

FINDINGS OF THE SEGUIN INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
CATERPILLAR, INC



December 17, 2009

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OF THE
SEGUIN INDEPENDENT
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TEXAS ECONOMIC DEVELOPMENT ACT
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DECEMBER 17, 2009

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STATE OF TEXAS §

COUNTY OF GUADALUPE §

On the 17th day of December, 2009, a public meeting of the Board of Trustees of the Seguin Independent School District was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of the Caterpillar, Inc. (Caterpillar) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Seguin Independent School District makes the following findings with respect to the application of Caterpillar, and the economic impact of that application:

On October 15, 2009, the Superintendent of Schools of the Seguin Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received an Application from Caterpillar for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The application was finalized on October 27, 2009. A copy of the Application is attached as **Attachment A**.

The Applicant, Caterpillar (Texas Taxpayer Id. 13706027441) is an entity subject to Chapter 171, Texas Tax Code and is certified to be in good standing with the Texas Comptroller of Public Accounts. See **Attachment B**.

The Board of Trustees has acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy.

Board Findings of the Seguin Independent School District

The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d).

A copy of the Application was delivered to the Guadalupe County Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a favorable recommendation was issued on December 4, 2009. A copy of the Comptroller's letter is attached to the findings as **Attachment C**.

After receipt of the Application, the Texas Comptroller of Public Accounts caused to be conducted an economic impact evaluation pursuant to Texas Tax Code § 313.026 and the Board of Trustees has carefully considered such evaluation. A copy of the economic impact evaluation is attached to these findings as **Attachment D**.

The Board of Trustees also directed that a specific financial analysis be conducted of the impact of the proposed value limitation on the finances of the Seguin Independent School District. A copy of a report prepared by Moak, Casey & Associates, Inc. is attached to these findings as **Attachment E**.

The Board of Trustees has confirmed that the taxable value of property in the Seguin Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code is as stated in **Attachment F**.

After receipt of the Application, the District entered into negotiations with Caterpillar, over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The proposed Agreement is attached to these findings as **Attachment G**.

After review of the Comptroller's recommendation, and in consideration of its own economic impact study the Board finds:

Board Finding Number 1.

There is a strong relationship between the Applicant's industry and the types of qualifying jobs to be created by the Applicant and the long-term economic growth plan of this State as described in the strategic plan for economic development (ED Plan) submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Texas Government Code.

In support of Finding 1, the economic impact evaluation states:

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Caterpillar project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

Board Finding Number 2.

The economic condition of Guadalupe County, Texas, is in need of long-term improvement.

Based on information provided by the Comptroller's Office, Guadalupe County's population growth exceeded that for the state in recent years. The state population grew by 2.0 percent between 2007 and 2008, while the population of Guadalupe County increased by 4.3 percent over the same period.

October 2009 employment for Guadalupe County has not increased from the October 2008 employment report. The current total employment is 54,566. The state's employment, however, has decreased by one percent over the same time period. The unemployment rate in Guadalupe County was 6.8 percent in October 2009, lower than the current state average of 8.3 percent.

Guadalupe County continues to have lower per capita personal income than the state as a whole. In terms of per capita income, Guadalupe County's \$32,083 in 2007 ranked 69th among the 254 counties in Texas, while the Texas average was \$37,083 for the same period.

Board Findings of the Seguin Independent School District

In the first quarter of 2009, taxable sales totaled \$172.3 million in Guadalupe County. This figure reflects a 4.2 percent decrease from a year earlier, which would indicate the local economy is feeling the effects of the economic recession, especially in a county where population growth has exceeded the state average and the unemployment rate is below the state average.

Given recent income levels and sales tax activity, Guadalupe County will benefit from economic activity like that associated with the Caterpillar project. Major capital investments like this project are beneficial to the community on a number of fronts, including employment, expanded opportunities for existing businesses, and an increased local tax base.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least \$38,581 per year, which meets the qualification that the wage-level be 110% of the average county wage. Caterpillar indicates that total employment will be approximately 1,099 new jobs.

In support of Finding 3, the economic impact evaluation states:

After construction, the project will create 1,099 new jobs when fully operational. Of those jobs, 879 (80 percent) will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Alamo Area Council of Governments Region, where Guadalupe County is located was \$33,467 in 2007. The annual average manufacturing wage for 2008 for Guadalupe County is \$50,011. That same year, the county annual average wage for all industries was \$35,074. In addition to an annual average salary of \$38,581 each qualifying position will receive benefits such as health and dental insurance, 401(k) and paid leave.

Board Findings of the Seguin Independent School District

Board Finding Number 4.

The level of the applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$228,669, based on the goal of 1,099 positions for the entire Caterpillar project.

In support of Finding 4, the economic impact evaluation states:

The project's total investment is \$201 million, resulting in a relative level of investment per qualifying job of \$228,669.

Board Finding Number 5.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region.

Table 1 depicts Caterpillar's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Caterpillar

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2009	185	309	494	\$9,415,785	\$21,584,215	\$31,000,000
2010	284	646	930	\$10,670,232	\$50,329,768	\$61,000,000
2011	525	1,258	1,783	\$18,605,475	\$105,394,525	\$124,000,000
2012	750	1,836	2,586	\$26,579,250	\$164,420,750	\$191,000,000
2013	1,099	2,703	3,802	\$38,947,461	\$258,052,539	\$297,000,000
2014	1,099	2,803	3,902	\$38,947,461	\$289,052,539	\$328,000,000
2015	1,099	2,853	3,952	\$38,947,461	\$316,052,539	\$355,000,000
2016	1,099	2,884	3,983	\$38,947,461	\$342,052,539	\$381,000,000
2017	1,099	2,885	3,984	\$38,947,461	\$364,052,539	\$403,000,000
2018	1,099	2,897	3,996	\$38,947,461	\$387,052,539	\$426,000,000
2019	1,099	2,907	4,006	\$38,947,461	\$410,052,539	\$449,000,000
2020	1,099	2,922	4,021	\$38,947,461	\$434,052,539	\$473,000,000
2021	1,099	2,951	4,050	\$38,947,461	\$460,052,539	\$499,000,000
2022	1,099	2,983	4,082	\$38,947,461	\$488,052,539	\$527,000,000
2023	1,099	3,018	4,117	\$38,947,461	\$518,052,539	\$557,000,000
2024	1,099	3,058	4,157	\$38,947,461	\$550,052,539	\$589,000,000

Source: CPA, REMI, Caterpillar

Board Findings of the Seguin Independent School District

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2008. Seguin ISD's ad valorem tax base in 2008 was \$2.4 billion. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Seguin ISD's estimated wealth per WADA was \$252,942.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Guadalupe County, and Seguin with all property tax incentives sought being granted using estimated market value from Caterpillar's application. Caterpillar has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and city, seeking 100 percent abatements for ten years. Table 3 illustrates the estimated tax impact of the Caterpillar project on the region if all taxes are assessed.

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought										
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Seguin ISD I&S Levy	Seguin ISD M&O Levy	Seguin ISD M&O and I&S Tax Levies (Before Credit Credited)	Seguin ISD M&O and I&S Tax Levies (After Credit Credited)	Guadalupe County	City of Seguin	School, City & County Property Taxes
			0.2098		1.0400			0.3895	0.4823	
2009	\$685,820	\$685,820		\$1,439	\$7,133	\$8,571	\$8,571	\$0	\$0	\$8,571
2010	\$22,700,000	\$22,700,000		\$47,625	\$236,080	\$283,705	\$283,705	\$0	\$0	\$283,705
2011	\$122,600,000	\$122,600,000		\$257,215	\$1,275,040	\$1,532,255	\$1,532,255	\$0	\$0	\$1,532,255
2012	\$118,500,000	\$80,000,000		\$248,613	\$832,000	\$1,080,613	\$1,080,613	\$0	\$0	\$1,080,613
2013	\$114,300,000	\$80,000,000		\$239,801	\$832,000	\$1,071,801	\$1,008,510	\$0	\$0	\$1,008,510
2014	\$109,800,000	\$80,000,000		\$230,360	\$832,000	\$1,062,360	\$999,069	\$0	\$0	\$999,069
2015	\$105,100,000	\$80,000,000		\$220,500	\$832,000	\$1,052,500	\$989,208	\$0	\$0	\$989,208
2016	\$100,300,000	\$80,000,000		\$210,429	\$832,000	\$1,042,429	\$979,138	\$0	\$0	\$979,138
2017	\$95,200,000	\$80,000,000		\$199,730	\$832,000	\$1,031,730	\$968,438	\$0	\$0	\$968,438
2018	\$89,900,000	\$80,000,000		\$188,610	\$832,000	\$1,020,610	\$957,319	\$0	\$0	\$957,319
2019	\$85,000,000	\$80,000,000		\$178,330	\$832,000	\$1,010,330	\$947,039	\$331,075	\$409,955	\$1,688,069
2020	\$82,100,000	\$82,100,000		\$172,246	\$853,840	\$1,026,086	\$1,026,086	\$319,780	\$395,968	\$1,741,834
2021	\$79,700,000	\$79,700,000		\$167,211	\$828,880	\$996,091	\$996,091	\$310,432	\$384,393	\$1,690,915
2022	\$77,800,000	\$77,800,000		\$163,224	\$809,120	\$972,344	\$972,344	\$303,031	\$375,229	\$1,650,605
2023	\$81,600,000	\$81,600,000		\$171,197	\$848,640	\$1,019,837	\$1,019,837	\$317,832	\$393,557	\$1,731,226
2024	\$87,600,000	\$87,600,000		\$183,785	\$911,040	\$1,094,825	\$1,094,825	\$341,202	\$422,495	\$1,858,522
						Total	\$14,863,047	\$1,923,351	\$2,381,597	\$19,167,995

Source: CPA, Caterpillar

*Assumes Chapter 313 Value Limitation and County and City Tax Abatement (100 percent 10 years)

¹Tax Rate per \$100 Valuation

The Application indicates that the Caterpillar project expects to create 1,099 new jobs at its Seguin site. It is anticipated that many employees will be hired from current residents in the region, including surrounding areas. Because local residents could be hired to work at the new facility and while the housing decisions of new residents in the area employed by Caterpillar cannot be determined with any degree of precision, the current thinking is that Seguin ISD is well-positioned to accommodate an influx of new students, given its current capacity. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Seguin ISD as stated in Attachment D.

Board Finding Number 8.

The ability of the applicant to locate the proposed facility in another state or another region of this state is substantial, as a result of the highly competitive marketplace for economic development.

In support of Finding 9, the economic impact evaluation states:

According to Caterpillar's application, "this opportunity represents a significant consolidation that has considered multi-county and multi-state locations in the southern regions of the United States. . . . Due to proposed wage scale and the significant investment required, this consolidation provided Caterpillar with many attractive opportunities. Caterpillar also considered expanding other existing facilities outside Texas."

Board Finding Number 9.

During the past two years, no projects in the Alamo Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

Board Finding Number 10.

The Board of Trustees hired consultants to review and verify the information in the Application from Caterpillar. Based upon the consultants' review, the Board has determined that the information provided by the Applicant is true and correct.

Board Finding Number 11.

The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Eighty Million Dollars, which is consistent with the minimum values currently set out by Tax Code, §§ 313.022(b).

According to the Texas Comptroller of Public Accounts' School and Appraisal Districts' Property Value Study 2008 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2008 total taxable value for Seguin ISD is \$2.35 billion. Under the provisions on Texas Tax Code, a school district with taxable values of more than a \$1 billion but less than \$10 billion is a Category 2 non-rural district, which may offer a value limitation of \$80 million.

Board Finding Number 12.

The Applicant (Taxpayer Id. 13706027441) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its "good standing" certification as a franchise-tax paying entity.

Board Finding Number 13.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment G, includes adequate and appropriate revenue protection provisions for the District.

In support of this finding, the report of Moak, Casey & Associates, Inc. shows that the District will incur an initial revenue loss without the proposed Agreement, especially in the third year of the Agreement. However, with this Agreement, the negative consequences of granting the value limitation are offset through the revenue protection provisions agreed to by the Applicant and the District. Additional revenue protection measures are also in place for the duration of the Agreement.

Board Finding Number 14.

Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Attachment A

Application

APPLICATION FOR APPRAISED VALUE LIMITATION ON QUALIFIED PROPERTY
(Tax Code, Chapter 313, Subchapter B or C)

Supplemented 10/6/09

School district name Seguin Independent School District	Date application filed with district (To be filed in by school district) 8/31/09
Address 1221 E. Kingsbury Seguin, TX 78155	Phone (area code and number) (830) 372-5771

This form applies to property that meets the requirements of Tax Code Chapter 313. This completed application must be filed with the school district. If the governing body decides to consider this application, the school district must immediately forward three copies of the application to the Comptroller of Public Accounts and request that the Comptroller provide an economic impact evaluation of the application to the school district. The governing body may, at its discretion, allow the applicant to supplement or amend the application after the filing date, subject to the restrictions in Texas Administrative Code Rule 9.1054, to provide information required by the application form that was unavailable prior to the filing date. The school district must forward the supplemental or amended information to the comptroller and the appraisal district. The school board shall approve or disapprove this application before the 121st day from the application filing date, unless an extension is granted.

Step 1: Applicant name and address	Only entities to which Tax Code Chapter 171 applies are eligible for appraised value limitations on qualified property.		
	Applicant name: Caterpillar Inc.		
	Mailing address: 100 N.E. Adams Street		
	Texas Taxpayer I.D. Number of entity subject to Tax Code, Chapter 171 (11 digits): 1-37-0602744-1	City, State: Peoria, Illinois	ZIP code + 4: 61629-4295
	Name of person preparing this application: Andrew Yeo	Title: Facility Planning Manager	
	Phone (area code and number): (309) 494-1560		

Step 2: Describe the property.	(A) Attach the following items to this application:	
	1. A specific description of all property for which you are requesting an appraised value limitation as defined by Tax Code §313.021(2). Include a description of the land, describe each proposed improvement, and each proposed item of personal property for which you are seeking a limitation. Include each existing appraisal district account number and the legal description of the land, attach a detailed map showing the actual or proposed location of the land and proposed improvements and showing the actual or proposed boundaries and size of the reinvestment zone or enterprise zone in which the property will be located. Attach the order, resolution or ordinance establishing the zone, and the guidelines and criteria for creating the zone (if applicable).	
	2. A fully detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.	
	3. A map of the reinvestment zone boundaries, certified to be accurate by either the governmental entity creating the zone, the local appraisal district, or a licensed surveyor.	
	(B) Answer the following questions:	
	1. What is the first tax year of your proposed qualifying time period (as defined by Tax Code §313.021(4))?	<u>2010</u>
	2. What is the amount of qualified investment, as defined by Tax Code §313.021(1), that will be made during the 2-year qualifying time period?	<u>\$ 138,500,000</u>
	3. What is the amount of appraised value limitation for which you are applying?	<u>\$ 80,000,000</u>
	NOTE: The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as rural, and the school district's property value. For assistance in determining these minimums, access the comptroller's Web site at http://www.window.state.tx.us/taxinfo/proptax/hb1200/values.html .	

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<p>Step 3: Answer these questions about property and job qualifications.</p>	<p>1. Do you propose to construct a new building or to erect or affix a new improvement after the date you submit this application? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. Will all of the property for which you are requesting an appraised value limitation be free of a tax abatement agreement entered into by a school district for the duration of the qualifying time period, and for the duration of the appraised value limitation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3. Is the land on which you propose new construction or improvement currently located in an area designated as a reinvestment zone under Tax Code Chapter 311 or 312 or as an enterprise zone under Government Code Chapter 2303? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3(a) If you answered "no" to the question above, are you seeking an agreement with a taxing unit that, prior to the first day of the qualifying time period, will result in a reinvestment zone with boundaries encompassing the land on which you propose new construction or improvement? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="padding-left: 40px;">Date of anticipated agreement? <u>August 18, 2009 Seguin city council meeting</u></p> <p>4. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or 313.053 for rural school districts) for the relevant school district category? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>5. On the land and in connection with the new building or other improvement, do you plan to create at least 25 new jobs (at least 10 new jobs for rural school districts)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>6. Will at least 80 percent of all the new jobs created by the property owner be qualifying jobs as defined by Tax Code §313.021(3)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>6(a) If you answered "yes" to the question above, attach documentation from the Texas Workforce Commission that the new qualifying jobs meet the requirements of Tax Code §313.021(3)(E) or 313.051(b).</p> <p>7. Do you intend to request that the governing body waive the minimum jobs creation requirement, as provided under Tax Code §313.025(f-1)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>7(a) If you answered "yes" to the question above, attach evidence documenting that the job creation requirement (5) above exceeds the number of employees necessary for the operation, according to industry standards.</p> <p>8. Except for new equipment described in Tax Code §151.318(q) or (q-1), is the proposed tangible personal property to be placed in service for the first time</p> <p style="padding-left: 20px;">a) in or on the new building or other new improvement for which you are applying for an appraised value limitation, or</p> <p style="padding-left: 20px;">b) if not in or on the new building or other new improvement for which you are applying for an appraised value limitation, is the personal property necessary and ancillary to the business conducted in the new building or other new improvement, and is the personal property on the same parcel of land as the building for which you are applying for an appraised value limitation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A ["First placed in service" means the first use of the property by the taxpayer.]</p> <p>9. The property will be used as an integral part, or as a necessary auxiliary part, in one of the following activities as defined by Tax Code §313.024(b):</p> <ul style="list-style-type: none"> • manufacturing; <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No • research and development <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No • a clean coal project; <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No • an advanced clean energy project <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No • renewable energy electric generation; <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No • electric power generation using integrated gasification combined cycle technology; or <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No • nuclear electric power generation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>10. Are you an entity to which Tax Code, Chapter 171 applies? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
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Step 4:
Answer these questions about investment, property value and employment.

1. Will the investment in real or personal property you propose to be counted toward the minimum qualified investment required by Tax Code §313.023, (or 313.053 for rural school districts) be first placed in service in this state during the applicable qualifying time period? Yes No
2. Does the investment in tangible personal property meet the requirements of Tax Code §313.021(1)? Yes No N/A
3. If the proposed investment includes a building or a permanent, non-removable component of a building, does it house tangible personal property described above? Yes No N/A
4. Will you own the property or lease the property under a capitalized lease? If leased, attach a copy of the lease agreement. Yes No
5. Are you including property that is owned by a person other than the applicant and that is pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? Yes No

Step 5:
Economic Impact

Please answer the following questions.

1. Applicant's 6-digit North American Industry Classification System (NAICS) code: 333618
2. Is Schedule A completed for all years and attached? Yes No
3. Is Schedule B completed for all years and attached? Yes No
4. Is Schedule C completed for all years and attached? Yes No
5. Total number of new jobs that will have been created when fully operational: 1,099
6. Total number of new jobs identified in (5) above that will have wages greater than 110 percent of the county average weekly wage for manufacturing jobs*: N/A
7. Total number of new jobs identified in (5) above that will meet all the criteria for "qualifying jobs" as specified in Tax Code §313.021(3): 879
8. Describe each type of benefits to be offered to qualifying jobholders. Explain.
SEE ATTACHMENT: G
- 8(a) Will the jobs created offer at least 80 percent of the premiums or other charges assessed for employee-only coverage under the group health benefit plan for qualifying jobholders? Yes No
9. Describe the ability of your company to locate or relocate in another state or another region of the state.
SEE ATTACHMENTS: A&H
10. Describe the current economic condition of the region of the state where the property is located.
SEE ATTACHMENT: I

*Applicants to rural school districts that are not located in an SIA (see §313.051(a)(2)) must meet the regional wage standard described in 313.051(b).

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<p>Step 6: Applicant sign and date application.</p>	<p>By signing this application, you certify that this information is true and correct to the best of your knowledge and belief. Also by signing this application, you agree to respond promptly to all information requests made by the comptroller under Tax Code §313.032 and to send updated contact information to the comptroller throughout the agreement period.</p> <p>print name <u>Gary Strong</u> Vice President <small>Name of authorized company officer Title</small></p> <p>sign here <u><i>[Signature]</i></u> <u>28 - AUGUST - 2009</u> <small>Signature of authorized company officer Date</small></p> <p>On behalf of <u>Caterpillar, Inc.</u> <small>Name of corporate/company</small></p>
<p>If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code §37.10.</p>	
<p>Step 7: School district official sign and date application.</p>	<p>By signing below, I affirm that I have been delegated the authority by the school district governing body to act on its behalf with regard to this application for a limitation on appraised value.</p> <p>print name <u>Dr. Irene Garza</u> Superintendent <small>Name of authorized school district official Title</small></p> <p>sign here <u><i>[Signature]</i></u> <u>8/31/09</u> <small>Signature of authorized school district official Date</small></p> <p>On behalf of <u>Seguin, ISD</u> <small>Name of school district</small></p>

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[Handwritten Signature]

10/27/09

SCHEDULE A-3676 (Temporary - July 2009): INVESTMENT & TAXES

PROPERTY INVESTMENT AMOUNTS (\$)				TAX INFORMATION							
(Estimated Investment in each year. Do not put cumulative totals.)				Column A: Tangible Personal Property: the amount of new investment (original cost) placed in service during this year	Column B: Building or nonresidential component of building (gross amount only)	Column C: Sum of A and B - Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment (during the qualifying time period)	Column E: Total Investment (A+B+D)	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* NOT subject to state tax	Column H: Estimate of Franchise tax cost from (a) the applicant or (b) the applicant
The year preceding the first completion of the year of the qualifying time period (assuming no deferrals)	Year	Tax Year (in actual tax year basis)	Investment made before filing application with district (whether qualified property or eligible to become qualified property)	Investment made after filing application with district, but before application approval (eligible to become qualified property)	Investment made after application approval and before 1st of first complete tax year of qualifying time period (qualified investments are eligible to become qualified property)	Complete the years of qualifying time period	Value Limitation Period	Credit Set-Up Period	Pre-Set-Up Period	Post-Set-Up Period	
1		2010	0	0	0	0	0	0	0	0	0
2		2010	0	0	0	0	0	0	0	0	0
3		2010	0	0	0	0	0	0	0	0	0
4		2010	0	0	0	0	0	0	0	0	0
5		2010	0	0	0	0	0	0	0	0	0
6		2010	0	0	0	0	0	0	0	0	0
7		2010	0	0	0	0	0	0	0	0	0
8		2010	0	0	0	0	0	0	0	0	0
9		2010	0	0	0	0	0	0	0	0	0
10		2010	0	0	0	0	0	0	0	0	0
11		2010	0	0	0	0	0	0	0	0	0
12		2010	0	0	0	0	0	0	0	0	0
13		2010	0	0	0	0	0	0	0	0	0
14		2010	0	0	0	0	0	0	0	0	0
15		2010	0	0	0	0	0	0	0	0	0
16		2010	0	0	0	0	0	0	0	0	0
17		2010	0	0	0	0	0	0	0	0	0
18		2010	0	0	0	0	0	0	0	0	0
19		2010	0	0	0	0	0	0	0	0	0
20		2010	0	0	0	0	0	0	0	0	0
21		2010	0	0	0	0	0	0	0	0	0
22		2010	0	0	0	0	0	0	0	0	0
23		2010	0	0	0	0	0	0	0	0	0
24		2010	0	0	0	0	0	0	0	0	0
25		2010	0	0	0	0	0	0	0	0	0
26		2010	0	0	0	0	0	0	0	0	0
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28		2010	0	0	0	0	0	0	0	0	0
29		2010	0	0	0	0	0	0	0	0	0
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35		2010	0	0	0	0	0	0	0	0	0
36		2010	0	0	0	0	0	0	0	0	0
37		2010	0	0	0	0	0	0	0	0	0
38		2010	0	0	0	0	0	0	0	0	0
39		2010	0	0	0	0	0	0	0	0	0
40		2010	0	0	0	0	0	0	0	0	0
41		2010	0	0	0	0	0	0	0	0	0
42		2010	0	0	0	0	0	0	0	0	0
43		2010	0	0	0	0	0	0	0	0	0
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45		2010	0	0	0	0	0	0	0	0	0
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49		2010	0	0	0	0	0	0	0	0	0
50		2010	0	0	0	0	0	0	0	0	0
51		2010	0	0	0	0	0	0	0	0	0
52		2010	0	0	0	0	0	0	0	0	0
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56		2010	0	0	0	0	0	0	0	0	0
57		2010	0	0	0	0	0	0	0	0	0
58		2010	0	0	0	0	0	0	0	0	0
59		2010	0	0	0	0	0	0	0	0	0
60		2010	0	0	0	0	0	0	0	0	0

Qualifying Time Period usually begins with the approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant certifies qualified investments, as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list the amount invested each year, not cumulative totals. (For the years outside the qualifying time period, this number should simply represent the planned investment to tangible personal property. Include estimates of investment for "replacement" property-property that is part of signed agreement but scheduled for probable replacement during limitation period.

