorne
03933AF26BE5410...
Heather Hawthorne, County Clerk

SUMIKA SEMICONDUCTOR
MATERIALS TEXAS INC.
a Texas corporation

By: _____

Name: DongJoo Yun

Title: President

ATTEST:

_____
Devin O. Elliott, Officer SST

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EXHIBIT A

CHAPTER 381 POLICY

19-03-116

5.4

CHAPTER 381 ECONOMIC DEVELOPMENT POLICY
CHAMBERS COUNTY, TEXAS

WHEREAS, Chapter 381 of the Texas Local Government Code authorizes Chambers County to develop and administer projects for local economic development, and to encourage commercial activity in the County, and

WHEREAS, Chambers County desires to provide financial incentives to select private businesses that contribute to economic development, and

WHEREAS, Chambers County desires to provide such incentives to projects whose properties are subject to Chambers County *ad valorem* taxes, and

WHEREAS, Chapter 381 can be used in conjunction with tax abatement provided for under Chapter 312 of the Texas Local Government Code or separately as a Chapter 381 Economic Development Agreement, and

WHEREAS, this policy shall not be construed to obligate Chambers County to provide an incentive under Chapter 381 to any applicant; and all applications, requests and/or projects shall be considered on a case-by-case basis;

NOW, THEREFORE, Chambers County Commissioners' Court does adopt this policy to define the Chapter 381 incentives and establish guidelines and criteria by which they will be implemented.

GENERAL CRITERIA

Chambers County may provide Chapter 381 economic development incentives for a business or commercial development project ("Project") if that project:

1. Will enhance the economic vitality of Chambers County;
2. Will result in a net increase or retention of jobs in the County or add to the tax base or will otherwise improve or enhance the economic welfare of the residents or businesses of the County; or
3. Demonstrates the potential to generate revenues to the County which outweigh costs associated with incentives.

In addition, the following criteria must be satisfied:

The Project MUST:

1. Show a clear demonstration of economic benefit through advancement of the County's economic goals which include expanding the tax base, creating quality jobs, increasing private capital investment in the community, spurring development in targeted county locations; or encouraging development of targeted businesses or clusters desirable to enhance the county's economy;

2. Provide evidence that demonstrates the business' financial stability and capacity to complete the project; and

3. Be in compliance with all local, state and federal laws.

In order to receive any Chapter 381 incentives from Chambers County, credible information must be made available by the applicant, including but not limited to capital investment and employment projections, to enable Chambers County to conduct an appropriate analysis of the proposed project at initiation and throughout the life cycle of the Chapter 381 Agreement.

The decision to provide any Chapter 381 economic development incentives will be considered on a case-by case basis, in accordance with the criteria set forth in this policy, and at the discretion of the Chambers County Commissioners Court.

QUALIFICATION CRITERIA (NON-RESIDENTIAL PROJECTS)

In order to be eligible for Chapter 381 incentives, a Project must meet the following qualifying criteria:

1. Locate within the boundaries of Chambers County.
2. Create or retain a minimum of 10 jobs
3. Project investment must meet or exceed $1,000,000.
4. Must maintain ownership of all property for which an incentive is received through the duration of the agreement.
5. Must make sincere efforts to hire local employees, contractors and purchase items used in construction from vendors within Chambers County.

Projects qualifying under these General and Qualifying Criteria will be eligible for Chapter 381 economic development incentives, the percentages and terms for which will be at the sole discretion of the Chambers County Commissioners Court.

Opportunity Zone Residential and Targeted Development Projects

The Opportunity Zones program was established by Congress in the Tax Cut and Jobs Act as an innovative approach to spurring long-term private sector investments in targeted urban and rural communities nationwide. The program is based on the bipartisan Investing in Opportunity Act.

The program establishes a mechanism that enables investors with capital gains tax liabilities across the country to receive favorable tax treatment for investing in Opportunity Funds that are certified by the U.S. Treasury Department. The Opportunity Funds use the capital invested to make equity investments in businesses and real estate in Opportunity Zones designated by each state.

Three census tracts have been designated as Qualified Opportunity Zones (QOZ): 7103, 7104.01, and 7105. Consideration of Ch. 381 economic development proposals for residential developments and certain other targeted value-add projects will be limited to these designated QOZ census tracts. Residential developments in a QOZ are encouraged to include product options that qualify for financing under the USDA Rural Development Single Family Housing Guaranteed Loan Program. Additional information is available at:

https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions
https://www.rd.usda.gov/programs-services/single-family-housing-guaranteed-loan-program

APPLICATION / PROPOSAL PROCESS

Applicants seeking a Chapter 381 Economic Development Agreement with Chambers County may do so by submitting a written proposal to the County Judge of Chambers County.

The written proposal shall consist of a project description, general improvements to be undertaken; a general descriptive list of the improvements for which an incentive is requested; a list of the kind, number and location of all proposed improvements of the property; a map and location of all proposed improvements of the property; a map and property description; and a time schedule for undertaking and completing the proposed improvements.

In the case of modernization, a statement of the assessed value of the facility separately stated for real and personal property shall be given for the tax year immediately preceding the proposal. The proposal may require such financial and other information as the participating municipality or County deems appropriate for evaluating the financial capacity and other factors related to the applicant.

Chambers County, not later than 90 days after receipt of the proposal, shall by Commissioners Court order either approve or deny the request at a regularly scheduled meeting.

