

**FINDINGS**  
**of the**  
**EDNA INDEPENDENT SCHOOL DISTRICT BOARD OF TRUSTEES**  
**under the**  
**TEXAS ECONOMIC DEVELOPMENT ACT**

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*STATE OF TEXAS*            §

*COUNTY OF JACKSON*    §

On the 20<sup>th</sup> day of February, 2012, a public meeting of the Board of Trustees ("Board") of the Edna Independent School District ("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 took up and considered the Application ("Application") of DCP Midstream, LP ("Applicant") for a limitation on appraised value on qualified property, pursuant to Chapter 313 of the Texas Tax Code. The Board heard presentations from the District's administrative staff and from consultants retained by the District to advise the Board in this matter.

The Board considered the presentations made at the meeting, the Comptroller's recommendation and the economic impact evaluation and makes the following findings with respect to the Application in accordance with the Texas Economic Development Act, Texas Tax Code Chapter 313, and the Administrative regulations promulgated by the Texas Comptroller of Public Accounts published at 34 Texas Administrative Code Part 1, Chapter 9, Subchapter F:

1. On August 29, 2011, the District received an application for appraised value limitation on qualified property ("Application") on the form prescribed by the Comptroller from Applicant pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached hereto as Attachment A.
2. The Board acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Tax Code Section 313.025(a)(1).
3. The Board elected to consider the Application.
4. The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code Section 313.025(b).
5. The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code Sections 313.025 and 313.026. After review, the Comptroller's Office, by letter dated

November 18, 2011, recommended that the Board approve the Application. A copy of the Comptroller's letter is attached to these findings as Attachment B.

6. The Texas Comptroller's Office performed an economic impact evaluation pursuant to Texas Tax Code Section 313.025(b). The Board has considered such evaluation. A copy of the economic impact evaluation is attached to these findings as Attachment C.

7. After receipt of the Application, the District entered into negotiations with Applicant over the specific language to be included in a Texas Economic Development Act Participation Agreement ("Agreement"), pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District (the Agreement is also referred to as an "Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes"). The proposed Agreement is attached to these findings as Attachment D.

8. Findings as to each of the criterion listed in Texas Tax Code Section 313.026:

a. The recommendations of the Comptroller. Texas Tax Code Section 313.026(a)(1).

The Board finds that the Comptroller recommends approval of the Application.

b. The relationship between the Applicant's industry and the types of qualifying jobs to be created by the Applicant and 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, Texas Government Code, as that section existed before February 1, 1999. Texas Tax Code Section 313.026(a)(5).

The Board finds that there is a strong and positive relationship between the Applicant's industry and the types of qualifying jobs to be created by the Applicant and the long-term economic growth plans of the State.

c. The relative level of the Applicant's investment per qualifying job to be created by the Applicant. Texas Tax Code Section 313.026(a)(6).

The Board finds that the Application indicates: (i) the Applicant will provide a total of ten (10) qualifying job for the Project, as defined in Texas Tax Code Section 313.021(3), (ii) the anticipated total amount of investment is \$300,000,000, and (iii) the investment per qualifying job is \$30,000,000.

d. The number of qualifying jobs to be created by the Applicant. Texas Tax Code Section 313.026(a)(7).

The Board finds that the Application indicates the Applicant will provide a total of ten (10) qualifying jobs.

e. The wages, salaries, and benefits to be offered by the Applicant to the qualifying job holders. Texas Tax Code Section 313.026(a)(8).

The Board finds that the Application indicates: (i) the qualified jobs provided by the Applicant will pay an average wage of \$1,019 weekly (\$53,000 annually) and (ii) the qualifying jobholders will be offered benefits comparable with similar positions in the industry including health care insurance, retirement savings, paid vacation and job-related training and professional development programs. The Board further finds that the average wage of \$53,000 annually exceeds the regional manufacturing wage for the Golden Crescent Regional Planning Commission area of \$41,738 in 2010.

f. The ability of the Applicant to locate or relocate in another state or another region of this state. Texas Tax Code Section 313.026(a)(9).

The Board finds that the Applicant has significant pipeline infrastructure throughout Texas, owns and operates 61 gas processing plants in 18 states and has the ability to relocate this Project to an alternate location either inside or outside the State of Texas.

g. The impact the Project will have on this state and individual local units of governmental, 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. Texas Tax Code Section 313.026(a)(10).

The Board finds that the Project will result in revenue gains by the school district. The Board further finds that the economic effects on the local and regional tax base are that the tax base will increase as a result of the Project and additional employment.

h. The economic condition of the region of the state at the time the person's application is being considered. Texas Tax Code Section 313.026(a)(11).

The Board finds that the Applicant's natural gas processing plant ("Project") will improve the economic condition of the County and the region.

i. 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 B, chapter 313, Texas Tax Code. Texas Tax Code Section 313.026(a)(12).

The Board finds that two (2) projects applied for value limitation agreements in the region during the two years preceding the date of the Application that may have been eligible to apply for a limitation on appraised value under subchapter B, chapter 313, Texas Tax Code.

j. 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, Texas Education Code. Texas Tax Code Section 313.026(a)(13).

The Board finds that there exists a small but undetermined possibility that the Project could have an impact on enrollment from families that might temporarily relocate during the construction phase, but that any impact during the operation phase can be absorbed by current facilities.

k. The projected market value of the qualified property of the Applicant as determined by the Comptroller. Texas Tax Code Section 313.026(a)(14).

The Board finds that the projected market value of the qualified property of the Applicant as determined by the Comptroller is \$100,000,000.

l. The proposed limitation on appraised value for the qualified property of the Applicant. Texas Tax Code Section 313.026(a)(15).

The Board finds that the proposed limitation on appraised value for the qualified property of the Applicant is \$10,000,000.

~~m. 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. Texas Tax Code Section 313.026(a)(16).~~

The Board finds that 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 is shown on Attachment E, based on the assumption that (i) the investment will depreciate at the rate of approximately three percent (3%) per year and (ii) the projected maintenance and operations tax rate of the District will be \$1.04 per one hundred dollars valuation in each year of the agreement.

n. 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. Texas Tax Code Section 313.026(a)(17).

The Board finds that 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 is shown on Attachment E, based on the assumption that (i) the investment will depreciate at the rate of approximately three percent (3%) per year and (ii) the projected maintenance and operations tax rate of the District will be \$1.04 per one hundred dollars valuation in each year of the agreement.

o. The projected effect on the Foundation School Program of payments to the District for each year of the agreement. Texas Tax Code Section 313.026(a)(o).

The Board finds that the projected effect on the Foundation School Program of payments to the District for each year of the agreement is shown on Attachment E.

p. The projected future tax credits if the Applicant also applies for school tax credits under Section 313.103. Texas Tax Code Section 313.026(a)(19).

The Board finds that the future tax credits are \$1,047,206 based on Applicant's representation of the investment that will be subject to tax in years one and two of the Agreement.

q. 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 section 8.n from the projected taxes stated in section 8.m. Texas Tax Code Section 313.026(a)(20).

The Board finds that 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 section 8.n from the projected taxes stated in section 8.m are shown on Attachment E.

9. The information in the Application submitted by Applicant is true and correct.

~~10. The Applicant is eligible for the limitation on the appraised value of the Applicant's qualified property.~~

11. The proposed Texas Economic Development Act Participation Agreement by and among Edna Independent School District and Applicant ("Agreement"), attached hereto as Attachment D, includes adequate and appropriate revenue protection provisions for the District.

12. Considering the purpose and effect of the law and the terms of the Agreement, granting the Application and entering the Agreement are in the best interest of the District and the State.

13. The Applicant, DCP Midstream, LP (Tex. Taxpayer ID # 18410411666) 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.

14. It is hereby found, determined and declared that sufficient written notice of the date, time, place and subject of the meeting of the Board of Trustees of the District at which these Findings were made was posted at a place convenient and readily accessible at all times to the general public for the time required by law preceding this meeting, as required by chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which these Findings were made and the subject matter thereof has been discussed, considered and formally acted upon. The Board of Trustees further ratifies, approves and confirms such written notice and posting thereof.

It is therefore **ORDERED** that:

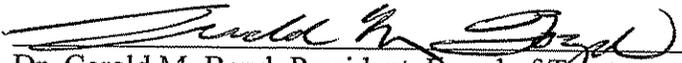
1. The Application of DCP Midstream, LP for a limitation on the appraised value for school district maintenance and operations ad valorem tax purposes of qualified property is approved.

2. The Agreement attached hereto as Attachment D is approved and is hereby authorized to be executed and delivered by and on behalf of the District.

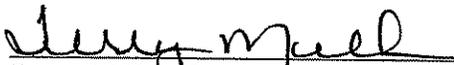
3. These findings and the Attachments referred to herein be attached to the Official Minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the District.

Dated the 20<sup>th</sup> day of February 2012.

**EDNA INDEPENDENT SCHOOL DISTRICT**

By:   
Dr. Gerald M. Boyd, President, Board of Trustees

**ATTEST:**

By:   
Terry Miller, Secretary, Board of Trustees

S U S A N

C O M B S

02-10-12A09:44 RCVD

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



February 7, 2012

Bob Wells  
Superintendent  
Edna Independent School District  
P. O. Box 919  
Edna, Texas 77957

Re: Agreement for Limitation on Appraised Value of Property for School District  
Maintenance and Operations Taxes by and between Edna Independent School District  
and DCP Midstream, LP.

Dear Superintendent Wells:

This office has been provided the "Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes by and between Edna Independent School District and DCP Midstream, LP." (the "Agreement"). As requested, the Agreement has been reviewed pursuant to 34 TAC 9.1055(e)(1).

Based on our review, this office concludes that it complies with the provisions of Tax Code, Chapter 313 and 34 TAC Chapter 9, Subchapter F.

If you need additional information or have questions, please contact me at (512) 463-3973.

Sincerely,

A handwritten signature in black ink, appearing to read "RUB W", is written over a horizontal line.

Robert B. Wood  
Director  
Economic Development & Analysis

cc: George Grimes, Walsh, Anderson, Brown, Gallegos & Green, P.C.  
R. Gregg West, DCP Midstream, LLC







DCP MIDSTREAM  
5718 Westheimer, Suite 2000  
Houston, TX 77057  
713 735 3600

AUGUST 29, 2011

HAND DELIVERED

Edna Independent School District  
Attn: Mr. Bob Wells, Superintendent  
1307 West Gayle Street  
Edna, Texas 77957

Application for Appraised Value Limitation on Qualified Property (Form 50-296)

Dear Mr. Wells:

Enclosed please find a copy of the referenced application along with a check in the amount of \$75,000 for the application fee. If you should have any questions, please feel free to contact me at 713-735-3908.

Respectfully yours,

A handwritten signature in black ink that reads "R. Gregg West". The signature is written in a cursive style with a large initial "R" and "W".

R. Gregg West  
Director of Property Tax  
Enclosure (1)



# Application for Appraised Value Limitation on Qualified Property

(Tax Code, Chapter 313, Subchapter B or C)

**Form 50-296**  
(Revised May 2010)

**INSTRUCTIONS:** This application must be completed and filed with the school district. In order for an application to be processed, the governing body (school board) must elect to consider an application, but — by Comptroller rule — the school board may elect to consider the application only after the school district has received a completed application. Texas Tax Code, Section 313.025 requires that any completed application and any supplemental materials received by the school district must be forwarded within seven days to the Comptroller of Public Accounts.

If the school board elects to consider the application, the school district must:

- notify the Comptroller that the school board has elected to consider the application. This notice must include:
  - the date on which the school district received the application;
  - the date the school district determined that the application was complete;
  - the date the school board decided to consider the application; and
  - a request that the Comptroller prepare an economic impact analysis of the application;
- provide a copy of the notice to the appraisal district;
- must complete the sections of the application reserved for the school district and provide information required in the Comptroller rules located at 34 Texas Administrative Code (TAC) Section 9.1054; and
- forward the original completed application to the Comptroller in a three-ring binder with tabs separating each section of the documents, in addition to an electronic copy on CD. See 34 TAC Chapter 9, Subchapter F.

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 34 TAC Chapter 9, Subchapter F.

When the Comptroller receives the notice and required information from the school district, the Comptroller will publish all submitted application materials on its Web site. The Comptroller is authorized to treat some application information as confidential and withhold it from publication on the Internet. To do so, however, the information must be segregated and comply with the other requirements set out in the Comptroller rules as explained in the Confidentiality Notice below.

The Comptroller will independently determine whether the application has been completed according to the Comptroller's rules (34 TAC Chapter 9, Subchapter F). If the Comptroller finds the application is not complete, the Comptroller will request additional materials from the school district. When the Comptroller determines that the application is complete, it will send the school district a notice indicating so. The Comptroller will determine the eligibility of the project, make a recommendation to the school board regarding the application and prepare an economic impact evaluation by the 90th day after the Comptroller receives a complete application—as determined by the Comptroller.

The school board must approve or disapprove the application before the 151st day after the application review start date (the date the application is finally determined to be complete), unless an extension is granted. The Comptroller and school district are authorized to request additional information from the applicant that is reasonably necessary to complete the recommendation, economic impact evaluation or consider the application at any time during the application review period.

Please visit the Comptroller's Web site to find out more about the program at <http://www.window.state.tx.us/taxinfo/proptax/hb1200/index.html>. There are links on this Web page to the Chapter 313 statute, rules and forms. Information about minimum limitation values for particular districts and wage standards may also be found at that site.

## SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION

<b>Authorized School District Representative</b>		Date application received by district <b>8/29/11</b>
First Name <b>Bob</b>	Last Name <b>Wells</b>	
Title <b>Superintendent</b>		
School District Name <b>Edna Independent School District</b>		
Street Address <b>1307 West Gayle Street</b>		
Mailing Address <b>P.O. Box 919</b>		
City <b>Edna</b>	State <b>Texas</b>	ZIP <b>77957</b>
Phone Number <b>(361) 782-3573</b>	Fax Number <b>(361) 781-1002</b>	
Mobile Number (optional)	E-mail Address <b>bwells@ednaisd.org</b>	

I authorize the consultant to provide and obtain information related to this application. . . . .  Yes  No

Will consultant be primary contact? . . . . .  Yes  No

**SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)**

Authorized School District Consultant (If Applicable)

First Name <b>George</b>	Last Name <b>Grimes Jr.</b>
Title <b>Attorney</b>	
Firm Name <b>Walsh, Anderson, Brown, Gallegos &amp; Green, P.C.</b>	
Street Address <b>100 N.E. Loop 410, Suite 900</b>	
City <b>San Antonio</b>	
State <b>TX</b>	ZIP <b>78216</b>
Phone Number <b>210-979-6633</b>	Fax Number <b>210-979-7024</b>
Mobile Number (Optional)	E-mail Address <b>ggrimes@sa.wabsa.com</b>

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

Signature (Authorized School District Representative)	Date
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Has the district determined this application complete? .....  Yes  No

If yes, date determined complete. \_\_\_\_\_

Have you completed the school finance documents required by TAC 9.1054(c)(3)? .....  Yes  No

**SCHOOL DISTRICT CHECKLIST AND REQUESTED ATTACHMENTS**

	Checklist	Page X of 16	Check Completed
1	Date application received by the ISD	1 of 16	
2	Certification page signed and dated by authorized school district representative	2 of 16	
3	Date application deemed complete by ISD	2 of 16	
4	Certification pages signed and dated by applicant or authorized business representative of applicant	4 of 16	
5	Completed company checklist	12 of 16	
6	School finance documents described in TAC 9.1054(c)(3) (Due within 20 days of district providing notice of completed application)	2 of 16	

**APPLICANT INFORMATION - CERTIFICATION OF APPLICATION**

**Authorized Business Representative (Applicant)**

First Name <b>R. Gregg</b>		Last Name <b>West</b>	
Title <b>Director, Property Tax</b>			
Organization <b>DCP Midstream, LLC</b>			
Street Address <b>5718 Westheimer Road, Suite 1900</b>			
Mailing Address <b>5718 Westheimer Road, Suite 1900</b>			
City <b>Houston</b>		State <b>Texas</b>	ZIP <b>77057-5774</b>
Phone Number <b>(713) 735-3908</b>		Fax Number <b>(713) 944-0295</b>	
Mobile Number (optional)		Business e-mail Address <b>rwest@dcpmidstream.com</b>	

Will a company official other than the authorized business representative be responsible for responding to future information requests?  Yes  No

If yes, please fill out contact information for that person.

First Name		Last Name	
Title			
Organization			
Street Address			
Mailing Address			
City		State	ZIP
Phone Number		Fax Number	
Mobile Number (optional)		E-mail Address	

I authorize the consultant to provide and obtain information related to this application.  Yes  No

Will consultant be primary contact?  Yes  No

APPLICANT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

Authorized Company Consultant (If Applicable)

First Name: Trey; Last Name: Novosad

Title: Director Complex Property Tax Appeals

Firm Name: Popp, Gray & Hutcheson, LLP

Street Address: 1301 South Mopac Expy, Ste. 430

Mailing Address: 1301 South Mopac Expy, Ste. 430

City: Austin; State: Texas; ZIP: 78746

Phone Number: (512) 473-2661; Fax Number: (512) 479-8013

Business e-mail Address: trey.novosad@property-tax.com

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

Signature (Authorized Business Representative (Applicant)): R. Greg West; Date: 8-29-11

GIVEN under my hand and seal of office this 29th day of August, 2011.



Signature: Laurie A. Elmore; Notary Public, State of Texas

My commission expires June 10, 2014

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.

**FEES AND PAYMENTS**

Enclosed is proof of application fee paid to the school district.

For the purpose of this question, "payments to the school district" include any and all payments or transfers of things of value made to the school district or to any person or persons in any form if such payment or transfer of thing of value being provided is in recognition of, anticipation of, or consideration for the agreement for limitation on appraised value.

Please answer only either A OR B:

A. Will any "payments to the school district" that you may make in order to receive a property tax value limitation agreement result in payments that are not in compliance with Tax Code, §13.027(i)?  Yes  No

B. If "payments to the school district" will only be determined by a formula or methodology without a specific amount being specified, could such method result in "payments to the school district" that are not in compliance with Tax Code §13.027(i)?  Yes  No

**BUSINESS APPLICANT INFORMATION**

Legal Name under which application is made

DCP Midstream, LP

Texas Taxpayer ID Number of entity subject to Tax Code, Chapter 171 (11-digits)

18410411666

NAICS code

325110

Is the applicant a party to any other Chapter 313 agreements?  Yes  No

If yes, please list name of school district and year of agreement.

**APPLICANT BUSINESS STRUCTURE**

Registered to do business in Texas with the Texas Secretary of State?  Yes  No

Identify business organization of applicant (corporation, limited liability corporation, etc.)

Limited Partnership

1. Is the applicant a combined group, or comprised of members of a combined group, as defined by Texas Tax Code Chapter 171.0001(7)?  Yes  No  
If so, please attach documentation of the combined group membership and contact information.

2. Is the applicant current on all tax payments due to the State of Texas?  Yes  No

3. Are all applicant members of the combined group current on all tax payments due to the State of Texas?  NA  Yes  No

If the answer to either question is no, please explain and/or disclose any history of default, delinquencies and/or any material litigation, including litigation involving the State of Texas. (Use attachment if necessary.)



ELIGIBILITY UNDER TAX CODE CHAPTER 313.024

- Are you an entity to which Tax Code, Chapter 171 applies?
The property will be used as an integral part, or as a necessary auxiliary part, in one of the following activities:
(1) manufacturing
(2) research and development
(3) a clean coal project, as defined by Section 5.001, Water Code
(4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code
(5) renewable energy electric generation
(6) electric power generation using integrated gasification combined cycle technology
(7) nuclear electric power generation
(8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7)
Are you requesting that any of the land be classified as qualified investment?
Will any of the proposed qualified investment be leased under a capitalized lease?
Will any of the proposed qualified investment be leased under an operating lease?
Are you including property that is owned by a person other than the applicant?
Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment?

PROJECT DESCRIPTION

Provide a 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. (Use attachments as necessary)

Please see attachment #4

Describe the ability of your company to locate or relocate in another state or another region of the state.

Please see attachment #4

PROJECT CHARACTERISTICS (CHECK ALL THAT APPLY)

- New Jobs, Construct New Facility, New Business / Start-up, Expand Existing Facility, Relocation from Out-of-State, Expansion, Purchase Machinery & Equipment, Consolidation, Relocation within Texas

PROJECTED TIMELINE

Begin Construction Please see below\*
Begin Hiring New Employees 4th Quarter 2011
Construction Complete Please see below\*\*
Fully Operational 3rd Quarter 2012
Purchase Machinery & Equipment Currently Ongoing

Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)?
Note: Improvements made before that time may not be considered qualified property.

When do you anticipate the new buildings or improvements will be placed in service? Third Quarter 2012

\*Begin Construction Phase 1 - 3rd Quarter 2011, Phase 2 - 4th Quarter 2014 (estimate), Phase 3 - 4th Quarter 2016 (estimate)
\*\*Construction Complete Phase 1 - 3rd Quarter 2012, Phase 2 - 4th Quarter 2015 (estimate), Phase 3 - 4th Quarter 2017 (estimate)

**ECONOMIC INCENTIVES**

Identify state programs the project will apply for:

State Source	Amount
_____	_____
_____	_____
_____	_____
Total	_____

Will other incentives be offered by local units of government?  Yes  No

Please use the following box for additional details regarding incentives. (Use attachments if necessary.)

Tax Abatement from Jackson County with a 70% abatement through year 10 of the project; Hospital Board tax abatement; Flood District tax abatement.