Column B: The total dollar amount of planned investment each year in buildings or nonresidential components of buildings that the applicant certifies qualified investment under Tax Code §313.021(1)(B). For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonresidential components of buildings.

Column D: Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value. The most significant example for many projects would be land. Other examples may be items such as professional services, etc. Note: Land can be listed as part of investment during the "year-year 1" time period. It cannot be part of qualifying investment.

* For planning, construction and operation of the facility.

Note: Information related to items in Columns F through H, for the year preceding the first complete year of the qualifying time period, need not be broken out by the time periods used for the requested investment information in Columns A through E. Note: For advanced clean energy projects, without projects projects with deferred qualifying time periods, and projects with lengthy application review periods, least additional items as needed.

The information on this schedule is required pursuant to the provisions of HB 2676, 81st Legislature, effective June 18, 2009. Additionally, the Commission is authorized by 34 TAC § 9.1857(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendations or economic impact evaluation at any time during the application review period.

ME7

SCHEDULE B-3676 (Temporary - July 2009): ESTIMATED MARKET AND TAXABLE VALUE

All figures here are to be cumulative

	Year	Qualified Property				Reductions from market value (exemptions, etc)		Estimated Taxable Value	
		Column A: Estimated Market Value of Land	Column B: Estimated Total Market Value of new buildings or other new improvements	Column C: Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	D: Due to pollution control property (estimated or actual as appropriate)	E: Due to other exemptions	F: Estimated total taxable value for I&S: (A+B+C)-(D+E)	G: Estimated total taxable value for M&C. (Column F amount with the limitation value in years 3-10)	
	pre-year 1	\$ 665,820.00	\$0.00	\$0.00	\$0.00	\$0.00	\$ 665,820.00	\$ 665,820.00	
	1	\$ 6,500,000.00	\$16,200,000.00	\$0.00	\$0.00	\$0.00	\$ 22,700,000.00	\$ 21,700,000.00	
	2	\$ 6,500,000.00	\$34,100,000.00	\$ 84,500,000.00	\$ 2,500,000.00	\$0.00	\$ 122,600,000.00	\$ 122,600,000.00	
	3	\$ 6,500,000.00	\$34,100,000.00	\$ 80,300,000.00	\$ 2,400,000.00	\$0.00	\$ 118,500,000.00	\$ 80,000,000.00	
	4	\$ 6,500,000.00	\$34,100,000.00	\$ 75,900,000.00	\$ 2,200,000.00	\$0.00	\$ 114,300,000.00	\$ 80,000,000.00	
	5	\$ 6,500,000.00	\$34,100,000.00	\$ 71,200,000.00	\$ 2,000,000.00	\$0.00	\$ 109,800,000.00	\$ 80,000,000.00	
	6	\$ 6,500,000.00	\$34,100,000.00	\$ 66,300,000.00	\$ 1,800,000.00	\$0.00	\$ 105,100,000.00	\$ 80,000,000.00	
	7	\$ 6,500,000.00	\$34,100,000.00	\$ 61,400,000.00	\$ 1,700,000.00	\$0.00	\$ 100,300,000.00	\$ 80,000,000.00	
	8	\$ 6,500,000.00	\$34,100,000.00	\$ 56,100,000.00	\$ 1,500,000.00	\$0.00	\$ 95,200,000.00	\$ 80,000,000.00	
	9	\$ 6,500,000.00	\$34,100,000.00	\$ 50,600,000.00	\$ 1,300,000.00	\$0.00	\$ 89,900,000.00	\$ 80,000,000.00	
	10	\$ 6,500,000.00	\$34,100,000.00	\$ 45,600,000.00	\$ 1,200,000.00	\$0.00	\$ 85,000,000.00	\$ 80,000,000.00	
	11	\$ 6,500,000.00	\$34,100,000.00	\$ 42,500,000.00	\$ 1,000,000.00	\$0.00	\$ 82,100,000.00	\$ 82,100,000.00	
	12	\$ 6,500,000.00	\$34,100,000.00	\$ 40,100,000.00	\$ 1,000,000.00	\$0.00	\$ 78,700,000.00	\$ 78,700,000.00	
	13	\$ 6,500,000.00	\$34,100,000.00	\$ 38,200,000.00	\$ 1,000,000.00	\$0.00	\$ 77,800,000.00	\$ 77,800,000.00	
	14	\$ 6,500,000.00	\$34,100,000.00	\$ 42,000,000.00	\$ 1,000,000.00	\$0.00	\$ 81,500,000.00	\$ 81,500,000.00	
	15	\$ 6,500,000.00	\$34,100,000.00	\$ 46,000,000.00	\$ 1,000,000.00	\$0.00	\$ 87,600,000.00	\$ 87,600,000.00	
	Complete tax years of qualifying time period								
Tax Credit Period (with 50% cap on credit)									
Credit Settle-Up Period									
Post-Settle-Up Period									

The information on this schedule is required pursuant to the provisions of HB 3676, 61st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 34 TAC § 9.1067(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period.

ME7

SCHEDULE C-3676 (Temporary - July 2009): EMPLOYMENT INFORMATION

	Year	Tax Year (fill in actual tax year)	Existing Jobs		Construction		Permanent New Jobs		Qualifying Jobs	
			Column A: Number of permanent existing full time jobs prior to application	Column B: Number of Construction FTE's or man- hours (specify)	Column C: Average annual wage rates for construction workers	Column D: Total number of permanent full- time new jobs applicant commits to create	Column E: Average annual wage rate for all permanent new jobs for each year	Column F: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3)	Column G: Avg. annual wage of qualifying jobs	
	pre-year 1	2009	0	170	52,280	15	\$ 35,439.00	12	\$ 38,581.00	
	1	2010	0	38	52,280	248	\$ 35,439.00	188	\$ 38,581.00	
	2	2011	0	0		525	\$ 35,439.00	420	\$ 38,581.00	
	3	2012	0	0		750	\$ 35,439.00	600	\$ 38,581.00	
	4	2013	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	5	2014	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	6	2015	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	7	2016	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	8	2017	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	9	2018	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	10	2019	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	11	2020	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	12	2021	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	13	2022	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	14	2023	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
	15	2024	0	0		1,099	\$ 35,439.00	879	\$ 38,581.00	
Tax Credit Period (with 50% cap on credit)										
Credit Settle-Up Period										
Post-Settle-Up Period										
Post-Settle-Up Period										

The information on this schedule is required pursuant to the provisions of HB 3676, 81st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 34 TAC § 8.1057(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period.

Note: Section 313.024(4) Tax Code requires that, to be eligible for a limitation, 60 percent of all new jobs must be qualifying jobs.

ME7

**Temporary Addendum to Application for Appraised Value Limitation on
Qualified Property - July 2009**

The 81st Legislature passed HB 3676, which made changes to Texas Tax Code, Chapter 313¹, including more information required to be analyzed in the Comptroller's economic impact evaluation (§313.026(a)). In order to facilitate completion of the evaluation, please provide the following: including temporary supplemental schedules A, B & C to collect information needed for HB 3676. The information on this addendum and additional schedules is required pursuant to the provisions of HB 3676, 81st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 34 TAC § 9.1057(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period. (Note: Should the applicant anticipate the need to keep any of the requested information in the application, addendum or supplemental schedules confidential, please read the attachment entitled 'Confidential Information submitted to the Comptroller' at the end of this addendum.)

Applicant name CATERPILLAR INC.

Please describe the general nature of the applicant's investment:

The new facility will be the global manufacturing source for Caterpillar's 9 liter thru 18 liter engines. The proposed facility will be a greenfield project - there are no existing Caterpillar employees at this location.

The proposed facility will provide engines for off-highway applications that include Caterpillar Machines, Electric Power Generation (EPG), Petroleum, Marine, and Industrial customers. The new facility will incorporate "state of the art" technology for manufacturing operations utilizing the Caterpillar Production System (CPS) principles.

The new facility will occupy approximately 180 acres at the intersection of State Highway 46 and Interstate I-10 in the city of Seguin. The building will contain approximately 820,000 sq ft. of manufacturing space for assembly, testing, and painting, with a small portion dedicated to office space. Manufacturing is projected to ramp up over a 3-4 year period prior to full operation. See attachment A to the main project for additional description.

Taxing entities that have jurisdiction for the property:

County GUADALUPE

Are you seeking property tax abatements or other favorable tax treatment from this entity? If so, please describe the request (typically the percentage abatement and the length of time the abatement would be in effect).

SEE ATTACHMENT: J

¹ All § references are to Texas Tax Code, Chapter 313 as amended by HB 3676, 81st Legislature, unless otherwise noted.

ME7

City SEGUIN

Are you seeking property tax abatements or other favorable tax treatment from this entity? If so, please describe the request (typically the percentage abatement and the length of time the abatement would be in effect).

SEE ATTACHMENT: J

Hospital District N/A

Are you seeking property tax abatements or other favorable tax treatment from this entity? If so, please describe the request (typically the percentage abatement and the length of time the abatement would be in effect).

NO

Other (describe) STATE OF TEXAS

Are you seeking property tax abatements or other favorable tax treatment from any of these entities? If so, please describe the request (typically the percentage abatement and the length of time the abatement would be in effect).

SEE ATTACHMENT: J

Are you seeking any other state or local economic development incentives? Examples could include road or public infrastructure improvements, job training grants, loan guarantees, special financing, etc.) SEE ATTACHMENT: J If yes, please describe, attaching documentation as necessary.

The locally collected sales tax rate is: 2%

Will the land upon which the new building or new improvement be built be part of the qualified property described by §313.021(2)(A)? YES If yes, please attach complete documentation: legal description, parcel ID, current taxable value, owner, etc.

SEE ATTACHMENT: K

Will the project be on leased land? NO

If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, please attach a separate schedule showing the amount for each year affected, including an explanation.

What is the anticipated date of application approval? 2009 December, 2009

What is the anticipated date of beginning of the qualifying time period? January 1, 2010

What is the approximate date the proposed facility or new improvement is expected to be fully operational? JUNE 2010

What is the minimum required annual wage for each qualified job in this school district?
[See new §§313.021(5)(A) or 313.021(5)(B) or 313.021(3)(E)(ii), or 313.051(b).] SEE ATTACHMENT L. Please specify method of computation and attach documentation from TWC web site. (Note that applicants to school districts subject to Subchapter C because of demographic characteristics must meet the regional wage standard described in §313.051(b).)

2008 AVG=\$674.50/WK @1.10% WEEKLY: \$741.95
(741.95 * 52 = 38,581 rounded).

What is the minimum annual wage you will be paying for each qualified job in this school district? \$38,581.00

What is the maximum number of qualifying jobs meeting all criteria of §313.021(3) you are committing to create? (Use Schedule C-3676, Column P to indicate number of qualifying jobs in specific years.)

879

By signing this addendum, you certify that this information is true and correct to the best of your knowledge and belief.

ME7 [Signature]
Name of authorized company officer
GARY A. STROM
Signature of authorized company officer

VICE PRESIDENT
Title
28-AUGUST-2009
Date

On behalf of CATERPILLAR INC
Name of corporation/company

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code §37.10.

School district official sign and date application.

By signing below, I affirm that I have been delegated the authority by the school district governing body to act on its behalf with regard to this application for a limitation on appraised value.

Dr. Irene Garza
Name of authorized school district officer
[Signature]
Signature of authorized school district official

Superintendent
Title
8/31/09
Date

Name of school district Sequin ISD
[Signature]

10/27/09

LIST OF ATTACHMENTS

50-296

ATTACHMENT	DESCRIPTION	APPLICATION SECTION	PAGE
A	Project Description	Step 2 (A)	12
B	Legal Description of Land	Step 2 (A)	14
C	Caterpillar Colored Site Plan	Step 2 (A)	15
D	Topographic Survey	Step 2 (A)	16
E	Enterprise Zone Certification Letter	Step 2 (A)	17
F	Enterprise Zone Certified Map and Ordinance	Step 2 (A)	19
G	Caterpillar Employee Benefits	Step 5 (8)	32
H	Description of the Ability to Locate or Relocate Operation	Step 5 (9)	33
I	Current Economic Conditions	Step 5 (10)	34
J	List of Other Incentives	Addendum	35
K	Property Description	Addendum	36
L	Minimum Required Wage	Addendum	46

ATTACHMENT A – Project Description

HB1200 Step 2, Item (A) 2.

With 2008 sales and revenues of \$51.3 billion, Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines. Caterpillar also engages in the design, manufacture, remanufacture, maintenance, and services of rail-related products, as well as offering logistics services. In addition, the company has a financial products business including financing alternatives to customers and dealers as well as insurance products to support the purchase and lease of our equipment. The company is headquartered in Peoria, Illinois, is incorporated in Delaware, and trades on the New York Stock Exchange under the symbol CAT.

A brief history of Caterpillar

Caterpillar's roots date to 1904 in Stockton, California, when combine maker Benjamin Holt modified the farming tractor by substituting a gas engine for steam and replacing iron wheels with crawler tracks. The British adapted the "caterpillar" (Holt's nickname for the tractor) design to the armored tank in 1915. Following WWI, the US Army donated tanks to local governments for construction work. The caterpillar's efficiency spurred the development of earthmoving and construction equipment.

Holt merged with Best Tractor in 1925. The company, renamed Caterpillar, moved to Peoria, Illinois, in 1928. Caterpillar expanded into foreign markets in the 1930s and phased out combine production to focus on construction and road-building equipment.

Over the past 83 years since its inception, Caterpillar has expanded its reach across the globe and has further diversified product and service offerings as described above. Additional information can be found at www.cat.com.

The nature of the business, including markets and transportation needs

The new manufacturing facility will provide engines for off-highway applications that include Caterpillar Machines, Electric Power Generation (EPG), Petroleum, Marine, and Industrial customers. Engine production at the new facility will include 9 liter to 18 liter engines, which are a key contributor to the Engine business which exceeded \$16.2B in 2008 (including reciprocating engines). It is estimated that over 50 percent of the engines produced at this proposed facility will be exported globally. Transportation requirements and location were key factors in selecting the Seguin location. Inbound parts and components will be transported by truck from various locations including Mexico, and the final products will be shipped by truck to North American destinations, and by truck to the Port of Houston to be shipped to global destinations.

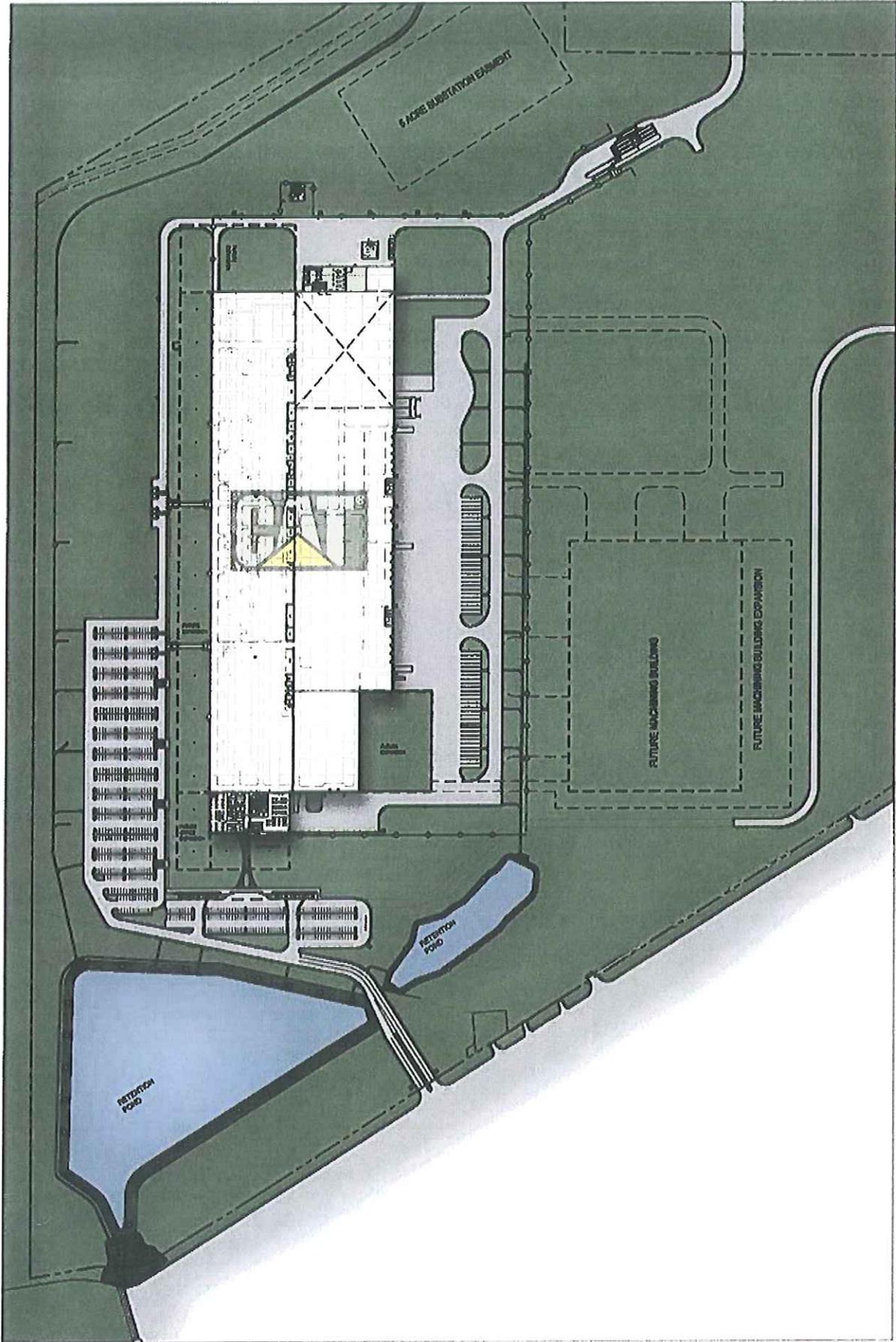
Description of the Project

The new facility will be the global manufacturing source for Caterpillar's 9 liter thru 18 liter engines. The proposed facility will be a greenfield project -- there are no existing facilities or Caterpillar employees at this location.

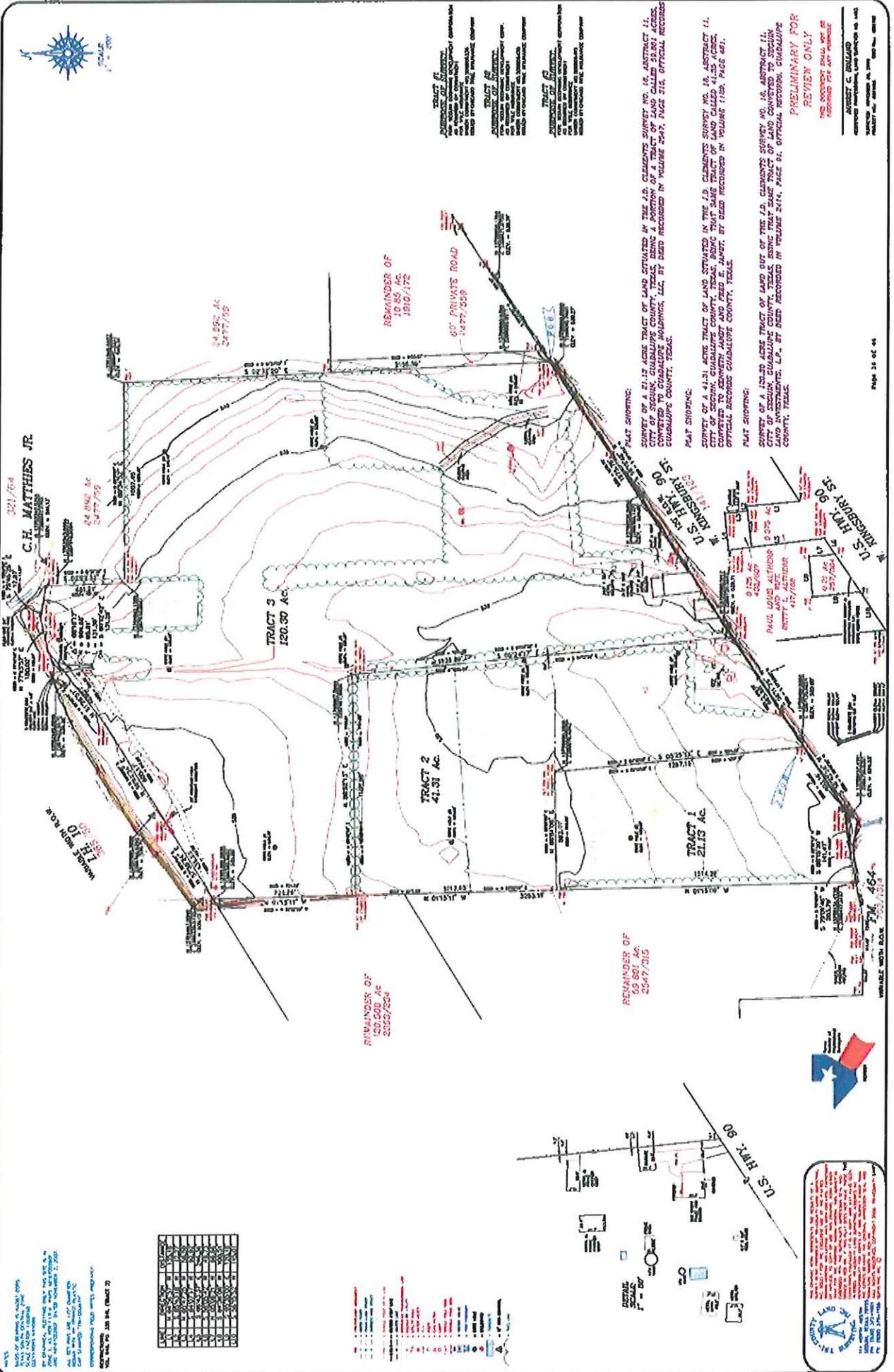
The proposed facility will provide engines for off-highway applications that include Caterpillar Machines, Electric Power Generation (EPG), Petroleum, Marine, and Industrial customers. The new facility will incorporate "state of the art" technology for manufacturing operations utilizing the Caterpillar Production System (CPS) principles.