CHAPTER 381 AGREEMENTS

A complete review of the Project and proposal will be conducted by Chambers County and/or its representatives. Depending on the nature of the Project, the form of incentive provided via Chapter 381 Agreement will be determined.

After approval, Chambers County shall formally pass a Commissioners court order and execute an agreement with the owner of the Project, which shall include the following:

- Project Description
- Percent of Value to Discount
- Community Impact Program Contribution
- Terms of Agreement
- Project Milestones and Deadlines
- Assignment Provisions
- Recapture Provisions
- Compliance Requirements

An agreement shall be effective on the January 1st valuation date immediately following the execution of the Chapter 381 Agreement or as stipulated and will be conditioned on the completion of specific improvements to real property, job creation and any other factors deemed appropriate by the County.

Approved and adopted this the 26th day of March, 2019.

Resolution and Order

On March 26, 2019, the Commissioners Court of Chambers County, Texas, met at the County Courthouse with the following members present:

Jimmy Sylvia	County Judge, Presiding,
Jimmy Gore	Commissioner, Precinct One
Mark Tice	Commissioner, Precinct Two
Gary R. Nelson	Commissioner, Precinct Three
Billy Combs	Commissioner, Precinct Four

when among other matters, came for consideration and action the following Resolution and Order:

Whereas, the Commissioners Court of Chambers County, Texas, duly convened, and acting in its capacity as the governing body of Chambers County, ORDERED that the policy attached and appended hereto, entitled **"CHAPTER 381 ECONOMIC DEVELOPMENT POLICY, CHAMBERS COUNTY, TEXAS"** is made a part of this Order; and

Whereas, all officials and employees of Chambers County having duties under said policy are ordered and directed to perform such duties as required of them under said regulations.;

Therefore, be it Resolved, that Commissioners Court adopts the attached document as the **"CHAPTER 381 ECONOMIC DEVELOPMENT POLICY, CHAMBERS COUNTY, TEXAS"** and **orders** that it be in effect on and after this day; and

Further Resolved, that County Judge Jimmy Sylvia is authorized to sign this Resolution and Order as the act of Commissioners Court.

The Resolution and Order was moved by Commissioner Combs, seconded by Commissioner Gore, and adopted by the Commissioners Court on a vote of 4 members for and 0 opposed.

Jimmy Sylvia, Chambers County Judge

EXHIBIT A-1

CHAPTER 312 POLICY

22.04.133

5.3

A RESOLUTION OF THE CHAMBERS COUNTY COMMISSIONERS COURT OF ANAHUAC, TEXAS, ELECTING TO BECOME ELIGIBLE TO PARTICIPATE IN TAX ABATEMENT PURSUANT TO THE TEXAS PROPERTY REDEVELOPMENT AND TAX ABATEMENT ACT, CHAPTER 312; ADOPTING GUIDELINES AND CRITERIA FOR GRANTING TAX ABATEMENTS IN A REINVESTMENT ZONE CREATED IN CHAMBERS COUNTY; ADOPTING SUCH GUIDELINES AND CRITERIA; AND PROVIDING FOR THE EFFECTIVE DATE THEREOF.

****

WHEREAS, the creation and retention of job opportunities that bring new wealth is the highest civic priority; and

WHEREAS, new jobs and investment will benefit the area economy, provide needed opportunities, strengthen the real estate market, and generate tax revenue to support local services; and

WHEREAS, Chambers County must compete with other national and international localities currently offering tax inducements to attract jobs and investments; and

WHEREAS, any Incentives offered in Chambers County would be strictly limited in application to those new and existing industries that bring new capital investment to the community; and

WHEREAS, tax Incentives should not be used to attract those industries that have demonstrated a lack of commitment to protecting the environment, but should be used to encourage projects designed to protect the environment, provide adequate buffer zones, and holistically protect the safety and quality of life of Chambers County residents; and

WHEREAS, the Abatement of property taxes, when offered to attract primary jobs in industries which bring in money from outside a community instead of merely recirculating dollars within a community, has been shown to be an effective method of enhancing and diversifying an area's economy; and

WHEREAS, the Chambers County Commissioners Court contracts with the Baytown West Chambers County Economic Development Foundation ("EDF") and considers the EDF to be the designated entity for the provision of professional services for qualifying Applicants seeking County assistance in this regard; and

WHEREAS, effective September 1, 1987, Texas law, pursuant to Chapter 312 of the Texas Tax Code, as amended, requires any eligible taxing jurisdiction to establish guidelines and criteria as to eligibility for tax Abatement Agreements prior to granting of any future tax Abatement, said guidelines andcriteria to be

unchanged for a two-year period unless amended by a three-quarters (3/4) vote of Commissioners Court; and

WHEREAS, to assure a common, coordinated effort to promote our communities' economic development, any such guidelines and criteria should be adopted only through the cooperation of affected municipalities, taxing jurisdictions, and Chambers County;

WHEREAS, these guidelines and criteria do not: (1) limit the discretion of Chambers County to decide whether to enter into a specific tax Abatement or Incentives agreement; (2) limit the discretion of Chambers County to delegate to its employees or to the EDF the authority to determine whether or not the governing body should consider a particular application or request for tax Abatement or other Incentives; or (3) create any property, contract, or other legal right in any applicant to have the governing body consider or grant a specific application or request for tax Abatement or Incentives.