**THE PROPERTY**

Identify county or counties in which the proposed project will be located. Jackson County

Central Appraisal District (CAD) that will be responsible for appraising the property Jackson Central Appraisal District

Will this CAD be acting on behalf of another CAD to appraise this property?  Yes  No

List all taxing entities that have jurisdiction for the property and the portion of project within each entity

County: Jackson County (100%) City: N/A  
(Name and percent of project) (Name and percent of project)

Hospital District: Jackson County Hospital (100%) Water District: Jackson County Flood (100%)  
(Name and percent of project) (Name and percent of project)

Other (describe): N/A Other (describe): N/A  
(Name and percent of project) (Name and percent of project)

Is the project located entirely within this ISD?  Yes  No

If not, please provide additional information on the project scope and size to assist in the economic analysis.



INVESTMENT

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 taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's Web site at www.window.state.tx.us/taxinfo/proptax/hb1200/values.html.

At the time of application, what is the estimated minimum qualified investment required for this school district? \$10 Million

What is the amount of appraised value limitation for which you are applying? \$10 Million

What is your total estimated qualified investment? \$100 Million

NOTE: See 313.021(1) for full definition. Generally, Qualified Investment is the sum of the investment in tangible personal property and buildings and new improvements made between beginning of the qualifying time period (date of application final approval by the school district) and the end of the second complete tax year.

What is the anticipated date of application approval? January 23, 2012

What is the anticipated date of the beginning of the qualifying time period? January 1, 2013

What is the total estimated investment for this project for the period from the time of application submission to the end of the limitation period? \$300 Million

Describe the qualified investment. [See 313.021(1).]

Attach the following items to this application:

- (1) a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021,
(2) a description of any new buildings, proposed improvements or personal property which you intend to include as part of your minimum qualified investment and
(3) a map of the qualified investment showing location of new buildings or new improvements with vicinity map.

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 during the qualifying time period? [X] Yes [ ] No

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:

(1) in or on the new building or other new improvement for which you are applying? [X] Yes [ ] No

(2) 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? [X] Yes [ ] No

(3) on the same parcel of land as the building for which you are applying for an appraised value limitation? [X] Yes [ ] No

("First placed in service" means the first use of the property by the taxpayer.)

Will the investment in real or personal property you propose 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? [X] Yes [ ] No

Does the investment in tangible personal property meet the requirements of Tax Code §313.021(1)? [X] Yes [ ] No

If the proposed investment includes a building or a permanent, non-removable component of a building, does it house tangible personal property? [X] Yes [ ] No

QUALIFIED PROPERTY

Describe the qualified property. [See 313.021(2)] (If qualified investment describes qualified property exactly you may skip items (1), (2) and (3) below.)

Attach the following items to this application:

- (1) a specific and detailed description of the qualified property for which you are requesting an appraised value limitation as defined by Tax Code §313.021,
(2) a description of any new buildings, proposed improvements or personal property which you intend to include as part of your qualified property and
(3) a map of the qualified property showing location of new buildings or new improvements - with vicinity map.

Land

Is the land on which you propose new construction or improvements 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? [X] Yes [ ] No

If you answered "no" to the question above, what is the anticipated date on which you will submit proof of a reinvestment zone with boundaries encompassing the land on which you propose new construction or improvements? \_\_\_\_\_

Will the applicant own the land by the date of agreement execution? [X] Yes [ ] No

Will the project be on leased land? [ ] Yes [X] No



**QUALIFIED PROPERTY (CONTINUED)**

If the land upon which the new building or new improvement is to be built is part of the qualified property described by §313.021(2)(A), please attach complete documentation, including:

1. Legal description of the land
2. Each existing appraisal parcel number of the land on which the improvements will be constructed, regardless of whether or not all of the land described in the current parcel will become qualified property
3. Owner
4. The current taxable value of the land. Attach estimate if land is part of larger parcel.
5. A detailed map (with a vicinity map) showing the location of the land

Attach 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. (With vicinity map)

Attach the order, resolution or ordinance establishing the zone, and the guidelines and criteria for creating the zone, if applicable.

**Miscellaneous**

Is the proposed project a building or new improvement to an existing facility?  Yes  No

Attach a description of any existing improvements and include existing appraisal district account numbers.

List current market value of existing property at site as of most recent tax year. \$0 (Market Value) 2011 (Tax Year)

Is any of the existing property subject to a value limitation agreement under Tax Code 313?  Yes  No

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 limitation?  Yes  No

**WAGE AND EMPLOYMENT INFORMATION**

What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0

The last complete calendar quarter before application review start date is the:

- First Quarter  Second Quarter  Third Quarter  Fourth Quarter of 2011 (year)

What was the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the TWC? 1,296

Note: For job definitions see TAC §9.1051(14) and Tax Code 313.021(3). If the applicant intends to apply a definition for "new job" other than TAC §9.1051(14)(C), then please provide the definition of "new job" as used in this application. NA

Total number of new jobs that will have been created when fully operational: 10

Do you plan to create at least 25 new jobs (at least 10 new jobs for rural school districts) on the land and in connection with the new building or other improvement?  Yes  No

Do you intend to request that the governing body waive the minimum new job creation requirement, as provided under Tax Code §313.025(f-1)?  Yes  No

If you answered "yes" to the question above, attach evidence documenting that the new job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards. Note: Even if a minimum new job waiver is provided, 80% of all new jobs must be qualifying jobs pursuant to Texas Tax Code, §313.024(d).

What is the maximum number of qualifying jobs meeting all criteria of §313.021(3) you are committing to create? 10

If this project creates more than 1,000 new jobs, the minimum required wage for this project is 110% of the average county weekly wage for all jobs as described by 313.021(3)(E)(ii).

If this project creates less than 1,000 new jobs, does this district have territory in a county that meets the demographic characteristics of 313.051(2)? (see table of information showing this district characteristic at <http://www.window.state.tx.us/taxinfo/proptax/fib3200/values.html>)

If yes, the applicant must meet wage standard described in 313.051(b) (110% of the regional average weekly wage for manufacturing)

If no, the applicant shall designate one of the wage standards set out in §§313.021(5)(A) or 313.021(5)(B).

**WAGE AND EMPLOYMENT INFORMATION (Continued)**

For the following three wage calculations please include on an attachment the four most recent quarters of data for each wage calculation. Show the average and the 110% calculation. Include documentation from TWD Web site. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(7).

110% of the county average weekly wage for all jobs (all industries) in the county is \$ 755.95

110% of the county average weekly wage for manufacturing jobs in the county is \$ 928.68

110% of the county average weekly wage for manufacturing jobs in the region is \$ 883.08

Please identify which Tax Code section you are using to estimate the wage standard required for this project:

§913.021(5)(A) or  §913.021(5)(B) or  §913.021(3)(E)(ii) or  §913.051(b)?

What is the estimated minimum required annual wage for each qualifying job based on the qualified property? \$ 45,911.80

What is the estimated minimum required annual wage you are committing to pay for each of the qualifying jobs you create on the qualified property? \$ 53,000

Will 80% of all new jobs created by the owner be qualifying jobs as defined by 913.021(3)?  Yes  No

Will each qualifying job require at least 1,600 of work a year?  Yes  No

Will any of the qualifying jobs be jobs transferred from one area of the state to another?  Yes  No

Will any of the qualifying jobs be retained jobs?  Yes  No

Will any of the qualifying jobs be created to replace a previous employee?  Yes  No

Will any required qualifying jobs be filled by employees of contractors?  Yes  No

If yes, what percent? \_\_\_\_\_

Does the applicant or contractor of the applicant offer to pay at least 60% of the employee's health insurance premium for each qualifying job?  Yes  No

Describe each type of benefits to be offered to qualifying jobholders. (Use attachments as necessary.)

**Please See Attachment**

**ECONOMIC IMPACT**

Is an Economic Impact Analysis attached (if supplied by other than the Comptroller's office)?  Yes  No

Is Schedule A completed and signed for all years and attached?  Yes  No

Is Schedule B completed and signed for all years and attached?  Yes  No

Is Schedule C (Application) completed and signed for all years and attached?  Yes  No

Is Schedule D completed and signed for all years and attached?  Yes  No

Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.

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.



## COMPANY CHECKLIST AND REQUESTED ATTACHMENTS

	Checklist	Page X of 16	Check Completed
1	Certification pages signed and dated by Authorized Business Representative (applicant)	4 of 16	✓
2	Proof of Payment of Application Fee (Attachment)	5 of 16	✓
3	For applicant members, documentation of Combined Group membership under Texas Tax Code 171.0001(7) (If Applicable) (Attachment)	5 of 16	
4	Detailed description of the project	6 of 16	✓
5	If project is located in more than one district, name other districts and list percentage in each district (Attachment)	7 of 16	✓
6	Description of Qualified Investment (Attachment)	8 of 16	✓
7	Map of qualified investment showing location of new buildings or new improvements with vicinity map	8 of 16	✓
8	Description of Qualified Property (Attachment)	8 of 16	✓
9	Map of qualified property showing location of new buildings or new improvements with vicinity map	8 of 16	✓
10	Description of Land (Attachment)	9 of 16	✓
11	A detailed map showing location of the land with vicinity map.	9 of 16	✓
12	A description of all existing (if any) improvements (Attachment)	9 of 16	
13	Request for Waiver of Job Creation Requirement (if applicable) (Attachment)	9 of 16	
14	Calculation of three possible wage requirements with TYWC documentation. (Attachment)	10 of 16	✓
15	Description of Benefits	10 of 16	✓
16	Economic Impact (if applicable)	10 of 16	✓
17	Schedule A completed and signed	13 of 16	✓
18	Schedule B completed and signed	14 of 16	✓
19	Schedule C (Application) completed and signed	15 of 16	✓
20	Schedule D completed and signed	16 of 16	✓
21	Map of Reinvestment Zone (Attachment) (Showing the actual or proposed boundaries and size, Certified to be accurate by either the government entity creating the zone, the local appraisal district, or a licensed surveyor, with vicinity map)*	9 of 16	✓
22	Order, Resolution, or Ordinance Establishing the Zone (Attachment)*	9 of 16	✓
23	Legal Description of Reinvestment Zone (Attachment)*	9 of 16	✓
24	Guidelines and Criteria for Reinvestment Zone (Attachment)*	9 of 16	✓

\*To be submitted with application or before date of final application approval by school board.

**ATTACHMENT 1**

Please refer to page 4 of application.

Proof of payment of filing fee received by the  
Comptroller of Public Accounts per TAC Rule  
§9.1054 (b)(5)

*(Page Inserted by Office of Texas Comptroller of Public  
Accounts)*

REG-112-02-08  
TX2010  
Ver. 10.0 (9-08/09)

TEXAS FRANCHISE TAX  
AFFILIATE SCHEDULE

Year: 2010 ANNUAL

Reporting entity taxpayer number

Report year

Reporting entity taxpayer name

17606322935

2010

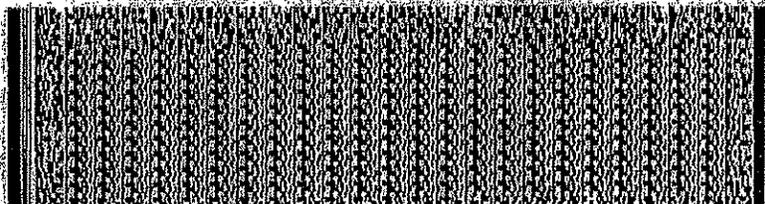
DCP MIDSTREAM, LLC

Reporting entity must be included on Affiliate Schedule.

1. Legal name of affiliate <b>DCP MIDSTREAM, LLC</b>		2. Affiliate taxpayer number (if none, use FEI number) <b>17606322935</b>		3. Affiliate NAICS code <b>211112</b>	
4. Check box if entity is disregarded for franchise tax <input type="checkbox"/>		5. Check box if this affiliate does NOT have NEXUS in Texas <input type="checkbox"/>		6. Affiliate reporting begin date m m d d y y <b>010109</b>	
7. Affiliate reporting end date m m d d y y <b>123109</b>		8. Gross receipts subject to throwback in other states (before eliminations) <b>0.00</b>		9. Gross receipts everywhere (before eliminations) <b>.00</b>	
10. Gross receipts in Texas (before eliminations) <b>.00</b>		11. Cost of goods sold or compensation (before eliminations) <b>0.00</b>		Check box if this is a Corporation or Limited Liability Company <input checked="" type="checkbox"/> Check box if this is an Entity other than a Corporation or Limited Liability Company <input type="checkbox"/>	
1. Legal name of affiliate <b>DCP MIDSTREAM, LP</b>		2. Affiliate taxpayer number (if none, use FEI number) <b>18410411666</b>		3. Affiliate NAICS code <b>324190</b>	
4. Check box if entity is disregarded for franchise tax <input type="checkbox"/>		5. Check box if this affiliate does NOT have NEXUS in Texas <input type="checkbox"/>		6. Affiliate reporting begin date m m d d y y <b>010109</b>	
7. Affiliate reporting end date m m d d y y <b>123109</b>		8. Gross receipts subject to throwback in other states (before eliminations) <b>0.00</b>		9. Gross receipts everywhere (before eliminations) <b>6444100966.00</b>	
10. Gross receipts in Texas (before eliminations) <b>3079291949.00</b>		11. Cost of goods sold or compensation (before eliminations) <b>5762953925.00</b>		Check box if this is a Corporation or Limited Liability Company <input type="checkbox"/> Check box if this is an Entity other than a Corporation or Limited Liability Company <input checked="" type="checkbox"/>	
1. Legal name of affiliate <b>DCP MIDSTREAM MARKETING, LLC</b>		2. Affiliate taxpayer number (if none, use FEI number) <b>17603083589</b>		3. Affiliate NAICS code <b>424990</b>	
4. Check box if entity is disregarded for franchise tax <input type="checkbox"/>		5. Check box if this affiliate does NOT have NEXUS in Texas <input type="checkbox"/>		6. Affiliate reporting begin date m m d d y y <b>010109</b>	
7. Affiliate reporting end date m m d d y y <b>123109</b>		8. Gross receipts subject to throwback in other states (before eliminations) <b>0.00</b>		9. Gross receipts everywhere (before eliminations) <b>1235671158.00</b>	
10. Gross receipts in Texas (before eliminations) <b>1004051843.00</b>		11. Cost of goods sold or compensation (before eliminations) <b>1223109679.00</b>		Check box if this is a Corporation or Limited Liability Company <input checked="" type="checkbox"/> Check box if this is an Entity other than a Corporation or Limited Liability Company <input type="checkbox"/>	

An information report (Form 05-102 or Form 05-167) must be filed for each affiliate that is organized in Texas or that has a physical presence in Texas.

TEXAS COMPTROLLER GENERAL'S OFFICE



VE/DE	<input type="checkbox"/>	FM	<input type="checkbox"/>
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ATTACHMENT 4  
APPLICATION FOR TAX ABATEMENT  
EDNA ISD – DCP Midstream

Project Description

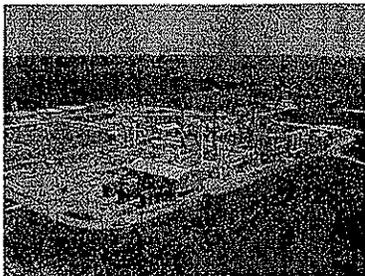
DCP Midstream, LP will construct a Natural Gas Processing Plant near Cordele in Jackson County, Texas.

Eagle Plant

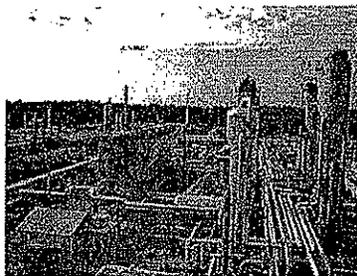
The DCP Midstream Eagle Gas Processing Plant is designed to initially process 200 mmscf/d of gas with the potential to expand production to 1 bscf/d. The Eagle Plant is designed to produce Y-Grade NGL Product and Residue Gas.

The Eagle Gas Processing Plant consists of the following main processing units and utility systems:

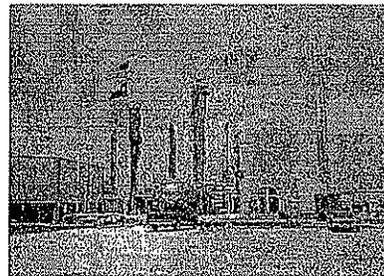
- Inlet Facilities
- Dehydration
- Regeneration
- NGL Recovery Train
- NGL Product Delivery Facilities
- Residue Recompression & Cooling
- Water Heat Recovery
- Heat Medium
- Fuel Gas
- Methanol Injection
- Drains & Flare
- Instrument & Utility Air
- Potable and Utility Water
- Emergency Generator



Wilcox Plant - Lavaca County



East Texas Complex - Panola County



Port Arthur Plant – Jefferson County

DCP Midstream is the largest producer of natural gas liquids in North America and has significant pipeline infrastructure throughout Texas. This infrastructure provides DCP Midstream with the flexibility and opportunity to invest in a variety of regions in Texas and its neighboring states. Currently, DCP Midstream owns and operates 61 gas processing plants in 18 states. Capital investment is granted to projects that generate the best economic return for DCP Midstream. Currently, several projects in Louisiana, New Mexico and Colorado are competing with Texas projects for company investment.

**ATTACHMENT 5**

**This project will be located exclusively within the boundaries of the Edna Independent School District.**

**Attachment 6**

The Qualified Investment for the Eagle Gas Processing Plant consists of the following main processing units and utility systems.

**Inlet Facilities**

**Dehydration**

**Regeneration**

**NGL Recovery Train**

**NGL Product Delivery Facilities**

**Residue Recompression & Cooling**

**Waste Heat Recovery**

**Heat Medium**

**Fuel Gas**

**Methanol Injection**

**Drains & Flare**

**Instrument & utility Air**

**Potable and Utility Water**

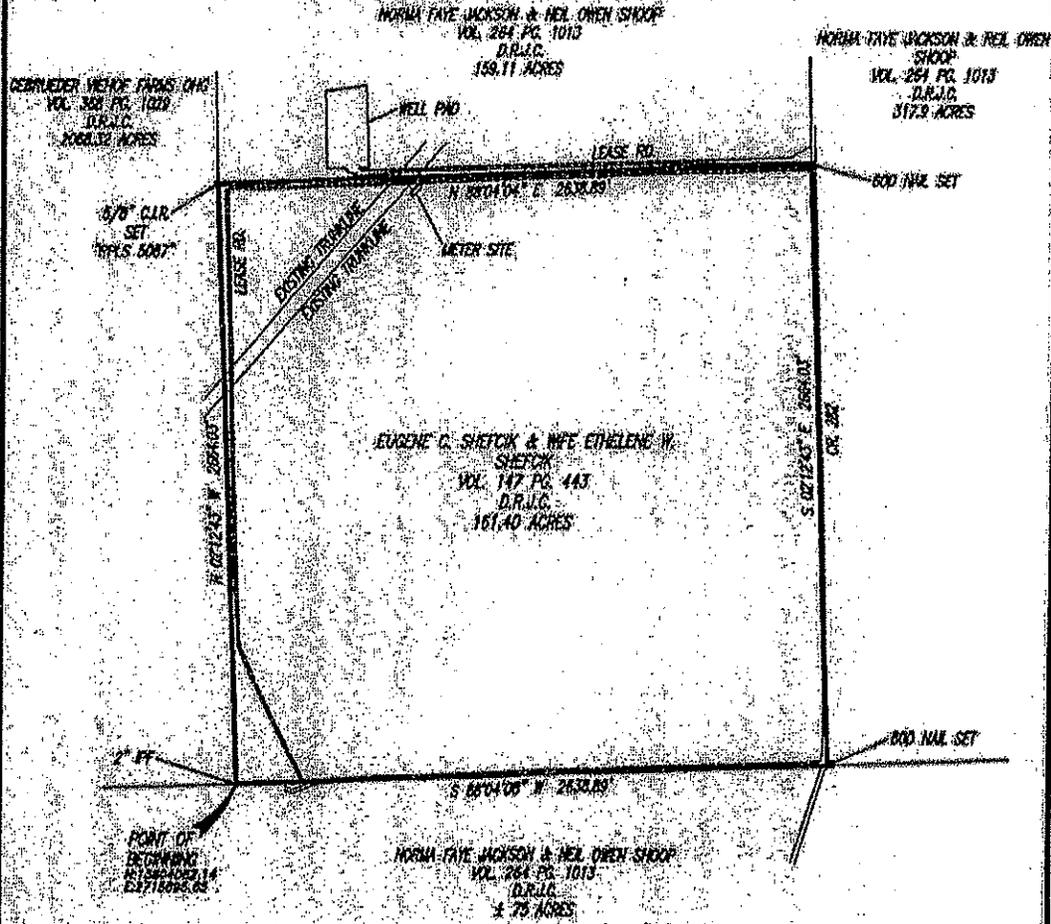
**Emergency Generator**

# EXHIBIT "B"

PAGE 2 OF 2

## I & GN R.R. SURVEY

Abstract No. 172



I, DAVID A. WISLEY, REGISTERED PROFESSIONAL LAND SURVEYOR, DO HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE THIS PLAN IS TRUE AND CORRECT TO A SURVEY MADE ON THE GROUND.