The new facility will occupy approximately 180 acres at the intersection of State Highway 46 and Interstate I-10 in Seguin. The building will contain approximately 820,000 sq ft. of manufacturing space for assembly, testing, and painting, with a small portion dedicated to office space. Manufacturing is projected to ramp up over a 3-4 year period prior to full operation.

The facility will be staffed by a combination of Caterpillar and operational contractor employees. As agreed with the Seguin Economic Development Corporation, employment goals, conditions and reporting requirements include Caterpillar and Caterpillar Contractor employees.



ATTACHMENT D - TOPOGRAPHIC SURVEY



321/764
 C.H. MATTHEWS JR.
 24 892 AC
 2477/793
 100,500 AC
 2002/204
 50,801 AC
 2047/215
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 2477/793
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U.S. DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT
 PRELIMINARY FOR REVIEW ONLY
 THIS DOCUMENT SHALL NOT BE USED FOR ANY PURPOSE WITHOUT THE WRITTEN PERMISSION OF THE BUREAU OF LAND MANAGEMENT
 PREPARED BY: ...
 DATE: ...





CITY OF SEGUIN

July 2, 2009

To Whom It May Concern:

This letter is to certify that the attached map of the reinvestment zone/Enterprise Zone boundaries created by the City of Seguin are accurate.

Sincerely,

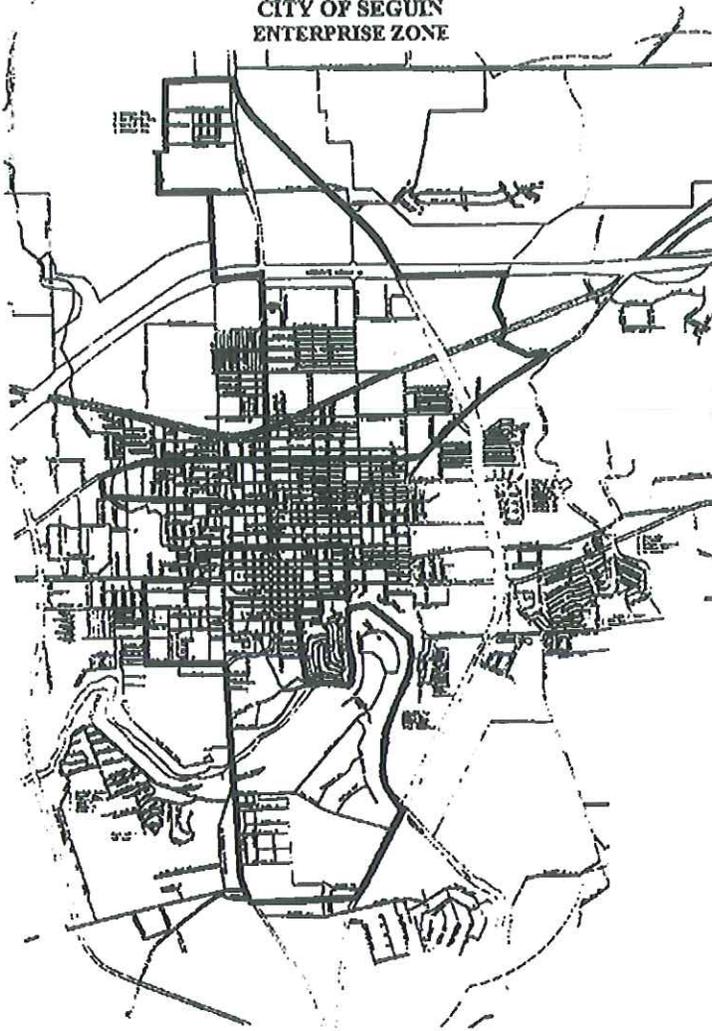
A handwritten signature in black ink, appearing to read "Terry M. Trevino".

Terry M. Trevino
Executive Director, Economic Development
City of Seguin

enclosure

EXHIBIT "A"

CITY OF SEGUIN
ENTERPRISE ZONE



ATTACHMENT F -ENTERPRISE ZONE CERTIFIED MAP & ORDINANCE



TEXAS DEPARTMENT OF ECONOMIC DEVELOPMENT

November 26, 2001

Mr. Jack Hamlett, City Manager
City of Seguin
Post Office Box 591
Seguin, Texas 78156

Dear Mr. Hamlett:

I am pleased to inform you that the application nominating an area of Seguin as the Seguin Enterprise Zone has been approved by Texas Economic Development (Agency). Your official enterprise zone number is EZ328-102401-S. Please use this number on all future reports or documents filed with regard to your enterprise zone.

Two original copies of the agreement that specify the terms for the Seguin Enterprise Zone are enclosed with this letter. Please have Mayor Stautzenberger sign both copies of the agreement and return both copies to my attention. A fully executed copy will be returned to Mayor Stautzenberger once it has been signed by the executive director of the Agency. This agreement, once it has been signed by all parties, will officially designate the zone. Both signed copies must be received in our office by December 10, 2001, or the zone will be considered null and void. The effective date of the zone is October 24, 2001.

Also enclosed for your review is a copy of the state matrix of Texas enterprise zones. Please check the data as provided on Seguin for accuracy and return the matrix to us with any changes when you return the signed agreements for executive director signature.

Further, attached are the forms necessary to nominate a qualified business for enterprise project status. Also included is a copy of the 2001 Mandatory Annual Report Form to assist you in tracking activity in the Seguin Enterprise Zone. Please be aware that this is last year's report, and there could be changes for the 2002 submission.

Your effort to complete the enterprise zone nomination process is appreciated. I look forward to working with you to accomplish your economic objectives.

Sincerely,

A handwritten signature in cursive script that reads "Brenda Clear".

Brenda Clear, Program Specialist
Texas Enterprise Zone Program





OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM

RICK PERRY
GOVERNOR

May 29, 2009

Mr. Terry Trevino
Executive Director, Economic Development
City of Seguin
Post Office Box 591
Seguin, Texas 78155

Mr. Gary Stroup
Vice President
Caterpillar Inc.
Post Office Box 610 – AC6101
Mossville, Illinois 61552

SUBJECT: Caterpillar Inc. Enterprise Project Application

Dear Mr. Trevino and Mr. Stroup:

We have reviewed and hereby approve a Texas enterprise project designation for the application submitted on behalf of Caterpillar Inc. (Project) by the City of Seguin, pursuant to the Texas Enterprise Zone Act, Chapter 2303, Texas Government Code (Act) and the Enterprise Zone Program Rules (Rules) promulgated by the Economic Development and Tourism (EDT) division of the Governor's Office.

The Texas Enterprise Zone Program is allocated 105 enterprise project designations statewide during a state biennium. The Act and Rules for the program require that all applications received during a project round must be reviewed to insure that they meet the goals and objectives of the program, which includes but is not limited to high impact projects or activities, targeted industry clusters and creation of primary jobs, as well as competitively within the round.

In conformance with the Act, EDT has hereby affirmatively determined that Project (a) complies with the criteria set forth in the Act and Rules, and (b) is in furtherance of the public purposes of the Act. EDT hereby designates Caterpillar Inc. as a Double Jumbo Enterprise Project. The designation is effective from March 3, 2009, until March 3, 2014, unless it is determined that the Project is no longer in compliance with requirements set forth in the Act and the Rules.



ATTACHMENT F

Mr. Terry Trevino and Mr. Gary Stroup
Re: Caterpillar Inc. Enterprise Project Application
May 29, 2009
Page Two of Three

State sales and use taxes paid at the qualified business site, and new jobs created up to 90 business days prior to the designation date of March 3, 2009 are eligible for benefit. This allows the Project to gain benefit for activity from October 14, 2008 through March 3, 2014. In addition, the Project may submit the paperwork for benefits up to 18 months following the date the designation expires, no later than September 1, 2015 for activities that occurred during the designation period.

The qualified business site, 1620 West Kingsbury, Seguin, Texas, is not located in an enterprise zone and 35 percent of the Project's new employees are required to be economically disadvantaged individuals or enterprise zone residents. The tax identification number under which this designation is approved is 37-0602744. The Project has committed that 35 percent of the Project's new employees will be economically disadvantaged individuals or enterprise zone residents. The maximum number of jobs to be included in any calculation for state sales and use tax refund for the enterprise project is stated under Jobs Allocated. The company has made the following commitments in its application for the enterprise project designation:

Capital Investment:	\$176,800,000
Jobs to be Created:	1,465
Jobs to be Retained for Benefit:	<u>0</u>
Total Jobs:	<u>1,465</u>
Job Baseline:	0
Jobs Allocated for Project Designation:	<u>500</u>

The designation is made based upon the requirements of the Act and the Rules and is not to be construed as a pledge of the faith or credit of or by the State, EDT, the individual members or staff thereof, Texas Enterprise Zone Program or any other agency, instrumentality or political subdivision of the State.

Stated below is the enterprise project number assigned to this project designation. Use this number on all correspondence and documentation regarding your project:

EP672-030309-S

For information regarding applying for benefits (sales and use tax refund) under this program, contact the Texas Comptroller of Public Accounts (CPA). The CPA contact person is Clarence Goins at (512) 305-9902. This double jumbo enterprise project designation will be eligible to receive a refund of up to \$5,000 per qualified job.

ATTACHMENT F

Mr. Terry Trevino and Mr. Gary Stroup
Re: Caterpillar Inc. Enterprise Project Application
May 29, 2009
Page Three of Three

The amount of capital investment will determine the number of jobs for which benefit can be received. The project will be assessed a refund for jobs created and/or retained for the category of capital investment expended to that date. Once additional capital investment is expended, the project may be eligible for additional refunds, up to the maximum amount of \$2,500,000.

By statute, the nominating body shall monitor the qualified business to determine whether the project has followed through on any commitments or goals made by it or on its behalf in the designation application. This evaluation may occur on the date on which a certificate of occupancy is issued or at the completion of the enterprise project designation period. The nominating body shall then submit a report of its findings to the bank and the comptroller.

If you have any questions during the course of the project, please call Brenda Clear, Program Specialist, Economic Development Bank, at (512) 936-0274 or by e-mail at brenda.clear@governor.state.tx.us.

Sincerely,



Aaron Demerson
Executive Director

cc: Clarence Goins, Comptroller of Public Accounts

Ordinance No. 01-36

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SEGUIN, TEXAS NOMINATING AN AREA AS AN ENTERPRISE ZONE PURSUANT TO THE TEXAS ENTERPRISE ZONE ACT (TEXAS GOVERNMENT CODE, CHAPTER 2303); PROVIDING TAX INCENTIVES; DESIGNATING AN AUTHORIZED REPRESENTATIVE TO ACT IN ALL MATTERS PERTAINING TO THE NOMINATION AND DESIGNATION OF THE AREA DESCRIBED HEREIN AS AN ENTERPRISE ZONE AND REINVESTMENT ZONE (TEXAS TAX CODE, CHAPTER 312); AND FURTHER DESIGNATING A LIAISON TO ACT ON ALL MATTERS PERTAINING TO THE ENTERPRISE ZONE ACT ONCE DESIGNATED BY THE TEXAS DEPARTMENT OF ECONOMIC DEVELOPMENT.

WHEREAS, the City Council of the City of Seguin, Texas desires to create the proper economic and social environment to induce the investment of private resources in productive business enterprises located in severely distressed areas of the city and to provide employment to residents of such area;

WHEREAS, certain conditions exist in such area which represent a threat to the health, safety, and welfare of the people of such area; and

WHEREAS, it is necessary and in the best interest of the City to nominate such area as an enterprise zone pursuant to the Texas Enterprise Zone Act (Texas Government Code, Chapter 2303, the "Act");

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SEGUIN, TEXAS:

- Section 1. That the City hereby nominates the area described in Exhibit A attached hereto and incorporated herein for designation as an enterprise zone.
- Section 2. That the City Council finds the zone area meets the qualifications of the Act.
- Section 3. That the City Council hereby ordains and declares that upon designation of the proposed Enterprise Zone as an enterprise zone, the City may provide the following incentives, on a case by case basis, including tax incentives, which are not applicable throughout the City:
- (a) The City may refund to any qualified business located in such enterprise zone the amount of tax paid under the Municipal Sales and Use Tax Act (Texas Tax Code, Chapter 321) by the business and remitted to the Comptroller of Public Accounts up to the maximum extent authorized by Sections 2303.505 and 2303.506 of the Act, and for a period determined by the City, but which shall not exceed 5 years.

- (b) The City may abate taxes on the increase in value of real property improvements and eligible personal property that locate in a designated enterprise zone. The level of abatement shall be based upon the extent to which the business receiving the abatement creates jobs for qualified employees.
- (c) Waiver of development fees to enterprise zone businesses meeting minimum standards.
- (d) Accelerated zoning and permit procedures. Enterprise zone businesses will be processed upon receipt, before non-enterprise zone businesses already in hand.
- (e) Transfer of city owned surplus land may be at below market price for the purpose of economic development. The ability to purchase city-owned land shall be based upon the extent to which the business receiving the property creates jobs for qualified employees.

Other incentives may be provided by the City in the proposed enterprise zone upon its designation as an enterprise zone and throughout the City, including:

- (a) Capital improvements in water and sewer facilities and road repair.
- (b) The City may apply for training grants for new permanent jobs as available and appropriate to the industry.
- (c) One-stop permitting.
- (d) Improved fire and police protection.

Section 4. That the area described in this ordinance is designated as an enterprise zone, and a reinvestment zone, subject to the approval of the Texas Department of Economic Development.

Section 5. That the City Council directs and designates its mayor as the City's authorized representative to act in all matters pertaining to the nomination and designation of the area described herein as an enterprise zone and a reinvestment zone.

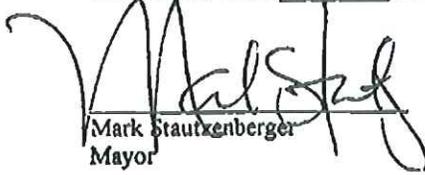
Section 6. That the City Council further directs and designates the director of the Seguin Economic Development Corporation as liaison for communication with the Texas Department of Economic Development to oversee zone activities and communications with qualified businesses.

ATTACHMENT F -ENTERPRISE ZONE CERTIFIED MAP & ORDINANCE

Section 7. That a public hearing to consider this ordinance was held by the City Council on July 9, 2001.

Section 8. That this ordinance shall take effect from and after its passage as the law and charter in such case provides.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF SEGUIN, TEXAS ON THIS 31st DAY OF July, 2001.


Mark Stautzenberger
Mayor

I, Kathy Contreras, Secretary for the City of Seguin, Texas certify that the above is a true and correct copy of Ordinance No 01-36 on file in the city offices of the City of Seguin, Texas and that I, as City Secretary of the City of Seguin, have legal Custody of such writing.


Kathy Contreras
City Secretary

First Reading July 09, 2001

Second Reading July 17, 2001

Third Reading July 31, 2001

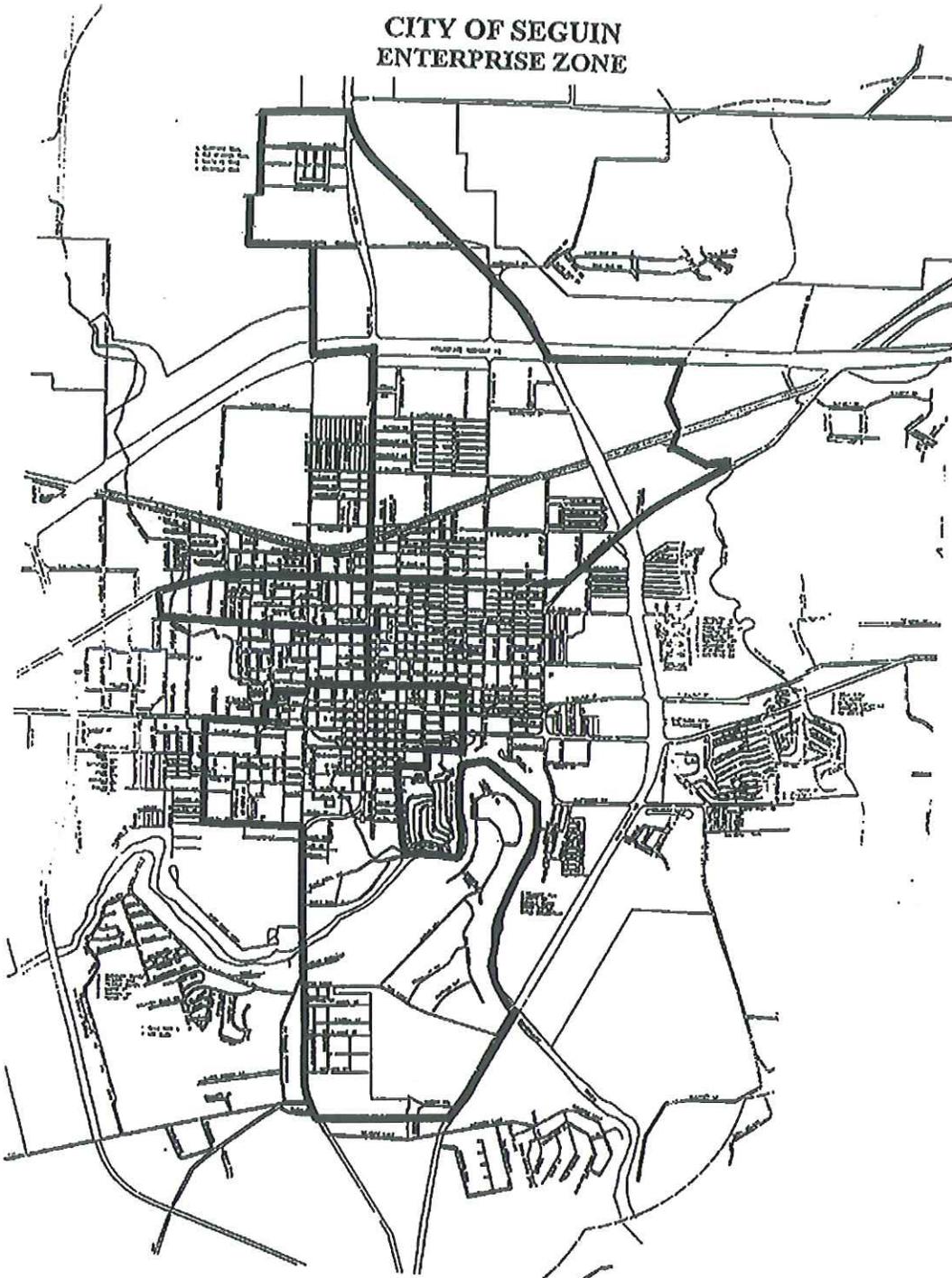
ATTACHMENT F

EXHIBIT A

City of Seguin Enterprise Zone boundaries are as follows:

EXHIBIT "A"

CITY OF SEGUIN
ENTERPRISE ZONE



STATE OF TEXAS

NO. ~~05-07~~

COUNTY OF GUADALUPE

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SEGUIN, TEXAS,
AMENDING ORDINANCE NO. 01-36, SECTION 3(b), CONCERNING THE
CREATION OF AN ENTERPRISE ZONE IN THE CITY OF SEGUIN PURSUANT
TO TEXAS GOVERNMENT CODE CHAPTER 2303, PROVIDING A
SEVERABILITY CLAUSE, AND PROVIDING AN EFFECTIVE DATE**

WHEREAS, on July 31, 2001, the Seguin City Council passed Ordinance No. 01-36 which created an enterprise zone in the City of Seguin pursuant to Chapter 2303 of the Texas Government Code in order to spur growth and development in certain areas of the City; and

WHEREAS, the Ordinance provided that the level of any tax abatement granted in the enterprise zone would be required to be based upon "the extent to which the business receiving the abatement created jobs for qualified employees"; and

WHEREAS, in 2003, the City of Seguin revised its Tax Abatement Guidelines and Criteria to remove the job creation requirement so that projects would be considered for tax abatement on the basis of capital investment alone; and

WHEREAS, the enterprise zone ordinance needs to be adjusted accordingly so that it is not in conflict with the City's Tax Abatement Guidelines and Criteria;

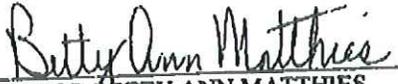
NOW THEREFORE, in consideration of the foregoing, it is hereby ORDAINED as follows:

- 1) That Ordinance No. 01-36, Section 3(b) is hereby amended and superceded as follows:
 - (b) The City may abate taxes on the increase in value of real property improvements and eligible personal property that are constructed or located in a designated enterprise zone. The level of abatement shall be based upon the City of Seguin's duly adopted Tax Abatement Guidelines and Criteria, as the same may amended from time to time.
- 2) In accordance with Section 3.10 of the Seguin City Charter, this Ordinance shall become effective upon passage on second reading.
- 3) If any clause or provision of this Ordinance shall be deemed to be unenforceable for any reason, such unenforceable clause or provision shall be severed from the remaining portions of the Ordinance, which shall continue to have full force and effect.

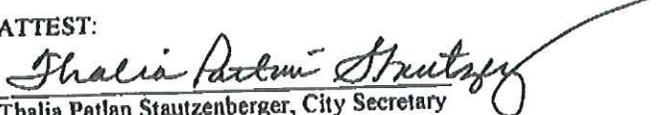
ATTACHMENT F

PASSED AND APPROVED on first reading on February 1, _____, 2005.