WHEREAS, the attached guidelines, last amended and approved by the Commissioners Court on November 23, 2021, have been reviewed by the Commissioners Court, and it has been determined that progress towards the goals herein stated has been made; NOW THEREFORE

BE IT RESOLVED BY THE CHAMBERS COUNTY COMMISSIONERS COURT OF CHAMBERS COUNTY, TEXAS:

Section 1: That the findings of the Chambers County Commissioners Court contained in the recitals of this resolution are hereby approved and adopted.

Section 2: That the Chambers County Commissioners Court elects to remain eligible to participate in tax abatement pursuant to the Texas Property Redevelopment and Tax Abatement Act, Chapter 312.

Section 3: That the Chambers County Commissioners Court hereby adopts the Guidelines and Criteria for granting tax abatements in a reinvestment zone, which are attached hereto and incorporated herein for all intents and purposes.

Section 4: This resolution shall take effect immediately from and after its passage by the Chambers County Commissioners Court of the Chambers County, Texas.

INTRODUCED, READ, and PASSED, by the affirmative vote of the Chambers County Commissioners Court of Chambers County, Texas this the 26th day of April 2022.

JIMMY SYLVIA, Judge

ATTEST:

HEATHER HAWTHORNE, County Clerk

04/26/22

GUIDELINES AND CRITERIA FOR TAX ABATEMENT IN CHAMBERS COUNTY

ADMONITORY PROVISIONS

The final determination of value to be abated is vested with the Chambers County Appraisal District("CCAD"), an agency autonomous from Chambers County.

Tax Abatement and Incentives provided by the County are subject to an economic impact analysis to be conducted by the EDF. Applicants scoring well will be encouraged to apply for Incentives. First priority for providing Incentives to any applicant are given to projects that are located within areas of economic interest to Chambers County and that conform to Chambers County's overall economic development objectives.

Applicants applying for tax Abatement with Chambers County are advised that any Agreement with Chambers County applies only to taxes assessed by Chambers County. Any Abatement or Incentive Agreement with other taxing entities must be negotiated directly with such entities. In addition, each applicant receiving tax Abatement retains the responsibility for annually applying to the CCAD for recognition and implementation of their Abatement Agreement. To keep the Abatement active, the applicant must file all appropriate forms with CCAD. The Abatement will terminate if the applicant fails to provide the appropriate forms annually to the CCAD.

SECTION 1
DEFINITIONS

a.) **"Abatement"** means the full or partial exemption from ad valorem taxes of the increase in value of certain real property in a reinvestment zone designated for economic development purposes.

b.) **"Agreement"** means a contractual Agreement between a property owner and an Eligible Jurisdiction for the purposes of tax Abatement or Incentives.

c.) **"Applicant"** means the entity applying for Abatement or Incentives and, if successful, will be party to an Incentive or Abatement Agreement.

d.) **"Base Year Value"** means the assessed value of eligible property January 1 preceding the execution of the Agreement plus the agreed upon value of eligible property improvements made after January 1, but before the execution of the Agreement.

e.) **"Community Impact Program"** means the economic development program intended to foster public-private investment in comprehensive literacy programs, promotion of the arts, public health, and an array of targeted civic infrastructure which supports economic and community development.

f.) **"Community Impact Program Contribution"** means for certain tax Abatement or Incentives Agreements and those entered into in conjunction with and executed concurrently with a Chapter 381 Economic Development Agreement, an amount equal to 1.50% of derived tax savings for each tax year as set forth in the tax Abatement Agreement.

g.) "**Competitively-Sited Project**" means a project where the applicant has completed an evaluation of competing locations, outside of Chambers County, for expansion, relocation, or new operations, including identification of specific sites in those locations.

h.) **"Deferred Maintenance"** means improvements necessary for continued operations, which do not improve productivity or alter the process technology.

i.) **"Distribution Center Facility"** means buildings and structures, including fixed-in-place machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials.

j.) **"Economic Life"** means the number of years a property improvement is expected to be in service in a facility.

k.) **"Eligible Jurisdiction"** means Chambers County and any municipality, school district, college district, or special purpose district that levies ad valorem taxes upon property located within the proposed or existing reinvestment zone.

l.) **"Expansion"** means the addition of buildings, structures, or fixed machinery or equipment for purposes of increasing production capacity.

m.) **"Facility"** means property improvements completed or in the process of construction which together comprise an integral whole.

n.) **"Incentive"** means a payment or concession to stimulate greater taxable value, capital investment, and economic impact.

o.) **"Manufacturing Facility"** means buildings and structures, including fixed machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.

p.) **"Modernization"** means the replacement and upgrading of existing facilities, which increases the productive input or output, updates the technology, or substantially lowers the unit cost of the operation. Modernization may result from the construction, alteration or installation of buildings, structures, of fixed machinery or equipment. It shall not be for the purpose of reconditioning, refurbishing, or repairing.

q.) **"New Facility"** means a property previously undeveloped, which is placed into service, by means other than or in conjunction with expansion or modernization.

r.) **"Other Basic Industry"** means buildings and structures including fixed machinery and equipment not elsewhere described, used or to be used for the production or products or services and which result in the creation of new permanent jobs and bring in new wealth.

s.) **"Personal Property"** means personal property, as designated by the CCAD, which includes, but is not limited to, any tangible thing (including gasses, steams, and other non-solid-state things) that can be removed from real property without destroying or changing such real property. Personal Property also includes, for example, any machinery or equipment that may be bolted to the floor but has a shorter life than the building and is used in the primary line of business.

t.) **"Productive Life"** means the number of years a property improvement is expected to be in service in a Facility.