*David A. Wisley*  
DAVID A. WISLEY  
REGISTERED PROFESSIONAL LAND SURVEYOR  
TEXAS REGISTRATION NO. 6087



**dcp**

**161.40 ACRE EDNA PLANT SITE**

INTERNATIONAL & GREAT NORTHERN R.R. SURVEY;  
ABSTRACT NO. 172  
JACKSON COUNTY, TEXAS

161.40 ACRE SET	PL 2 OF 2	DATE: 08-15-19	REV: 7/15/20/24
-----------------	-----------	----------------	-----------------

P:\CCP\South\Texas\EDNA SITE  
C:\Program\EDNA SITE CERTIFIED.dwg

LINK FIELD SERVICES INCORPORATED  
P.O. BOX 1485  
MINERAL WELLS, TX 76068  
800-482-7199

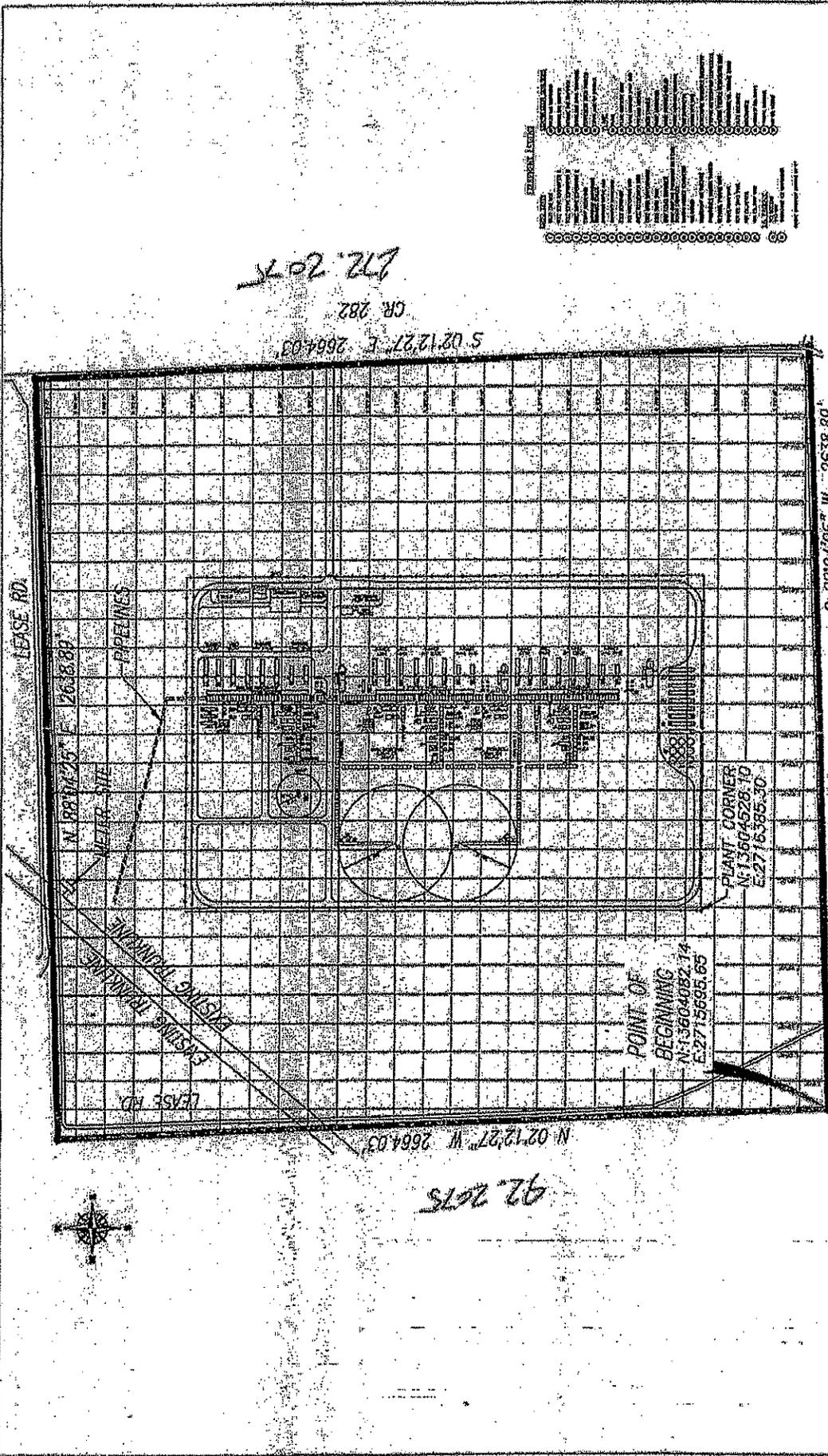


1,926,389

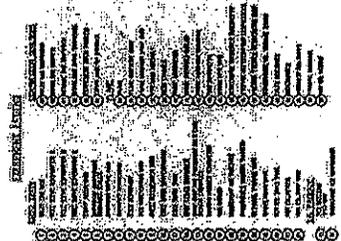
172.205

CR. 282

S 02°12'27" E 2664.03



92.2675



S. 88°04'25" W 2638.89

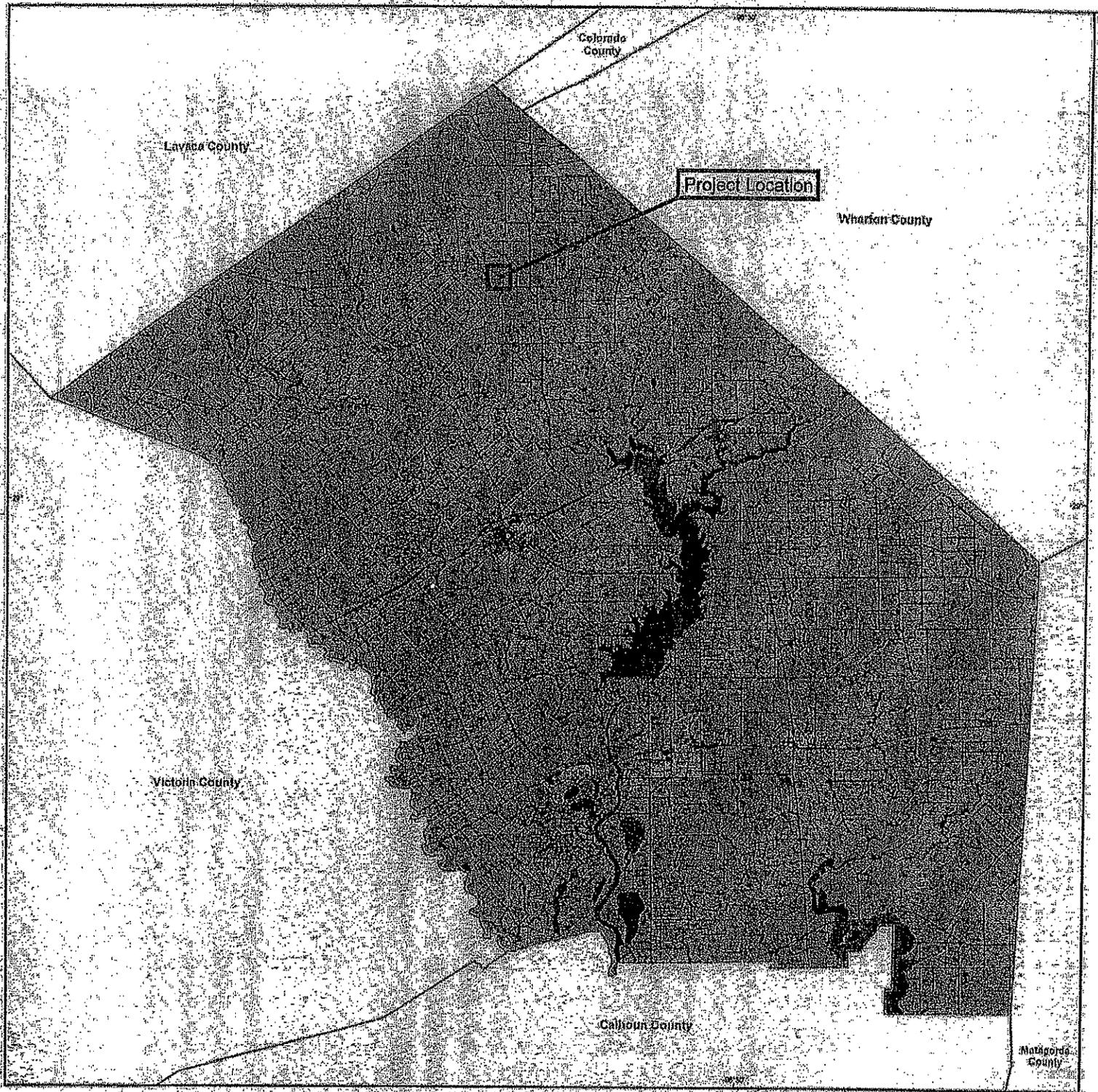
REV	DATE	BY	CHKD	DESCR	REVISION
1	05-20-08			ISSUED FOR REVIEW	
2	05-20-08			ISSUED FOR REVIEW	
3	05-20-08			ISSUED FOR REVIEW	



PLOT PLAN

EAGLE GAS PLANT  
200 WINDFLO & FUTURE  
JACKSON COUNTY  
TEXAS

EAGLE GAS PLANT GENERAL RESURVEYING



**Attachment 8**

The Qualified Investment for the Eagle Gas Processing Plant consists of the following main processing units and utility systems.

**Inlet Facilities**

**Dehydration**

**Regeneration**

**NGL Recovery Train**

**NGL Product Delivery Facilities**

**Residue Recompression & Cooling**

**Waste Heat Recovery**

**Heat Medium**

**Fuel Gas**

**Methanol Injection**

**Drains & Flare**

**Instrument & utility Air**

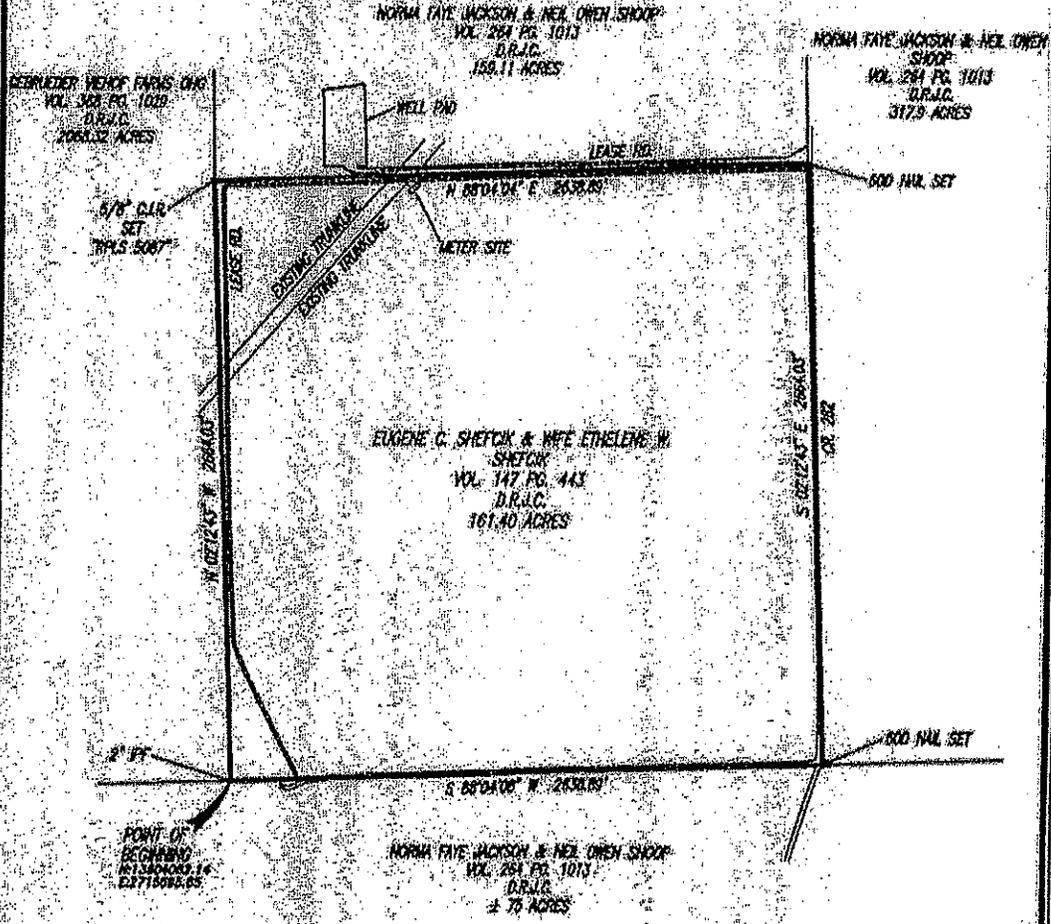
**Potable and Utility Water**

**Emergency Generator**

**EXHIBIT "B"**

PAGE 2 OF 2

**I & GN R.R. SURVEY**  
Abstract No. 172



I, DAVID A. WISLEY, REGISTERED PROFESSIONAL LAND SURVEYOR, DO HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF THIS IS THE TRUE AND CORRECT COPY AS SAME WAS LAY ON THE GROUND.

*David A. Wisley*  
DAVID A. WISLEY  
REGISTERED PROFESSIONAL LAND SURVEYOR  
TEXAS REGISTRATION NO. 5087



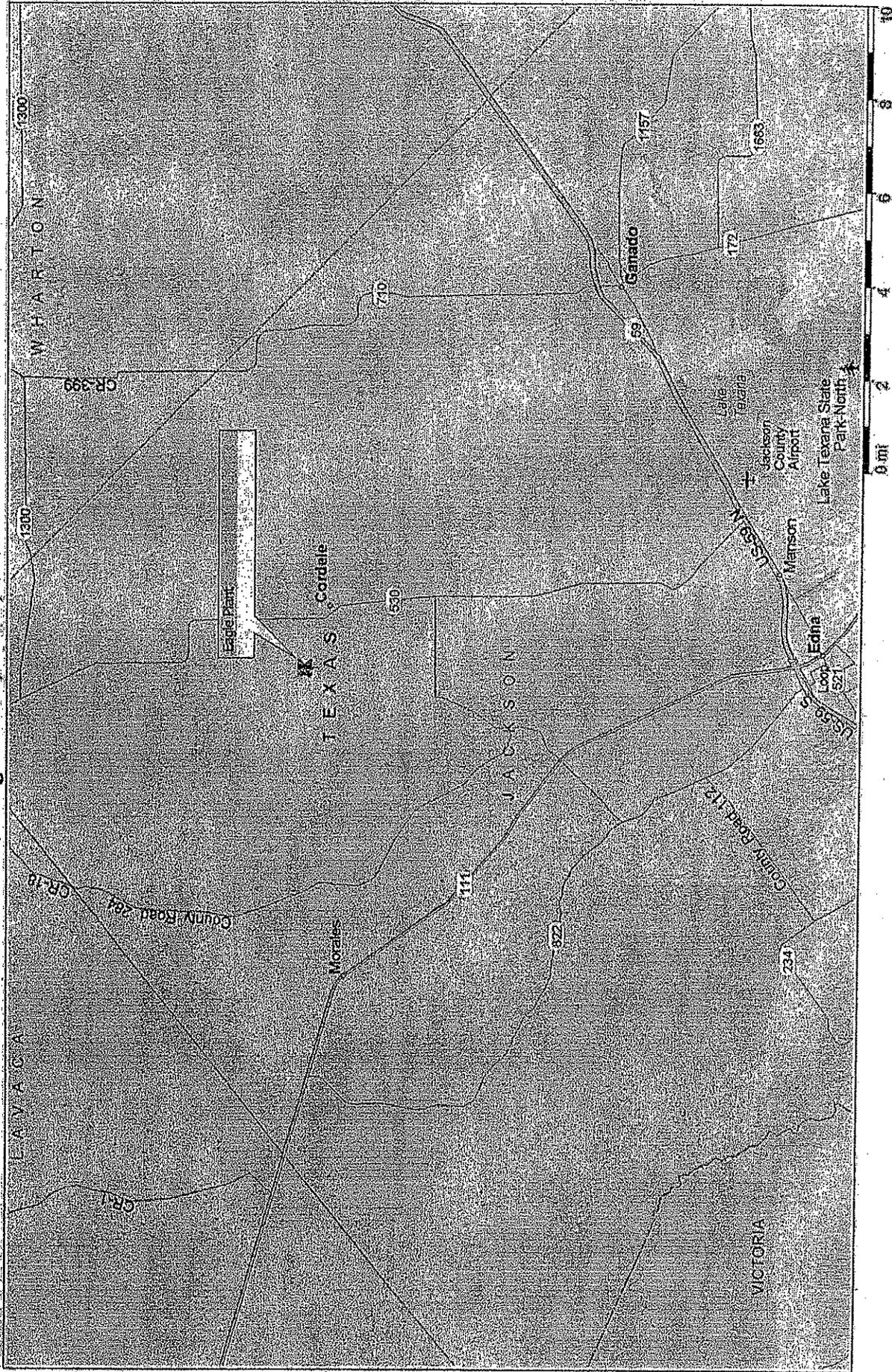
**161.40 ACRE EDNA PLANT SITE**  
INTERNATIONAL & GREAT NORTHERN R.R. SURVEY,  
ABSTRACT NO. 172  
JACKSON COUNTY, TEXAS

DATE THIS PLAN SET	DATE OF SURV.	DATE OF SURV.	DATE OF SURV.
NO. OF SHEETS	NO. OF SHEETS	NO. OF SHEETS	NO. OF SHEETS

© [DCA] South Texas EDNA SITE  
Certificate EDNA SITE CERTIFIED.dwg  
FILE NAME: PFDNA\_PLOTPLAN  
FILE ACRES: 161.40

**LINK FIELD SERVICES INCORPORATED**  
P.O. BOX 1485  
MINERAL WELLS, TX 76068  
800-452-7198

# Eagle Plant, Edna, TX



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**EXHIBIT "A"**

PAGE 1 OF 2

THIS IS A SUMMARY OF THE WORK DONE BY THE SURVEYOR AND IS NOT A SUBSTITUTE FOR THE ORIGINAL SURVEY RECORDS. THE ORIGINAL SURVEY RECORDS SHOULD BE REFERRED TO FOR A COMPLETE AND ACCURATE DESCRIPTION OF THE SURVEY AND THE PROPERTY THEREON.

**Legal description**

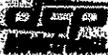
BEING a 161.40 acre plant site in the I. & G.N. R.R. Survey, Abstract 172, Jackson County, Texas, and being a certain tract described in deed to Eugene C. Shefolk & Wife Ethelene W. Shefolk, Vol. 147, Pg. 443, Deed Records, Jackson County, Texas, said 161.40-acre plant site being described as follows:

- BEGINNING at a 2" iron pipe found [ N: 13604082.14; E: 2713625.65 ] for the southwest corner of said 161.40-acre tract;
- THENCE N 02°12'43" W a distance of 2664.03' to a set 5/8" capped iron rod marked "RPLS-5087", for the northwest corner of said 161.40-acre tract;
- THENCE N 88°04'04" E a distance of 2638.89' to a set 60D Nail for the northeast corner of said 161.40-acre tract;
- THENCE S 02°12'43" E a distance of 2664.03' to a set 60D Nail for the southeast corner of said 161.40-acre tract;
- THENCE S 88°04'08" W a distance of 2638.89' to the POINT OF BEGINNING for a total of 7030073.94 square feet or 161.40 acres.



I, DAVID A. WISLEY, REGISTERED PROFESSIONAL LAND SURVEYOR, DO HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE THIS PLAT IS TRUE AND CORRECT IN ACCORDANCE WITH THE REQUIREMENTS OF A SURVEY MADE ON THE GROUND.

*David A. Wisley*  
 DAVID A. WISLEY  
 REGISTERED PROFESSIONAL LAND SURVEYOR  
 TEXAS REGISTRATION NO. 5057



**161.40 ACRE EDNA PLANT SITE**  
 INTERNATIONAL & GREAT NORTHERN R.R. SURVEY,  
 ABSTRACT NO. 172,  
 JACKSON COUNTY, TEXAS

EDNA PLANT SITE	NO. 1 OF 1	DATE: 02-08-08	BY: J. W. W. W.
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P:\DGP\South Texas\EDNA SITE  
 Certificate\EDNA SITE CERTIFIED.dwg

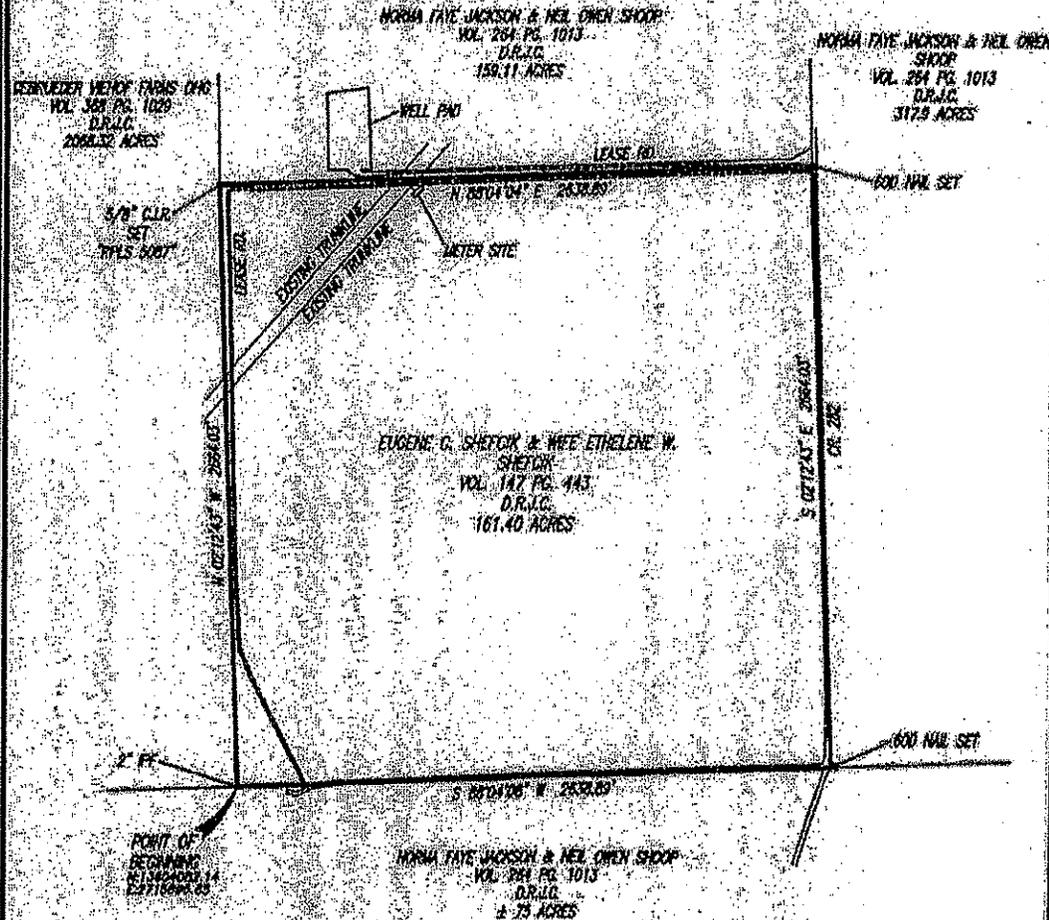
2008 02-08 10:10 AM

**LINK FIELD SERVICES INCORPORATED**  
 P.O. BOX 1485  
 MINERAL WELLS, TX 76088  
 800-482-7188

**EXHIBIT "B"**

PAGE 2 OF 2

**I & GN R.R SURVEY**  
Abstract No. 172



I, DAVID A. WISLEY, REGISTERED PROFESSIONAL LAND SURVEYOR, DO HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE THIS PLAN IS TRUE AND CORRECT IN ACCORDANCE WITH THE CONCEPT OF A SURVEY MADE ON THE GROUND.