PASSED AND APPROVED on second reading on February 15, _____, 2005


MAYOR BETTY ANN MATTHIES

ATTEST:


Thalia Patlan Stautzenberger, City Secretary

2-15-05

05-07

.....

RESOLUTION

No 01R-77

A RESOLUTION OF THE CITY COUNCIL OF SEGUIN, TEXAS SUPPORTING THE NOMINATION OF A 630 +/- ACRE TRACT IN THE CITY OF SEGUIN AS AN INDUSTRIAL PARK; DESIGNATING AN AUTHORIZED REPRESENTATIVE TO ACT IN ALL MATTERS PERTAINING TO THE NOMINATION OF THE INDUSTRIAL PARK; AND FURTHER DESIGNATING A LIAISON TO ACT ON ALL MATTERS PERTAINING TO THE INDUSTRIAL PARK ONCE NOMINATED.

WHEREAS, the City Council of Seguin desires to create the proper economic and social environment to induce the investment of private resources in productive business enterprises and to provide employment to residents of the City; and

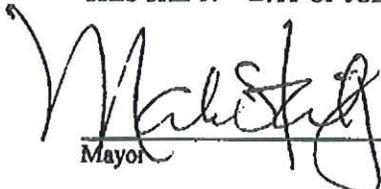
WHEREAS, the growth of industry in the City is an important aspect of a diverse economic development plan; and

WHEREAS, it is necessary and in the best interest of the City to nominate such area as an industrial park;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF SEGUIN, TEXAS:

- Section 1 That the City hereby nominates a 630 +/- acre tract in Seguin as described above and the map attached hereto as "Exhibit A" as an industrial park.
- Section 2 That the City Council directs and designates the City Manager as the city's authorized representative to act in all matters pertaining to the nomination of the area described above and in Exhibit A as an industrial park.
- Section 3 That the City further directs and designates the Director of the Seguin Economic Development Corporation as liaison to oversee activities and communications with all qualified businesses.

PASSED AND APPROVED BY THE CITY COUNCIL OF SEGUIN, TEXAS ON THIS THE 17TH DAY OF JULY, 2001.



Mayor

Attest:

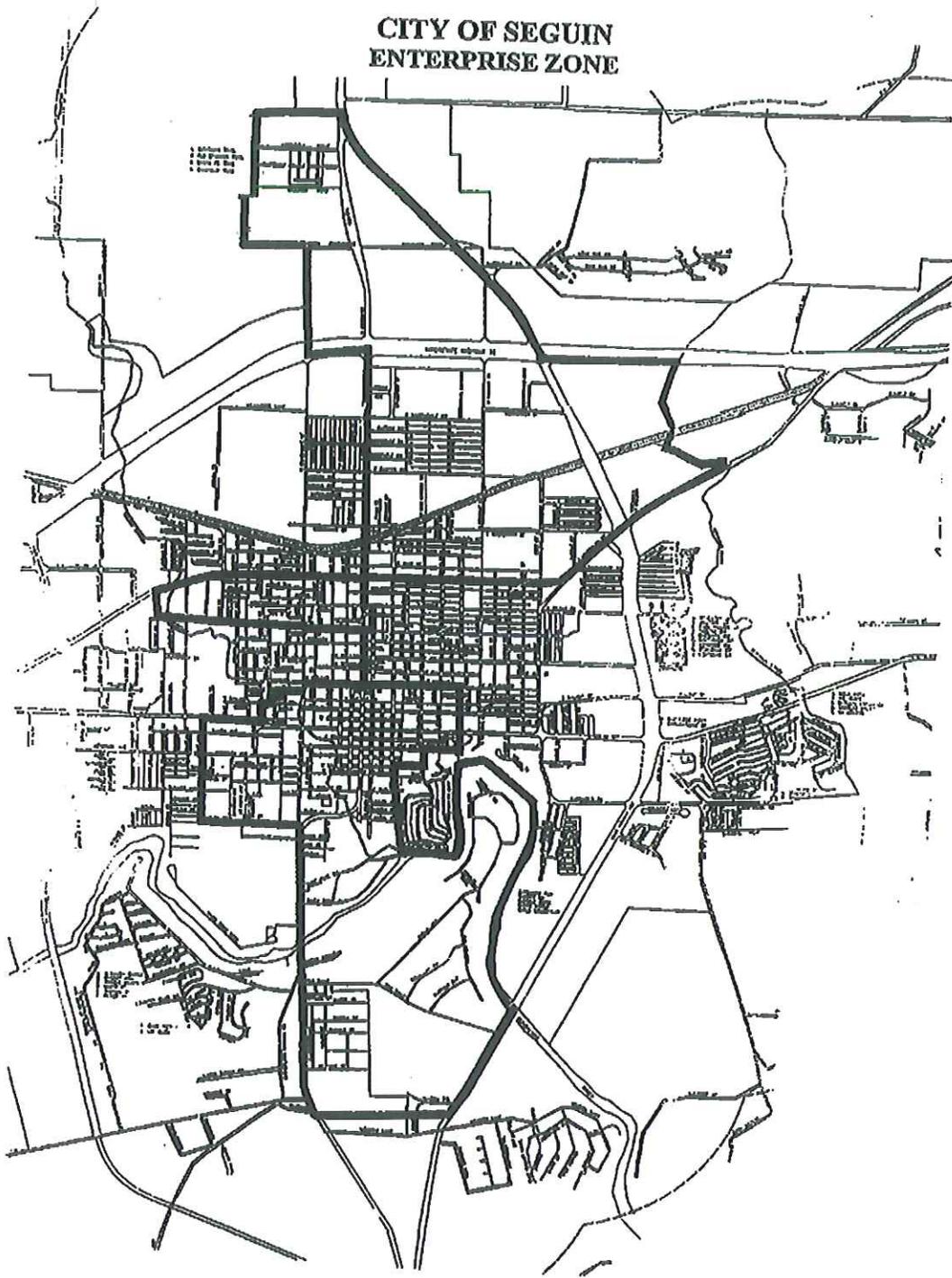


City Secretary
07-17-01

01R-77

EXHIBIT "A"

CITY OF SEGUIN
ENTERPRISE ZONE



ATTACHMENT G –Employee Benefits

Employee Benefits Provided

- Medical Health Plan – employees will be offered a choice of medical and prescription drug plans including coverage for associate and family.
- Dental Plan
- Employees will be offered 401K defined contribution plan.
- Paid Time Off Program

Attachment H – Description of Ability to Locate or Relocate Operation

As a part of continuous improvement initiatives to maintain competitive advantages, Caterpillar identified an opportunity to consolidate manufacturing operations for several diesel engine product lines. This opportunity represents a significant consolidation that has considered multi-country and multi-state locations in the southern regions of the United States. Strategic location drivers include:

- Supply chain logistics (materials in and finished product out)
- Proximity to ports (global export access)
- Workforce availability for a diverse group of functions
 - Engineering
 - Technicians
 - Logistics
 - Machinists
 - Support
- Favorable business environment (taxes, regulation, economic activity)
- Cost competitiveness (labor, real estate, utilities, construction)
- Availability of aggressive economic incentives programs to assist in off-setting start-up and long-term operating costs
- Strong system of public education to provide an educated workforce
- Attractive community that provides for civic and recreational involvement for workers and their families

Due to the proposed wage scale and the significant investment required, this consolidation provided Caterpillar with many attractive opportunities. Caterpillar also considered expanding other existing facilities outside Texas. The coordinated efforts of the city of Seguin, the SEDC, Guadalupe County and the State of Texas make this location in Seguin right for Caterpillar.

ATTACHMENT I – Current Economic Conditions

The population trend for Seguin continues to follow a slow but steady increase. Currently, our demographic data show that the trend is increasing at a rate of approximately 3-4 percent per year. In 1990, the population of Seguin was 20,666, the census in 2000 was 22,011. The 2008 estimate shows that the population is approximately 28,381 and the projected population for 2013 will be about 29,145.

The current unemployment figures for Seguin are holding steady at around 6.5 percent, reflecting a decrease from the beginning of the year (January 6.7 percent, February 7.2 percent.) For the month of May for Guadalupe County, the unemployment rate is holding at 6 percent, reflecting a slight decrease from the beginning of the year (6.1 percent in January, 6.2 percent in February.)

Attachment J - List of Other Incentives

#	Incentive Name	Description
STATE OF TEXAS		
1	Texas Enterprise Zone	Project Site was designated as an Enterprise Zone project by state on May 29, 2009. The Caterpillar project was designated a double jumbo enterprise project.
2	Texas Enterprise Fund (TEF)	Incentive fund. Can be used for land acquisition, equipment purchase or building costs.
3	Texas Capital Fund (Infrastructure)	Infrastructure Grant from State of Texas that can be utilized by Seguin on infrastructure improvements to support the site (water, sewer, traffic issues, utilities)
4	Traffic/Transportation Assistance (TX DOT)	TX DOT has budgeted cost to add deceleration and turn lane to I-10 and traffic light at 46 and Matties Road.
5	Texas Workforce Training Grant	A training grant of \$1.0 MM has been committed to off-set costs of employee training
SEGUIN/GUADALUPE COUNTY		
6	Local Property Tax Abatements *Seguin & Guadalupe County	Local property tax abatement on real and personal property - 100% for 10 year period.
7	Triple Freeport Tax Exemptions	Qualifying freeport goods will be exempt from all ad valorem taxes by City/County/ISD (Triple Freeport) - continuous. Application to be submitted annually to the Guadalupe County appraisal district.
8	Local Infrastructure - Matties Road Improvement & Sewer Main Extension	Matties Road to be re-engineered and widened to accommodate truck traffic from SH 46. Sewer Main to be extended to provide supply to Caterpillar site.
9	SEDC Cash Grant	Local cash grant of \$2.47 MM to be applied to land acquisition, infrastructure, or other application. Funding from local 4A sales tax.
UTILITIES		
10	Guadalupe County Electrical Cooperative	Cost to bring electrical requirements to the site, including on-site substation and dual feed sources.

Guadalupe CAD

Property Search Map Search Map Administration Login

Property Search Results > 1 - 5 of 5 for Year 2009

[New Search](#)

Click the "Details" or "Map" link to view more information about the property or click the checkbox next to each property and click "View Selected on Map" to view the properties on a single map.

Property Address Legal Description

Property ID	Geographic ID	Type	Property Address	Owner Name	Appraised Value		
<input type="checkbox"/> 52998	2G0011-0000-18000-0-00	Real	11 W KINGSBURY ST TX	CATERPILLAR INC	\$122,784	View Details	View Map
<input type="checkbox"/> 52999	2G0011-0000-18010-0-00	Real	1726 W KINGSBURY ST TX	CATERPILLAR INC	\$40,583	View Details	View Map
<input type="checkbox"/> 136710	2G0011-0000-01923-0-00	Real	IH 10 TX	CATERPILLAR INC	\$95,337	View Details	View Map
<input type="checkbox"/> 53143	2G0011-0000-25700-0-00	Real	US HWY 90 TX	CATERPILLAR INC	\$437,861	View Details	View Map
<input type="checkbox"/> 52767	2G0011-0000-00200-0-00	Real	1710 W KINGSBURY ST TX	CATERPILLAR INC	\$100,802	View Details	View Map

Page: 1

[View Selected on Map](#)

Questions Please Call (830) 303-3313

Website version: 1.2.2.2

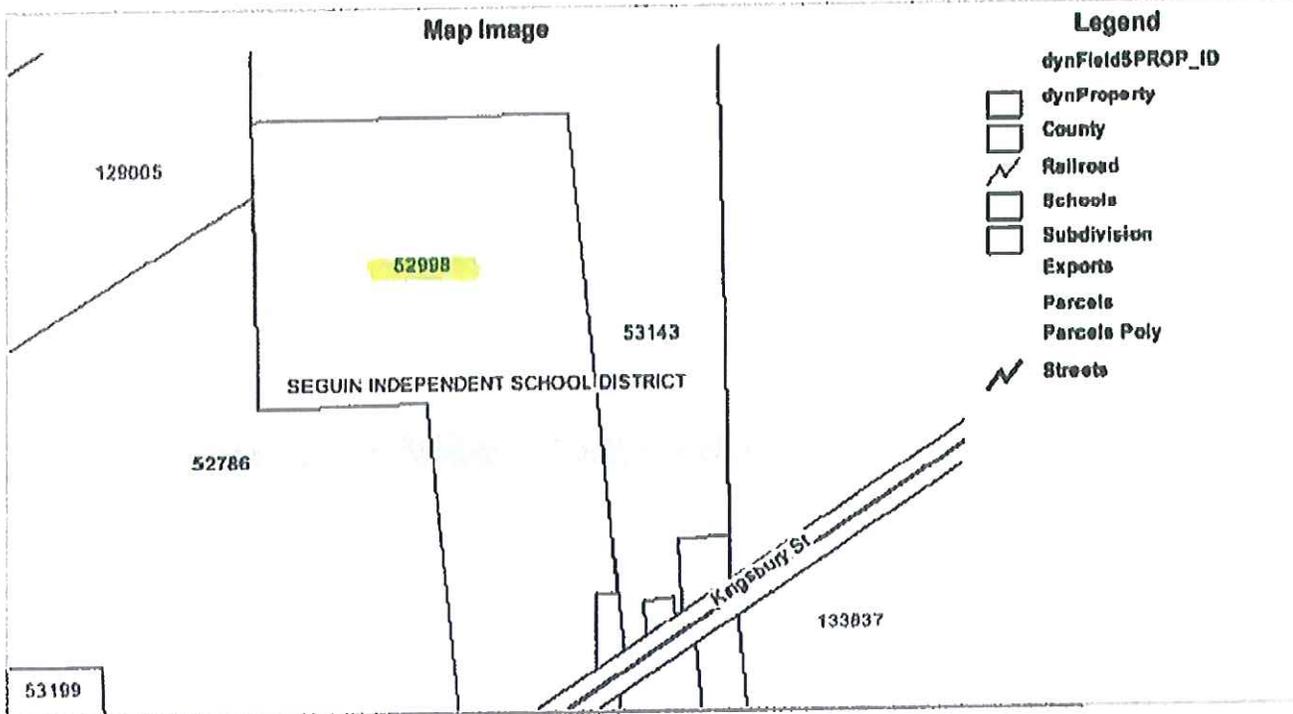
Database last updated on: 7/27/2009 8:53 PM

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Guadalupe CAD

Property Search Results > Property ID 52998 CATERPILLAR INC for Year 2009



Property Details

Account

Property ID: 52998
 Geo. ID: 2G0011-0000-18000-0-00
 Type: Real
 Legal Description: ABS 11 SUR J D CLEMENTS 40.82 AC.

Location

Address: 11 W KINGSBURY ST TX
 Neighborhood: EAST OF RIVER & WEST OF SH46
 Mapsco:
 Jurisdictions: CAD, CSG, GCO, LTR, SGS

Owner

Name: CATERPILLAR INC
 Address: 100 NE ADAMS ST
 PEORIA, IL 61629

Property

Appraised Value: \$122,784

Website version: 1.2.2.2

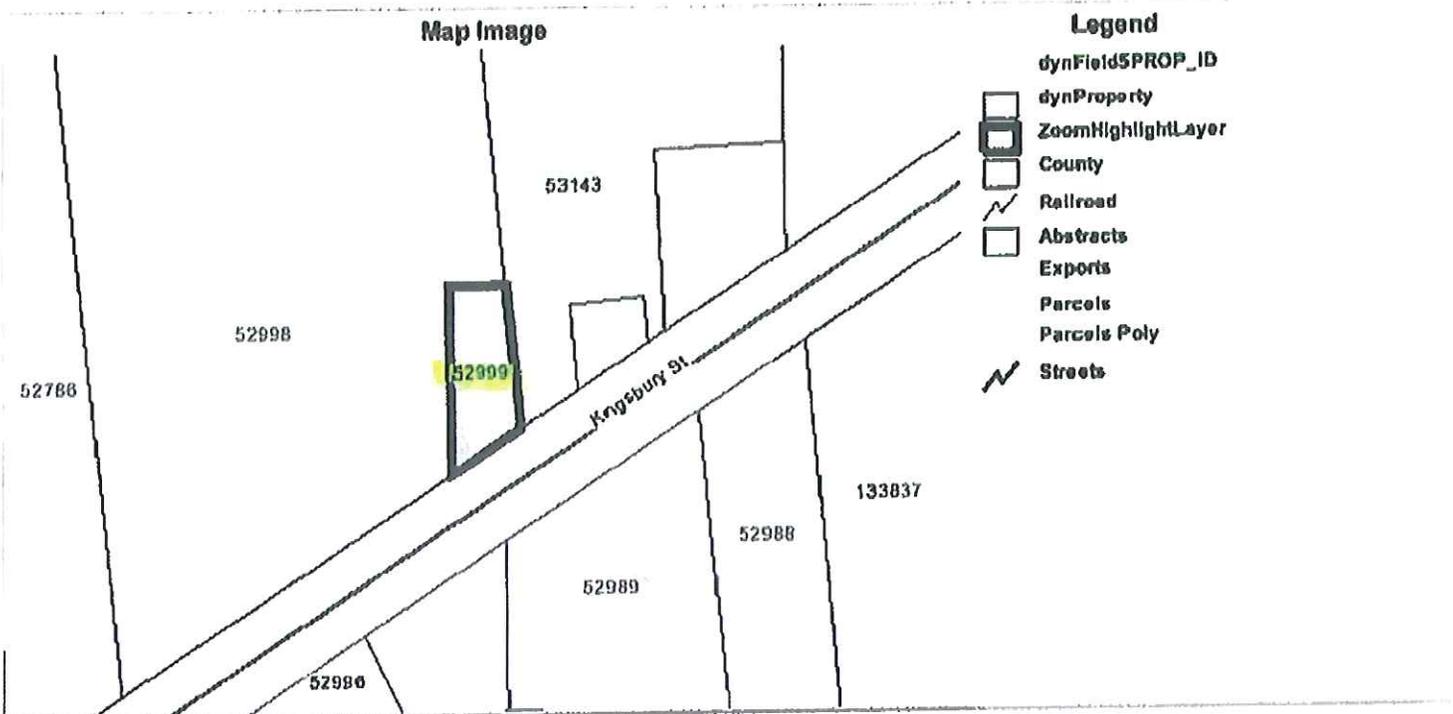
Database last updated on: 7/27/2009 8:53 PM

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Guadalupe CAD

Property Search Results > Property ID 52999 CATERPILLAR INC for Year 2009



Property Details

Account

Property ID: 52999
 Geo. ID: 2G0011-0000-18010-0-00
 Type: Real
 Legal Description: ABS: 11 SUR: J D CLEMENTS 0.4900 AC

Location

Address: 1726 W KINGSBURY ST TX
 Neighborhood: EAST OF RIVER & WEST OF SH48
 Mapsco:
 Jurisdictions: CAD, CSG, GCO, LTR, SGS

Owner

Name: CATERPILLAR INC
 Address: 100 NE ADAMS ST
 PEORIA, IL 61629

Property

Appraised Value: \$40,583

Website version: 1.2.2.2

Database last updated on: 7/27/2009 8:53 PM

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Guadalupe CAD

Property Search Results > Property ID 136710 CATERPILLAR INC for Year 2009

Property Details

Account
 Property ID: 136710
 Geo. ID: 2G0011-0000-01923-0-00
 Type: Real
 Legal Description: ABS. 11 SUR: J D CLEMENTS 21 13 AC.

Location
 Address: IH 10 TX
 Neighborhood: IH 10 CENTRAL
 Mapsco:
 Jurisdictions: CAD, CSG, GCO, LTR, SGS

Owner
 Name: CATERPILLAR INC
 Address: 100 NE ADAMS ST PEORIA, IL 61629

Property
 Appraised Value: \$95,337

Map Layers

Radius Search

No Map data present for this search

Website version: 1.2.2.2

Database last updated on: 7/27/2009 8:53 PM

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Guadalupe CAD

Property Search Results > Property ID 53143 CATERPILLAR INC for Year 2009



Property Details

Account

Property ID: 53143
 Geo. ID: 2G0011-0000-25700-0-00
 Type: Real
 Legal Description: ABS: 11 SUR J D CLEMENTS 115.62 AC.