u.) **"Real Property"** means real property improvements, as designated by the CCAD, which includes, but is not limited to, any buildings, buildings built on skids, portable buildings, parking areas, and fences attached to land.

v.) **"Regional Entertainment and Recreation Facility"** means buildings and structures, including fixed machinery and equipment, used or to be used to provide entertainment through the admission of the general public.

w.) **"Research Facility"** means building structures, including fixed machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes of such goods or materials.

x.) **"Service Facility"** means buildings and structures, including fixed machinery and equipment, used or to be used to service goods.

y.) **"Situs Inventory"** means the assessed value of personal property and inventory not owned by the lessor that is located on the property subject to taxation.

z.) **"Spec Building"** means a new building constructed to create an enclosed area of a commercial Facility, which would be used by a business that would normally qualify for Abatement or Incentives, built without an occupying tenant at the time the construction has started or is complete.

SECTION 2
ABATEMENT AUTHORIZED

a.) **Authorized Facility.** A facility may be eligible for Abatement or Incentives if it is one of the qualifying business types specified in Section 1 – Definitions.

b.) **Creation of New Value.** Abatement may only be granted for the additional value over the base year value resulting from eligible property improvements made subsequent to and listed in tax Abatement Agreement between the Eligible Jurisdiction and the property owner subject to such limitations as the Eligible Jurisdiction may require.

c.) **New and Existing Facilities.** Abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion. For spec buildings, 100% Abatement may be granted for up to one (1) year or until occupied or sold, whichever occurs first.

d.) **Eligible Property.** Abatement may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements plus that office space and related fixed improvements necessary to the operation and administration of the facility.

e.) **Ineligible Property.** The following types of property shall be fully taxable and ineligible for tax Abatement : land; inventories; supplies; tools; furnishings and other forms of movable personal property; vehicles; watercraft; aircraft; housing; deferred maintenance investments; any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; property which has an economic life of less than 10 years; property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated or directed by a political subdivision of the State of Texas.

f.) **Owned/Leased Facilities.** In order for a facility to qualify for tax Abatement, the land and eligible property must be owned and operated by the same individual or company or be leased to a facility operator whose lease term is at least 10 years. If a leased Facility is granted Abatement or Incentives, the Agreement may be executed with the lessor and/or the lessee.

g.) **Offer, Execution, Value, and Term of Agreement.** Abatement or Incentives shall be granted effective with the January 1 valuation date immediately following the date of execution of the Agreement, or as agreed by Chambers County. The value of new eligible properties shall be abated according to the approved Agreement between applicant and Chambers County. Chambers County, in its sole discretion, shall determine the amount of any Abatement or Incentives. The term of any Abatement may not exceed ten (10) years.

The Abatement or Incentives may be extended through an initial Agreement and a subsequent Agreement amendment as may be required to comply with state law and county policies.

1. **Offer** – During the initial negotiations with a prospect, a tentative offer for Incentives may be made on behalf of Chambers County. This initial offer will expire after 90 days. Applicants can extend this, if needed, by providing written justification for the extension within the 90-day period.

2. **Execution** – Once approved by Chambers County Commissioners Court, the Agreement must be executed within 15 days, unless otherwise agreed by Chambers County.

h.) **Community Impact Program.** For certain Abatement Agreements and those associated with Chapter 381 Economic Development Agreements, the Community Impact Program and Community Impact Program Contributions will apply.

i.) **Economic Qualification.** In order to be eligible for designation as a reinvestment zone and receive tax Abatement, the proposed improvement:

(1) Must be reasonably expected to increase the value of property in the amount of $750,000 or more after the period of Abatement has expired;

(2) For projects located within a special district or areas within a limited purpose annexation that has the ability to provide tax Abatement or negotiate Incentives, the County will require similar elemental participation to that of a city or town from that district or entity when considering any Incentives, particularly with respect to stipulated values.

(3) In the case of Distribution Centers, warehouse operations, and Spec Buildings managing Situs Inventory, minimum annual inventory estimates over term will be considered an essential stipulation in tax Abatement Agreements.

(4) Must be reasonably expected to prevent the loss of employment and to directly create or prevent the loss of permanent full-time employment for at least five (5) people and the owner must agree to exercise its best efforts to ensure those new employees are residents of Chambers County.

(5) Must not be expected to have the effect of transferring employment solely or primarily from one part of Chambers County to another; and

(6) If a new facility must be necessary because capacity cannot be provided efficiently utilizing existing improved property when reasonable allowance is made for necessary improvements.

Further, If the applicant receives Incentives or tax Abatement, and all things being equal, preferential treatment shall be given to hiring operators and construction workers residing in Chambers County, not only in the construction phase, but also during operations thereafter. When possible, the applicant agrees to hire Chambers County citizens first in positions for which a citizen may be qualified.

j.) **Taxability.** For tax years beginning on or after the execution of the tax Abatement Agreement to the end of the Agreement period, taxes shall be payable as follows;

(1) the value of ineligible property as provided in Section 2(e) shall be fully taxable;

(2) the base year value of existing eligible property shall be fully taxable; and

(3) the value of eligible property shall be taxable in the manner described in Section 2(g).