*David A. Wisley*  
DAVID A. WISLEY  
REGISTERED PROFESSIONAL LAND SURVEYOR  
TEXAS REGISTRATION NO. 8087



**161.40 ACRE EDNA PLANT SITE**

INTERSECTIONS & GREAT NORTHERN R.R. SURVEY,  
ABSTRACT NO. 172  
JACKSON COUNTY, TEXAS

DATE THIS PLAN SET	DATE OF SURVEY	DATE OF RECORDING
NO. OF COPIES	NO. OF COPIES	NO. OF COPIES

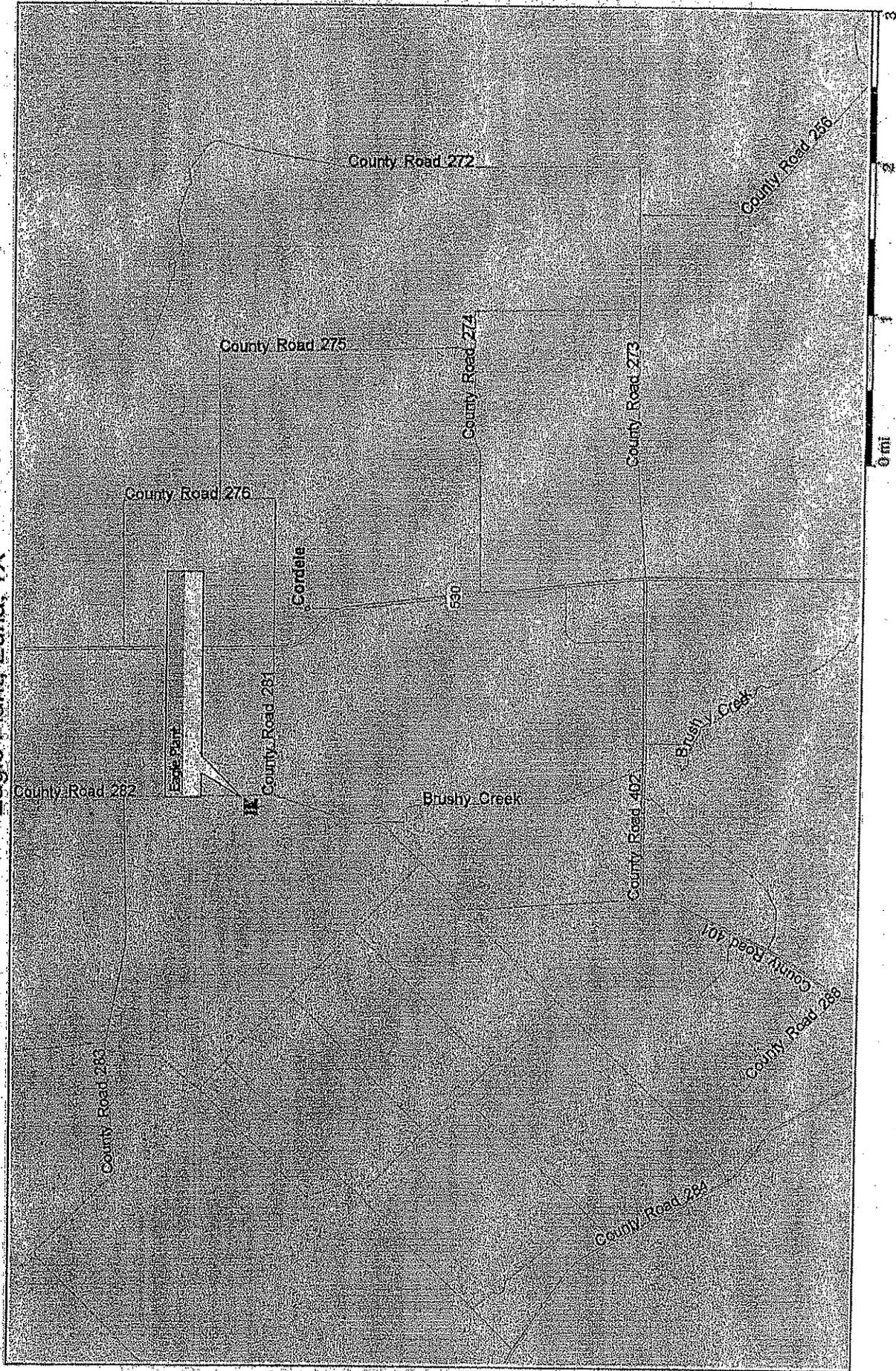
PL/DCP (South Texas) EDNA SITE  
Certified EDNA SITE CERTIFIED

EDNA SOURCE FERRIC NITRATES  
FROM SOURCE NO. 1140

**LINK FIELD SERVICES INCORPORATED**

P.O. BOX 1485  
MINERAL WELLS, TX 76068  
800-462-7188

# Eagle Plant, Edna, TX



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rights reserved.

ATTACHMENT 12

There is a fence around the property as well as a caliche pad.

ATTACHMENT 13

Not applicable.

**ATTACHMENT FOURTEEN**

**Quarterly Employment and Wages (QCEW)**

[Back](#)

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2011	1st Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$879
2010	1st Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$804
2010	2nd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$876
2010	3rd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$858
2010	4th Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$737
2009	3rd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$624
2009	4th Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$685
2009	2nd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$643
2009	1st Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$810
2008	1st Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$600
2008	2nd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$650
2008	4th Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$700
2008	3rd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$633
2007	4th Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$586
2007	2nd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$579
2007	3rd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$560
2007	1st Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$595
2006	1st Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$561
2006	3rd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$584
2006	2nd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$603
2006	4th Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$649
2005	4th Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$586
2005	3rd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$553
2005	1st Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$536
2005	2nd Qtr	Jackson County	Private	00	0	10	Total, All Industries	\$534

$\$2,749/4 = 687.25 \times 1103 = \$755.98$

# Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2011	1st Qtr	Jackson County	Private	31	2	31-33	Manufacturing	\$823
2010	1st Qtr	Jackson County	Private	31	2	31-33	Manufacturing	\$741
2010	2nd Qtr	Jackson County	Private	31	2	31-33	Manufacturing	\$852
2010	3rd Qtr	Jackson County	Private	31	2	31-33	Manufacturing	\$785
2010	4th Qtr	Jackson County	Private	31	2	31-33	Manufacturing	\$907
2009	4th Qtr	Jackson County	Private	31	2	31-33	Manufacturing	\$849
2009	3rd Qtr	Jackson County	Private	31	2	31-33	Manufacturing	\$746
2009	1st Qtr	Jackson County	Private	31	2	31-33	Manufacturing	\$747
2009	2nd Qtr	Jackson County	Private	31	2	31-33	Manufacturing	\$629

$\$3,377/4 = 844.25 \times 1103 = \$928.58$

**2010 Manufacturing Wages by Council of Government Region  
Wages for All Occupations**

COG	Wages	
	Hourly	Annual
<b>Texas</b>		
<u>1. Panhandle Regional Planning Commission</u>	\$18.60	\$38,683
<u>2. South Plains Association of Governments</u>	\$16.21	\$33,717
<u>3. NORTEX Regional Planning Commission</u>	\$18.34	\$38,153
<u>4. North Central Texas Council of Governments</u>	\$23.45	\$48,777
<u>5. Ark-Tex Council of Governments</u>	\$15.49	\$32,224
<u>6. East Texas Council of Governments</u>	\$17.63	\$36,672
<u>7. West Central Texas Council of Governments</u>	\$17.48	\$36,352
<u>8. Rio Grande Council of Governments</u>	\$15.71	\$32,683
<u>9. Permian Basin Regional Planning Commission</u>	\$19.90	\$41,398
<u>10. Concho Valley Council of Governments</u>	\$15.33	\$31,891
<u>11. Heart of Texas Council of Governments</u>	\$17.91	\$37,257
<u>12. Capital Area Council of Governments</u>	\$25.37	\$52,778
<u>13. Brazos Valley Council of Governments</u>	\$15.24	\$31,705
<u>14. Deep East Texas Council of Governments</u>	\$15.71	\$32,682
<u>15. South East Texas Regional Planning Commission</u>	\$27.56	\$57,333
<u>16. Houston-Galveston Area Council</u>	\$24.52	\$51,002
<u>17. Golden Crescent Regional Planning Commission</u>	\$20.07	\$41,738
<u>18. Alamo Area Council of Governments</u>	\$17.28	\$35,952
<u>19. South Texas Development Council</u>	\$13.27	\$27,601
<u>20. Coastal Bend Council of Governments</u>	\$21.55	\$44,822
<u>21. Lower Rio Grande Valley Development Council</u>	\$14.35	\$29,846
<u>22. Texoma Council of Governments</u>	\$18.10	\$37,651
<u>23. Central Texas Council of Governments</u>	\$17.21	\$35,788
<u>24. Middle Rio Grande Development Council</u>	\$13.21	\$27,471

Source: Texas Occupational Employment and Wages

Data published: June 2011

Data published annually, next update will be June 2012.

Note: Data is not supported by the Bureau of Labor Statistics (BLS)

Wage data is produced from Texas OES data, and is not to be compared to BLS estimates.

Data intended for TAC 313 purposes only.

$$\$41,738 \times 110\% = \$45,911.80$$

$$\$41,738/52 = \$799.77 \times 110\% = \$882.92$$

Attachment 15

DCP offers medical, dental and vision plans. DCP also offers 401(k) and retirement plans, life insurance, short and long term disability insurance, education assistance, scholarship program, holidays and vacation, a wellness program, matching gifts, and a short term incentive plan.

ATTACHMENT 16

Not applicable

Schedule A (Rev. May 2010): Investment

Applicant Name: DCP Midstream LP  
 ISD Name: Echa ISD

Form 50-296

PROPERTY INVESTMENT AMOUNTS									
(Estimated investment in each year. Do not put cumulative totals.)									
	School Year (YYYY-YYYY)	Tax Year (fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year.	Column B: Building or permanent nonremovable component of building (annual 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 but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)		
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Year	2011							
	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)	2011-2012	2011	\$ 20,000,000				\$ 20,000,000	
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)	2012-2013	2012	\$ 80,000,000				\$ 80,000,000	
	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2013-2014	2013						
	Complete tax years of qualifying time period	1	2014-2015						
		2	2015-2016	\$ 100,000,000				\$ 100,000,000	
		3	2016-2017						
		4	2017-2018	\$ 100,000,000				\$ 100,000,000	
		5	2018-2019						
		6	2019-2020						
		7	2020-2021						
		8	2021-2022						
		9	2022-2023						
		10	2023-2024						
	Value Limitation Period	11	2024-2025						
12		2025-2026							
13		2026-2027							
Credit Settle-Up Period	14	2027-2028							
	15	2028-2029							
Post-Settle-Up Period									

Qualifying Time Period usually begins with the final board 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 considers qualified investment - as defined in Tax Code §513.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property. Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period. The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §513.021(1)(E).

Column C: For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value-for planning, construction and operation of the facility. The most significant examples 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 "pre-year 1" time period. It cannot be part of qualifying investment.

Column D: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

Column E: Total Investment (A+B+D)

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE:  DATE: 9-30-10

**Schedule B (Rev. May 2010): Estimated Market And Taxable Value**

Form 50-296

Applicant Name DCP Midstream LP  
 ISD Name Edna ISD

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"		Final taxable value for IRS - after all reductions	Final taxable value for M&O - after all reductions
	pre-year 1	2012-2013	2012	671,424				671,424	671,424
Complete tax years of qualifying time period	1	2013-2014	2013	671,424		50,000,000		50,671,424	50,671,424
	2	2014-2015	2014	671,424		73,000,000	3,650,000	70,021,424	70,021,424
	3	2015-2016	2015	671,424		71,000,000	3,550,000	68,121,424	10,000,000
	4	2016-2017	2016	671,424		119,000,000	5,950,000	113,721,424	10,000,000
	5	2017-2018	2017	671,424		140,000,000	7,000,000	133,671,424	10,000,000
Value Limitation Period	6	2018-2019	2018	671,424		186,000,000	9,300,000	177,371,424	10,000,000
	7	2019-2020	2019	671,424		204,000,000	10,200,000	194,471,424	10,000,000
	8	2020-2021	2020	671,424		198,000,000	9,900,000	188,771,424	10,000,000
	9	2021-2022	2021	671,424		192,000,000	9,600,000	183,071,424	10,000,000
	10	2022-2023	2022	671,424		184,000,000	9,200,000	175,471,424	10,000,000
Credit Settle-Up Period	11	2023-2024	2023	671,424		178,480,000	8,924,000	170,227,424	170,227,424
	12	2024-2025	2024	671,424		173,125,600	8,656,280	165,140,744	165,140,744
	13	2025-2026	2025	671,424		167,931,832	8,396,592	160,206,664	160,206,664
Post-Settle-Up Period	14	2026-2027	2026	671,424		162,893,877	8,144,694	155,420,607	155,420,607
Post-Settle-Up Period	15	2027-2028	2027	671,424		158,007,061	7,900,353	150,778,132	150,778,132

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

*K West*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

9-30-11

DATE

Schedule C- Application: Employment Information

Applicant Name DCP Midstream LP  
 ISD Name Edna ISD

Form 50-298

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs		
				Column A: Number of Construction FTE's or main- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs	
	pre-year 1	2012-2013	2012	36,450 hrs	\$25/hr					
Complete tax years of qualifying time period	1	2013-2014	2013	218,050 hrs	\$25/hr	10	\$ 53,000	10	\$ 53,000	
	2	2014-2015	2014			10	\$ 53,000	10	\$ 53,000	
	3	2015-2016	2015			10	\$ 53,000	10	\$ 53,000	
	4	2016-2017	2016			10	\$ 53,000	10	\$ 53,000	
	5	2017-2018	2017			10	\$ 53,000	10	\$ 53,000	
Value Limitation Period	6	2018-2019	2018			10	\$ 53,000	10	\$ 53,000	
	7	2019-2020	2019			10	\$ 53,000	10	\$ 53,000	
	8	2020-2021	2020			10	\$ 53,000	10	\$ 53,000	
	9	2021-2022	2021			10	\$ 53,000	10	\$ 53,000	
	10	2022-2023	2022			10	\$ 53,000	10	\$ 53,000	
Credit Settle-Up Period	11	2023-2024	2023			10	\$ 53,000	10	\$ 53,000	
	12	2024-2025	2024			10	\$ 53,000	10	\$ 53,000	
	13	2025-2026	2025			10	\$ 53,000	10	\$ 53,000	
Post-Settle-Up Period	14	2026-2027	2026			10	\$ 53,000	10	\$ 53,000	
	15	2027-2028	2027			10	\$ 53,000	10	\$ 53,000	

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

*Robert West*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

9-30-11

DATE



**EXHIBIT "A"**

PAGE 1 OF 8

*Legal description:*

BEING a 161.40 acre plant site in the I. & G.N. R.R. Survey, Abstract 172, Jackson County, Texas, and being a certain tract described in deed to Eugene C. Shefelb & Wife Ethelene W. Shefelb, Vol. 147 Pg. 443, Deed Records, Jackson County, Texas, said 161.40 acre plant site being described as follows:

BEGINNING at a 2" iron pipe found [ N:13604082.14, E:2713693.65 ] for the southwest corner of said 161.40 acre tract;

THENCE N 02°12'43" W a distance of 2664.03' to a set 5/8" capped iron rod marked "RPLS 5087", for the northwest corner of said 161.40 acre tract;

THENCE N 88°04'04" E a distance of 2638.89' to a set 60D Nail for the northeast corner of said 161.40 acre tract;

THENCE S 02°12'43" E a distance of 2664.03' to a set 60D Nail for the southeast corner of said 161.40 acre tract;

THENCE S 88°04'08" W a distance of 2638.89', to the POINT OF BEGINNING for a total of 7030073.94 square feet or 161.40 acres.



I, DAVID A. WRISLEY, REGISTERED PROFESSIONAL LAND SURVEYOR, DO HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE THIS PLAN IS TRUE AND CORRECT UPON A SURVEY MADE ON THE GROUND.

*David A. Wrisley*  
 DAVID A. WRISLEY  
 REGISTERED PROFESSIONAL LAND SURVEYOR  
 TEXAS REGISTRATION NO. 8087



**161.40 ACRE EDNA PLANT SITE**  
 INTERNATIONAL & GREAT NORTHERN R.R. SURVEY  
 ABSTRACT NO. 172  
 JACKSON COUNTY, TEXAS

JOB-TASK PLAN SHEET	DATE OF JOB	DRAWING NO.	REVISION NO.
PL. 161.40 AC.	05-1-07	LINK-FS-07-01	001 / 000000

**LINK FIELD SERVICES INCORPORATED**  
 P.O. BOX 1465  
 MINERAL WELLS, TX 75068  
 800-462-7109

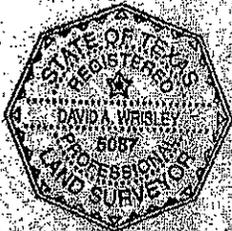
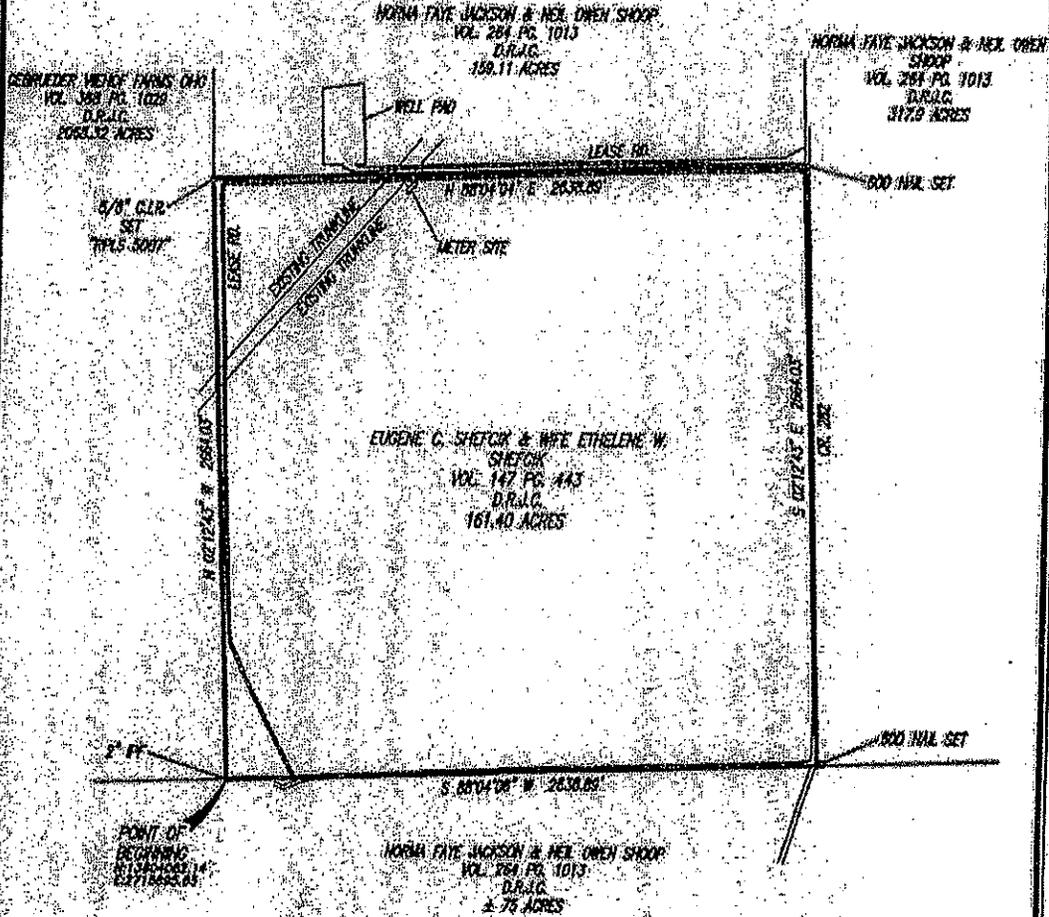
PL 161.40 AC. South Texas EDNA SITE  
 Certified EDNA SITE CERTIFIED 07/07

100% COUNTY FOOTED RECORDING  
 100% ACRES: 161.40

**EXHIBIT "B"**

PAGE E OF B

**I & GN R.R. SURVEY**  
Abstract No. 172



I, DAVID A. WRISLEY, REGISTERED PROFESSIONAL LAND SURVEYOR, DO HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE THIS PLAN IS TRUE AND CORRECT BY A SURVEY MADE ON THE GROUND.