Location

Address: US HWY 90 TX
 Neighborhood: IH 10 CENTRAL
 Mapsco:
 Jurisdictions: CAD, CSG, GCO, LTR, SGS

Owner

Name: CATERPILLAR INC
 Address: 100 NE ADAMS ST
 PEORIA, IL 61629

Property

Appraised Value: \$437,861

Website version: 1.2.2.2

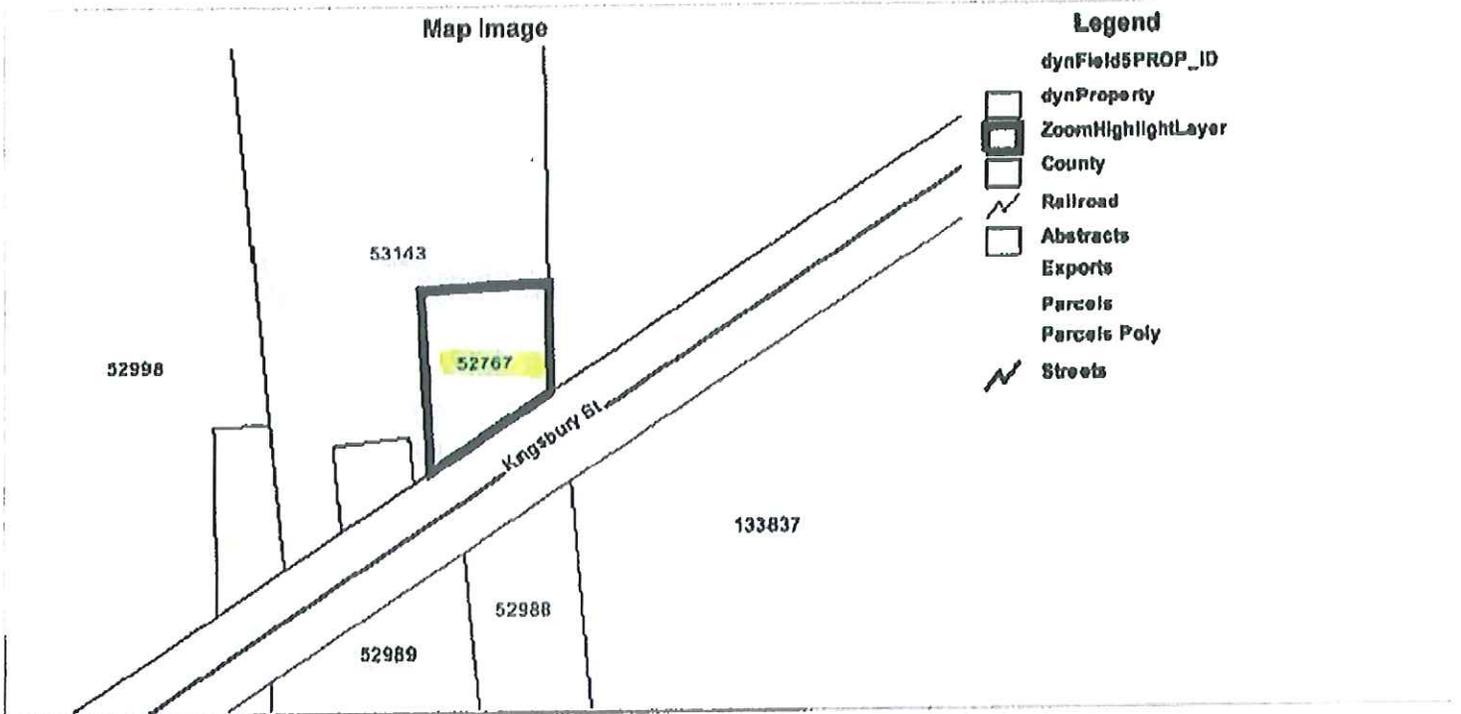
Database last updated on: 7/27/2009 6:53 PM

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Guadalupe CAD

Property Search Results > Property ID 52767 CATERPILLAR INC for Year 2009



Property Details

Account

Property ID: 52767
 Geo. ID: 2G0011-0000-00200-0-00
 Type: Real
 Legal Description: ABS: 11 SUR: J D CLEMENTS 0.5000 AC

Location

Address: 1710 W KINGSBURY ST TX
 Neighborhood: EAST OF RIVER & WEST OF SH46
 Mapsco:
 Jurisdictions: CAD, CSG, QCO, LTR, SGS

Owner

Name: CATERPILLAR INC
 Address: 100 NE ADAMS ST
 PEORIA, IL 61629

Property

Appraised Value: \$100.802

Website version: 1.2.2.2

Database last updated on: 7/27/2009 8:53 PM

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Quarterly Employment and Wages (QCEW)

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[Help with Download](#)

STANDARD WAGES OVER 1,000 EMPLOYEE PROVISIONS

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2008	1st Qtr	Guadalupe County	Total All	00	0	10	Total, All Industries	\$647
2008	2nd Qtr	Guadalupe County	Total All	00	0	10	Total, All Industries	\$650
2008	3rd Qtr	Guadalupe County	Total All	00	0	10	Total, All Industries	\$677
2008	4th Qtr	Guadalupe County	Total All	00	0	10	Total, All Industries	\$724

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AVG= \$674.50/WK
@110% WEEKLY: \$741.95

- Select Data Type
- All Data Types
- Unemployment (LAUS)
- Employment Estimates (CES)
- Quarterly Employment and Wages (QCEW)
- Wages by Profession
- Projections - Occupation
- Projections - Industry
- Consumer Price Index
- Income
- Staffing Patterns
- Population

New User? Sign Up.

Username:

Password:

Attachment B

Certificate of Account Status

According to the Texas Comptroller of Public Accounts recommendation letter for the limitation on appraised value for Caterpillar, Inc. dated December 4, 2009, the company is an active taxpayer and in "good standing" with the state of Texas. The following is taken from the third paragraph of the Comptroller's recommendation letter:

Caterpillar is proposing the construction of a manufacturing facility in Guadalupe County. Caterpillar is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by Caterpillar, the Comptroller's recommendation is that Caterpillar's application under Tax Code Chapter 313 be approved.

Attachment C

State Comptroller's Recommendation

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. Box 13528 • AUSTIN, TX 78711-3528



December 4, 2009

Dr. Irene Garza
Superintendent
Seguin Independent School District
1221 E. Kingsbury
Seguin, Texas 78155-2152

Dear Superintendent Garza:

On Oct. 15, 2009, the agency received the completed application for a limitation on appraised value originally submitted to the Seguin Independent School District (Seguin ISD) by Caterpillar Inc (Caterpillar) in August 2009, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding Caterpillar's application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Seguin ISD is currently classified as a non-rural school district in Category 2. The applicant properly applied under the provisions of Subchapter B, as applicable to non-rural school districts, and the amount of proposed qualified investment (\$138.5 million) is consistent with the proposed appraised value limitation sought (\$80 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

Caterpillar is proposing the construction of a manufacturing facility in Guadalupe County. Caterpillar is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by Caterpillar, the Comptroller's recommendation is that Caterpillar's application under Tax Code Chapter 313 be approved.

Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled on the school district. Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and state. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria.

Dr. Irene Garza
December 4, 2009
Page Two

The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. This recommendation is contingent on the district approving and executing a limitation agreement within a year from the date of this letter, and is valid only for a qualifying time period that begins in accordance with the approved application and a conforming limitation agreement. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution. During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at www.window.state.tx.us/taxinfo/proptax/hb1200 to find an outline of the program and links to applicable rules and forms.

Should you have any questions, please contact Robert Wood, director of Local Government Assistance and Economic Development, by e-mail at robert.wood@cpa.state.tx.us or by phone at (800) 531-5441, ext. 3-3973, or direct in Austin at (512) 463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

Applicant	Caterpillar
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Seguin Independent School District
2007-08 Enrollment in School District	7,501
County	Guadalupe
Total Investment in District	\$201,000,000
Qualified Investment	\$138,500,000
Limitation Amount	\$80,000,000
Number of total jobs committed to by applicant	1,099
Number of qualifying jobs committed to by applicant	879
Average Weekly Wage of Qualifying Jobs committed to by applic	\$741.94
Minimum Weekly Wage Required Tax Code, 313.025(A)	\$741.95
Minimum Annual Wage committed to by applicant for qualified jo	\$38,581
Investment per Qualifying Job	\$228,669
Estimated 15 year M&O levy without any limit or credit:	\$14,270,880
Estimated 15 year M&O tax benefit/levy loss	\$2,295,280
Estimated 15 year M&O tax benefit (<i>after</i> deductions for estimated school district revenue protection--but not including any deduction for yet-to-be negotiated supplemental payments or extraordinary educational expenses):	\$2,259,004
Tax Credits Paid (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$443,040
Net Tax Paid After Limitation, Credits and Revenue Protection:	\$12,011,876
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	15.8%
Percentage of tax benefit due to the limitation	80.7%
Percentage of tax benefit due to the credit.	19.3%

This presents the Comptroller's economic impact evaluation of Caterpillar (the project) applying to Seguin Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
 - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
 - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

Wages, salaries and benefits [313.026(6-8)]

After construction, the project will create 1,099 new jobs when fully operational. Of those jobs, 879 will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Alamo Area Council of Governments Region, where Guadalupe County is located was \$33,467 in 2007. The annual average manufacturing wage for 2008 for Guadalupe County is \$50,011. That same year, the county annual average wage for all industries was \$35,074. In addition to an annual average salary of \$38,581 each qualifying position will receive benefits such as health and dental insurance, 401(k) and paid leave. The project's total investment is \$201 million, resulting in a relative level of investment per qualifying job of \$228,669.

Ability of applicant to locate to another state and [313.026(9)]

According to Caterpillar's application, "this opportunity represents a significant consolidation that has considered multi-county and multi-state locations in the southern regions of the United States. . . . Due to proposed wage scale and the significant investment required, this consolidation provided Caterpillar with many attractive opportunities. Caterpillar also considered expanding other existing facilities outside Texas."

Number of new facilities in region [313.026(12)]

During the past two years, no projects in the Alamo Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Caterpillar project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]

Table 1 depicts Caterpillar's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Caterpillar

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2009	185	309	494	\$9,415,785	\$21,584,215	\$31,000,000
2010	284	646	930	\$10,670,232	\$50,329,768	\$61,000,000
2011	525	1,258	1,783	\$18,605,475	\$105,394,525	\$124,000,000
2012	750	1,836	2,586	\$26,579,250	\$164,420,750	\$191,000,000
2013	1,099	2,703	3,802	\$38,947,461	\$258,052,539	\$297,000,000
2014	1,099	2,803	3,902	\$38,947,461	\$289,052,539	\$328,000,000
2015	1,099	2,853	3,952	\$38,947,461	\$316,052,539	\$355,000,000
2016	1,099	2,884	3,983	\$38,947,461	\$342,052,539	\$381,000,000
2017	1,099	2,885	3,984	\$38,947,461	\$364,052,539	\$403,000,000
2018	1,099	2,897	3,996	\$38,947,461	\$387,052,539	\$426,000,000
2019	1,099	2,907	4,006	\$38,947,461	\$410,052,539	\$449,000,000
2020	1,099	2,922	4,021	\$38,947,461	\$434,052,539	\$473,000,000
2021	1,099	2,951	4,050	\$38,947,461	\$460,052,539	\$499,000,000
2022	1,099	2,983	4,082	\$38,947,461	\$488,052,539	\$527,000,000
2023	1,099	3,018	4,117	\$38,947,461	\$518,052,539	\$557,000,000
2024	1,099	3,058	4,157	\$38,947,461	\$550,052,539	\$589,000,000

Source: CPA, REMI, Caterpillar

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2008. Seguin ISD's ad valorem tax base in 2008 was \$2.4 billion. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Seguin ISD's estimated wealth per WADA was \$252,942. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Guadalupe County, and Seguin with all property tax incentives sought being granted using estimated market value from Caterpillar's application. Caterpillar has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county and city seeking 100 percent abatement for ten years. Table 3 illustrates the estimated tax impact of the Caterpillar project on the region if all taxes are assessed.

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Seguin ISD I&S Levy	Seguin ISD M&O Levy	Seguin ISD M&O and I&S Tax Levies (Before Credit Credited)	Seguin ISD M&O and I&S Tax Levies (After Credit Credited)	Guadalupe County	City of Seguin	School, City & County Property Taxes
				0.2098	1.0400			0.3895	0.4823	
2009	\$685,820	\$685,820		\$1,439	\$7,133	\$8,571	\$8,571	\$0	\$0	\$8,571
2010	\$22,700,000	\$22,700,000		\$47,625	\$236,080	\$283,705	\$283,705	\$0	\$0	\$283,705
2011	\$122,600,000	\$122,600,000		\$257,215	\$1,275,040	\$1,532,255	\$1,532,255	\$0	\$0	\$1,532,255
2012	\$118,500,000	\$80,000,000		\$248,613	\$832,000	\$1,080,613	\$1,080,613	\$0	\$0	\$1,080,613
2013	\$114,300,000	\$80,000,000		\$239,801	\$832,000	\$1,071,801	\$1,008,510	\$0	\$0	\$1,008,510
2014	\$109,800,000	\$80,000,000		\$230,360	\$832,000	\$1,062,360	\$999,069	\$0	\$0	\$999,069
2015	\$105,100,000	\$80,000,000		\$220,500	\$832,000	\$1,052,500	\$989,208	\$0	\$0	\$989,208
2016	\$100,300,000	\$80,000,000		\$210,429	\$832,000	\$1,042,429	\$979,138	\$0	\$0	\$979,138
2017	\$95,200,000	\$80,000,000		\$199,730	\$832,000	\$1,031,730	\$968,438	\$0	\$0	\$968,438
2018	\$89,900,000	\$80,000,000		\$188,610	\$832,000	\$1,020,610	\$957,319	\$0	\$0	\$957,319
2019	\$85,000,000	\$80,000,000		\$178,330	\$832,000	\$1,010,330	\$947,039	\$331,075	\$409,955	\$1,688,069
2020	\$82,100,000	\$82,100,000		\$172,246	\$853,840	\$1,026,086	\$1,026,086	\$319,780	\$395,968	\$1,741,834
2021	\$79,700,000	\$79,700,000		\$167,211	\$828,880	\$996,091	\$996,091	\$310,432	\$384,393	\$1,690,915
2022	\$77,800,000	\$77,800,000		\$163,224	\$809,120	\$972,344	\$972,344	\$303,031	\$375,229	\$1,650,605
2023	\$81,600,000	\$81,600,000		\$171,197	\$848,640	\$1,019,837	\$1,019,837	\$317,832	\$393,557	\$1,731,226
2024	\$87,600,000	\$87,600,000		\$183,785	\$911,040	\$1,094,825	\$1,094,825	\$341,202	\$422,495	\$1,858,522
						Total	\$14,863,047	\$1,923,351	\$2,381,597	\$19,167,995

Source: CPA, Caterpillar

*Assumes Chapter 313 Value Limitation and County and City Tax Abatement (100 percent 10 years)

¹Tax Rate per \$100 Valuation

Guadalupe County Overview Report

Population

Total county population in 2008 for Guadalupe County: 117,172, up 4.3 percent from 2007.
State population increased 2.0 percent in the same time period.

Guadalupe County was the state's 34th largest county in population in 2008 and the 8th fastest growing county from 2007 to 2008.

Guadalupe County population in 2008 was:

56.2 percent White	(above the state average of 47.4 percent.)
6.0 percent Black	(below the state average of 11.3 percent.)
34.9 percent Hispanic	(below the state average of 36.5 percent.)

2008 population of the largest cities and places in Guadalupe County:

Schertz:	29,330
Seguin:	26,051
Cibolo:	12,385
Marion:	1,142
Santa Clara:	912
New Berlin:	500

Economy and Income

Employment

October 2009 total employment in Guadalupe County: 54,566, up 0.0 percent from October 2008.
State total employment decreased 1.0 percent during the same period.

October 2009 Guadalupe County unemployment rate was 6.8 percent, up from 4.8 percent in October 2008.
The statewide unemployment rate for October 2009 was 8.3 percent, up from 5.3 percent in October 2008.

October 2009 unemployment rate in the city of:

Schertz:	was 5.5 percent, up from 3.9 percent in October 2008.
Seguin:	was 6.7 percent, up from 4.8 percent in October 2008.

(Note: County and State unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission City unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates.)

Income

Guadalupe County's ranking in per capita personal income in 2007: 69th with an average per capita income of \$32,083, up 5.0 percent from 2006.

Statewide average per capita personal income was \$37,083 in 2007 up 5.5 percent from 2006.

Industry

Agricultural cash values in Guadalupe County averaged \$51.5 million annually from 2005 to 2008. County total agricultural values in 2008 were down 29.5 percent from 2007. Major agriculture related commodities in Guadalupe County during 2008 included:

Beef Total	Eggs	Fed Beef	Hogs	Nursery
------------	------	----------	------	---------

2007 preliminary oil and gas production in Guadalupe County: 1,209,362 barrels of oil and 92,688 Mcf of gas.
In February 2009, there were 1,769 producing oil wells and 1 producing gas wells.

Taxes

Sales Tax - Taxable Sales

<http://www.texasahead.org/texasedge>

Quarterly (January through March 2009)

Taxable sales in Guadalupe County during the first quarter of 2009: \$172,325,623, down 4.5 percent from the same quarter in 2008.

Taxable sales during the first quarter in the city of:

Cibolo	\$5,142,149, down	2.9 percent from the same quarter in 2008.
Marion	\$1,072,413, up	7.2 percent from the same quarter in 2008.
New Berlin	\$146,338, down	3.7 percent from the same quarter in 2008.
Santa Clara	\$317,937, down	48.5 percent from the same quarter in 2008.
Schertz	\$67,883,707, down	4.6 percent from the same quarter in 2008.
Seguin	\$70,746,116, down	4.9 percent from the same quarter in 2008.

Annual (2008)

Taxable sales in Guadalupe County during 2008: \$760,860,404, up 0.4 percent from 2007.

Taxable sales during 2008 in the city of:

Cibolo	\$25,799,871, up	20.1 percent from 2007.
Marion	\$4,357,786, up	13.4 percent from 2007.
New Berlin	\$613,871, down	21.2 percent from 2007.
Santa Clara	\$1,529,648, down	13.1 percent from 2007.
Schertz	\$308,808,425, up	7.6 percent from 2007.
Seguin	\$302,367,048, down	2.3 percent from 2007.

"-" represent amounts subject to state sales tax values that are suppressed for confidentiality reasons.

Sales Tax - Local Sales Tax Allocations**Monthly (September 2009)**

Statewide payments based on the sales activity month of September 2009: , down 8.7 percent from September 2008.

Payments based on the sales activity month of September 2009 in the city of:

Annual (2008)

Statewide payments based on the sales activity months of 2008: \$6,026,220,888, up 5.8 percent from 2007.

Property Tax

As of 2007, property values in Guadalupe County: \$8,551,159,567, up 17.4 percent from 2006 values.

The property tax base per person in Guadalupe County is \$72,980, below the statewide average of \$77,317.

About 1.0 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

<http://www.texasahead.org/texasedge>

Guadalupe County's ranking in state expenditures by county in state fiscal year (FY) 2008: 51st. State expenditures in the county for FY 2008: \$235,518,413, down 7.6 percent from FY 2007.

In Guadalupe County, 14 state agencies provide a total of 170 jobs and \$1,655,500 in annualized wages (as of 1st quarter 2009).

Major state agencies in the county (as of 1st quarter 2009):

- Department of Criminal Justice
- Health & Human Services Commission
- Department of Public Safety
- Department of Transportation
- Department of Family and Protective Services

School Districts

Guadalupe County had 4 school districts with 36 schools and 20,778 students in the 2007-2008 school year.

(Statewide, the average teacher salary in school year 2007-2008 was \$46,179. The percentage of students, statewide, meeting the 2008 Texas Assessment of Knowledge and Skills (TAKS) passing standard for all 2007-2008 TAKS tests was 72 percent.)

MARION ISD	had 1,428 students in the 2007-2008 school year. The average teacher salary was \$42,835. The percentage of students meeting the 2008 TAKS passing standard for all tests was 73 percent.
NAVARRO ISD	had 1,514 students in the 2007-2008 school year. The average teacher salary was \$42,250. The percentage of students meeting the 2008 TAKS passing standard for all tests was 79 percent.
SCHERTZ-CIBOLO-U CITY ISD	had 10,335 students in the 2007-2008 school year. The average teacher salary was \$47,411. The percentage of students meeting the 2008 TAKS passing standard for all tests was 79 percent.
SEGUIN ISD	had 7,501 students in the 2007-2008 school year. The average teacher salary was \$44,878. The percentage of students meeting the 2008 TAKS passing standard for all tests was 70 percent.

Higher Education

(Fall 2008 enrollment)

Community Colleges in Guadalupe County:

Guadalupe County is in the service area of the following:

Alamo Community College District	with a fall 2008 enrollment of 52,306 Students.	
	Counties in the service area include	Atascosa
		Bandera
		Bexar
		Comal
		Guadalupe
		Kendall

Austin Community College

with a fall 2008 enrollment of 33,728 Students.
Countes in the service area include

Kerr

Wilson

Bastrop

Blanco

Caldwell

Fayette

Gillespie

Gonzales

Guadalupe

Hays

Lee

Travis

Williamson

Institutes of Higher Education in Guadalupe County with a fall 2008 enrollment

Texas Lutheran University Independent University, had 1,432
students.

References

Population uses data from the following source:
U.S. Census Bureau, as of 10/1/09

Employment uses data from the following sources:
Texas Workforce Commission, as of 11/29/09
Texas Comptroller of Public Accounts, as of 11/21/09

Income uses data from the following source:
U.S. Department of Commerce-Bureau of Economic Analysis, as of 6/11/09

Industry uses data from the following sources:
Texas AgriLife Extension Service, as of 6/29/09
Railroad Commission of Texas, as of 8/21/08

Taxable Sales uses data from the following source:
Texas Comptroller of Public Accounts, as of 10/8/09

Sales Tax Allocation uses data from the following source:
Texas Comptroller of Public Accounts, as of 11/20/09

Property Tax uses data from the following source:
Texas Comptroller of Public Accounts, as of 10/27/09

State Expenditures uses data from the following source:
Texas Comptroller of Public Accounts, as of 11/21/09

Higher Education uses data from the following source:
Texas Higher Education Coordinating Board, as of 5/14/09

School Districts uses data from the following source:
Texas Education Agency, as of 1/21/09

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TEXAS EDUCATION AGENCY

1701 North Congress Ave. ★ Austin, Texas 78701-1494 ★ 512/463-9734 ★ FAX: 512/463-9838 ★ <http://www.tea.state.tx.us>

Robert Scott
Commissioner

November 24, 2009

Mr. Robert Wood
Director, Local Government Assistance and Economic Development
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Caterpillar, Inc., project on the number and size of school facilities in Seguin Independent School District (SISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the SISD superintendent, Dr. Irene Garza, the TEA has found that the Caterpillar, Inc., project would not have a significant impact on the number or size of school facilities in SISD.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

Helen Daniels
Director of State Funding

HD/hd



TEXAS EDUCATION AGENCY

1701 North Congress Ave. ★ Austin, Texas 78701-1494 ★ 512/463-9734 ★ FAX: 512/463-9838 ★ <http://www.tea.state.tx.us>

Robert Scott
Commissioner

November 24, 2009

Mr. Robert Wood
Director, Local Government Assistance and Economic Development
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed Caterpillar, Inc., project for the Seguin Independent School District (SISD). Projections prepared by our Forecasting and Fiscal Analysis Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions are valid and their estimates of the impact of the Caterpillar, Inc., project on SISD are correct.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

Helen Daniels
Director of State Funding

HD/hd

Attachment E

Summary of Financial Impact

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED
CATERPILLAR INC. PROJECT ON THE FINANCES OF THE SEGUIN
ISD UNDER A REQUESTED CHAPTER 313 PROPERTY VALUE
LIMITATION**

December 9, 2009

Final Report

PREPARED BY



Estimated Impact of the Proposed Caterpillar Inc. Project on the Finances of the Seguin ISD under a Requested Chapter 313 Property Value Limitation

Introduction

Caterpillar Inc. (Caterpillar) has requested that the Seguin ISD (SISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new manufacturing project. An application was submitted to SISD on August 31, 2009. Caterpillar proposes to invest \$138.5 million to construct an engine manufacturing plant in SISD.

The Caterpillar project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, the original language in Chapter 313 of the Tax Code made companies engaged in manufacturing, research and development, and renewable electric energy production eligible to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

School Finance Mechanics

Under the provisions of Chapter 313, SISD may offer a minimum value limitation of \$80 million. Based on the application, the qualifying time period would begin with the 2010-11 school year. The full taxable value of the investment is expected to reach \$122.6 million in 2011-12, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

The provisions of Chapter 313 call for the project to be fully taxable in the 2010-11 and 2011-12 school years, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2010-11 and 2011-12 school years. Beginning in 2012-13, the project would go on the local tax roll at \$80 million and remain at that level of taxable value for eight years for maintenance and operations taxes. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with SISD currently levying a \$0.21 I&S tax rate.