SECTION 3
APPLICATION

a.) **Filing of Application.** Working through the EDF, any present or potential owner of taxable property in Chambers County may request the creation of a reinvestment zone and tax Abatement by filing a written request with the County Judge of Chambers County if the property is located outside of the taxing jurisdiction of a municipality. A non-refundable application fee of $500.00, made payable to Chambers County, must be provided with the application.

b.) **Content of Application.** The application shall consist of a completed application form accompanied by: a general description of the new improvements to be undertaken; a general descriptive list of the improvements for which an Abatement is requested; a list of the kind, number and location of all proposed improvements of the property; a map and/or aerial and location of all proposed improvements of the property; a map and property description; and a time schedule for undertaking and completing the proposed improvements. In the case of modernization, a statement of the assessed value of the facility, separately stated for real and personal property shall be given for the tax year immediately preceding the application. The application form may require such financial and other information as the municipality or County deems appropriate for evaluating the financial capacity and other factors of the applicant.

c.) **Notice to Eligible Jurisdiction.** Upon receipt and approval of an application, Chambers County shall notify in writing the presiding officer of the governing body of each Eligible Jurisdiction.

d.) **Abatement Inapplicable to Prior Projects.** Chambers County shall not establish a reinvestment zone or enter into an Abatement Agreement if it finds that the request for the Abatement was approved by Commissioner's Court after the construction, discernable alteration, or installation of improvements began as related to a proposed modernization, expansion, or new facility.

e.) **Variance.** Requests for variance from the provisions of Subsections (a), (e) and (g) of Section 2 must be made in written form. Such request shall include a complete description of the circumstances explaining why the applicant should be granted a variance.

SECTION 4
PUBLIC HEARING AND APPROVAL

a.) **Public Hearing for Designation of Reinvestment Zone.** A resolution designating a reinvestment zone may not be adopted until the Commissioners Court has held a public hearing at which interested persons are entitled to speak and present evidence for or against the designation. Notice of the hearing shall be published at least seven (7) days prior to the hearing on the County website and in a newspaper having general circulation in the Eligible Jurisdiction. The presiding officers of other Eligible Jurisdictions shall be notified in writing at least (7) days prior to the hearing.

b.) **Findings Required for Agreement.** In order to enter into a tax Abatement or Incentives Agreement, the Eligible Jurisdiction must find that the terms of the proposed Agreement, the subject property, and Reinvestment Zone meet these guidelines and criteria consistent with Section 312.202 of the Tax Code and that:

(1) there will be no substantial adverse effect on the provision of the jurisdiction's service or tax base; and

(2) the planned use of the property will not constitute a hazard to public safety, health, or morals and provide for adequate buffer zones to holistically protect the quality of life of Chambers County residents.

SECTION 5
AGREEMENT

a.) **Contents of Agreement.** The Eligible Jurisdiction shall formally approve and execute an Agreement with the owner, lessor and/or lessee of the facility upon meeting the requirements set forth in Section 312.207, Chapter 312, of the Texas Property Redevelopment and Tax Abatement Act. The Agreement shall include, at minimum, the:

(1) estimated value to be abated and the base year value;

(2) percent of value to be abated each year as provided in Section 2(g);

(3) commencement date and the termination date of Abatement;

(4) proposed use of the facility; nature of construction, time schedule, map, property description and improvement list as provided in Section 3(b);

(5) contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration, and assignment as provided in Sections 2(a), 2(f), 2(g), 6, 7, 8, and 9, or other provisions that may be required for uniformity or by state law; and

(6) amount of investment and average number of jobs involved.

Such Agreement shall normally be executed within 90 days after the applicant has forwarded all necessary information and documentation to the County. Upon execution of this Agreement, it becomes the responsibility of the applicant to file with the County the necessary reports annually certifying employment and investment level as stated in the executed contract.

SECTION 6
RECAPTURE

The tax Abatement or Incentives Agreement shall contain provisions for recapture of taxes abated in the event that 1) the improvements for which Abatement was granted are not completed in accordance with Agreement, 2) the owner and/or lessee allows ad valorem taxes owed the Eligible Jurisdictions granting Abatement to become delinquent and fails to timely and properly follow the legal procedures for protest and/or contest of such taxes, 3) the owner and/or lessee discontinues operating or using the property as required by the Agreement, or 4) the owner and/or lessee breaches any of the terms or conditions of the Agreement.

SECTION 7
ADMINISTRATION

a.) **Appraisal and Assessment.** The Chief Appraiser of the County shall annually determine an appraisal of the real and personal property comprising the reinvestment zone. Each year, the company or individual receiving Abatement shall furnish the assessor with such information as may be necessary for the Abatement. Once value has been established, the Chief Appraiser shall notify the affected jurisdictions, which levy taxes of the amount of the assessment.

b.) **Access to Property.** The Agreement shall stipulate that employees and/or designated representatives of the contracting Eligible Jurisdiction shall have access to the subject property during the term of the Abatement to inspect the facility to determine if the terms and conditions of the Agreement are being met. All inspections will be made only upon twenty-four (24) hours prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the facility.

c.) **Annual Evaluations.** Upon completion of construction, the jurisdiction creating the reinvestment zone shall annually evaluate each facility receiving Abatement to ensure compliance with the Agreement and report possible violations of the Agreement to the Eligible Jurisdictions.

SECTION 8
ASSIGNMENT

A tax Abatement or Incentive Agreement may not be assigned unless written consent is first granted by the Eligible Jurisdiction that has entered into the Agreement, which consent shall be at the sole discretion of such Eligible Jurisdiction. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in the Agreement. Any assignment of a tax Abatement Agreement shall be to an entity that contemplates the same improvements to, and operation of the property as the assignor, except to the extent such improvements have been completed. No assignment shall be approved by an Eligible Jurisdiction if the assignor or the assignee is indebted to the Eligible Jurisdiction for ad valorem taxes or other obligations.