*David A. Wrisley*  
DAVID A. WRISLEY  
REGISTERED PROFESSIONAL LAND SURVEYOR  
TEXAS REGISTRATION NO. 6087



**161.40 ACRE EDNA PLANT SITE**  
INTERNATIONAL & GREAT NORTHERN R.R. SURVEY,  
ABSTRACT NO. 172  
JACKSON COUNTY, TEXAS

SEE LINK PLAN SET		DATE OF SURVEY	APPROVED BY
NO. DRAWING	PL. 2 OF 2	DATE OF SURVEY	SEE 1 SURV. PL.

P:\DCP\South Texas\EDNA SITE  
Continued\EDNA SITE CERTIFIED.dwg

DATE SCALE FORWARDED: 10/20/04  
BY: DAVID A. WRISLEY

**LINK FIELD SERVICES INCORPORATED**  
P.O. BOX 1485  
MINERAL WELLS, TX 76068  
800-452-7199



**ORDER DESIGNATING DCP REINVESTMENT ZONE**

NOW WHEREAS the Jackson County Commissioners Court is authorized by Texas Tax Code §312.401 to designate reinvestment zones; and

WHEREAS property owner DCP Midstream, LP has applied for a tax abatement in an area of Jackson County which is described in Exhibit A (which is attached to this Order) and which does not include area in the taxing jurisdiction of a municipality; and

WHEREAS a reinvestment zone must be designated if an abatement is to be granted regarding the property described in Exhibit A; and

WHEREAS the Commissioners Court has held a public hearing on the designation and hereby finds that the designation of the DCP Reinvestment Zone:

would attract major investment into the Reinvestment Zone that would be a benefit to the property to be included in the zone; and

would contribute to the economic development of Jackson County; and

WHEREAS THE Commissioners Court has established guidelines and criteria governing its tax abatement agreements and a resolution stating that the Commissioners Court has elected to become eligible to participate in tax abatements;

NOW THEREFORE BE IT ORDERED that the real property consisting of approximately 161 acres near Cordele (the legal description of which is attached to this Order as Exhibit A) is hereby designated as a reinvestment zone to be known as the 2011 Jackson County DCP Reinvestment Zone; and

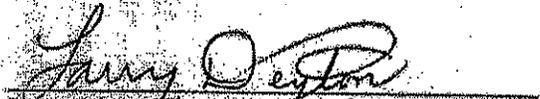
BE IT FURTHER RESOLVED that the designation of this reinvestment zone will expire five years after the date that this Order of designation is signed, unless it is renewed for one or more subsequent periods not to exceed five years each.

APPROVED BY MAJORITY VOTE OF THE JACKSON COUNTY COMMISSIONERS COURT AT ITS REGULARLY SCHEDULED PUBLIC MEETING ON THE 6<sup>th</sup> DAY OF

July, 2011.



Dennis Simons, County Judge

  
Wayne Hunt, Commissioner, Pct. #1  
Wayne Babela, Commissioner, Pct. #2  
Johnny E. Belicek, Commissioner, Pct. #3  
Larry Deyton, Commissioner, Pct. #4

**EXHIBIT "A"**

PAGE 1 OF 2

THIS IS A COPY OF THE ORIGINAL SURVEY MAP AS FILED IN THE PUBLIC RECORDS OF THE CLERK OF COUNTY CLERK, JACKSON COUNTY, TEXAS. IT IS NOT A SUBSTITUTE FOR THE ORIGINAL SURVEY MAP AS FILED IN THE PUBLIC RECORDS OF THE CLERK OF COUNTY CLERK, JACKSON COUNTY, TEXAS.

*Legal description*

BEING a 161.40 acre plant site in the I. & G. N. R.R. Survey, Abstract 172, Jackson County, Texas, and being a certain tract described in deed to Eugene C. Shefik & Wife Ethelene W. Shefik, Vol. 147 Pg. 443, Deed Records, Jackson County, Texas, said 161.40 acre plant site being described as follows:

BEGINNING at a 2" iron pipe found [N:13604052.14, E:2715695.65 ] for the southwest corner of said 161.40-acre tract;

THENCE N 02°12'43" W a distance of 2664.03' to a set 5/8" capped iron rod marked "RPLS 5087", for the northwest corner of said 161.40 acre tract;

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DAVID A. WISLEY, REGISTERED PROFESSIONAL LAND SURVEYOR DO HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE THIS PLAN IS TRUE AND CORRECT OF A SURVEY MADE ON THE GROUND.

*David A. Wisley*  
 DAVID A. WISLEY  
 REGISTERED PROFESSIONAL LAND SURVEYOR  
 TEXAS REGISTRATION NO. 5087



**161.40 ACRE EDNA PLANT SITE**

INTERNATIONAL & GREAT NORTHERN R.R. SURVEY  
 ABSTRACT NO. 172  
 JACKSON COUNTY, TEXAS

LINK FIELD PLAN NO.	2107	DATE OF PLAN	MAY 1987
NO. TOWNSHIP	R 10 T	AND N 36 W	SEC 1 AND 2

**LINK FIELD SERVICES INCORPORATED**

P.O. BOX 1485  
 MINERAL WELLS, TX 76088  
 800-462-7199

P:\DCP\South Texas\EDNA SITE  
 \Certificate\EDNA SITE CERTIFIED.dwg

LINK FIELD SERVICES INCORPORATED  
 161.40 ACRES

**Attachment 24****GUIDELINES AND CRITERIA FOR GRANTING TAX ABATEMENT IN A REINVESTMENT ZONE CREATED IN JACKSON COUNTY, TEXAS****SECTION I****BACKGROUND**

- (A) Pursuant to the Texas Tax Code (hereinafter the "Code"), Jackson County, Texas (hereinafter "the County"), is authorized to designate Reinvestment Zones in areas of the County that do not include areas in the taxing jurisdiction of a municipality, to enter into tax abatement agreements with regard to properties located in Reinvestment Zones, and to enter into tax abatement agreements with regard to properties for which a municipality has given tax abatement incentives by agreement.
- (B) The Code requires that the County establish guidelines and criteria governing tax abatement agreements. These guidelines and criteria are for the purpose of promoting the efficient and reasonably consistent administration of tax abatement incentives. These guidelines are effective for two (2) years from date adopted by the Jackson County Commissioners Court (the "Commissioners Court"). A three-quarter (3/4) vote by the Commissioners Court is required to amend or repeal these guidelines.
- (C) These guidelines and criteria, and the procedures established herein, are in compliance with the requirements of the Code.
- (D) NOTHING HEREIN SHALL IMPLY OR SUGGEST THAT THE COUNTY IS UNDER ANY OBLIGATION TO PROVIDE ANY TAX ABATEMENT, OR PROVIDE ANY LENGTH, LEVEL OR VALUE OF TAX ABATEMENT, TO ANY APPLICANT.

**SECTION II****DEFINITIONS**

- (A) "Abatement" means the full or partial exemption from County ad valorem taxation of the increased values of eligible properties in a Reinvestment Zone designated as such in accordance with state law, or the full or partial exemption from County ad valorem taxation of the increased values of eligible properties located within a municipality's taxing jurisdiction where

the municipality has granted full or partial exemption to those properties from municipal ad valorem taxation.

- (B) "*Agreement*" means a contractual agreement between a property owner and a taxing jurisdiction for the purpose of tax abatement.
- (C) "*Base Year Value*" means the market value of any property eligible for abatement under these guidelines and criteria on January 1 of the year of the execution of the agreement. In addition, Base Year Value may include a guaranteed minimum agreed upon value of any property improvements or additions eligible for abatement under these guidelines and criteria made after such January 1 but before execution of such agreement.
- (D) "*Economic Life*" means the number of the years a property improvement is expected to be in service in a facility.
- (E) "*Expansion*" means the addition of buildings, structures, machinery, or equipment for the purpose of increasing production capacity.
- (F) "*Facility*" means property improvements completed or in the process of construction which together comprise an integral whole.
- (G) "*Lease*" means a relationship whereby the person applying for a tax abatement has a contract for exclusive possession of the real property on which improvements are to be made and/or personal property to be used for the operation of the business for a defined period of time.
- (H) "*Modernization*" means the replacement and upgrading of existing facilities which increase the productive input or output, updates the technology, or substantially lowers the unit cost of operation, and extends the economic life of the facility. Modernization may result from the construction, alteration, or installation of buildings, structures, machinery, or equipment. Modernization shall not include reconditioning, refurbishing, repairing, or completion of deferred maintenance.
- (I) "*New facility*" means a Facility on property previously undeveloped and which is placed into service by means other than expansion or a modernization.
- (J) "*Personal Property*" means machinery, equipment and/or tools used, or bought or leased for use, in the operations of the person applying for tax abatement, other than that which was located on the real property at any time before execution of the tax abatement agreement. "Personal Property" shall not include inventory, supplies, office furniture, office equipment, motor vehicles, vessels, aircraft, housing, hotel accommodations, or deferred maintenance investments.

- (K) "Real Property" means the area of land defined by legal description as being owned or leased by the person applying for a tax abatement, including any improvements thereto, which is to be improved and valued for property tax purposes, and which is to be included in the Reinvestment Zone.
- (L) "Reinvestment Zone" is an area designated as such for the purpose of a tax abatement as authorized by the County in accordance with the Code.

### SECTION III

#### REINVESTMENT ZONE DESIGNATION

- (A) A Reinvestment Zone may only be designated in accordance with the Code.
- (B) A Reinvestment Zone may only be designated by the Commissioners Court in an area of the County that does not include an area within the taxing jurisdiction of a municipality.
- (C) An area may be designated as a Reinvestment Zone if the Commissioners Court, after a public hearing on the proposed designation, finds that the designation would attract major investment into the Reinvestment Zone that would be a benefit to the property to be included in the Reinvestment Zone and would contribute to the economic development of the County.
- (D) A public hearing on a proposed Reinvestment Zone designation must be held prior to the findings and action of the Commissioners Court on the proposal. The public hearing shall be conducted in accordance with all applicable provisions of the Code. Notice of the hearing shall be given in accordance with the Code. The public hearing must also be posted as an agenda item in accordance with Chapter 551 of the Texas Government Code (the "Texas Open Meetings Act").
- (E) Property may be located both in a Reinvestment Zone designated by the County and in a Reinvestment Zone designated by a municipality.
- (F) If the Commissioners Court finds that designation of an area as a Reinvestment Zone is proper, such proposed designation shall be put to a vote of the Commissioners Court, and will pass if a majority of the members of the Commissioners Court in attendance vote to approve the designation. The order of the Commissioners Court designating the area as a Reinvestment Zone shall contain a sufficient description of the boundaries of the Reinvestment Zone.

- (G) The designation of a Reinvestment Zone shall be for a period of five (5) years. No designation of a Reinvestment Zone shall exceed five (5) years, and a designation of a Reinvestment Zone shall automatically expire five (5) years after the date of designation unless renewed by the Commissioners Court for one or more subsequent periods not to exceed five (5) years each. The expiration of a designation of a Reinvestment Zone does not affect any existing tax abatement agreement relating to property in such Reinvestment Zone.
- (H) Tax abatement agreements entered into by the County shall be in compliance with all applicable requirements set forth in the Code.

#### SECTION IV

##### ABATEMENT AUTHORIZED

- (A) Abatement is authorized, subject to approval of the Commissioners Court and execution of a tax abatement agreement, for properties located within a Reinvestment Zone designated by the Commissioners Court.
- (B) Abatement is also authorized for properties located within a municipal Reinvestment Zone when the municipality has entered into a tax abatement agreement with regard to property located within the Reinvestment Zone if the County enters into a tax abatement agreement with regard to that property. Such an agreement must be in compliance with all applicable requirements set forth in the Code.
- (C) **Authorized Facilities:** Tax abatement may be granted for New Facilities or for the Expansion or Modernization of existing Facilities. The economic life of a Facility or improvements thereto must exceed the life of the tax abatement agreement.
- (D) **Eligible Property:** Tax abatement may be granted for improvements to owned real property or real property subject to a Lease and for Personal Property located on such real property to the extent allowed by state law.
- (E) **Value of Abatement:** Authorized Facilities may be granted abatement on all or a portion of the increased taxable value of eligible property over the base year value for a period not to exceed ten (10) years. Such abatement, if granted as to real property, is not with regard to the entire value of the real property, but only to the extent that the value of the real property exceeds the value for the year in which the abatement is granted (i.e., the Base Year Value). Ad valorem taxes on

tangible Personal Property may be abated to the extent of additions, but cannot be abated as to personal property located on the real property at any time before the tax abatement agreement is executed, and cannot be abated for inventory, supplies, office furniture, office equipment, motor vehicles, vessels, aircraft, housing, hotel accommodations, or deferred maintenance investments.

## SECTION V

### PROJECT IMPACT DATA

#### (A) Introduction

The information required in this Section V will be used by the Commissioners Court to determine whether or not it is in the best interest of the County to offer tax abatement to a particular applicant. The County may request that the applicant describe the methodologies used to respond to the questions below and to supply supporting documentation.

#### (B) Proposed Investment

The applicant must submit information providing answers to the following inquiries:

- (1) Identify and describe the type and location of the proposed real property improvements and/or personal property additions to the property and describe the planned development schedule for the proposed improvements and/or additions.
- (2) To what extent, if any, will material, additional public improvements be needed? Describe the plans, if any, in existence for the provision of such improvements.
- (3) What material governmental approvals or permits will be required for the improvements?
- (4) Is the financial capital required to complete the project already available (financing commitments, reserved funds, etc.)? Explain in reasonable detail.

#### (C) Fiscal Impact

The applicant must submit information providing answers to the following inquiries:

- (1) What is the estimated cost of the proposed real property improvements and/or personal property additions?
- (2) What is the proposed depreciation schedule for the real and personal property to be abated?

(D) Community Impact

The applicant must submit information providing answers to the following inquiries:

- (1) Provide a copy of an economic impact study prepared with respect to the proposed project. An economic impact evaluation prepared in connection with an application for appraised value limitation under Chapter 313 of the Code will satisfy this requirement.
- (2) What support services or products, if any, does the applicant anticipate will be procured from the local community in the construction of improvements or additions of personal property, and with regard to its operations?

(E) A legal description of the subject real property must be supplied to the County by the applicant.

(F) Pursuant to the Code, information submitted in the application process is confidential, and is not subject to public disclosure, unless and until a tax abatement agreement is executed. If an application for abatement is granted, the information submitted in the application process will be considered public once the abatement agreement has been signed by representatives for both parties.

## SECTION VI

### GUIDELINES

(A) Economic Qualification

To be eligible for designation of a Reinvestment Zone and to receive tax abatement, the proposed project must be reasonably shown to have an estimated cost upon completion of at least \$5,000,000.00

(B) Eligibility

The Commissioners' Court shall determine eligibility for abatement on a case-by-case basis.

(C) Rate and Duration of Tax Abatement

When a determination has been made to offer tax abatement, the County will determine the percent of value abated and the length of abatement on a case-by-case basis.

**SECTION VII**

**PROCEDURE**

(A) Any person or entity desiring that the County consider tax abatement for a proposed project must comply with the following procedural guidelines.

(B) Application Process

The applicant shall submit a letter of application for tax abatement to the County Judge for submission to the Commissioners Court. The application must:

- (1) give a reasonably detailed explanation of the proposed project (improvements to owned or leased real property, and/or addition of owned or leased Personal Property);
- (2) address all criteria questions and inquiries outlined in Section V above;
- (3) provide a current survey of the real property and information showing the proposed location of the proposed improvements and additions on such real property, together with a legal description of such real property;
- (4) identify the name, address, telephone number, fax number, and e-mail address of the applicant's contact person for purposes of the application;
- (5) identify the form of organization of the applicant (e.g., sole proprietorship, partnership, corporation, limited liability company, etc.) and any assumed or trade names under which the applicant operates; and
- (6) identify how the project will comply with or fit within the criteria and guidelines set forth in the preceding sections.

All applications will be reviewed by the Commissioners Court's designee or designees for accuracy and completeness. If requested by the Commissioners Court or its designee, the applicant shall verify any information submitted to the Commissioners Court. In addition, the applicant shall provide any additional information requested by the Commissioners Court or its designee. Upon completion of the application process, the

application will be placed on the agenda for a meeting of the Commissioners Court for consideration.

- (C) The application shall be considered at a meeting of the Commissioners Court held in compliance with the Texas Open Meetings Act. If the abatement would involve the designation of a Reinvestment Zone, a public hearing regarding such designation must first be held in accordance with the procedures and notice requirements in the Code. No applicant has a legal right or expectation to a favorable determination by the Commissioners Court with respect to its application.
- (D) The abatement, if granted, must be made pursuant to a tax abatement agreement which meets all of the requirements of law and is acceptable to the Commissioners Court. Any such tax abatement agreement shall provide that in filling any new employment positions created as a result of the project, the applicant will use commercially reasonable efforts to hire qualified applicants located in the County and willing to perform the work required by such position. A tax abatement agreement must be approved by the Commissioners Court for execution by the County Judge before it can be effective.
- (E) Any abatement is for County ad valorem taxes only, and does not provide abatement from taxation by other taxing jurisdictions in which the property may be located unless otherwise provided by state law. Property owned or leased by a member of the Commissioners Court is not eligible for tax abatement.

## SECTION VIII

### ADMINISTRATION

- (A) The tax abatement agreement shall stipulate that employees of the County and/or designated representatives of the County will have access to the Reinvestment Zone during the term of the abatement to inspect the Facility to determine if the terms and conditions of the agreement are being met. All inspections will be made only after giving forty-eight (48) hours prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the Facility. All inspections will be made with one or more representatives of the company and in accordance with the safety standards for the Facility.
- (B) The employees and/or designated representatives of the County who conduct an inspection of the Facility shall within ten days of the inspection submit a written report to the Jackson County Commissioners Court regarding the property owner's compliance with the terms and conditions of the agreement.

- (C) Violations of the terms of the tax abatement agreement by the tax abatement recipient may result in the full or partial loss of the abatement and give rise to a right of the County to recoup taxes abated and terminate the agreement, all as may be more fully provided for in the agreement.

## SECTION IX

### ASSIGNMENT

A tax abatement agreement may be assigned to a new owner or lessee of the Facility with the prior written consent of the Commissioners Court, which consent shall not be unreasonably withheld, delayed or conditioned. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in the agreement. Any assignment of a tax abatement agreement shall be to an entity that contemplates the same improvements or repairs to the property, except to the extent such improvements or repairs have been completed. No assignment shall be approved if the assignor or the assignee are indebted to the County for delinquent ad valorem taxes or other obligations.

## SECTION X

### SUNSET PROVISION

These Guidelines and Criteria are effective September 27, 2010, and will remain in force until September 27, 2012, at which time all tax abatement agreements created pursuant to these provisions will be reviewed by the County to determine whether the goals have been achieved. Based on that review, the Guidelines and Criteria will be modified, renewed, or eliminated.



**ATTACHMENT B**  
**COMPTROLLER'S LETTER**

S U S A N  
C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



November 18, 2011

Bob Wells  
Superintendent  
EDNA Independent School District  
P. O. Box 919  
Edna, Texas 77957

Dear Superintendent Wells:

On Oct. 19, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Edna Independent School District (Edna ISD) by DCP Midstream, LP (DCP Midstream) on Aug. 29, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding DCP Midstream'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, Edna ISD is currently classified as a rural school district in Category 3. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$100,000,000) is consistent with the proposed appraised value limitation sought (\$10 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.

DCP Midstream is proposing the construction of a manufacturing facility in Jackson County. DCP Midstream 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 DCP Midstream, the Comptroller's recommendation is that DCP Midstream'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.

Mr. Bob Wells  
November 18, 2011  
Page Two

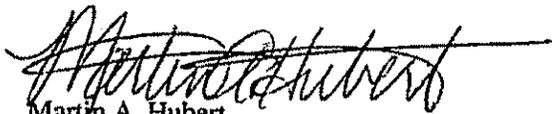
The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. This recommendation is contingent on the following:

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. 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](http://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 Economic Development & Analysis Division, by email at [robert.wood@cpa.state.tx.us](mailto:robert.wood@cpa.state.tx.us) or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert  
Deputy Comptroller

Enclosure

cc: Robert Wood

**ATTACHMENT C**  
**ECONOMIC IMPACT EVALUATION**

**Economic Impact for Chapter 313 Project**

Applicant	DCP Midstream, LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Edna ISD
2009-10 Enrollment in School District	1,459
County	Jackson
Total Investment in District	\$300,000,000
Qualified Investment	\$100,000,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	10
Number of qualifying jobs committed to by applicant	10
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,019
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$882
Minimum Annual Wage committed to by applicant for qualified jobs	\$53,000
Investment per Qualifying Job	\$30,000,000
Estimated 15 year M&O levy without any limit or credit:	\$22,434,233
Estimated gross 15 year M&O tax benefit	\$13,055,788
Estimated 15 year M&O tax benefit ( <i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$12,876,712
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$1,047,206
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$9,557,521
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	57.4%
Percentage of tax benefit due to the limitation	92.0%
Percentage of tax benefit due to the credit.	8.0%

This presents the Comptroller's economic impact evaluation of DCP Midstream (the project) applying to Edna 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 ten new jobs when fully operational. All ten jobs 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 Golden Crescent Regional Planning Commission Region, where Jackson County is located was \$41,738 in 2010. The annual average manufacturing wage for 2010 for Jackson County is \$43,901. That same year, the county annual average wage for all industries was \$35,737. In addition to a salary of \$53,000, each qualifying position will receive benefits such as medical, dental and vision plans. DCP also offers 401(k) and retirement plans, life insurance, short and long term disability insurance, education assistance, scholarship program, holidays and vacation, a wellness program, matching gifts, and a short term incentive plan. The project's total investment is \$300 million, resulting in a relative level of investment per qualifying job of \$30 million.