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct their property value study and, after recent changes to the law, planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

For the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the third year was typically problematical for a school district that approved a Chapter 313 value limitation. Based on the data provided in the application, Caterpillar

indicates that \$122.6 million in taxable value would be in place in the second year under the agreement. In year three (2012-13) of the agreement, the project is expected to go on the tax roll at \$80 million or, if applicable, a higher value limitation amount approved by the SISD Board of Trustees. This difference would result in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant in the revenue protection provisions of the property value limitation agreement. In years 4-10, smaller revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

HB 1 established a “target” revenue system per student that has the effect of largely neutralizing the third-year revenue losses associated with Chapter 313 property value limitations, at least up to a district’s compressed M&O tax rate. The additional four to six cents of tax effort that a district may levy are subject to an enriched level of equalization (or no recapture in the case of a Chapter 41 school district) and operate more like the pre-HB 1 system. A value limitation must be analyzed for any potential revenue loss associated with this component of the M&O tax levy. For tax effort in excess of the compressed plus six cents rate, equalization and recapture occur at the level of \$319,500 per weighted student in average daily attendance (WADA).

Under HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point is the target revenue provisions from HB 1, that are then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure, as well as an additional \$120 per WADA guarantee.

Under the provisions of HB 3646, school districts do have the potential to earn revenue above the \$120 per WADA level, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 700 school districts are funded at the minimum \$120 per WADA level, while approximately 300 school districts are expected to generate higher revenue amounts per WADA. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district’s base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system.

One key element in any analysis of the school finance implications is the provision for revenue protection in the value limitation agreement between the school district and the applicant. In the case of the Caterpillar project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f) (1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. While the new target revenue system appears to limit the impact of property value changes for a majority of school districts, changes in underlying property value growth have the potential to influence the revenue stream of a number of school districts.

Student enrollment counts are held constant at 6,880 students in average daily attendance (ADA) in analyzing the effects of the Caterpillar project on the finances of SISD. The District's local tax base reached \$2.5 billion for the 2009 tax year. While the district's tax base has grown steadily in recent years, the underlying \$2.5 billion taxable value for 2009-10 is maintained for the forecast period in order to isolate the effects of the property value limitation on the District's finances. SISD is not a property-wealthy district, with wealth per weighted ADA or WADA expected to average approximately \$261,880 for the 2010-11 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for SISD under the assumptions outlined above through the 2024-25 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Caterpillar facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A third model is developed which adds the Caterpillar value but imposes the proposed property value limitation effective in the third year, which in this case is the 2012-13 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). An M&O tax rate of \$1.04 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$50.0 million a year in net General Fund revenue, after equalization and other adjustments have been made.

Under these assumptions, SISD would experience a revenue loss as a result of the implementation of the value limitation in the 2012-13 school year (-\$31,399). The revenue reduction results from the mechanics of four cents not subject to recapture, which reflect the one-year lag in value associated with the property value study. There are some M&O tax losses resulting from the impact of the value limitation agreement, although under these assumptions the losses in the fourth year and later under the agreement are relatively small.

One change that has been incorporated into these models is a more precise estimate of the deduction from the property value study conducted by the Comptroller's Office. At the school district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced

value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller's Office, a single deduction amount is calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. This methodology has been incorporated into these estimates and the typical result is an increase in the hold-harmless formula amounts owed to the school district by the company that receives the value limitation. The extent to which this affects a school district's finances appears to be influenced by the scale of the value limitation reduction relative to the district's underlying tax base, as well as its I&S tax rate. In the case of SISD, the calculated lower reduction in the state property value relative to the M&O benefit to be received by the taxpayer does not appear to be substantial. In large part this results because the underlying tax base is substantially larger than the taxable value of the proposed project.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of its potential tax savings. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.04 per \$100 of taxable value M&O rate is assumed in 2010-11 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$1.9 million over the life of the agreement. In addition, Caterpillar would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13, if necessary. The tax credits are expected to total approximately \$443,040 over the life of the agreement, with no unpaid tax credits anticipated. The key SISD revenue losses are associated with reduced tax effort in the calculation of the additional four-cent levy equalized at the Austin ISD yield. These losses are expected to total approximately -\$36,276 over the course of the agreement, with the school district to be reimbursed by the state for the tax credit payments. The potential net tax benefits—inclusive of tax credits and after estimated hold-harmless payments are made—are estimated to total \$2.3 million over the life of the agreement.

Facilities Funding Impact

The Caterpillar project remains fully taxable for debt services taxes, with SISD currently levying a \$0.21 I&S rate. Full access to the additional value will add to the District's projected wealth per ADA that is currently above what is provided for through the state's facilities program. The additional value is expected to generate about \$250,000 in I&S taxes at the current I&S tax rate, based on the initial full taxable value when the project is completed.

The application indicates that the Caterpillar project expects to create 1,099 new jobs at its Seguin site. It is anticipated that many employees will be hired from current residents in the region, including surrounding areas. While it is not part of the property value limitation agreement, the Texas Enterprise Zone project agreement indicates a commitment that 35 percent of the Project's employees be either economically disadvantaged or residents of the enterprise zone for the project.

Because employees could be existing residents in the area and the housing decisions of new employees from outside the area are yet to be determined, assessing the potential impact on

student enrollment at SISD is difficult. The District is opening a new 600-student elementary school this fall. The total number of students currently enrolled is close to 7,500, with district-wide capacity now estimated at 9,500 students. As a result, SISD currently has room to accommodate another 2,000 students and is well-positioned to enroll students from a large number of households with family members employed by Caterpillar.

Given that a large number of Texas residents are expected to be hired to work at the new facility, it is unlikely that the Caterpillar project will increase the state cost of the Foundation School Program. Even if some employees are brought in from out-of-state, the costs associated with any new students must be viewed in the context of a public education system that increases by 70,000 students or more on an annual basis in most years. If the new arrivals were to have their residences constructed rather than purchase from the existing housing stock in the Seguin area, the additional taxable value of the new construction would largely accrue to the benefit of the state under the current school finance system, which would help reduce any state costs associated with the arrival of new students not currently enrolled in Texas.

Conclusion

The proposed Caterpillar manufacturing project enhances the tax base of SISD. It also reflects continued capital investment in manufacturing, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$2.3 million over the course of the agreement. This amount is net of any anticipated revenue losses owed to the District. The additional taxable value also enhances the tax base of SISD in meeting its debt service obligations, especially in the first year that the new project value appears on the local tax roll.

Table 1 – Base District Information with Caterpillar Inc. Project Value and Limitation Values

School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTAD with Project	CPTAD With Limitation	CPTAD Value with Project per WADA	CPTAD Value with Limitation per WADA
2010-11	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,514,212,157	\$2,514,212,157	\$2,417,774,501	\$2,417,774,501	\$261,880	\$261,880
2011-12	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,614,112,157	\$2,614,112,157	\$2,503,714,669	\$2,503,714,669	\$271,189	\$271,189
2012-13	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,610,012,157	\$2,571,512,157	\$2,603,614,669	\$2,603,614,669	\$282,010	\$282,010
2013-14	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,605,812,157	\$2,571,512,157	\$2,599,514,669	\$2,567,477,543	\$281,565	\$278,095
2014-15	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,601,312,157	\$2,571,512,157	\$2,595,314,669	\$2,566,772,502	\$281,111	\$278,019
2015-16	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,596,612,157	\$2,571,512,157	\$2,590,814,669	\$2,566,017,101	\$280,623	\$277,937
2016-17	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,591,812,157	\$2,571,512,157	\$2,586,114,669	\$2,565,228,127	\$280,114	\$277,852
2017-18	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,586,712,157	\$2,571,512,157	\$2,581,314,669	\$2,564,422,366	\$279,594	\$277,764
2018-19	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,581,412,157	\$2,571,512,157	\$2,576,214,669	\$2,563,566,245	\$279,042	\$277,672
2019-20	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,576,512,157	\$2,571,512,157	\$2,570,914,669	\$2,562,676,551	\$278,468	\$277,575
2020-21	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,573,612,157	\$2,573,612,157	\$2,566,014,669	\$2,561,854,003	\$277,937	\$277,486
2021-22	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,571,212,157	\$2,571,212,157	\$2,563,114,669	\$2,563,114,669	\$277,623	\$277,623
2022-23	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,569,312,157	\$2,569,312,157	\$2,560,714,669	\$2,560,714,669	\$277,363	\$277,363
2023-24	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,573,112,157	\$2,573,112,157	\$2,558,814,669	\$2,558,814,669	\$277,157	\$277,157
2024-25	6,880.00	9,232.36	\$1.0400	\$0.2098	\$2,579,112,157	\$2,579,112,157	\$2,562,614,669	\$2,562,614,669	\$277,569	\$277,569

*Tier II Yield: \$48.19; AISD Yield: \$59.97; Equalized Wealth: \$481,900 per WADA

Table 2-- "Baseline Revenue Model"--Project Value Added with No Value Limitation

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$23,474,725	\$23,180,360	\$1,284,320	\$0	\$0	\$937,768	\$1,209,700	\$0	\$50,086,873
2011-12	\$24,433,813	\$22,320,915	\$1,184,677	\$0	\$0	\$976,082	\$1,182,400	\$0	\$50,097,887
2012-13	\$24,394,451	\$21,321,866	\$2,223,088	\$0	\$0	\$974,510	\$1,097,808	\$0	\$50,011,723
2013-14	\$24,354,129	\$21,362,868	\$2,222,408	\$0	\$0	\$972,899	\$1,099,257	\$0	\$50,011,560
2014-15	\$24,310,927	\$21,404,870	\$2,223,608	\$0	\$0	\$971,173	\$1,100,654	\$0	\$50,011,232
2015-16	\$24,265,805	\$21,449,872	\$2,223,728	\$0	\$0	\$969,370	\$1,102,203	\$0	\$50,010,978
2016-17	\$24,219,723	\$21,496,874	\$2,222,809	\$0	\$0	\$967,530	\$1,103,868	\$0	\$50,010,802
2017-18	\$24,170,760	\$21,544,877	\$2,223,768	\$0	\$0	\$965,574	\$1,105,480	\$0	\$50,010,459
2018-19	\$24,119,878	\$21,595,879	\$2,223,649	\$0	\$0	\$963,541	\$1,107,244	\$0	\$50,010,190
2019-20	\$24,072,835	\$21,648,882	\$2,217,688	\$0	\$0	\$961,662	\$1,109,346	\$0	\$50,010,412
2020-21	\$24,044,994	\$21,697,884	\$2,196,527	\$0	\$0	\$960,549	\$1,112,013	\$0	\$50,011,967
2021-22	\$24,021,953	\$21,726,886	\$2,190,566	\$0	\$0	\$959,629	\$1,113,290	\$0	\$50,012,324
2022-23	\$24,003,712	\$21,750,887	\$2,184,806	\$0	\$0	\$958,900	\$1,114,386	\$0	\$50,012,691
2023-24	\$24,040,194	\$21,769,888	\$2,129,324	\$0	\$0	\$960,358	\$1,117,621	\$0	\$50,017,384
2024-25	\$24,097,797	\$21,731,886	\$2,109,723	\$0	\$0	\$962,659	\$1,117,211	\$0	\$50,019,274

Table 3-- "Value Limitation Revenue Model"--Project Value Added with Value Limit

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$23,474,725	\$23,180,360	\$1,284,320	\$0	\$0	\$937,768	\$1,209,700	\$0	\$50,086,873
2011-12	\$24,433,813	\$22,320,915	\$1,184,677	\$0	\$0	\$976,082	\$1,182,400	\$0	\$50,097,887
2012-13	\$24,024,833	\$21,321,866	\$2,592,706	\$0	\$0	\$959,744	\$1,081,175	\$0	\$49,980,323
2013-14	\$24,024,833	\$21,683,255	\$2,231,317	\$0	\$0	\$959,744	\$1,109,900	\$0	\$50,009,049
2014-15	\$24,024,833	\$21,690,306	\$2,224,266	\$0	\$0	\$959,744	\$1,110,469	\$0	\$50,009,618
2015-16	\$24,024,833	\$21,697,860	\$2,216,712	\$0	\$0	\$959,744	\$1,111,078	\$0	\$50,010,227
2016-17	\$24,024,833	\$21,705,750	\$2,208,822	\$0	\$0	\$959,744	\$1,111,715	\$0	\$50,010,864
2017-18	\$24,024,833	\$21,713,808	\$2,200,764	\$0	\$0	\$959,744	\$1,112,366	\$0	\$50,011,515
2018-19	\$24,024,833	\$21,722,370	\$2,192,202	\$0	\$0	\$959,744	\$1,113,058	\$0	\$50,012,207
2019-20	\$24,024,833	\$21,731,267	\$2,183,305	\$0	\$0	\$959,744	\$1,113,778	\$0	\$50,012,927
2020-21	\$24,044,994	\$21,739,493	\$2,154,918	\$0	\$0	\$960,549	\$1,115,379	\$0	\$50,015,333
2021-22	\$24,021,953	\$21,726,886	\$2,190,566	\$0	\$0	\$959,629	\$1,113,290	\$0	\$50,012,324
2022-23	\$24,003,712	\$21,750,887	\$2,184,806	\$0	\$0	\$958,900	\$1,114,386	\$0	\$50,012,691
2023-24	\$24,040,194	\$21,769,888	\$2,129,324	\$0	\$0	\$960,358	\$1,117,621	\$0	\$50,017,384
2024-25	\$24,097,797	\$21,731,886	\$2,109,723	\$0	\$0	\$962,659	\$1,117,211	\$0	\$50,019,274

Table 4 – Value Limit less Project Value with No Limit

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2011-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2012-13	-\$369,618	\$0	\$369,618	\$0	\$0	-\$14,766	-\$16,634	\$0	-\$31,399
2013-14	-\$329,296	\$320,387	\$8,909	\$0	\$0	-\$13,155	\$10,644	\$0	-\$2,511
2014-15	-\$286,094	\$285,436	\$658	\$0	\$0	-\$11,429	\$9,815	\$0	-\$1,614
2015-16	-\$240,972	\$247,988	-\$7,016	\$0	\$0	-\$9,626	\$8,875	\$0	-\$751
2016-17	-\$194,890	\$208,876	-\$13,986	\$0	\$0	-\$7,785	\$7,847	\$0	\$62
2017-18	-\$145,927	\$168,931	-\$23,004	\$0	\$0	-\$5,830	\$6,886	\$0	\$1,056
2018-19	-\$95,045	\$126,491	-\$31,446	\$0	\$0	-\$3,797	\$5,814	\$0	\$2,017
2019-20	-\$48,002	\$82,385	-\$34,383	\$0	\$0	-\$1,918	\$4,432	\$0	\$2,515
2020-21	\$0	\$41,609	-\$41,609	\$0	\$0	\$0	\$3,366	\$0	\$3,366
2021-22	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022-23	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023-24	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024-25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Table 5 - Estimated Financial impact of the Caterpillar Inc. Project Property Value Limitation Request
Submitted to SISD at \$1.04 M&O Tax Rate**

School Year	Project Value	Estimated Taxable Value	Value Savings	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
2010-11	\$22,700,000	\$22,700,000	\$0	\$236,080	\$236,080	\$0	\$0	\$0	\$0	\$0
2011-12	\$122,600,000	\$122,600,000	\$0	\$1,275,040	\$1,275,040	\$0	\$0	\$0	\$0	\$0
2012-13	\$118,500,000	\$80,000,000	\$38,500,000	\$1,232,400	\$832,000	\$400,400	\$0	\$400,400	-\$31,399	\$369,001
2013-14	\$114,300,000	\$80,000,000	\$34,300,000	\$1,188,720	\$832,000	\$356,720	\$63,291	\$420,011	-\$2,511	\$417,500
2014-15	\$109,800,000	\$80,000,000	\$29,800,000	\$1,141,920	\$832,000	\$309,920	\$63,291	\$373,211	-\$1,614	\$371,597
2015-16	\$105,100,000	\$80,000,000	\$25,100,000	\$1,093,040	\$832,000	\$261,040	\$63,291	\$324,331	-\$751	\$323,580
2016-17	\$100,300,000	\$80,000,000	\$20,300,000	\$1,043,120	\$832,000	\$211,120	\$63,291	\$274,411	\$0	\$274,411
2017-18	\$95,200,000	\$80,000,000	\$15,200,000	\$990,080	\$832,000	\$158,080	\$63,291	\$221,371	\$0	\$221,371
2018-19	\$89,900,000	\$80,000,000	\$9,900,000	\$934,960	\$832,000	\$102,960	\$63,291	\$166,251	\$0	\$166,251
2019-20	\$85,000,000	\$80,000,000	\$5,000,000	\$884,000	\$832,000	\$52,000	\$63,291	\$115,291	\$0	\$115,291
2020-21	\$82,100,000	\$82,100,000	\$0	\$853,840	\$853,840	\$0	\$0	\$0	\$0	\$0
2021-22	\$79,700,000	\$79,700,000	\$0	\$828,880	\$828,880	\$0	\$0	\$0	\$0	\$0
2022-23	\$77,800,000	\$77,800,000	\$0	\$809,120	\$809,120	\$0	\$0	\$0	\$0	\$0
2023-24	\$81,600,000	\$81,600,000	\$0	\$848,640	\$848,640	\$0	\$0	\$0	\$0	\$0
2024-25	\$87,600,000	\$87,600,000	\$0	\$911,040	\$911,040	\$0	\$0	\$0	\$0	\$0
				\$14,270,880	\$12,418,640	\$1,852,240	\$443,040	\$2,295,280	-\$36,276	\$2,259,004
				Tax Credit for Value Over Limit in First 2 Years		<u>2010</u>	<u>2011</u>	<u>Max Credits</u>		
						\$0	\$443,040	\$443,040		
						Credits Earned		\$443,040		
						Credits Paid		<u>\$443,040</u>		
						Excess Credits Unpaid		\$0		

Attachment F

Taxable Value of Property

DATE: 08/28/2009
 TIME: 10:08:31

COMPTROLLER OF PUBLIC ACCOUNTS - PROPERTY TAX ASSISTANCE DIVISION
 2008 ISD SUMMARY WORKSHEET
 094/Guadalupe
 094-901/Seguin ISD

PAGE: 001
 REPT: PTS265
 VRSN: F

CATEGORY	LOCAL TAX ROLL VALUE	2008 WTD MEAN RATIO	2008 PTD VALUE ESTIMATE	2008 VALUE ASSIGNED
A. SINGLE-FAMILY RESIDENCES	1,476,642,704	1.0095	1,462,746,611	1,476,642,704
B. MULTIFAMILY RESIDENCES	53,700,716	N/A	53,700,716	53,700,716
C. VACANT LOTS	44,133,088	N/A	44,133,088	44,133,088
D. RURAL REAL(TAXABLE)	246,653,999	.9931	248,362,663	246,653,999
F1. COMMERCIAL REAL	303,086,473	.9193	329,692,672	303,086,473
F2. INDUSTRIAL REAL	186,104,026	N/A	186,104,026	186,104,026
G. OIL,GAS,MINERALS	53,536,710	N/A	53,536,710	53,536,710
J. UTILITIES	57,673,871	N/A	57,673,871	57,673,871
L1. COMMERCIAL PERSONAL	119,343,368	.9981	119,570,552	119,343,368
L2. INDUSTRIAL PERSONAL	206,167,438	N/A	206,167,438	206,167,438
M. MOBILE HOMES	35,702,872	N/A	35,702,872	35,702,872
N. INTANGIBLE PERS/UNCERT	0	N/A	0	0
O. RESIDENTIAL INVENTORY	6,727,101	N/A	6,727,101	6,727,101
S. SPECIAL INVENTORY	9,053,070	N/A	9,053,070	9,053,070
SUBTOTAL	2,798,525,436		2,813,171,390	2,798,525,436
LESS TOTAL DEDUCTIONS	442,379,134		438,325,972	442,379,134
TOTAL TAXABLE VALUE	2,356,146,302		2,374,845,418	2,356,146,302 T2

CATEGORY D DETAIL	LOCAL TAX ROLL	RATIO	PTD VALUE
MARKET VALUE NON-QUALIFIED ACRES & FARM/RANCH IMP	232,953,107	.9970	233,654,069
PROD VALUE QUALIFIED ACRES	13,700,892	.9315	14,708,594
TAXABLE VALUE	246,653,999		248,362,663

THE TAXABLE VALUES SHOWN HERE WILL NOT MATCH THE VALUES REPORTED BY YOUR APPRAISAL DISTRICT
 SEE THE ISD DEDUCTION REPORT FOR A BREAKDOWN OF DEDUCTION VALUES

DATE: 08/28/2009
 TIME: 10:08:31

COMPTROLLER OF PUBLIC ACCOUNTS - PROPERTY TAX ASSISTANCE DIVISION
 2008 FINAL VALUES WORKSHEET
 094/Guadalupe
 094-901/Seguin ISD

PAGE: 002
 REPT: PTS265
 VRSN: F

GOVERNMENT CODE SUBSECTIONS 403.302 (J) AND (K) REQUIRE THE COMPTROLLER TO CERTIFY ALTERNATIVE MEASURES OF SCHOOL DISTRICT WEALTH (T1, T3, T4, T5 AND T6) IN ADDITION TO THE TRADITIONAL MEASURE (T2). QUESTIONS ABOUT THE EXTENT TO WHICH ANY OF THESE WEALTH MEASURES AFFECT SCHOOL FUNDING SHOULD BE DIRECTED TO THE DIVISION OF STATE FUNDING AT THE TEXAS EDUCATION AGENCY, TELEPHONE #512-463-9238.

T1	T2	T3	T4	T5	T6
2,446,382,674	2,356,146,302	2,446,382,674	2,356,146,302	2,356,146,302	2,356,146,302

LOSS TO
 THE ADDITIONAL
 \$10,000 HOMESTEAD
 EXEMPTION

90,236,372

50% OF THE LOSS
 TO THE LOCAL OPTIONAL
 PERCENTAGE HOMESTEAD
 EXEMPTION

0

T1 = SCHOOL DISTRICT TAXABLE VALUE BEFORE THE LOSS TO THE ADDITIONAL \$10,000 HOMESTEAD EXEMPTION
 T2 = SCHOOL DISTRICT TAXABLE VALUE AFTER THE LOSS TO THE ADDITIONAL \$10,000 HOMESTEAD EXEMPTION AND THE TAX CEILING REDUCTION
 T3 = T1 MINUS 50% OF THE LOSS TO THE LOCAL OPTIONAL PERCENTAGE HOMESTEAD EXEMPTION
 T4 = T2 MINUS 50% OF THE LOSS TO THE LOCAL OPTIONAL PERCENTAGE HOMESTEAD EXEMPTION
 T5 = T2 BEFORE THE LOSS TO THE TAX CEILING REDUCTION
 T6 = T5 MINUS 50% OF THE LOSS TO THE LOCAL OPTIONAL PERCENTAGE HOMESTEAD EXEMPTION

THE TAXABLE VALUES SHOWN HERE WILL NOT MATCH THE VALUES REPORTED BY YOUR APPRAISAL DISTRICT

THE PVS FOUND YOUR LOCAL VALUE TO BE VALID, AND LOCAL VALUE WAS CERTIFIED

**** END OF REPORT ****

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE
OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES**

by and between

SEGUIN INDEPENDENT SCHOOL DISTRICT

and

CATERPILLAR INC.