SECTION 9
SUNSET PROVISIONS

a.) These guidelines and criteria are effective upon the date of their adoption and will remain in force for two years, at which time all reinvestment zones and tax Abatement and Incentives Agreements created pursuant to its provisions will be reviewed by the County or its designated representative, the EDF, to determine whether the goals have been achieved. Based on that review, the guidelines and criteria will be modified, renewed, or eliminated.

b.) This policy applies only to tax Abatement under the provisions of Chapter 312 Property Redevelopment and Tax Abatement Act, Texas Tax Code and is effective upon the date of adoption and will remain in force for two (2) years, unless amended by three-quarters (3/4) vote of the Commissioners Court of Chambers County as so provided for in the Tax Code.

c.) This policy is effective this 26th day of April 2022 and supersedes any previous tax Abatement policy. It will remain in effect until changed by court order.

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EXHIBIT B

TAX ABATEMENT PROPOSAL

SUMIKA SEMICONDUCTOR MATERIALS TEXAS Inc.

November 11, 2022

Chambers County Judge Jimmy Sylvia
404 Washington Avenue
P.O. Box 939
Anahuac, Texas 77514

Re: Proposal from Sumika Semiconductor Materials Texas Inc. (**"Investor"**) to Chambers County for a Chapter 381 Economic Development Agreement

Dear Judge Sylvia:

Investor proposes to invest in the construction of a chemical manufacturing facility with a contemplated location in Chambers County. The proposed new facility would support new manufacturing operations and employment of over 50 new, permanent, full-time manufacturing jobs with above-average wages. The construction phase of the project would also create an estimated average 70 (maximum 150) construction jobs. Investor estimates a total investment of approximately $250 million for new improvements, land, infrastructure, and equipment.

Investor respectfully requests Chambers County consideration of this proposal for an economic development agreement under Chapter 381 of the Texas Local Government Code that would effectively abate 60% of county property taxes on the project for 10 years. In support of this application, Investor submits the following information about the proposed investment:

Exhibit A: Detailed description of the proposed project including a list of major components for which Investor seeks to be covered by an incentive agreement with Chambers County

Exhibit B: Maps depicting location within Chambers County of the contemplated facility and proposed improvements

The proposed manufacturing facility contemplated in this application would promote economic growth for Chambers County and allow Investor the opportunity to expand its investment in the prosperity and welfare of the community. We look forward to discussing this proposal in more detail with you and the Chambers County Commissioners Court. If you have any questions or need further information, please contact me by phone at 480-280-4700 or by e-mail at DElliott@sumichem-at.com.

Regards,

Devin O. Elliott

Devin Elliott
Officer
Sumika Semiconductor Materials Texas Inc.

1415 LOUISIANA STREET SUITE 3410, HOUSTON, TX 77002
T (346) 575-2400

Exhibit A

Detailed description of proposed investment in Chambers County

Investor seeks to expand the sales of its semiconductor business with this proposal to invest in a chemical manufacturing facility in Chambers County. The proposed project would begin construction by H1 2023 and commence commercial operations in H2 2024. Projected capital investment for the project would involve approximately $250 million for construction of new improvements, land, infrastructure, and manufacturing equipment and would require the employment of approximately 70 construction jobs.

The proposed investment would entail construction of production facilities of a high purity semiconductor manufacturing process chemical. In addition to production facilities, contemplated improvements would include storage for production supply and finished products, loading/unloading infrastructure necessary to transport finished product, and necessary ancillary support including an office building and utilities. Manufacturing operations at the proposed facility would support the employment of over 50 new, permanent, full-time jobs with above-average manufacturing wages.

The proposed production facility would be used for the manufacture of a high purity semiconductor manufacturing process chemical. The high purity semiconductor manufacturing process chemical is used to clean semiconductor chips, enabling the semiconductor chip manufacturers to reduce defects and achieve higher yield. Investor strongly believes that building this production facility within the US will strengthen the U.S. semiconductor supply chain, contributing to the US competitiveness in the global semiconductor market.

Major components of the production facilities would include:

- Chemical Plant
- Storage Tanks
- Utility Center
- Operation and Analysis building
- Security Building
- Warehouse
- Parking Lots
- Future expansion of production products

Exhibit B

Maps depicting location of the contemplated facility and proposed improvements

Please see attached.



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EXHIBIT C

PREMISES

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ORDER DESIGNATING/CREATING THE SUMIKA SEMICONDUCTOR MATERIALS TEXAS REINVESTMENT ZONE #1

On February 28, 2023, at a public meeting of the Commissioners Court of Chambers County, Texas (**"Court"**), the Court conducted a hearing on the application of Sumika Semiconductor Materials Texas, Inc. (**"SST"**) for the creation of the Sumika Semiconductor Materials Texas Reinvestment Zone #1 (**"Reinvestment Zone"**).

The Court finds and declares that:

1. The Court has adopted tax abatement and economic development guidelines and policies which are now in effect, thereby electing to become eligible to participate in tax abatement.

2. SST has applied, in a timely and adequate fashion, for tax abatement on a proposed project to be developed within the Reinvestment Zone.

3. All notices and legal requirements have been given and/or satisfied prior to the consideration by the Court of the creation of the Reinvestment Zone. Specifically, notice of today's hearing was published in the manner required by law and notice was timely given to the presiding officer of other taxing units of government as required by law.