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

According to DCP Midstream's application, "DCP Midstream is the largest producer of natural gas liquids in North America and has significant pipeline infrastructure throughout Texas. This infrastructure provides DCP Midstream with the flexibility and opportunity to invest in a variety of regions in Texas and its neighboring states. Currently, DCP Midstream owns and operates 61 gas processing plants in 18 states. Capital investment is granted to projects that generate the best economic return for DCP Midstream. Currently, several projects in Louisiana, New Mexico and Colorado are competing with Texas projects for company investment."

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

During the past two years, two projects in the Golden Crescent Regional Planning Commission 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 DCP Midstream 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 DCP Midstream'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 15 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 DCP Midstream**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	18	15	33	\$911,250	\$1,088,750	\$2,000,000
2013	115	126	241	\$5,981,250	\$8,018,750	\$14,000,000
2014	10	38	48	\$530,000	\$3,470,000	\$4,000,000
2015	10	39	49	\$530,000	\$3,470,000	\$4,000,000
2016	10	42	52	\$530,000	\$4,470,000	\$5,000,000
2017	10	44	54	\$530,000	\$4,470,000	\$5,000,000
2018	10	47	57	\$530,000	\$4,470,000	\$5,000,000
2019	10	53	63	\$530,000	\$5,470,000	\$6,000,000
2020	10	52	62	\$530,000	\$5,470,000	\$6,000,000
2021	10	55	65	\$530,000	\$6,470,000	\$7,000,000
2022	10	53	63	\$530,000	\$6,470,000	\$7,000,000
2023	10	51	61	\$530,000	\$6,470,000	\$7,000,000
2024	10	46	56	\$530,000	\$5,470,000	\$6,000,000
2025	10	45	55	\$530,000	\$6,470,000	\$7,000,000
2026	10	46	56	\$530,000	\$6,470,000	\$7,000,000

Source: CPA, REMI, DCP Midstream

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Edna ISD's ad valorem tax base in 2010 was \$444.2 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Edna ISD's estimated wealth per WADA was \$225,448. 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, Jackson County, Jackson County Hospital District, and Jackson County Flood Control District, with all property tax incentives sought being granted using estimated market value from DCP Midstream's application. DCP Midstream has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county, hospital district, and flood control district. Table 3 illustrates the estimated tax impact of the DCP Midstream project on the region if all taxes are assessed.

**ATTACHMENT C**  
**ECONOMIC IMPACT EVALUATION**

Economic Impact for Chapter 313 Project

Applicant	DCP Midstream, LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Edna ISD
2009-10 Enrollment in School District	1,459
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Percentage of tax benefit due to the limitation	92.0%
Percentage of tax benefit due to the credit.	8.0%

This presents the Comptroller's economic impact evaluation of DCP Midstream (the project) applying to Edna 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 ten new jobs when fully operational. All ten jobs 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 Golden Crescent Regional Planning Commission Region, where Jackson County is located was \$41,738 in 2010. The annual average manufacturing wage for 2010 for Jackson County is \$43,901. That same year, the county annual average wage for all industries was \$35,737. In addition to a salary of \$53,000, each qualifying position will receive benefits such as medical, dental and vision plans. DCP also offers 401(k) and retirement plans, life insurance, short and long term disability insurance, education assistance, scholarship program, holidays and vacation, a wellness program, matching gifts, and a short term incentive plan. The project's total investment is \$300 million, resulting in a relative level of investment per qualifying job of \$30 million.

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

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

During the past two years, two projects in the Golden Crescent Regional Planning Commission 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 DCP Midstream 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 I depicts DCP Midstream'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 15 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 DCP Midstream**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	18	15	33	\$911,250	\$1,088,750	\$2,000,000
2013	115	126	241	\$5,981,250	\$8,018,750	\$14,000,000
2014	10	38	48	\$530,000	\$3,470,000	\$4,000,000
2015	10	39	49	\$530,000	\$3,470,000	\$4,000,000
2016	10	42	52	\$530,000	\$4,470,000	\$5,000,000
2017	10	44	54	\$530,000	\$4,470,000	\$5,000,000
2018	10	47	57	\$530,000	\$4,470,000	\$5,000,000
2019	10	53	63	\$530,000	\$5,470,000	\$6,000,000
2020	10	52	62	\$530,000	\$5,470,000	\$6,000,000
2021	10	55	65	\$530,000	\$6,470,000	\$7,000,000
2022	10	53	63	\$530,000	\$6,470,000	\$7,000,000
2023	10	51	61	\$530,000	\$6,470,000	\$7,000,000
2024	10	46	56	\$530,000	\$5,470,000	\$6,000,000
2025	10	45	55	\$530,000	\$6,470,000	\$7,000,000
2026	10	46	56	\$530,000	\$6,470,000	\$7,000,000

Source: CPA, REMI, DCP Midstream

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Edna ISD's ad valorem tax base in 2010 was \$444.2 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Edna ISD's estimated wealth per WADA was \$225,448. 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, Jackson County, Jackson County Hospital District, and Jackson County Flood Control District, with all property tax incentives sought being granted using estimated market value from DCP Midstream's application. DCP Midstream has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county, hospital district, and flood control district. Table 3 illustrates the estimated tax impact of the DCP Midstream 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 <sup>1</sup>	Edna ISD I&S Levy	Edna ISD M&O Levy	Edna ISD M&O and I&S Tax Levies (Before Credit Credited)	Edna ISD M&O and I&S Tax Levies (After Credit Credited)	Jackson County	Jackson County Hospital District	Jackson County Flood Control District	Estimated Total Property Taxes
				0.3382	1.0400			0.5576	0.1887	0.0896	
2013	\$50,671,424	\$50,671,424		\$171,371	\$526,983	\$698,354	\$698,354	\$84,763	\$28,685	\$13,620	\$783,117
2014	\$70,021,424	\$70,021,424		\$236,812	\$728,223	\$965,035	\$965,035	\$117,132	\$39,639	\$18,822	\$1,082,167
2015	\$68,121,424	\$10,000,000		\$230,387	\$104,000	\$334,387	\$334,387	\$113,954	\$38,564	\$18,311	\$448,340
2016	\$113,721,424	\$10,000,000		\$384,606	\$104,000	\$488,606	\$339,005	\$190,233	\$64,378	\$30,568	\$529,238
2017	\$133,671,424	\$10,000,000		\$452,077	\$104,000	\$556,077	\$406,476	\$223,606	\$75,671	\$35,931	\$650,082
2018	\$177,371,424	\$10,000,000		\$599,870	\$104,000	\$703,870	\$554,269	\$296,707	\$100,410	\$47,677	\$850,976
2019	\$194,471,424	\$10,000,000		\$657,702	\$104,000	\$761,702	\$612,102	\$325,312	\$110,090	\$52,274	\$937,413
2020	\$188,771,424	\$10,000,000		\$638,425	\$104,000	\$742,425	\$592,824	\$315,777	\$106,864	\$50,742	\$908,601
2021	\$183,071,424	\$10,000,000		\$619,148	\$104,000	\$723,148	\$573,547	\$306,242	\$103,637	\$49,210	\$879,789
2022	\$175,471,424	\$10,000,000		\$593,444	\$104,000	\$697,444	\$547,844	\$293,529	\$99,334	\$47,167	\$841,372
2023	\$170,227,424	\$170,227,424		\$575,709	\$1,770,365	\$2,346,074	\$2,346,074	\$949,188	\$321,219	\$152,524	\$3,295,262
2024	\$165,140,744	\$165,140,744		\$558,506	\$1,717,464	\$2,275,970	\$2,275,970	\$920,825	\$311,621	\$147,966	\$3,196,795
2025	\$160,206,664	\$160,206,664		\$541,819	\$1,666,149	\$2,207,968	\$2,207,968	\$893,312	\$302,310	\$143,545	\$3,101,281
2026	\$155,420,607	\$155,420,607		\$525,632	\$1,616,374	\$2,142,007	\$2,142,007	\$866,625	\$293,279	\$139,257	\$3,008,632
2027	\$150,778,132	\$150,778,132		\$509,932	\$1,568,093	\$2,078,024	\$2,078,024	\$840,739	\$284,518	\$135,097	\$2,918,763
						<b>Total</b>	<b>\$16,673,885</b>	<b>\$6,737,943</b>	<b>\$2,280,218</b>	<b>\$1,082,711</b>	<b>\$23,411,828</b>

Assumes School Value Limitation and Tax Abatement with the County, Hospital District, and Flood Control District.

Source: CPA, DCP Midstream  
<sup>1</sup>Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate <sup>1</sup>	Edna ISD I&S Levy	Edna ISD M&O Levy	Edna ISD M&O and I&S Tax Levies	Jackson County	Jackson County Hospital District	Jackson County Flood Control District	Estimated Total Property Taxes	
				0.3382	1.0400		0.5576	0.1887	0.0896		
2013	\$50,671,424	\$50,671,424		\$171,371	\$526,983	\$698,354	\$282,544	\$95,617	\$45,402	\$980,897	
2014	\$70,021,424	\$70,021,424		\$236,812	\$728,223	\$965,035	\$390,439	\$132,130	\$62,739	\$1,355,475	
2015	\$68,121,424	\$68,121,424		\$230,387	\$708,463	\$938,849	\$379,845	\$128,545	\$61,037	\$1,318,695	
2016	\$113,721,424	\$113,721,424		\$384,606	\$1,182,703	\$1,567,309	\$634,111	\$214,592	\$101,894	\$2,201,419	
2017	\$133,671,424	\$133,671,424		\$452,077	\$1,390,183	\$1,842,260	\$745,352	\$252,238	\$119,770	\$2,587,611	
2018	\$177,371,424	\$177,371,424		\$599,870	\$1,844,663	\$2,444,533	\$989,023	\$334,700	\$158,925	\$3,433,556	
2019	\$194,471,424	\$194,471,424		\$657,702	\$2,022,503	\$2,680,205	\$1,084,373	\$366,968	\$174,246	\$3,764,578	
2020	\$188,771,424	\$188,771,424		\$638,425	\$1,963,223	\$2,601,648	\$1,052,589	\$356,212	\$169,139	\$3,654,237	
2021	\$183,071,424	\$183,071,424		\$619,148	\$1,903,943	\$2,523,090	\$1,020,806	\$345,456	\$164,032	\$3,543,897	
2022	\$175,471,424	\$175,471,424		\$593,444	\$1,824,903	\$2,418,347	\$978,429	\$331,115	\$157,222	\$3,396,776	
2023	\$170,227,424	\$170,227,424		\$575,709	\$1,770,365	\$2,346,074	\$949,188	\$321,219	\$152,524	\$3,295,262	
2024	\$165,140,744	\$165,140,744		\$558,506	\$1,717,464	\$2,275,970	\$920,825	\$311,621	\$147,966	\$3,196,795	
2025	\$160,206,664	\$160,206,664		\$541,819	\$1,666,149	\$2,207,968	\$893,312	\$302,310	\$143,545	\$3,101,281	
2026	\$155,420,607	\$155,420,607		\$525,632	\$1,616,374	\$2,142,007	\$866,625	\$293,279	\$139,257	\$3,008,632	
2027	\$150,778,132	\$150,778,132		\$509,932	\$1,568,093	\$2,078,024	\$840,739	\$284,518	\$135,097	\$2,918,763	
						<b>Total</b>	<b>\$29,729,673</b>	<b>\$12,028,200</b>	<b>\$4,070,519</b>	<b>\$1,932,795</b>	<b>\$41,757,874</b>

Source: CPA, DCP Midstream  
<sup>1</sup>Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$22,434,233. The estimated gross 15 year M&O tax benefit, or levy loss, is \$13,055,788.

Attachment 3 is an economic overview of Jackson County.

**Disclaimer:** This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

# Attachments

1. Schedules A, B, C, and D provided by applicant in application
2. School finance and tax benefit provided by district
3. County Economic Overview

# **Attachment 1**

Schedule A (Rev. May 2010): Investment

Applicant Name: DCP Midstream LP  
 ESD Name: ESD

PROPERTY INVESTMENT AMOUNTS		Column K: Tangible Personal Property		Column B: Building or permanent nonresidential component of building (original cost amount only)	Column C: Sum of A and B (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)
Year	School Year (YYYY-YYYY)	Tax Year (FY in actual tax year below) YYYY	Personal Property Investment (original cost) placed in service during the year	Building or permanent nonresidential component of building (original cost amount only)	Sum of A and B (during the qualifying time period)	Other investment that is not qualified investment but investment affecting economic impact and total value	Total Investment (A+B+D)
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (whether qualified property nor eligible to become qualified investment)	2011	\$ 20,000,000				\$ 20,000,000
		2012					
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		2015					
		2016					
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Schedule B (Rev. May 2010): Estimated Market And Taxable Value

Applicant Name DCP Midstream LP  
 ISD Name Edna ISD

Year	School Year (YYYY-YYYY)	Tax Year (FY in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	Final taxable value for IRS - after all reductions	Final taxable value for MAO - after all reductions
			Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"				
pre-year 1	2012-2013	2012	671,424				671,424	671,424	
1	2013-2014	2013	671,424		50,000,000		50,671,424	50,671,424	
2	2014-2015	2014	671,424		73,000,000	3,650,000	70,021,424	70,021,424	
3	2015-2016	2015	671,424		71,000,000	3,550,000	68,121,424	68,121,424	
4	2016-2017	2016	671,424		119,000,000	5,950,000	113,721,424	113,721,424	
5	2017-2018	2017	671,424		140,000,000	7,000,000	133,671,424	133,671,424	
6	2018-2019	2018	671,424		186,000,000	9,300,000	177,371,424	177,371,424	
7	2019-2020	2019	671,424		204,000,000	10,200,000	194,471,424	194,471,424	
8	2020-2021	2020	671,424		198,000,000	9,900,000	188,771,424	188,771,424	
9	2021-2022	2021	671,424		192,000,000	9,600,000	183,071,424	183,071,424	
10	2022-2023	2022	671,424		184,000,000	9,200,000	175,471,424	175,471,424	
11	2023-2024	2023	671,424		178,480,000	8,924,000	170,227,424	170,227,424	
12	2024-2025	2024	671,424		173,125,600	8,656,280	165,140,744	165,140,744	
13	2025-2026	2025	671,424		167,931,832	8,396,592	160,206,664	160,206,664	
14	2026-2027	2026	671,424		162,893,877	8,144,694	155,420,607	155,420,607	
15	2027-2028	2027	671,424		158,007,061	7,900,353	150,778,132	150,778,132	

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enclose amounts for future years.

*Kyle West*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

9-30-11

DATE

Schedule C- Application: Employment Information

Applicant Name DCP Midstream LP  
 ISD Name Edna ISD

Form 50-298

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs		
				Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs	
	pre-year 1	2012-2013	2012	36,450 hrs	\$2.6/hr					
	1	2013-2014	2013	218,050 hrs	\$2.6/hr	10	\$ 53,000	10	\$ 53,000	
	2	2014-2016	2014			10	\$ 53,000	10	\$ 53,000	
	3	2015-2016	2015			10	\$ 53,000	10	\$ 53,000	
	4	2016-2017	2016			10	\$ 53,000	10	\$ 53,000	
	5	2017-2018	2017			10	\$ 53,000	10	\$ 53,000	
	6	2018-2019	2018			10	\$ 53,000	10	\$ 53,000	
	7	2019-2020	2019			10	\$ 53,000	10	\$ 53,000	
	8	2020-2021	2020			10	\$ 53,000	10	\$ 53,000	
	9	2021-2022	2021			10	\$ 53,000	10	\$ 53,000	
	10	2022-2023	2022			10	\$ 53,000	10	\$ 53,000	
	11	2023-2024	2023			10	\$ 53,000	10	\$ 53,000	
	12	2024-2025	2024			10	\$ 53,000	10	\$ 53,000	
	13	2025-2026	2025			10	\$ 53,000	10	\$ 53,000	
	14	2026-2027	2026			10	\$ 53,000	10	\$ 53,000	
	15	2027-2028	2027			10	\$ 53,000	10	\$ 53,000	
Complete tax years of qualifying time period										
Tax Credit Period (with 50% cap on credit)										
Credit Settle-Up Period										
Post-Settle-Up Period										
Post-Settle-Up Period										

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter (zero amounts for future years.

*R. West*  
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

9-30-11  
 DATE

Schedule D: (Rev. May 2010): Other Tax Information

Applicant Name		DCP Midstream LP		ISD Name		Edna ISD					Form 90-296
				Sales Tax Information		Other Property Tax Abatements Sought					
				Sales Taxable Expenditures		Franchise Tax					
				Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	County	City	Hospital	Other	
Year	School Year (YYYY-YYYY)	Tax Calendar Year YYYY	Year	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	County	City	Hospital	Other	
				50,000	100,050,000	5,300,000					
		2012	2012-2013								
		2013	2013-2014	100,000	0	5,300,000	70		70		70
		2014	2014-2015	100,000	0	5,300,000	70		70		70
		2015	2015-2016	100,000	100,100,000	5,300,000	70		70		70
		2016	2016-2017	100,000	0	5,300,000	70		70		70
		2017	2017-2018	100,000	100,100,000	5,300,000	70		70		70
		2018	2018-2019	100,000	0	5,300,000	70		70		70
		2019	2019-2020	100,000	0	5,300,000	70		70		70
		2020	2020-2021	100,000	0	5,300,000	70		70		70
		2021	2021-2022	100,000	0	5,300,000	70		70		70
		2022	2022-2023	100,000	0	5,300,000	70		70		70
		2023	2023-2024	100,000	0	5,300,000	70		70		70
		2024	2024-2025	100,000	0	5,300,000	70		70		70
		2025	2025-2026	100,000	0	5,300,000	70		70		70
		2026	2026-2027	100,000	0	5,300,000	70		70		70
		2027	2027-2028	100,000	0	5,300,000	70		70		70

\*For planning, construction and operation of the facility.

*[Signature]*  
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

9-30-11  
 DATE

# **Attachment 2**



## TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • [www.tea.state.tx.us](http://www.tea.state.tx.us)

Robert Scott  
Commissioner

November 16, 2011

Mr. Robert Wood  
Director, Economic Development and Analysis  
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 DCP Midstream LP project for the Edna Independent School District (EISD). Projections prepared by our Office of School Finance confirm the analysis that was prepared by Dr. Douglas Karr and provided to us by your division. We believe his assumptions regarding the potential revenue gain are valid, and his estimates of the impact of the DCP Midstream LP project on EISD are correct.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, by phone at (512) 463-9186 or by email at [al.mckenzie@tea.state.tx.us](mailto:al.mckenzie@tea.state.tx.us) if you need further information regarding this issue.

Sincerely,

A handwritten signature in black ink that reads "Belinda Dyer". The signature is written in a cursive, flowing style.

Belinda Dyer  
Division Manager  
Office of School Finance

BD/bd



## TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • [www.tea.state.tx.us](http://www.tea.state.tx.us)

Robert Scott  
Commissioner

November 16, 2011

Mr. Robert Wood  
Director, Economic Development and Analysis  
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 DCP Midstream LP project on the number and size of school facilities in Edna Independent School District (EISD). Based on our analysis of the project and a conversation with the EISD superintendent, Mr. Robert Wells, the TEA has found that the DCP Midstream LP project would not have a significant impact on the number or size of school facilities in EISD.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, by phone at (512) 463-9186 or by email at [al.mckenzie@tea.state.tx.us](mailto:al.mckenzie@tea.state.tx.us) if you need further information regarding this issue.

Sincerely,

A handwritten signature in cursive script that reads "Belinda Dyer".

Belinda Dyer  
Division Manager  
Office of School Finance

BD/bd

**FINAL REPORT**

**Summary of the Financial Impact of the Proposed DCP Midstream Gas Plant on  
the Edna ISD Under a Requested Chapter 313 Property Value Limitation**

**Prepared By  
Douglas L. Karr, Ed.D.  
Contracted Services in School Finance**

**October 2, 2011**

### **Introduction**

DCP Midstream, LP (DCP) has requested that the Edna ISD (EISD) grant a property value limitation under Chapter 313 of the Texas Tax Code for the construction and operation of a gas plant. An application has been submitted by DCP to EISD and the EISD Board of Trustees approved that application on August 29, 2011. DCP proposes to invest \$100 million initially in this project with two additional \$100 million investments to occur in subsequent years as set forth in the application. This project is consistent with the state's goal for economic development, the expanded intent of House Bill 1200 as passed by the Texas Legislature in 2001, and Chapter 313 of the Texas Tax Code.

### **Background**

In accordance with the application, this project will be fully taxable for both maintenance and operations (M&O) and debt service (I&S) purposes in the first two years (school years 2013-14 and 2014-15) which represent the project's qualifying time period. EISD intends to offer a value limitation for this project of \$10 million effective school year 2015-16 through 2022-23. As a result, the project will impact the local tax roll of the school district at that same amount for M&O taxes only. Taxes for debt service, voter approved projects financed by the sale of bonds, will continue at the full taxable value. I&S taxes for any future projects approved by the voters of the district will also be assessed against the full taxable value. Depreciation will reduce the taxable value of the project over time.

While taxes are collected by the district on the current year county appraisal district (CAD) value, the state funding formulas use the comptroller's property tax division (CPTD) value for the purpose of calculating the district's required local shares within the funding tiers of that formula. The CPTD is a reflection of last year's CAD value; therefore, it lags behind the CAD value in all years. As a result, state and local revenues are generated by two different values in any given year.