(Texas Taxpayer ID # 13706027441)

Dated

December 17, 2009

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**AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR
SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES**

STATE OF TEXAS §

COUNTY OF GUADALUPE §

THIS AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES, hereinafter referred to as this "Agreement," is executed and delivered by and between **SEGUIN INDEPENDENT SCHOOL DISTRICT**, hereinafter referred to as the "District," a lawfully created independent school district within the State of Texas operating under and subject to the Texas Education Code, and **CATERPILLAR INC.**, Texas Taxpayer Identification Number 13706027441 hereinafter referred to as the "Applicant." The Applicant and the District are hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties." Certain capitalized and other terms used in this Agreement shall have the meanings ascribed to them in Section 1.3.

RECITALS

WHEREAS, on August 28, 2009, the Superintendent of Schools of the Seguin Independent School District, acting as agent of the Board of Trustees of the District (the "Board of Trustees"), received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, on October 27, 2009, the Superintendent of Schools of the Seguin Independent School District, acting as agent of the Board of Trustees of the District (the "Board of Trustees"), received from the Applicant the Supplemented Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, the Board of Trustees has acknowledged receipt of the Application and the Supplemented Application along with the requisite application fee as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy CCG (Local); and,

WHEREAS, the Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d); and,

WHEREAS, the Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.025(d), and on December 4, 2009 the Comptroller's Office, via letter, recommended that the Application be approved; and,

WHEREAS, the Texas Comptroller of Public Accounts conducted an economic impact evaluation pursuant to Chapter 313 of the Texas Tax Code and has recommended approval of the Application; and,

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WHEREAS, the Board of Trustees has reviewed the economic impact evaluation pursuant to Texas Tax Code § 313.026 and has carefully considered such evaluation; and,

WHEREAS, the Application was reviewed by the Guadalupe County Appraisal District established in Guadalupe County, Texas (the “Guadalupe County Appraisal District”), pursuant to Texas Tax Code § 6.01; and,

WHEREAS, on December 17, 2009, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

WHEREAS, on December 17, 2009, the Board of Trustees made factual findings pursuant to Texas Tax Code § 313.025(f), including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the Limitation on Appraised Value of the Applicant’s Qualified Property; and, (iv) each criterion listed in Texas Tax Code § 313.025(e) has been met; and,

WHEREAS, on December 17, 2009, the Board of Trustees determined that the Tax Limitation Amount requested by Applicant, and as defined in Sections 1.2 and 1.3, below, is consistent with the minimum values set out by Tax Code, §§ 313.022(b) and 313.052, as such Tax Limitation Amount was computed for the effective date of this Agreement; and,

WHEREAS, on December 17, 2009, the Board of Trustees approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the Board President and Secretary to execute and deliver such Agreement to the Applicant;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, the Parties agree as follows:

ARTICLE I

AUTHORITY, TERM, DEFINITIONS, AND GENERAL PROVISIONS

Section 1.1. AUTHORITY

This Agreement is executed by the District as its written agreement with the Applicant pursuant to the provisions and authority granted to the District in Texas Tax Code § 313.027.

Section 1.2. TERM OF THE AGREEMENT

This Agreement shall commence and first become effective for the ad valorem property valuations of the Qualified Property and Qualified Investments made pursuant to this Agreement

beginning with the tax appraisals to be made as of January 1, 2010, which date is referred to herein as the "Commencement Date." The Parties acknowledge that the limitation on the local ad valorem property values shall not commence until the valuations are made as of January 1, 2012, the second anniversary of the Commencement Date. These first two Tax Years that begin on the Commencement Date (*i.e.*, the 2010 and 2011 Tax Years) shall be the "Qualifying Time Period," as defined in Texas Tax Code § 313.021(4). Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2019. Except as otherwise provided herein, this Agreement will terminate, in full, on December 31, 2022. The termination of this Agreement shall not (i) release any obligations, liabilities, rights and remedies arising out of any breach of, or failure to comply with, this Agreement occurring prior to such termination, or (ii) affect the right of a Party to enforce the payment of any amount to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination, so long as the right to such payment survives said termination.

Except as otherwise provided herein, the Tax Years for which this Agreement is effective are as set forth below and set forth opposite each such Tax Year are the corresponding year in the term of this Agreement, the date of the Appraised Value determination for such Tax Year, and a summary description of certain provisions of this Agreement corresponding to such Tax Year (it being understood and agreed that such summary descriptions are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement):

Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
1	January 1, 2010	2010-11	2010	No limitation on value. Tax credit in future years.
2	January 1, 2011	2011-12	2011	No limitation on value. Tax credit in future years.
3	January 1, 2012	2012-13	2012	\$ 80 million property value limitation.
4	January 1, 2013	2013-14	2013	\$ 80 million property value limitation. Possible tax credit due to Applicant.
5	January 1, 2014	2014-15	2014	\$ 80 million property value limitation. Possible tax credit due to Applicant.
6	January 1, 2015	2015-16	2015	\$ 80 million property value limitation. Possible tax credit due to Applicant.

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Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
7	January 1, 2016	2016-17	2016	\$ 80 million property value limitation. Possible tax credit due to Applicant.
8	January 1, 2017	2017-18	2017	\$ 80 million property value limitation. Possible tax credit due to Applicant.
9	January 1, 2018	2018-19	2018	\$ 80 million property value limitation. Possible tax credit due to Applicant.
10	January 1, 2019	2019-20	2019	\$ 80 million property value limitation. Possible tax credit due to Applicant.
11	January 1, 2020	2020-21	2020	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
12	January 1, 2021	2021-22	2021	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
13	January 1, 2022	2022-23	2022	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.

Section 1.3. DEFINITIONS

Wherever used herein, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning, to-wit:

“*Act*” means the Texas Economic Development Act set forth in Chapter 313 of the Texas Tax Code, as amended.

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"Affiliate" means any entity that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Applicant. For purposes of this definition, control of an entity means (i) the ownership, directly or indirectly, of fifty percent (50%) or more of the voting rights in a company or other legal entity or (ii) the right to direct the management or operation of such entity whether by ownership (directly or indirectly) of securities, by contract or otherwise.

"Affiliated Group" means a group of one or more entities in which a controlling interest is owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member entities.

"Agreement" means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented from time to time in accordance with Section 6.3.

"Annual Limit" means the maximum annual benefit which can be paid directly to the District as a Supplemental Payment under the provisions of Tex. Tax Code § 313.027(i) as determined in accordance with Section 4.4. For purposes of this Agreement the amount of the Annual Limit shall be Six Hundred Ninety-One Thousand Four Hundred Dollars (\$691,400.00) based upon the District's 2008-09 Average Daily Attendance of 6,913.977, rounded to the nearest student.

"Applicant" means Caterpillar Inc., (Texas Taxpayer ID # 13706027441), the company listed in the Preamble of this Agreement who, on August 28, 2009, filed the Original Application and on October 27, 2009 filed a Supplemental Application with the District for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The term "Applicant" shall also include the Applicant's assigns and successors-in-interest.

"Applicant's Qualified Investment" shall have the meaning assigned such term in Section 2.3.

"Appraised Value" shall have the meaning assigned to such term in Section 1.04(8) of the Texas Tax Code.

"Applicable School Finance Law" means Chapters 41 and 42 of the Texas Education Code, the Texas Economic Development Act (Chapter 313 of the Texas Tax Code), Chapter 403, Subchapter M, of the Texas Government Code applicable to the District, and the Constitution and general laws of the State applicable to the independent school districts of the State, including specifically, the applicable rules and regulations of the agencies of the State having jurisdiction over any matters relating to the public school systems and school districts of the State, and judicial decisions construing or interpreting any of the above. The term also includes any amendments or successor statutes that may be adopted in the future that could impact or alter the calculation of the Applicant's ad valorem tax obligation to the District, either with or without the limitation of property values made pursuant to this Agreement.

"Application" means collectively the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) initially filed with

the District by the Applicant on August 28, 2009, and the October 27, 2009 Supplemental Application filed with the District.

“Appraisal District” means the Guadalupe County Appraisal District.

“Comptroller” means the Texas Comptroller of Public Accounts.

“Comptroller’s Rules” means the applicable rules and regulations of the Comptroller set forth at Chapter 34 Texas Administrative Code, together with any court or administrative decisions interpreting same.

“County” means Guadalupe County, Texas.

“District” or “School District” means the Seguin Independent School District, being a duly authorized and operating independent school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter C of the Act applies. The term also includes any successor independent school district or other successor governmental authority having the power to levy and collect ad valorem taxes for school purposes on the Applicant’s Qualified Property or the Applicant’s Qualified Investment.

“Force Majeure” means a failure caused by (a) provisions of law, or the operation or effect of rules, regulations or orders promulgated by any governmental authority having jurisdiction over the Applicant, the Applicant’s Qualified Property or the Applicant’s Qualified Investment or any upstream, intermediate or downstream equipment or support facilities as are necessary to the operation of the Applicant’s Qualified Property or the Applicant’s Qualified Investment; (b) any demand or requisition, arrest, order, request, directive, restraint or requirement of any government or governmental agency whether federal, state, military, local or otherwise; (c) the action, judgment or decree of any court; (d) floods, storms, hurricanes, evacuation due to threats of hurricanes, lightning, earthquakes, washouts, high water, fires, acts of God or public enemies, wars (declared or undeclared), blockades, epidemics, riots or civil disturbances, insurrections, strikes, labor disputes (it being understood that nothing contained in this Agreement shall require the Applicant to settle any such strike or labor dispute), explosions, breakdown or failure of plant, machinery, equipment, lines of pipe or electric power lines (or unplanned or forced outages or shutdowns of the foregoing for inspections, repairs or maintenance), inability to obtain, renew or extend franchises, licenses or permits, loss, interruption, curtailment or failure to obtain electricity, gas, steam, water, wastewater disposal, waste disposal or other utilities or utility services, inability to obtain or failure of suppliers to deliver equipment, parts or material, or inability of the Applicant to ship or failure of carriers to transport electricity from the Applicant’s facilities; or (e) any other cause (except financial), whether similar or dissimilar, over which the Applicant has no reasonable control and which forbids or prevents performance.

“Land” shall have the meaning assigned to such term in Section 2.2.

“Maintain Viable Presence” means (i) the operation over the term of this Agreement of the facility or facilities for which the tax limitation is granted, as the same may from time to time

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be expanded, upgraded, improved, modified, changed, remodeled, repaired, restored, reconstructed, reconfigured, and/or reengineered; and (ii) the retention over the term of this Agreement of not fewer than the number of Qualifying Jobs (as defined by Section 313.021(3) of the Texas Tax Code) to be located and performed within Applicant's entire manufacturing project that includes, but is not limited to, Applicant's Qualified Property, with the minimum salaries required by Texas Tax Code § 313.021(3)(E).

"Maintenance and Operations Revenue" or "M&O Revenue" means (i) those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Texas Education Code § 45.002 and Article VII § 3 of the Texas Constitution, plus (ii) all State revenues to which the District is or may be entitled under Chapter 42 of the Texas Education Code or any other statutory provision as well as any amendment or successor statute to these provisions, plus (iii) any indemnity payments received by the District under other agreements similar to this Agreement to the extent that such payments are designed to replace District M&O Revenue lost as a result of such similar agreements, less (iv) any amounts necessary to reimburse the State of Texas or another school district for the education of additional students pursuant to Chapter 41 of the Texas Education Code.

"Market Value" shall have the meaning assigned to such term in Section 1.04(7) of the Texas Tax Code.

"Qualified Investment" has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by the Comptroller's Rules, as these provisions existed on the date of this Agreement, applying any specific requirements for rural school districts imposed by Subchapter C of Chapter 313 of the Texas Tax Code and by the Comptroller's Rules.

"Qualified Property" has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by the Comptroller's Rules and the Texas Attorney General, as these provisions existed on the date of this Agreement, applying any specific requirements for rural school districts imposed by Subchapter C of Chapter 313 of the Texas Tax Code and by the Comptroller's Rules.

"Qualifying Time Period" means the period that begins on the date of this Agreement and ends on December 31st of the second Tax Year that begins after such date of approval, as is defined in Texas Tax Code § 313.021(4)(A).

"Revenue Protection Amount" means the amount calculated pursuant to Section 3.2 of this Agreement.

"Supplemental Payment" shall have the meaning assigned such term in Section 4.1.

"State" means the State of Texas.

"Tax Credit" means the tax credit, either to be paid by the District to Applicant, or to be applied against any taxes that the District imposes on Applicant's Qualified Property, as

computed under the provisions of Subchapter D of the Act, and rules adopted by the Comptroller and/or the Texas Education Agency, provided that Applicant complies with the requirements under such provisions, including the timely filing of a completed application under Texas Tax Code § 313.103 and the duly adopted administrative rules.

"Tax Limitation Amount" means the maximum amount which may be placed as the Appraised Value on Applicant's Qualified Property/Qualified Investment for years three (3) through ten (10) of this Agreement pursuant to Texas Tax Code § 313.054. That is, for each of the eight (8) Tax Years 2012, 2013, 2014, 2015, 2016, 2017, 2018, and 2019 the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed, and the Tax Limitation Amount shall be, the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Eighty Million Dollars (\$80,000,000.00).

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Tax Code, §313.022(b) or §313.052.

"Tax Year" shall have the meaning assigned to such term in Section 1.04(13) of the Texas Tax Code (*i.e.*, the calendar year).

"Taxable Value" shall have the meaning assigned to such term in Section 1.04(10) of the Texas Tax Code.

"Texas Education Agency Rules" means the applicable rules and regulations adopted by the Texas Commissioner of Education in relation to the administration of Chapter 313, Texas Tax Code, which are set forth at Chapter 19, Texas Administrative Code, together with any court or administrative decisions interpreting same.

ARTICLE II

PROPERTY DESCRIPTION

Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE

The Applicant's Qualified Property upon which the Applicant's Qualified Investment will be located is within an area designated as a reinvestment zone under Chapter 311 or 312 of the Texas Tax Code, or as an enterprise zone under Chapter 2303 of the Texas Government Code. The legal description of the reinvestment or enterprise zone in which the Applicant's Qualified Property is located is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

Section 2.2. LOCATION OF QUALIFIED PROPERTY

The location of the Applicant's Qualified Property upon which the Applicant's Qualified Investment will be located is described in the legal description which is attached to this Agreement as **EXHIBIT 2** and is incorporated herein by reference for all purposes (the "Land"). The Parties expressly agree that the boundaries of the Land may not be materially changed from its configuration described in **EXHIBIT 2** without the express authorization of each of the Parties.

Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT

The Qualified Investment and/or Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 3**, which is attached hereto and incorporated herein by reference for all purposes ("Applicant's Qualified Investment"). Property which is not specifically described in **EXHIBIT 3** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Investment for purposes of this Agreement, unless pursuant to Texas Tax Code § 313.027(e), the Board of Trustees, by official action, provides that such other property is a part of the Applicant's Qualified Investment for purposes of this Agreement.

Section 2.4. QUALIFYING USE

The Applicant's Qualified Investment described above in Section 2.3 qualifies for a tax limitation agreement under Texas Tax Code § 313.024(b)(1) as a manufacturing facility.

Section 2.5. APPRAISED VALUE LIMITATION

So long as Applicant makes a Qualified Investment in the amount Eighty Million Dollars (\$80,000,000.00), or greater, during the Qualifying Time Period; and unless this Agreement has been terminated as provided herein before such Tax Year, for each of the eight (8) Tax Years 2012, 2013, 2014, 2015, 2016, 2017, 2018, and 2019, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Eighty Million Dollars (\$80,000,000.00).

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Tax Code, §313.022(b) or §313.052.

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ARTICLE III

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 3.1. INTENT OF THE PARTIES

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in addition to the receipt of payments as set forth below in Article IV of this Agreement, be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue as a direct result of entering into this Agreement, after taking into account any payments to be made under this Agreement, other than payments as set forth in Article IV. Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the risk of any negative financial consequence to the District in making the decision to enter into this Agreement will be borne by the Applicant and not by the District.

Section 3.2. CALCULATING THE AMOUNT OF LOSS OF REVENUES BY THE DISTRICT

Subject to the provisions of Sections 5.1 and 5.2, the amount to be paid by the Applicant to compensate the District for loss of Maintenance and Operations Revenue resulting from this Agreement for each year during the term of this Agreement shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

The Original M&O Revenue amount owed by the Applicant to District means the Original M&O Revenue *minus* the New M&O Revenue;

Where:

- i. "Original M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Applicant's Qualified Property and/or Applicant's Qualified Investment been subject to the ad valorem maintenance and operations tax.
- ii. "New M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District actually received for such school year.

In making the calculations required by this Section 3.2:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.

- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property and/or the Applicant's Qualified Investment will be presumed to be one hundred percent (100%)
- iii. If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue as calculated under this Section 3.2 results in a negative number, the negative number will be considered to be zero.
- iv. All calculations made for years three (3) through ten (10) of this Agreement under Section 3.2, Subsection ii of this Agreement will reflect the Tax Limitation Amount for such year.
- v. All calculations made under this Section 3.2 shall be made by a methodology which isolates only the revenue impact caused by this Agreement. Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements or any other factors.

Section 3.3. CALCULATIONS TO BE MADE BY THIRD PARTY

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") jointly approved each year by the District and the Applicant. If the Parties cannot agree on the Third Party, then the Third Party shall be selected by the mediator provided in Section 7.8 of this Agreement.

Section 3.4. DATA USED FOR CALCULATIONS

The calculations for payments under this Agreement shall be initially based upon the valuations placed upon the Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Guadalupe County Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Tax Code § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 3.3. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Guadalupe County Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

Section 3.5. DELIVERY OF CALCULATIONS

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 3.3 of this Agreement shall forward to the Parties a certification containing the calculations required under Section 3.2 of this Agreement in

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sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation and fee for a period of three (3) years after payment. The Applicant shall not be liable for any of Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement or the fee paid by the Applicant to the Third Party pursuant to Section 3.6, if such fee is timely paid.

Section 3.6. PAYMENT BY APPLICANT

The Applicant shall pay any amount determined to be due and owing to the District under this Agreement on or before the January 31 next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Third Party plus any legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or reimbursement applications filed with or sent to the State of Texas which are, or may be required under the terms of or because of the execution of this Agreement. Notwithstanding the foregoing, in no year shall the Applicant be responsible for the payment of any fees under this Section 3.6 in excess of Ten Thousand Dollars (\$10,000.00).

Section 3.7. RESOLUTION OF DISPUTES

Pursuant to Section 3.3 and Section 3.5, should the Applicant disagree with the certification containing the calculations, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days of receipt of the certification. Within fifteen (15) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Any appeal by the Applicant of the final determination of the Third Party may be made, in writing, to the Seguin Independent School District Board of Trustees within fifteen (15) days of the final determination.

Section 3.8. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT

In the event that the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed after a final appeal of the valuation or is otherwise changed, once the determination of a new value becomes final, the calculations required by Section 3.2 of this Agreement will be recomputed by the Third Party using the new valuations. Upon completion of the new calculations, the Third Party shall transmit the new calculations to the Parties. The Party owing funds to the other signatories to this Agreement shall pay any amounts owed within thirty (30) days of receipt of the new calculations from the Third Party.

Section 3.9. EFFECT OF STATUTORY CHANGES

Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 5.1, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District will receive less Maintenance and Operations Revenue, or, if applicable, will be required to increase its payment of funds to the State, because of its participation in this Agreement, Applicant shall make payments to the District, up to the revenue protection amount limit set forth in Section 5.1, that are necessary to offset any negative impact on the District as a result of its participation in this Agreement. Such calculation shall take into account any adjustments to the amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District.

ARTICLE IV

SUPPLEMENTAL PAYMENTS

Section 4.1. AMOUNTS EXCLUSIVE OF INDEMNITY AMOUNTS

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the supplemental payments set forth in this Article IV (each such payment a "Supplemental Payment," and collectively "Supplemental Payments"). It is the express intent of the Parties that the obligation for Supplemental Payments under this Article IV are separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that payments under Articles III and IV are subject to the limitations contained in Section 5.1.

Section 4.2. SUPPLEMENTAL PAYMENTS TO THE DISTRICT

- (a) For each of years three (Tax Year 2012) through thirteen (Tax Year 2022) of this Agreement, the District shall be entitled to receive as Supplemental Payments an amount equal to forty percent (40%) of the net tax benefit received by the Applicant as a result of this Agreement.
- (b) For purposes of this Article IV, the "net tax benefit" shall be calculated for each of years three (Tax Year 2012) through thirteen (Tax Year 2022) of this Agreement by determining for such Tax Year (i) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for such Tax Year if this Agreement had not been entered into by the Parties, (ii) adding to the amount determined under clause (i) any Tax Credit received by the Applicant for such Tax Year, and (iii) subtracting from the sum of the amounts determined under clauses (i) and (ii) the sum of (A) all maintenance and operations ad valorem school taxes actually due to the District or any other governmental entity, including the State of Texas, for such Tax Year, plus (B) any

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payments due to the District under Article III for such Tax Year. The remainder (which shall not be less than zero) shall be the net tax benefit, to be divided as provided in Section 4.2(a).

- (c) The net tax benefit shall be calculated by the Third Party selected pursuant to Section 3.3.
- (d) The net tax benefit calculations shall be made at the same time and on the same schedule as the calculations made pursuant to Section 3.5.
- (e) Payment of amounts due under this Section 4.2 shall be made at the time set forth in Section 3.6.

Section 4.3. RECALCULATION OF SUPPLEMENTAL PAYMENTS

The Parties agree that the Supplemental Payment amount determined in Section 4.2 will initially be calculated based upon the then most current estimate of tax savings to the Applicant, which will be made based upon assumptions of student counts, tax collections, and other applicable data. The Parties further agree that once definitive numbers are available for a Tax Year, the Supplemental Payment for such year shall be recalculated using such definitive numbers in accordance with the provisions of Section 4.2. In the event that such recalculation determines that the initial Supplemental Payment made by Applicant for such Tax Year was less than the amount actually owed by Applicant, the Applicant shall pay the difference to the District. In the event that such recalculation determines that the initial Supplemental Payment made by Applicant for such Tax Year was more than the amount actually owed by Applicant, the District shall pay the difference to the Applicant.