4. The designation of the Reinvestment Zone will contribute to the retention or expansion of primary employment and will attract major investment in the zone that will be a benefit to the property to be included in the Reinvestment Zone and will contribute to the economic development of the County and surrounding area.

5. The improvements sought to be made are feasible and practical and will be a benefit to the land to be included in the Reinvestment Zone.

6. The area requested to be designated as the Reinvestment Zone meets the criteria for designation as such in one of more ways as specifically provided by law.

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Therefore, upon motion made by Commissioner Dagley, seconded by Commissioner Tice and affirmatively passed, be it RESOLVED and ORDERED by the Court that the 45.178-acre tract of land described in the attached Exhibit is hereby designated as the Sumika Semiconductor Materials Texas Reinvestment Zone #1 and is eligible for commercial / industrial tax abatement.

PASSED and ADOPTED February 28, 2023.

CHAMBERS COUNTY, TEXAS

By: DocuSigned by: Jimmy Sylvia 1492536299FA478...

JUDGE JIMMY SYLVIA,
Chambers County Judge

ATTEST:
DocuSigned by: Heather H. Hawthorne 03933AF26BE5410...

HEATHER H. HAWTHORNE, County Clerk

DocuSign Envelope ID: D45EBFAC-5805-47BC-96AF-52370EEEAFB5

SUMIKA SEMICONDUCTOR MATERIALS TEXAS REINVESTMENT ZONE #1 PROPERTY DESCRIPTION

45.178-ACRE TRACT

BEING 45.178 ACRE TRACT OF LAND SITUATED IN THE THOMAS SHEPHERD SURVEY, ABSTRACT NO. 229, CHAMBERS COUNTY, TEXAS, BEING A PORTION OF THAT 270.4704 ACRE (BY DEED) TRACT OF LAND, SAVE AND EXCEPT "TRACT 1", DESCRIBED AS "TRACT 2" FOR A NET 260.4704 ACRES CONVEYED UNTO TGS CEDAR PORT PARTNERS L.P. BY DEED RECORDED UNDER CLERK'S FILE NO. 2017-127120, OF THE OFFICIAL PUBLIC RECORDS OF CHAMBERS COUNTY, TEXAS.

DocuSign Envelope ID: D45EBFAC-5805-47BC-96AF-52370EEEAFB5

Metes and Bounds Description
Of 45.178 Acres of Land
Out of The
Thomas Shepherd Survey, Abstract No. 229
Chambers County, Texas

BEING a 45.178 acre tract of land located in the Thomas Shepherd Survey, Abstract No. 229, Chambers County, Texas, being a portion of that 270.4704 acre (by deed) tract of land, save and except "Tract 1", described as "Tract 2" for a net 260.4704 acres conveyed unto TGS Cedar Port Partners L.P. by deed recorded under Clerk's File No. 2017-127120, of the Official Public Records of Chambers County, Texas, said 45.178 acre tract being more particularly described by metes and bounds as follows:

COMMENCING at a 3 inch iron pipe found marking the southwest corner of said 260.4704 acre tract in the north line of that 105.202 acre (by deed) tract of land conveyed unto Texas Gencorp Holdings, Inc. by deed recorded in Volume 575, Page 835, of the Official Public Records of Chambers County, Texas being further described in the deed conveyed unto Houston Lighting & Power Company recorded in Volume 276, Page 469, of the Deed Records of Chambers County, Texas, said 3 inch iron pipe being located in the east right-of-way line of Farm to Market Road 1405 (a 300 foot wide public right-of-way) as recorded in Volume 343, Page 466, of the Deed Records of Chambers County, Texas, said 3 inch iron pipe being a point on a non-tangent curve to the left having a central angle of 13 degrees 19 minutes 51 seconds, a radius of 5,970.37 feet, a chord bearing of North 21 degrees 24 minutes 20 seconds East and a chord length of 1,385.98 feet; **THENCE,** with said east right-of-way line of Farm to Market Road 1405 and with said curve to the left, for an arc distance of 1,389.11 feet, to a point for corner, from which a 1/2 inch iron with cap stamped "GHA INC" was found bearing South 14 degrees 44 minutes 36 seconds West at a distance of 0.66 feet; **THENCE,** North 77 degrees 36 minutes 12 second East, at 1060.38 feet passing a 5/8 inch iron rod found at the northwest corner of a 10.0000 acre (by deed) "Tract 1" conveyed unto BAJ Partners LP. by deed recorded in county clerk file 2020-162594, of the Official Public Records of Chambers County, Texas; at 1822.19 feet passing a 5/8 inch iron rod with cap stamped "GORRONDONA" set for the northeast corner of said 10.000 acre tract and continuing for a total distance of 2,022.19 feet to a 5/8 inch iron rod with cap stamped "GORRONDONA" set for the northwest corner and the **POINT OF BEGINNING** of the herein described 45.178 acre tract;

THENCE, North 77 degrees 36 minutes 12 seconds East, for a distance of 1,599.68 feet, to a 5/8 inch iron rod with cap stamped "GORRONDONA" set for the northeast corner of herein described 45.178 acre tract;

THENCE, South 02 degrees 04 minutes 01 seconds West, for a distance of 1,542.94 feet, to a 5/8 inch iron rod with cap stamped "GORRONDONA" set for an angle corner in the of the herein described 45.178 acre tract;