With the passage of House Bill 1 in the 2006 special legislative session, the school finance system in Texas moved from one that was formula driven with a maximum M&O tax rate of \$1.50 to one that was, and continues to be, target revenue driven at a maximum tax rate of generally \$1.04, voter approval for a higher tax rate up to \$1.17 notwithstanding. This means that most districts now receive additional state aid for tax reduction (ASATR) to offset the loss in state and local funds at the new maximum \$1.04 M&O tax cap vs. what was previously generated at the \$1.50 maximum M&O tax cap.

With the passage of Senate Bill 1 in the 2011 special legislative session, funding reductions to the school finance system in Texas amounted to \$4 billion for the biennium or \$2 billion each year of the biennium. To accomplish these reductions, schools' regular program allotments are reduced by 7.61 percent in school year 2011-12 while those same calculated allotments are reduced by 2 percent in school year 2012-13 in addition to the ASATR funding also being reduced by 7.65%. The stated goal is for ASATR revenue to be completely eliminated by school year 2017-18. Anticipated legal challenges and future legislative sessions will determine the course of school finance beginning in school year 2013-14 and beyond.

### **Assumptions**

As required of chapter 313 projects, 15 years of data must be assimilated in order to produce revenue projections for that same number of years. The revenue projections for the EISD that accompany this project, therefore, adhere the following general assumptions:

1. The current school funding system and formulas as set forth in Senate Bill 1 were used to project state aid; although, no guarantee exists that this system or these formulas will remain in effect after the 2012-13 school year.
2. This system and its formulas are driven by student data, property values, and tax collections. As a result, certain assumptions were made concerning each of these details.
3. The student counts were held constant across the 15 years.
4. The certified CAD taxable value for school year 2011-12 was used as the base value to which the estimated project values for each year were added. These projected CAD values were then used for the CPTD values in each of the following years based on the lag between these two values as heretofore explained.
5. Tax collections each year were based on the district's 2011-12 adopted M&O rate of \$1.04 and the adopted I&S rate of \$0.3382 and an assumed collection rate of 100 percent each year.

These assumptions allow for the isolation of the effects of the property value limitation on the district's finances. The detail of these assumptions are summarized and depicted in Table I.

### **School Finance Impact on the District**

In accordance with the proposed agreement and under the assumptions heretofore outlined, two models were prepared for comparison purposes in an effort to determine the projected financial impact, if any, to EISD resulting from this agreement.

The first model projects state and local revenue to the district under the agreement. In it, the taxable value of the project each year is added to the district's baseline taxable value including those years in which the value limitation is applicable.

The second model projects state and local revenue to the district without the provisions of the agreement. In this model, no value limitation is applied to the district's base taxable value; instead, the full taxable value of the project when added to the district's base year taxable value is used in place of the value limitation.

A summary of the differences is depicted in separate spreadsheet entitled "Exhibit B." Relatively small losses to the district are noted in years 3-7. Relatively small gains are also noted in years 8-10. The larger gain noted in year 11 is due primarily to the value lag between the CPTD and CAD values and the target revenue effect, both heretofore mentioned. As also mentioned, no attempt was made to forecast further reductions in ASATR funding beyond school year 2012-13. It should be noted, however, that this

source of funding will come under future legislative review as early as the 2013 legislative session. **NOTE:** Because ASATR funding has the effect of offsetting school district revenue losses arising from limitations on the value of a qualified investment, any reduction of ASATR funding after the 2012-13 school year may result in significant increases in the amount of estimated revenue protection payable by the applicant to the district pursuant to the tax limitation agreement.

#### **Impact on the Taxpayer (DCP)**

As heretofore mentioned, the property resulting from this project is fully taxable in the first two years under this agreement. In year three, the tax value limitation applies, but only to the M&O taxes collected at the assumed M&O tax rate of \$1.04 per \$100 of taxable value.

Under the assumptions used herein, the potential tax savings resulting from the value limitation total \$12,008,582. In addition, DCP is eligible for a tax credit on taxes paid on value in excess of the value limitation in each of the first two years. The cumulative tax credits are projected to be approximately \$1,000,000; although, the Texas Education Agency (TEA) issues the reminder that these estimates will be recalculated based on current data prior to any issuance of the tax credits. The school district is to be reimbursed by the state for tax credit payments.

A separate spreadsheet entitled "chapter 313 template" illustrates the projected tax credits.

#### **Facilities Funding Impact**

The DCP project remains fully taxable for I&S taxes. This stipulation applies not only to the district's current debt, but also to any future debt the district's voters may choose to incur.

EISD is currently eligible for existing debt allotment (EDA) facilities assistance from the state. Increasing CPTD values resulting from taxable value added by the project may reduce, if not totally eliminate, future EDA payments. However, the increase in taxable value resulting from the project and the fact that the full value of this project remains fully taxable should offset, if not more than offset, any loss of state facilities assistance.

#### **Summary**

While some uncertainty abounds with regard to the future of the state's public school finance system, the following points appear to currently apply to the DCP project and the EISD:

1. It meets the intent of the economic development initiative for the State of Texas.
2. It substantially enhances the district's I&S tax base without creating substantial financial loss for the district with regard to M&O earnings over the term of the project.
3. It produces substantial tax incentives and savings for DCP.

Table I - Data Assumptions for DCP & EISD Chapter 313 Project

Year of Agreement	School Year	Tax Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value		CPTD Value	
							With Limitation	Without Limitation	With Limitation	Without Limitation
1	2013-14	2013	1291.29	1880.463	\$1.04	\$0.3383	\$418,830,350	\$418,830,350	\$368,830,350	\$368,830,350
2	2014-15	2014	1291.29	1880.463	\$1.04	\$0.3383	\$438,180,350	\$438,180,350	\$418,830,350	\$418,830,350
3	2015-16	2015	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$436,280,350	\$438,180,350	\$438,180,350
4	2016-17	2016	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$481,880,350	\$378,158,926	\$436,280,350
5	2017-18	2017	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$501,830,350	\$378,158,926	\$481,880,350
6	2018-19	2018	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$545,530,350	\$378,158,926	\$501,830,350
7	2019-20	2019	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$562,630,350	\$378,158,926	\$545,530,350
8	2020-21	2020	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$556,930,350	\$378,158,926	\$562,630,350
9	2021-22	2021	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$551,230,350	\$378,158,926	\$556,930,350
10	2022-23	2022	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$543,630,350	\$378,158,926	\$551,230,350
11	2023-24	2023	1291.29	1880.463	\$1.04	\$0.3383	\$538,386,350	\$538,386,350	\$378,158,926	\$543,630,350
12	2024-25	2024	1291.29	1880.463	\$1.04	\$0.3383	\$533,299,670	\$533,299,670	\$538,386,350	\$538,386,350
13	2025-26	2025	1291.29	1880.463	\$1.04	\$0.3383	\$528,365,590	\$528,365,590	\$533,299,670	\$533,299,670
14	2026-27	2026	1291.29	1880.463	\$1.04	\$0.3383	\$523,579,533	\$523,579,533	\$528,365,590	\$528,365,590
15	2027-28	2027	1291.29	1880.463	\$1.04	\$0.3383	\$518,937,058	\$518,937,058	\$523,579,533	\$523,579,533

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	<b>EXHIBIT B Edna ISD - M&amp;O Revenue DCP Midstream Agreement</b>														
2															
3															
4	<b>Revenue with Agreement</b>														
5	Line	Column	Column	Column	Column	Column	Column	Column	Column	Column	Column	Column	Column	Column	Column
6	6	B	C	D	E	F	G	H	I	J	K	L	M	N	O
7	7	Agreement	School	Tax	District	M&O Taxes	State Funds	Taxable	Total Taxable	Total M&O	Total	Total Funds	Total	Net	
8	8	Year	Year	Year	Taxable Value	Not Including	Not	Value	Value	Funds	Funds	Combined	Combined	Projected	
9	9				Not Including	Project	including	Per		Combined	with	Values	Values	(Loss) / Gain	
10	10				Project		Project	DCP		Value	Combined	Values	Values	From	
11	11										Values			Agreement	
12	14	0	2012-13	2012	\$368,158,926	\$3,828,853	\$6,942,418	\$671,424	\$368,830,350	\$3,835,836	\$6,938,258	\$10,772,094		\$0	
13	15	1	2013-14	2013	\$368,158,926	\$3,828,853	\$6,942,418	\$50,671,424	\$418,830,350	\$4,355,836	\$6,476,586	\$10,832,422		\$0	
14	16	2	2014-15	2014	\$368,158,926	\$3,828,853	\$6,942,418	\$70,021,424	\$438,180,350	\$4,557,076	\$6,235,036	\$10,792,112		\$0	
15	17	3	2015-16	2015	\$368,158,926	\$3,828,853	\$6,942,418	\$10,000,000	\$378,158,926	\$3,932,853	\$6,775,629	\$10,709,482		(\$58,833)	
16	18	4	2016-17	2016	\$368,158,926	\$3,828,853	\$6,942,418	\$10,000,000	\$378,158,926	\$3,932,853	\$6,838,418	\$10,771,271		(\$47,147)	
17	19	5	2017-18	2017	\$368,158,926	\$3,828,853	\$6,942,418	\$10,000,000	\$378,158,926	\$3,932,853	\$6,838,418	\$10,771,271		(\$18,675)	
18	20	6	2018-19	2018	\$368,158,926	\$3,828,853	\$6,942,418	\$10,000,000	\$378,158,926	\$3,932,853	\$6,838,418	\$10,771,271		(\$39,281)	
19	21	7	2019-20	2019	\$368,158,926	\$3,828,853	\$6,942,418	\$10,000,000	\$378,158,926	\$3,932,853	\$6,838,418	\$10,771,271		(\$14,140)	
20	22	8	2020-21	2020	\$368,158,926	\$3,828,853	\$6,942,418	\$10,000,000	\$378,158,926	\$3,932,853	\$6,838,418	\$10,771,271		\$4,570	
21	23	9	2021-22	2021	\$368,158,926	\$3,828,853	\$6,942,418	\$10,000,000	\$378,158,926	\$3,932,853	\$6,838,418	\$10,771,271		\$4,618	
22	24	10	2022-23	2022	\$368,158,926	\$3,828,853	\$6,942,418	\$10,000,000	\$378,158,926	\$3,932,853	\$6,838,418	\$10,771,271		\$6,219	
23	25	11	2023-24	2023	\$368,158,926	\$3,828,853	\$6,942,418	\$170,227,424	\$538,386,350	\$5,599,218	\$6,092,408	\$11,691,626		\$924,706	
24	26	12	2024-25	2024	\$368,158,926	\$3,828,853	\$6,942,418	\$165,140,744	\$533,299,670	\$5,546,317	\$5,220,692	\$10,767,009		\$0	
25	27	13	2025-26	2025	\$368,158,926	\$3,828,853	\$6,942,418	\$160,206,664	\$528,365,590	\$5,495,002	\$5,272,096	\$10,767,098		\$0	
26	28	14	2026-27	2026	\$368,158,926	\$3,828,853	\$6,942,418	\$155,420,607	\$523,579,533	\$5,445,227	\$5,321,958	\$10,767,185		\$0	
27	29	15	2027-28	2027	\$368,158,926	\$3,828,853	\$6,942,418	\$150,778,132	\$518,837,058	\$5,396,945	\$5,370,326	\$10,767,271		\$0	
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Notes:  
1. Assumes no increase or decrease to the student population

# **Attachment 3**

## Jackson County

### Population

- Total county population in 2010 for Jackson County: 14,305 , unchanged 0.0 percent from 2009. State population increased 1.8 percent in the same time period.
- Jackson County was the state's 140th largest county in population in 2010 and the 194th fastest growing county from 2009 to 2010.
- Jackson County's population in 2009 was 62.2 percent Anglo (above the state average of 46.7 percent), 7.3 percent African-American (below the state average of 11.3 percent) and 29.0 percent Hispanic (below the state average of 36.9 percent).
- 2009 population of the largest cities and places in Jackson County:

Edna:	5,845	Ganado:	1,847
La Ward:	196		

### Economy and Income

#### Employment

- September 2011 total employment in Jackson County: 6,567 , up 1.3 percent from September 2010. State total employment increased 0.9 percent during the same period.  
(October 2011 employment data will be available November 18, 2011).
- September 2011 Jackson County unemployment rate: 7.3 percent, up from 7.2 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

(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

- Jackson County's ranking in per capita personal income in 2009: 167th with an average per capita income of \$30,515, down 4.1 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

#### Industry

- Agricultural cash values in Jackson County averaged \$75.00 million annually from 2007 to 2010. County total agricultural values in 2010 were up 31.9 percent from 2009. Major agriculture related commodities in Jackson County during 2010 included:
  - Aquaculture      • Sorghum              • Rice                      • Corn                      • Other Beef
- 2011 oil and gas production in Jackson County: 428,479.0 barrels of oil and 7.0 million Mcf of gas. In September 2011, there were 205 producing oil wells and 168 producing gas wells.

### Taxes

#### Sales Tax - Taxable Sales

(County and city taxable sales data for 1st quarter 2011 is currently targeted for release in mid-September 2011).

*Quarterly (September 2010 through December 2010)*

- Taxable sales in Jackson County during the fourth quarter 2010: \$25.50 million, up 11.9 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Edna:	\$13.90 million, up 13.4 percent from the same quarter in 2009.
Ganado:	\$3.85 million, up 3.4 percent from the same quarter in 2009.
La Ward:	\$188,391.00, down 52.1 percent from the same quarter in 2009.

*Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)*

- Taxable sales in Jackson County through the fourth quarter of 2010: \$101.01 million, up 7.1 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Edna:	\$53.34 million, up 5.6 percent from the same period in 2009.
Ganado:	\$15.12 million, down 2.4 percent from the same period in 2009.
La Ward:	\$1.15 million, down 42.7 percent from the same period in 2009.

*Annual (2010)*

- Taxable sales in Jackson County during 2010: \$101.01 million, up 7.1 percent from 2009.
  - Jackson County sent an estimated \$6.31 million (or 0.04 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
  - Taxable sales during 2010 in the city of:
- |         |  |
|---------|--|
| Edna:   | \$53.34 million, up 5.6 percent from 2009.   |
| Ganado: | \$15.12 million, down 2.4 percent from 2009. |

La Ward: \$1.15 million, down 42.7 percent from 2009.

### **Sales Tax – Local Sales Tax Allocations**

*(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)*

#### **Monthly**

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Jackson County based on the sales activity month of August 2011: \$121,931.34, up 9.5 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:
 

Edna:	\$91,794.94, up 5.5 percent from August 2010.
Ganado:	\$29,671.82, up 23.5 percent from August 2010.
La Ward:	\$464.58, up 92.6 percent from August 2010.

#### **Fiscal Year**

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Jackson County based on sales activity months from September 2010 through August 2011: \$1.28 million, up 5.9 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:
 

Edna:	\$977,356.15, up 4.4 percent from fiscal 2010.
Ganado:	\$295,874.66, up 9.9 percent from fiscal 2010.
La Ward:	\$9,099.94, up 82.0 percent from fiscal 2010.

#### **January 2011 through August 2011 (Sales Activity Year-To-Date)**

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Jackson County based on sales activity months through August 2011: \$842,504.37, up 4.2 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:
 

Edna:	\$632,047.94, up 0.6 percent from the same period in 2010.
Ganado:	\$203,176.73, up 14.7 percent from the same period in 2010.
La Ward:	\$7,279.70, up 126.2 percent from the same period in 2010.

#### **12 months ending in August 2011**

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Jackson County based on sales activity in the 12 months ending in August 2011: \$1.28 million, up 5.9 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:
 

Edna:	\$977,356.15, up 4.4 percent from the previous 12-month period.
Ganado:	\$295,874.66, up 9.9 percent from the previous 12-month period.
La Ward:	\$9,099.94, up 82.0 percent from the previous 12-month period.

#### ■ **City Calendar Year-To-Date (RJ 2011)**

- Payment to the cities from January 2011 through October 2011:
 

Edna:	\$812,250.74, up 4.3 percent from the same period in 2010.
Ganado:	\$246,884.53, up 9.4 percent from the same period in 2010.
La Ward:	\$8,067.44, up 100.6 percent from the same period in 2010.

#### **Annual (2010)**

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Jackson County based on sales activity months in 2010: \$1.25 million, up 1.8 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:
 

Edna:	\$973,374.36, up 3.7 percent from 2009.
Ganado:	\$269,900.45, down 4.2 percent from 2009.
La Ward:	\$5,038.60, down 17.7 percent from 2009.

### **Property Tax**

- As of January 2009, property values in Jackson County: \$1.93 billion, down 1.0 percent from January 2008 values. The property tax base per person in Jackson County is \$135,036, above the statewide average of \$86,809. About 14.2 percent of the property tax base is derived from oil, gas and minerals.

### State Expenditures

- Jackson County's ranking in state expenditures by county in fiscal year 2010: 158th. State expenditures in the county for FY2010: \$43.13 million, up 0.1 percent from FY2009.
- In Jackson County, 6 state agencies provide a total of 39 jobs and \$383,454.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
  - Department of Transportation
  - Department of Public Safety
  - AgriLife Extension Service
  - Parks & Wildlife Department
  - Health & Human Services Commission

### Higher Education

- Community colleges in Jackson County fall 2010 enrollment:
  - None.
- Jackson County is in the service area of the following:
  - Victoria College with a fall 2010 enrollment of 4,290 . Counties in the service area include:
    - Calhoun County
    - DeWitt County
    - Gonzales County
    - Jackson County
    - Lavaca County
    - Refugio County
    - Victoria County
  - Wharton County Junior College with a fall 2010 enrollment of 6,922 . Counties in the service area include:
    - Austin County
    - Colorado County
    - Fort Bend County
    - Jackson County
    - Matagorda County
    - Wharton County
- Institutions of higher education in Jackson County fall 2010 enrollment:
  - None.

### School Districts

- Jackson County had 3 school districts with 10 schools and 3,208 students in the 2009-10 school year.  
(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)
  - Edna ISD had 1,459 students in the 2009-10 school year. The average teacher salary was \$43,332. The percentage of students meeting the 2010 TAKS passing standard for all tests was 74 percent.
  - Ganado ISD had 649 students in the 2009-10 school year. The average teacher salary was \$43,098. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
  - Industrial ISD had 1,100 students in the 2009-10 school year. The average teacher salary was \$44,908. The percentage of students meeting the 2010 TAKS passing standard for all tests was 92 percent.



**ATTACHMENT D**  
**AGREEMENT**

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

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by and between

**EDNA INDEPENDENT SCHOOL DISTRICT**

and

**DCP MIDSTREAM, LP**  
*(Texas Taxpayer ID # 18410411666)*

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Dated

February 20, 2012

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

*STATE OF TEXAS* §

*COUNTY OF JACKSON* §

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 **EDNA 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 **DCP MIDSTREAM, LP**, Texas Taxpayer Identification Number 18410411666, 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 29, 2011, the Superintendent of Schools of the Edna 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 ("Application"), pursuant to Chapter 313 of the Texas Tax Code; and,

**WHEREAS**, on August 29, 2011 the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from DCP Midstream, LP and the Superintendent has acknowledged receipt of the Application and 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, together with the supplemental materials, were delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(b); and,

**WHEREAS**, the Comptroller's Office has established October 19, 2011 as the completed Application date; and

**WHEREAS**, pursuant to 34 Tex. Admin Code § 9.1054, the Application was delivered for review to the Jackson County Appraisal District established in Jackson County, Texas (the "County Appraisal District"), pursuant to Texas Tax Code § 6.01; and

**WHEREAS**, the Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.025(d), and on November 8, 2011, the Comptroller's Office, via letter, recommended that the Application be approved; and

Agreement for Limitation on Appraised Value  
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February 20, 2012

**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,

**WHEREAS**, the Board of Trustees has reviewed the economic impact evaluation pursuant to Texas Tax Code § 313.025(e) and §313.026 and has carefully considered the Comptroller's positive recommendation for the Project; and,

**WHEREAS**, the District was within an area that qualified as a strategic investment area under Texas Tax Code Chapter 171, Subchapter O immediately before that Subchapter expired; and because of that fact, the District qualified as a rural school district under the provisions of Texas Tax Code § 313.051(a); and,

**WHEREAS**, on February 20, 2012, the Board of Trustees held a meeting on the Application; and,

**WHEREAS**, 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; (iv) each criterion listed in Texas Tax Code § 313.026 has been met; and, (v) if the job creation requirement set forth in Texas Tax Code § 313.051(b) (*i.e.*, 10 jobs) was applied, for the size and scope of the project described in the Application and in **EXHIBIT 3**, the required number of jobs would exceed the industry standard for the number of employees reasonably necessary for the operation of the facility; and,

**WHEREAS**, 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**, this Agreement was reviewed by the Texas Comptroller's Office and on February 20, 2012 the Comptroller's Office, via letter, approved the form of this Agreement; and

**WHEREAS**, pursuant to the provisions of Texas Tax Code § 313.025(f-1), the Board of Trustees waived the job creation requirement set forth in Texas Tax Code § 313.051(b); and,

**WHEREAS**, 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 on the Commencement Date, as defined in Section 1.3, below. In the event that Applicant makes a Qualified Investment as defined by Section 2.6 below, between the Commencement Date and the end of the Qualifying Time Period, Applicant is entitled to the Tax Limitation Amount defined in Section 1.3 below for the following Tax Years, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022. The limitation on the local ad valorem property values for Maintenance and Operations purposes shall commence with the property valuations made as of January 1, 2015, the appraisal date for the third full Tax Year following the Commencement Date. For the first two full Tax Years that begin after the Commencement Date (*i.e.*, the 2013 and 2014 Tax Years), which together with the period from the date of approval until January 1, 2012 are collectively referred to herein as the “Qualifying Time Period”, as that term is defined in Texas Tax Code § 313.021(4), Applicant shall not be entitled to a tax limitation. Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2021. Except as otherwise provided herein, this Agreement will terminate, in full, on the Final Termination Date. 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) in the year immediately following the termination year with regards to Section 3.2 calculations, or (iii) affect the right of a Party to enforce the payment of any amount, including any Tax Credit, Section 3.2 loss of revenue payment or credit 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 or the year immediately after the termination with respect to Section 3.2 credits or payments, 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):

<b>Year of Agreement</b>	<b>Date of Appraisal</b>	<b>School Year</b>	<b>Tax Year</b>	<b>Summary Description of Provisions</b>
Partial Year from the date of approval of the Application to January 1, 2013	N/A	N/A	2012	Start of Qualifying Time Period. No limitation on value. Tax credit in future years.
1	January 1, 2013	2013-14	2013	Qualifying Time Period. No limitation on value. Tax credit in future years.
2	January 1, 2014	2014-15	2014	Qualifying Time Period. No limitation on value. Tax credit in future years.
3	January 1, 2015	2015-16	2015	\$ 10 million property value limitation.
4	January 1, 2016	2016-17	2016	\$ 10 million property value limitation. Possible tax credit due to Applicant.
5	January 1, 2017	2017-18	2017	\$ 10 million property value limitation. Possible tax credit due to Applicant.
6	January 1, 2018	2018-19	2018	\$ 10 million property value limitation. Possible tax credit due to Applicant.
7	January 1, 2019	2019-20	2019	\$ 10 million property value limitation. Possible tax credit due to Applicant.
8	January 1, 2020	2020-21	2020	\$ 10 million property value limitation. Possible tax credit due to Applicant.
9	January 1, 2021	2021-22	2021	\$ 10 million property value limitation. Possible tax credit due

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				to Applicant.
10	January 1, 2022	2022-23	2022	\$ 10 million property value limitation. Possible tax credit due to Applicant.
11	January 1, 2023	2023-24	2023	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
12	January 1, 2024	2024-25	2024	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
13	January 1, 2025	2025-26	2025	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.