Section 4.4. ANNUAL LIMITATION ON SUPPLEMENTAL PAYMENTS TO THE DISTRICT

For each year of this Agreement, beginning with year one (Tax Year 2010) and continuing thereafter through year thirteen (Tax Year 2022), the Applicant shall not be obligated to make any Supplemental Payments computed under Sections 4.2 and 4.3 above that exceeds the Annual Limit. For each year of this Agreement, the "Annual Limit" shall equal the sum of: (i) Six Hundred Ninety-One Thousand Four Hundred Dollars (\$691,400.00), plus (ii) the aggregate difference from each prior Tax Year, if any, between Six Hundred Ninety-One Thousand Four Hundred Dollars (\$691,400.00) and the Supplemental Payments paid to the District under Sections 4.2 and 4.3 above in such prior Tax Years.

Section 4.5. DUE DATE OF PAYMENTS

All amounts owed by the Applicant to the District for a Tax Year under this Article IV shall be paid on the same date established by Section 3.6 for such Tax Year.

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ARTICLE V

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 5.1. ANNUAL LIMITATION AFTER FIRST THREE YEARS

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year during the term of this Agreement and beginning with the 2012 Tax Year, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Articles III and IV, but subject to the limit set forth in Section 4.4, with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Section 3.4, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Articles III and IV shall be reduced until such excess is eliminated.

Section 5.2. OPTION TO CANCEL AGREEMENT

In the event that any payment otherwise due from the Applicant to the District under Articles III and IV, but subject to the limit set forth in Section 4.4, with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 5.1 above, then the Applicant shall have the option to terminate this Agreement. The Applicant may exercise such option to cancel this Agreement by notifying the District of its election in writing not later than the July 31 of the year next following the Tax Year with respect to which a reduction under Section 5.1 is applicable. Any cancellation of this Agreement under the foregoing provisions of this Section 5.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred. Upon such termination this Agreement shall terminate and be of no further force or effect; provided, however, that the Parties respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged.

ARTICLE VI

TAX CREDITS

Section 6.1. APPLICANT'S ENTITLEMENT TO TAX CREDITS

The Applicant shall be entitled to tax credits from the District under and in accordance with the provisions of Subchapter D of the Act and Comptroller Rules, provided that the

Applicant complies with the requirements under such provisions, including the filing of a completed Application under Section 313.103 of the Texas Tax Code and Comptroller Rules.

Section 6.2. DISTRICT’S OBLIGATIONS WITH RESPECT TO TAX CREDITS

The District shall timely comply and shall cause the District’s collector of taxes to timely comply with their obligations under Subchapter D of the Act and Comptroller Rules, including, but not limited to, such obligations set forth in Section 313.104 of the Texas Tax Code and either Comptroller and/or Texas Education Agency Rules .

Section 6.3. COMPENSATION FOR LOSS OF TAX CREDIT PROTECTION REVENUES

If after the Applicant has actually received the benefit of a tax credit under Section 6.1, the District does not receive aid from the State pursuant to Texas Education Code § 42.2515 or other similar or successor statute with respect to all or any portion of such tax credit for reasons other than the District’s failure to comply with the requirements for obtaining such aid, then the District shall notify the Applicant in writing thereof and the circumstances surrounding the State’s failure to provide such aid to the District. The Applicant shall pay to the District the amount of such tax credit for which the District did not receive such aid within thirty (30) calendar days after receipt of such notice, and such payment shall be subject to the same provisions for late payment as are set forth in Section 7.5 and 7.6. If the District receives aid from the State for all or any portion of a tax credit with respect to which the Applicant has made a payment to the District under this Section 6.3, then the District shall pay to the Applicant the amount of such aid within thirty (30) calendar days after the District’s receipt thereof.

ARTICLE VII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 7.1. DATA REQUESTS

During the term of this Agreement, and upon the written request of one Party (the “Requesting Party”), the other Party shall provide the Requesting Party with all information reasonably necessary for the Requesting Party to determine whether the other Party is in compliance with its obligations under this Agreement. The Applicant shall allow authorized employees of the District and/or the Guadalupe County Appraisal District to have access to the Applicant’s Qualified Property during the term of this Agreement, in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant’s Qualified Property and any other tangible property on the premises. All inspections will be made at a mutually agreeable time after the giving of not less than forty-eight (48) hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant’s Qualified Property. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant’s safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant

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to provide the District or the Guadalupe County Appraisal District with any technical or business information that is private personnel data, proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party.

Section 7.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES

Applicant shall timely make any and all reports that are or may be required under the provisions of law or administrative regulation as a direct result of this Agreement, including but not limited to the annual report or certifications that may be required to be submitted by the Applicant to the Texas Comptroller of Public Accounts under the provisions of Texas Tax Code § 313.032. Applicant shall forward a copy of all such required reports or certifications to the District contemporaneously with the filing thereof. The obligation to make all such required filings shall be a material obligation under this Agreement.

Section 7.3 SUPPORT FOR DISTRICT TECHNICAL TRAINING PROGRAM

Applicant shall, during the entire course of this Agreement, provide support for the District's technical training program for the education and development of technical skills necessary for individuals seeking employment in the manufacturing industry. Such support shall, at a minimum, consist of:

- (a) Conferring with the District for the purpose of identifying opportunities for employees of Applicant to participate in technical training programs operated by the District for the benefit of its students, and programs sponsored by the District;
- (b) Disseminating technical information, at conferences with Applicant's employees to enhance the relevance of the District's training program;
- (c) Providing a reasonable opportunity for groups of students of the District to make Applicant sponsored tours of its facilities at times convenient to Applicant and the District and consistent with Applicant's safety and security policies; and,
- (d) Considering qualified graduates of the District's technical training program and/or graduates of programs sponsored by the District for available positions with Applicant.

Section 7.4. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE

By entering into this Agreement, the Applicant warrants that:

- (a) it will abide by all of the terms of the Agreement;
- (b) it will Maintain Viable Presence in the District through the termination date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is

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caused by Force Majeure (as hereinafter defined), provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure; and,

- (c) it will meet minimum eligibility requirements under Tax Code, Chapter 313 throughout the value limitation and tax-credit settle-up periods.

Applicant shall not be in breach of this Agreement for the failure to Maintain a Viable Presence in the District for the failure to maintain the required number of Qualifying Jobs so long as Applicant, in the event of such failure, tenders and pays in a timely manner, the penalty imposed by the provisions of Tex. Tax Code § 313.0275.

Section 7.5. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT

(a) In the event that the Applicant terminates this Agreement without the consent of the District, except as provided in Section 5.2, or in the event that the Applicant or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, after the notice and cure period provided by Section 7.7, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, as calculated in accordance with Section 7.6, on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV.

(b) Notwithstanding Section 7.5(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of the Agreement, then the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of such termination notice. The sum of liquidated damages due and payable shall be the sum total of the District maintenance and operations ad valorem taxes for all of the Tax Years for which the Tax Limitation Amount was applicable pursuant to this Agreement prior to the year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 7.6. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV. Upon payment of such liquidated damages, Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

Section 7.6. CALCULATION OF PENALTY AND INTEREST

In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 7.5 for each Tax Year during the term of this Agreement since the Commencement Date. The District shall calculate penalty or interest for each Tax Year during

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the term of this Agreement since the Commencement Date in accordance with the methodology set forth in Chapter 33 of the Texas Tax Code, as if the base amount calculated for such Tax Year less all credits under Section 7.5 had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute.

Section 7.7. DETERMINATION OF BREACH

Prior to making a determination that the Applicant has failed to Maintain Viable Presence in the District as required by Section 7.4 of this Agreement, or has otherwise committed a material breach of this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the material breach of this Agreement, and if cure is possible, the cure proposed by the District. After receipt of the notice, Applicant shall be given sixty (60) days to present any facts or arguments to the Board of Trustees showing that it is not in material breach of its obligations under the Agreement, or that it has cured or undertaken to cure any such material breach.

If the Board of Trustees is not satisfied with such response and/or that such breach has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such breach has occurred and, if so, whether such breach has been cured. At any such hearing, the Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to whether or not a material breach of this Agreement has occurred, the date such breach occurred, if any, and whether or not any such breach has been cured. In the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall also determine the amounts of recaptured taxes under Section 7.5 (net of all credits under Section 7.5), and the amount of any penalty and/or interest under Section 7.6 that are owed to the District.

After making its determination regarding any alleged breach, the Board of Trustees shall cause the Applicant to be notified in writing of its determination.

Section 7.8. DISPUTE RESOLUTION

After receipt of notice of the Board of Trustee's determination of a material breach under Section 7.7, the Applicant shall have sixty (60) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within sixty (60) days after the Applicant's receipt of notice of the Board of Trustee's determination of breach under Section 7.7, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then residing in Guadalupe County, Texas. The Parties agree

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to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator's fees and expenses and the Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such sixty (60) days, the District shall have the remedies for the collection of the amounts determined under Section 7.7 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney's fees and a tax lien on the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Texas Tax Code § 33.07 to the attorneys representing the District pursuant to Texas Tax Code § 6.30.

Subject to Section 7.10, in any event where a dispute between the District and the Applicant under this Agreement cannot be resolved by the Parties, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in any judicial proceeding, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any covenant, agreement or undertaking made by a Party pursuant to this Agreement.

Section 7.9. LIMITATION OF OTHER DAMAGES

Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, the District's damages for such a default shall under no circumstances exceed the greater of either any amounts calculated under Sections 7.5 and 7.6 above, or the monetary sum of the difference between the payments and credits due and owing to the Applicant at the time of such default and the District taxes that would have been lawfully payable to the District had this Agreement not been executed. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

The Parties further agree that the limitation of damages and remedies set forth in this Section 7.9 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 7.10. BINDING ON SUCCESSORS

In the event of a merger or consolidation of the District with another school district or other governmental authority, this Agreement shall be binding on the successor school district or other governmental authority.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. INFORMATION AND NOTICES

Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (e.g., by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, or (ii) sent by facsimile transmission, with "answer back" or other "advice of receipt" obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid; provided that, notice received by facsimile transmission after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first business day following the date of such electronic receipt.

Notices to the District shall be addressed as follows:

Dr. Irene Garza, Superintendent
SEGUIN INDEPENDENT SCHOOL DISTRICT
1221 E Kingsbury
Seguin, Texas 78155
Fax: (830) 379-0392
E-mail: igarza@seguin.k12.tx.us

Or at such other address or to such other facsimile transmission number and to the attention of such other person as the District may designate by written notice to the Applicant.

Notices to the Applicant shall be addressed to:

Mr. Gary Stroup, Vice President
Caterpillar Inc.
100 N.E. Adams Street
Peoria, Illinois 61629-4295
Fax: (309) 675-1795
E-mail: _____

With a copy to:

Caterpillar Inc.
100 N.E. Adams Street
Peoria, Illinois 61629-9600
Attn: Deputy General Counsel, Commercial
Fax: (309) 675-1795

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or at such other address or to such other facsimile transmission number and to the attention of such other person as the Applicant may designate by written notice to the District.

Section 8.2. EFFECTIVE DATE, TERMINATION OF AGREEMENT

- (a) This Agreement shall be and become effective on December 17, 2009, the effective date upon which the tax limitation agreement is first made effective by the District.
- (b) The obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the termination in full date established in Section 1.2 of this Agreement.
- (c) In the event that Applicant fails to make a Qualified Investment in the amount of Eighty Million Dollars (\$80,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2011.

Section 8.3. AMENDMENTS TO AGREEMENT; WAIVERS

This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Waiver of any term, condition or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition or provision, or a waiver of any other term, condition or provision of this Agreement. Pursuant to Comptroller's Rule 9.1055, and subject to Section 2.3, by official action of the Board of Trustees, this Agreement may be amended to include, in the Applicant's Qualified Investment, additional or replacement Qualified Property not specified in EXHIBIT 3, provided that the Applicant reports to the District, the Comptroller, and the Appraisal District, in the same format, style, and presentation as the Application, all relevant investment, value, and employment information that is related to the additional property. Any amendment of the Agreement adding additional or replacement Qualified Property pursuant to this Section 6.3 shall, pursuant to Comptroller's Rule 9.1055, (1) require that all property added by amendment be eligible property as defined by Tax Code, §313.024; (2) clearly distinguish the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and (3) define minimum eligibility requirements for the recipient of limited value. This Agreement may not be amended to extend the value limitation time period.

Section 8.4. ASSIGNMENT

The Applicant may assign this Agreement, or a portion of this Agreement, to an Affiliate or a new owner or lessee of all or a portion of the Applicant's Qualified Property and/or the Applicant's Qualified Investment, provided that the Applicant shall provide written notice of such assignment to the District. Upon such assignment, Applicant's assignee will be liable to the District for outstanding taxes or other obligations arising under this Agreement. A recipient of limited value under Tax Code, Chapter 313 shall notify immediately the District, the

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Comptroller, and the Appraisal District in writing of any change in address or other contract information for the owner of the property subject to the limitation agreement for the purposes of Tax Code §313.032. An assignee's or its reporting entity's Texas Taxpayer Identification Number shall be included in the notification.

Section 8.5. MERGER

This Agreement contains all of the terms and conditions of the understanding of the Parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence, and preliminary understandings between the Parties and others relating hereto are superseded by this Agreement.

Section 8.6. MAINTENANCE OF COUNTY APPRAISAL DISTRICT RECORDS

When appraising the Applicant's Qualified Property and the Applicant's Qualified Investment subject to a limitation on Appraised Value under this Agreement, the Chief Appraiser of the Guadalupe County Appraisal District shall determine the Market Value thereof and include both such Market Value and the appropriate value thereof under this Agreement in its appraisal records.

Section 8.7. GOVERNING LAW

This Agreement and the transactions contemplated hereby shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law or rules that would direct the application of the laws of another jurisdiction. Venue in any legal proceeding shall be in Guadalupe County, Texas.

Section 8.8. AUTHORITY TO EXECUTE AGREEMENT

Each of the Parties represents and warrants that its undersigned representative has been expressly authorized to execute this Agreement for and on behalf of such Party.

Section 8.9. SEVERABILITY

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of

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the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 8.9, the term "Law" shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 8.10. PAYMENT OF EXPENSES

Except as otherwise expressly provided in this Agreement, or as covered by the application fee, each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement.

Section 8.11. INTERPRETATION

When a reference is made in this Agreement to a Section, Article or Exhibit, such reference shall be to a Section or Article of, or Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words "include," "includes" and "including" when used in this Agreement shall be deemed in such case to be followed by the phrase ", but not limited to,". Words used in this Agreement, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context shall require. This Agreement is the joint product of the Parties and each provision of this Agreement has been subject to the mutual consultation, negotiation and agreement of each Party and shall not be construed for or against any Party.

Section 8.12. EXECUTION OF COUNTERPARTS

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute but one and the same instrument, which may be sufficiently evidenced by one counterpart.

Section 8.13. PUBLICATION OF DOCUMENTS

The Parties acknowledge that the District is required to publish the Application and its required schedules, or any amendment thereto; all economic analyses of the proposed project submitted to the District; the approved and executed copy of this Agreement or any amendment thereto; and each application requesting tax credits under Tex. Tax Code § 313.103, as follows:

- a. Within seven days of such document, the school district shall submit a copy to the Comptroller for Publication on the Comptroller's Internet website.
- b. District shall provide on its website a link to the location of those documents posted on the Comptroller's website.

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- c. This Section does not require the Publication of information that is confidential under Tex. Tax Code § 313.028.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 17th day of December, 2009.

CATERPILLAR INC.

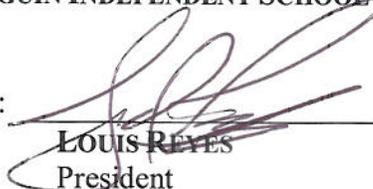
MB7
By:



GARY STROUP
Vice President
Caterpillar Inc.

SEGUIN INDEPENDENT SCHOOL DISTRICT

By:



LOUIS REYES
President
Board of Trustees

ATTEST:



ISHMAEL FLORES
Secretary
Board of Trustees

EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

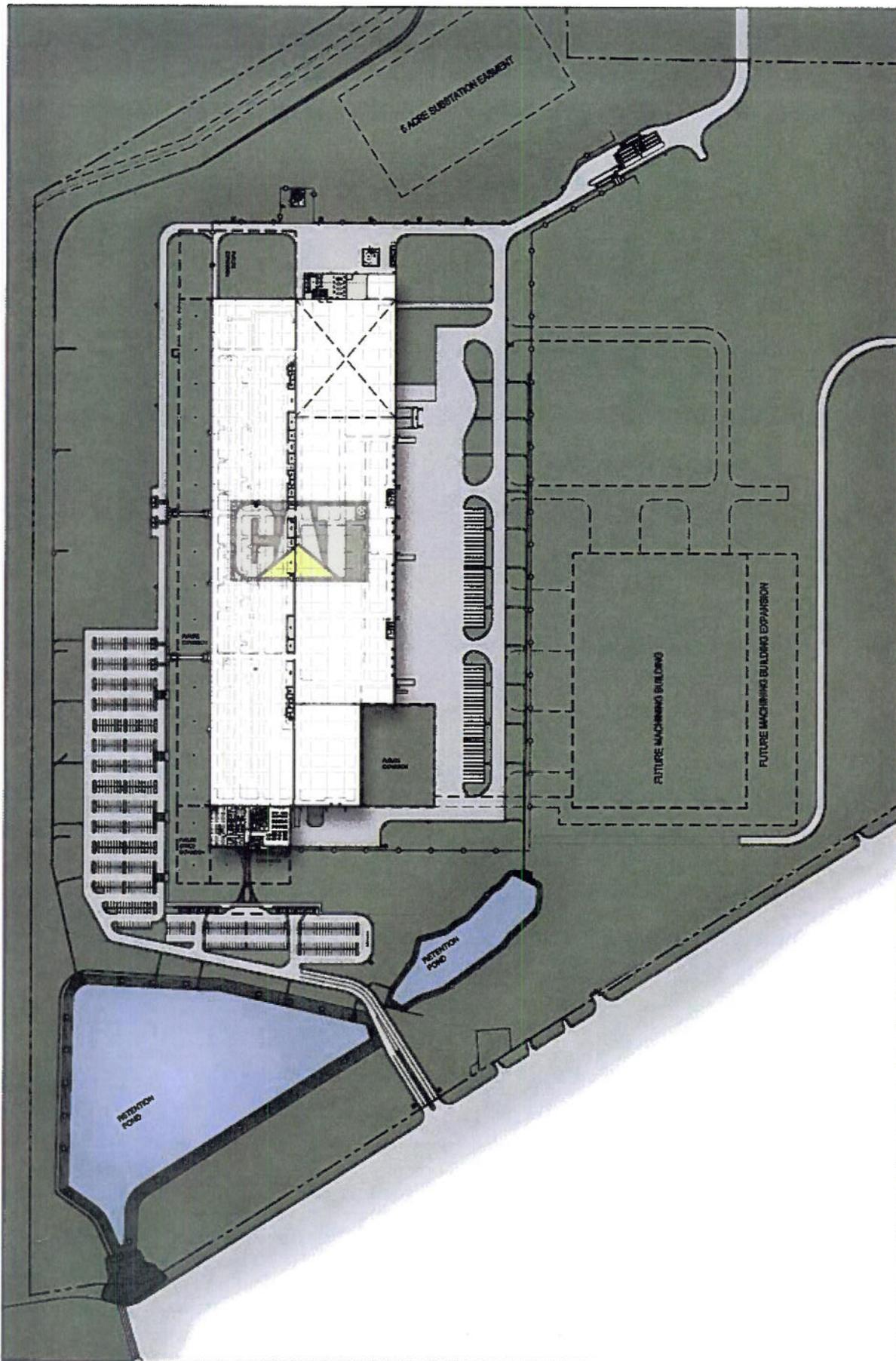
The *Caterpillar Reinvestment Zone* was originally created on September 1, 2009 by action of the City Council of the City of Seguin. A map of the *Caterpillar Reinvestment Zone* is attached as the last page of this **EXHIBIT 1**.

As a result of the action of the City Council of the City of Seguin, the *Caterpillar Reinvestment Zone* includes real property within the City of Seguin, Guadalupe County, Texas, more specifically the following property and tracks:

A 183.24 acre tract of land situated in the J.D. Clements Survey No.18, Abstract 11, Guadalupe County, Texas, comprised of all that tract of land called 120.30 acres, conveyed to Caterpillar Inc. by deed recorded in Volume 2696, page 58, Official Records, Guadalupe County, Texas, all of that tract of land called 21.13 acres, conveyed to Caterpillar Inc. by deed recorded in Volume 2696, page 54, Official Records, Guadalupe County, Texas, all of that tract of land called 0.502 of an acre, conveyed to Caterpillar Inc. by deed recorded in Volume 2696, Page 70, Official Records, Guadalupe County, Texas, all of that tract of land called 41.31 acres conveyed to Caterpillar Inc. by deed recorded in Volume 2696, Page 45, Official Records, Guadalupe County, Texas

EXHIBIT 1

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Caterpillar Engine Assembly Building
Seguin, TX

ME7

EXHIBIT 2

LOCATION OF QUALIFIED PROPERTY

All Qualified Property owned by Applicant and located within the boundaries of both the Seguin Independent School District and the *Caterpillar Reinvestment Zone* as that zone was designated by the City Council of the City of Seguin will be included in and subject to this Agreement. Specifically, all Qualified Property of Applicant located in the following sections of land is included, to wit:

A 183.24 acre tract of land situated in the J.D. Clements Survey No.18, Abstract 11, Guadalupe County, Texas, comprised of all that tract of land called 120.30 acres, conveyed to Caterpillar Inc. by deed recorded in Volume 2696, page 58, Official Records, Guadalupe County, Texas, all of that tract of land called 21.13 acres, conveyed to Caterpillar Inc. by deed recorded in Volume 2696, page 54, Official Records, Guadalupe County, Texas, all of that tract of land called 0.502 of an acre, conveyed to Caterpillar Inc. by deed recorded in Volume 2696, Page 70, Official Records, Guadalupe County, Texas, all of that tract of land called 41.31 acres conveyed to Caterpillar Inc. by deed recorded in Volume 2696, Page 45, Official Records, Guadalupe County, Texas

EXHIBIT 2

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EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT

The proposed project will consist of all buildings, and other miscellaneous improvements to land as well as all equipment and personal property to be located at the Location described in Exhibit 2, above, used by Applicant to operate a facility designed to manufacture engines for off-highway applications, including, but not limited to: Caterpillar machines, electric power generation (EPG), petroleum, marine, and industrial customers. All of the property for which the Applicant is seeking a limitation on appraised value will be owned by the Applicant, an Affiliated Group, or a valid assignee pursuant to this Agreement.

EXHIBIT 3

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