THENCE, South 47 degrees 00 minutes 16 seconds West, for a distance of 59.33 feet, to a 5/8 inch iron rod with cap stamped "GORRONDONA" set for an angle corner in of the herein described 45.178 acre tract;

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THENCE, North 88 degrees 19 minutes 49 seconds West, for a distance of 1,166.62 feet, to a 5/8 inch iron rod with cap stamped "GORRONDONA" set for an angle corner of the herein described 45.178 acre tract;

THENCE, North 50 degrees 13 minutes 39 seconds West, for a distance of 51.52 feet, to a 5/8 inch iron rod with cap stamped "GORRONDONA" set for an angle corner of the herein described 45.178 acre tract;

THENCE, North 12 degrees 23 minutes 48 seconds West, for a distance of 1,200.00 feet, to the **POINT OF BEGINNING** and containing 45.178 acres (1,967,966 square feet) of land, more or less.

NOTE: All bearings and coordinates are based on the Texas State Plane Coordinate System, North American Datum of 1983, South Central Zone (4204) referenced to the City of Baytown Monument No. 304. The posted combined scale factor is 0.99988584. Distances shown have surface values (U.S. Survey Feet) and acreage shown was calculated using surface values.

*** SURVEYOR'S CERTIFICATE ***

TO ALL PARTIES INTERESTED IN TITLE TO THE PREMISES SURVEYED, I DO HEREBY STATE THAT THE ABOVE LEGAL DESCRIPTION WAS PREPARED FROM PUBLIC RECORDS AND FROM AN ACTUAL AND ACCURATE SURVEY UPON THE GROUND AND THAT SAME IS TRUE AND CORRECT.

Job No. TGSI2241.00
Date: October 27, 2022



Kevin Marquez
Texas Registered Professional Land Surveyor
RPLS No. 6914

Gorrondona and Associates, Inc.
Texas Surveying Firm Branch Registration No. 10106902
15710 John F. Kennedy Boulevard, Suite 200
Houston, TX 77032
281.929.9752

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Exhibit D

Certification Regarding Employment of Undocumented Aliens

Sumika Semiconductor Materials Texas, Inc, a Texas corporation ("**SST**") hereby certifies to Chambers County that SST and any branches, divisions, or departments of SST do not and will not knowingly employ an undocumented worker, as that term is defined by Section 2264.001(4) of the Texas Government Code.

Sumika Semiconductor Materials Texas, Inc,
a Texas corporation

By: _____
Name: Devin O. Elliott
Title: Officer, HR Director

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Exhibit E

CIPC Prepayment Calculation Model

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Sumika - Chambers County 10-YR Abatement Impact Model : $130M

Project Value	Project Year	% of Appraised Value	% of Value Abated	Tax Amount Abated	Taxes Paid	Annual Min. Inventory	Taxes Owed w/o Abatement	CIPC	SET
$130,000,000	2026	40%	60%	$362,902.80	$241,935	TBD	604,838.00	$10,887.08	$34,177.00
$127,400,000	2027	40%	60%	$355,644.74	$237,096		592,741.24	$10,669.34	$33,493.46
$124,852,000	2028	40%	60%	$348,531.85	$232,355		580,886.42	$10,455.96	$32,823.59
$122,354,960	2029	40%	60%	$341,561.21	$227,707		569,268.69	$10,246.84	$32,167.12
$119,907,861	2030	40%	60%	$334,729.99	$223,153		557,883.31	$10,041.90	$31,523.78
$117,509,704	2031	40%	60%	$328,035.39	$218,690		546,725.65	$9,841.06	$30,893.30
$115,159,510	2032	40%	60%	$321,474.68	$214,316		535,791.13	$9,644.24	$30,275.44
$112,856,319	2033	40%	60%	$315,045.19	$210,030		525,075.31	$9,451.36	$29,669.93
$110,599,193	2034	40%	60%	$308,744.28	$205,830		514,573.81	$9,262.33	$29,076.53
$108,387,209	2035	40%	60%	$302,569.40	$201,713		504,282.33	$9,077.08	$28,495.00
			Total	$3,319,240	$2,212,826	$0.00	$5,532,066	$99,577.19	$312,595.13

NPV of CIPC @ 5% Discount Rate $77,514 If Paid in Lump Sum Year 1

Investment:	$130,000,000
Total County Tax:	$5,532,066
County Taxes Abated:	60%
County Taxes Paid:	40%

This is an estimate, strictly for modelling purposes. Assumptions: $130M TCI; Abatement effective at maximum value in Y-1, depreciated 2% over term. Abatement Basis: County Tax Rate - $0.46526 / $100. Inventory Tax Rate - $0.491551 / $100. SET Tax Rate = $0.02629 / $100. CIPC = .03 x Tax Abated Abatement applies to Eligible Property per County Policy.

Discount Rate @ 5.00%

CIPC

5%

Year	Total	x	P. V. Factor	Income
1	$10,887.08		0.952381	$10,369
2	$10,669.34		0.907029	$9,677
3	$10,455.96		0.863838	$9,032
4	$10,246.84		0.822702	$8,430
5	$10,041.90		0.783526	$7,868
6	$9,841.06		0.746215	$7,344
7	$9,644.24		0.710681	$6,854
8	$9,451.36		0.676839	$6,397
9	$9,262.33		0.644609	$5,971
10	$9,077.08		0.613913	$5,573
	$99,577.19		PV of CIPC Money:	$77,514