“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.

“Aggregate Limit” means, for any Tax Year of this Agreement, the cumulative total of the Annual Limit amount for the such Tax Year and all previous Tax Years of the Agreement, less all amounts paid by the Applicant to or on behalf of the District under Article IV, below.

“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 8.3.

“Annual Limit” means the maximum annual benefit which can be paid directly to the District as a Supplemental Payment under the provisions of Texas Tax Code § 313.027(i). For purposes of this Agreement, the amount of the Annual Limit shall be calculated for each Tax Year by multiplying the District’s Average Daily Attendance for the applicable school year, as calculated pursuant to Tex. Educ. Code § 42.005 times the greater of \$100, or any larger amount allowed by Texas Tax Code § 313.027(i), if such limit amount is increased for any future year of this Agreement. The Annual Limit shall first be computed for Tax Year 2012, which, by virtue of the Commencement Date is the first full year of the Qualifying Time Period under this Agreement.

“Applicant” means DCP Midstream, LP, (Texas Taxpayer ID # 18410411666), the company listed in the Preamble of this Agreement who filed the 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.

“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 the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) filed with the District by the Applicant on August 29, 2011. The term includes all forms required by the Comptroller, the schedules, attached thereto, and all other documentation submitted by Applicant for the purpose of obtaining an Agreement with the District. The term also includes all amendments and supplements thereto submitted by Applicant.

“Appraisal District” means the Jackson County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Edna Independent School District.

“Commencement Date” means the date upon which this Agreement was approved by the Board of Trustees.

“Comptroller” means the Texas Comptroller of Public Accounts.

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

“County” means Jackson County, Texas.

“District” or “School District” means the Edna 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.

“Final Termination Date” means December 31, 2024.

“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 after the development and construction of the Project described in the Application and in the description of the Applicant's Qualified Investment/Qualified Property as set forth in Section 2.3, below, (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 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 ten (10) Qualifying Jobs to be located and performed within Applicant's entire Project that includes, but is not limited to, Applicant's Qualified Property, as set forth in the Application, 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.

"Net Tax Benefit" means, (i) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for all Tax Years if this Agreement had not been entered into by the Parties, (ii) adding the amount determined under clause (i) all Tax Credits received by the Applicant under Chapter 313, Tax Code, 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 all Tax Years of this Agreement, plus (B) any payments due to the District under Article III under this Agreement.

"New Job(s)" means the total number of jobs, defined by 34 Tex. Admin. Code § 9.1051, which Applicant will create in connection with the project which is the subject of its Application. In accordance with the requirements of Texas Tax Code § 313.024(d), Eighty Percent (80%), of all New Jobs created by Applicant on the project shall also be Qualifying Jobs, as defined below.

"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

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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 Job(s)" means the number of New Jobs Applicant will create in connection with the project which is the subject of its Application, which meet the requirements of Texas Tax Code 313.021(3).

"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 approval of this Agreement by the District's Board of Trustees and ends on December 31, 2014, the second full 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.

"State" means the State of Texas.

"Substantive Document" means a document or other information or data in electronic media determined by the Comptroller to substantially involve or include information or data significant to an application, the evaluation or consideration of an application, or the agreement or implementation of an agreement for limitation of appraised value pursuant to Tax Code, Chapter 313. The term includes, but is not limited to, any application requesting a limitation on appraised value and any amendments or supplements, any economic impact evaluation made in connection with an application, any agreement between applicant and the school district and any subsequent amendments or assignments, any school district written finding or report filed with the Comptroller as required under this subchapter, and any application requesting school tax credits under Tax Code, §313.103.

"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 Investment and/or 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 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 2015, 2016, 2017, 2018, 2019, 2020 2021 and 2022 the Appraised Value of the Applicant's

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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) Ten Million Dollars (\$10,000,000.00).

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, §313.052 and §313.053.

"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 Title 19, Texas Administrative Code, together with any court or administrative decisions interpreting same.

"Project" means a natural gas processing plant project as defined by Texas Tax Code § 313.024(b)(1) that enters into an agreement for a limitation on appraised value pursuant to the Texas Economic Development Act (Chapter 313 of the Texas Tax Code).

## 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 (but only including such real property located within the boundaries of both the Reinvestment Zone and the District).

#### **Section 2.2. LOCATION OF QUALIFIED INVESTMENT/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 (but only

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including such real property located within the boundaries of both the Reinvestment Zone and the District). 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 AND QUALIFIED PROPERTY**

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"). Qualified Investment shall be that property, described in EXHIBIT 3 which is placed in service under the terms of the Application, during the Qualifying Time Period described in Section 1.2, above. Qualified Property shall be all property, described in EXHIBIT 3, including but not limited to Applicant's Qualified Investment, together with the land described in EXHIBIT 2 which is owned by Applicant and is used in connection with the activities described in the Application. 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 or Qualified Property for purposes of this Agreement, unless pursuant to Texas Tax Code § 313.027(e) and Section 8.3 of this Agreement, the Board of Trustees, by official action, provides that such other property is a part of the Applicant's Qualified Investment or Qualified Property for purposes of this Agreement.

Property owned by the Applicant which is not described on EXHIBIT 3 may not be considered to be Qualified Investment or Qualified Property unless the Applicant:

- (a) submits to the school district and the Comptroller a written request to add such property to this Agreement, which request shall include a specific description of the additional property to which the Applicant requests that the Tax Limitation Amount apply;
- (b) notifies the District and the Comptroller of any other changes to the information that was provided in the Application approved by the District; and,
- (c) provides any additional information reasonably requested by the District or the Comptroller necessary to re-evaluate the economic impact analysis for the new or changed conditions.

### **Section 2.4. APPLICANT'S OBLIGATIONS TO PROVIDE CURRENT INVENTORY OF QUALIFIED PROPERTY**

At the end of the Qualifying Time Period, or at any other time when there is a material change in the Applicant's Qualified Investment or Qualified Property located on the Land described in EXHIBIT 2; or, upon a reasonable request by the District, the Comptroller, or the Appraisal District, the Applicant shall provide to the District, the Comptroller, and the Appraisal District a specific and detailed description of the tangible personal property, buildings, or

permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Qualified Property to which the Tax Limitation Amount applies including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property which is subject to this Agreement.

#### **Section 2.5. QUALIFYING USE**

The Applicant's Qualified Investment and Qualified Property 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 2.6. APPRAISED VALUE LIMITATION**

So long as Applicant makes a Qualified Investment in the amount Ten Million Dollars (\$10,000,000.00), 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 2015, 2016, 2017, 2018, 2019, 2020 2021 and 2022 the Appraised Value of the Applicant's Qualified Investment and Qualified Property 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) Ten Million Dollars (\$10,000,000.00).

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 §313.052 and §313.053.

### **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 in accordance with the provisions of Texas Tax Code §313.027(f)(1) 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 result of entering into this Agreement, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to such other 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 (the "M&O Amount") shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

The M&O 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 Qualified Investment been subject to the ad valorem maintenance & 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. COMPENSATION FOR LOSS OF OTHER REVENUES**

In addition to the amounts determined pursuant to Section 3.2 above, and to the extent provided in Section 6.3, the Applicant, on an annual basis, shall also indemnify and reimburse the District for the following:

- a. all non-reimbursed costs incurred by the District in paying or otherwise crediting to the account of Applicant, any applicable tax credit to which Applicant may be entitled pursuant to Chapter 313, Subchapter D of the Texas Tax Code, and for which the District does not receive reimbursement from the State pursuant to Texas Education Code § 42.2515, or other similar or successor statute. The Applicant may contest the amounts certified by the District's external auditor under the provisions of Section 3.8.
- b. all non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses related to Applicant's Qualified Investment or Qualified Property that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the Applicant's Qualified Investment or Qualified Property. The Applicant may contest the amounts certified by the District's external auditor under the provisions of Section 3.8.
- c. any other loss of District revenues which are or may reasonably be attributable to the payment by Applicant to or on behalf any other third party beneficiary of this Agreement. The Applicant may contest the amounts certified by the District's external auditor under the provisions of Section 3.8.

### **Section 3.4. 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 7.10 of this Agreement.

### **Section 3.5. 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 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

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upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 3.4. 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 Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

### **Section 3.6. DELIVERY OF CALCULATIONS**

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 3.4 of this Agreement shall forward to the Parties a certification containing the calculations required under Sections 3.2 and/or 3.3, Article IV and Section 5.1 of this Agreement in 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 3.7, if such fee is timely paid.

### **Section 3.7. 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 for all calculations under this Agreement under Section 3.6, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, tax credits or other 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. In no year shall the Applicant be responsible for the payment any expenses under this Section 3.7 and Section 3.6, above, to the Third Party in excess of Five Thousand Dollars (\$5,000.00).

### **Section 3.8. RESOLUTION OF DISPUTES**

Pursuant to Sections 3.3, 3.4 and 3.6, 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 thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Thereafter, the Applicant may appeal the final determination of certification containing the calculations to the District. Any appeal by the Applicant of the final determination of the Third Party may be made, in writing, to the Edna Independent School District Board of Trustees within thirty (30) days of the final determination.

### **Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT**

In the event that, at the time the Third Party selected under Section 3.4 makes its calculations under this Agreement, Applicant has appealed any matter relating to the valuations placed by the County Appraisal District on the Qualified Property, and such appeal remains unresolved, the Third Party shall base its calculations upon the values placed upon the Qualified Property by the County Appraisal District.

In the event that the result of an appraisal appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed, once the determination of a new value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years. In the event the new calculations result in the change of any amount payable by the Applicant under this Agreement, the Party from whom the adjustment is payable shall remit such amounts to the counter-Party within thirty (30) days from the receipt of the calculations from the Third Party.

### **Section 3.10. 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**

(a) 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 (the "Supplemental Payments"). Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Texas Tax Code, unless it is explicitly set forth in this Agreement. 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 Article III and IV are, in all respects, subject to the limitations contained in Section 5.1, and that all payments made under Article IV are subject to the separate limitations contained in Section 4.4.

(b) It is the express intent of the Parties that any Supplemental Payments made to or on behalf of the District by the Applicant, under this Article IV, shall not exceed the limit imposed by the provisions of Texas Tax Code §313.027(i), as such limit is allowed or required to be increased by the Legislature in a future year of this Agreement; however, in such event it shall not exceed the Supplemental Payment amount described in Section 4.2 and 4.3 below.

#### **Section 4.2. CALCULATION OF AMOUNT OF SUPPLEMENTAL PAYMENTS**

- (a) For each of years one (Tax Year 2013) through thirteen (Tax Year 2025) of this Agreement, the District shall be entitled to receive as Supplemental Payments an amount equal to ONE HUNDRED DOLLARS (\$100.00) per student per year in average daily attendance as defined in Section 42.005, Education Code.
- (b) The Supplemental Payment shall be calculated by the Third Party selected pursuant to Section 3.4.
- (c) The Supplemental Payment calculations shall be made at the same time and on the same schedule as the calculations made pursuant to Section 3.6.
- (d) Payment of amounts due under this Section 4.2 shall be made at the time set forth in Section 3.7.
- (e) 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 3.7 for such Tax Year.

## 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 after the 2014 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 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 Sections 3.4 and 3.6, 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 Article III and/or IV 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

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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 Sections 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 or by the Comptroller (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, including any employment obligations, under this Agreement. The Applicant shall allow authorized employees of the District, the Comptroller and/or the Appraisal District to have access to the Applicant's Qualified Property and/or business records in accordance with Texas Tax Code Section 22.07 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,

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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 to provide the District, the Comptroller or the 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, 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 natural gas processing 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; and
- (b) 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 Final 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 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.

**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 7.9, 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 ad valorem taxes for the Tax Year(s) in which the applicant failed to comply to this Agreement 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 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 MATERIAL BREACH OF AGREEMENT**

Applicant shall be in material breach (“Material Breach”) of this Agreement if it commits one or more of the following acts or omissions:

- (a) Applicant is determined to have failed to meet its obligations to have made accurate representations of any material fact in the submission of its Application as is required by Section 8.13, below.
- (b) Applicant fails to Maintain Viable Presence in the District, as required by Section 7.4 of this Agreement, through the Final Termination Date of this Agreement.
- (c) Applicant fails to make any payment required under Articles III or IV of this Agreement on or before its due date.
- (d) Applicant fails to create and maintain at least the number of New Jobs it committed to create and maintain as set forth in this Agreement.
- (e) Applicant fails to create and maintain at least Eighty Percent (80%) of all New Jobs it committed to create and maintain as set forth in this Agreement as Qualifying Jobs.
- (f) Applicant makes any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Texas Tax Code, in excess of the amounts set forth in Articles III and IV, above. Voluntary donations made by the Applicant to the District after the date of execution of this Agreement, and not mandated by this Agreement or made in recognition of consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 are not barred by this provision.
- (h) Applicant fails to comply in any material respect with any other term of this Agreement, or Applicant fails to meet its obligations under the applicable Comptroller’s Rules, and under the Texas Economic Development Act.

### **Section 7.8 LIMITED STATUTORY CURE OF MATERIAL BREACH**

In accordance with the provisions of Texas Tax Code §313.0275, for any full tax year which commences after the project has become operational, Applicant may cure the Material Breaches of this Agreement, defined in Sections 7.7(d), 7.7(e) or 7.7(f), above, without the termination of the remaining term of this Agreement. In order to cure any such non-compliance with Sections 7.7(d), 7.7(e) or 7.7(f) for the particular Tax Year of non-compliance only, Applicant may make the liquidated damages payment required by Texas Tax Code §313.0275(b) in accordance with the Texas Tax Code §313.0275(c).

**Section 7.9. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT**

(a) Prior to making a determination under Sections 7.5 or 7.7 that the Applicant has committed a Material Breach of this Agreement, such as making a material misrepresentation in the Application, failing to Maintain Viable Presence in the District as required by Section 7.4 of this Agreement, failing to make any payment required under this Agreement when due, 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. In the case of a notice of payment default, Applicant shall have thirty (30) days in which to tender payment, unless it notifies the District within fifteen (15) days after receipt of such notice that it disputes the District's determination of payment default, in which case the dispute shall be settled in the manner set out in Sections 7.9(b) and 7.10. For a Material Breach other than payment default, 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.

(b) 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 terminate the Agreement and 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.

(c) After making its determination regarding any alleged breach, the Board of Trustees shall cause the Applicant to be notified in writing of its determination (a "Determination of Breach and Notice of Agreement Termination").

#### **Section 7.10. DISPUTE RESOLUTION**

(a) After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Agreement Termination under Section 7.9, the Applicant shall have thirty (30) 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 and Notice of Agreement Termination under Section 7.9, 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 Jackson County, Texas. The Parties agree 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.

(b) 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 7.9 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.

(c) In any event where a dispute between the District and the Applicant under this Agreement cannot be resolved by the Parties, after completing the procedures required in this Section 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 7.11. LIMITATION OF OTHER DAMAGES**

(a) 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.

(b) The Parties further agree that the limitation of damages and remedies set forth in this Section 7.11 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

#### **Section 7.12. 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:

Superintendent of Schools  
Edna Independent School District  
1307 West Gayle Street  
Edna, Texas 77957  
Fax: 361-781-1002

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:

R. Gregg, Director, Property Tax  
DCP Midstream, LLC

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5718 Westheimer Road, Suite 1900  
Houston, Texas 77057-5774  
Fax: 713-944-0295

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 the date of final approval of this Agreement by the District's Board of Trustees.
- (b) The obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the Final Termination 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 Ten Million Dollars (\$10,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2013.

### **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 8.3 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**

This Agreement may not be assigned by Applicant without the approval of the District, except that the Applicant may, without the District's consent, assign its rights and responsibilities

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under this Agreement to any person who acquires all or any portion of Applicant's interest in the Qualified Property, including a person who proposes to construct, acquire, operate or otherwise place in service, Qualified Property listed in Exhibit 3 which Applicant has not constructed or acquired as of the date of the assignment. Applicant shall give written notice of any such assignment to the District, whereupon the District shall cause any property taxes applicable to the interest in the Qualified Property acquired by the assignee to be assessed separately to such assignee. Any assignment, including without limitation an assignment to an assignee acquiring an interest in the Qualified Property, shall require that all conditions and obligations in this Agreement applying to the interest acquired by the assignee shall be assumed by the assignee, and upon such assumption, Applicant (or any other partial assignee not a part of the assignment in question) shall have no further rights, duties or obligations under the Agreement to the extent such rights, duties or obligations apply to the interest acquired by the assignee. No assignment can be made if (a) there exists a default hereunder, declared by the District, that has not been cured, or (b) the assignee is delinquent in the payment of ad valorem taxes owed to the District or any other taxing jurisdiction in Jackson County, Texas. Approval by the District shall not be unreasonably withheld, conditioned or delayed. The parties hereto agree that a transfer of all or a portion of member interest or other ownership interest in Applicant to a third party shall not be considered an assignment under the terms of this Agreement.

#### **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 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 Jackson 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.

Agreement for Limitation on Appraised Value  
Between Edna Independent School District and DCP Midstream, LP  
February 20, 2012

### **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 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. ACCURACY OF REPRESENTATIONS CONTAINED IN APPLICATION**

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application. Applicant warrants that all information, facts and representations contained therein are true and correct. The parties further agree that the Application and all the attachments thereto are included by reference into this Agreement as if set forth herein in full.

In the event that the Board of Trustees, after completing the procedures required by Sections 7.9 and 7.10 of this Agreement, makes a written determination that the Application was either incomplete or inaccurate as to any material representation, information, or fact, this Agreement shall be invalid and void except for the enforcement of the provisions required by 34. Texas Administrative Code §9.1053(f)(2)(K).

### **Section 8.14. 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 Texas Tax Code § 313.103, as follows:

- a. Within seven (7) days of such document, the 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.
- c. This Section does not require the publication of information that is confidential under Texas Tax Code § 313.028.

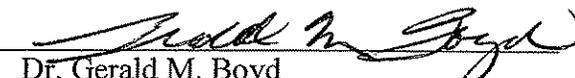
*(Signature page follows.)*

*IN WITNESS WHEREOF*, this Agreement has been executed by the Parties in multiple originals on this 20<sup>th</sup> day of February, 2012.

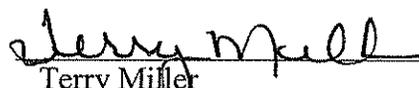
**DCP MIDSTREAM, LLC**

**EDNA INDEPENDENT SCHOOL DISTRICT**

By: \_\_\_\_\_  
David Stone  
Vice President Business Development

By:   
Dr. Gerald M. Boyd  
President  
Board of Trustees

**ATTEST:**

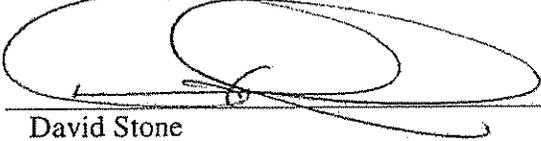
  
Terry Miller  
Secretary  
Board of Trustees

*IN WITNESS WHEREOF*, this Agreement has been executed by the Parties in multiple originals on this 20<sup>th</sup> day of February, 2012.

**DCP MIDSTREAM, LLC**

**EDNA INDEPENDENT SCHOOL DISTRICT**

By: \_\_\_\_\_

  
David Stone  
Vice President Business Development

By: \_\_\_\_\_

Dr. Gerald M. Boyd  
President  
Board of Trustees

**ATTEST:**

\_\_\_\_\_  
Terry Miller  
Secretary  
Board of Trustees

## EXHIBIT 1

### DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

The 2011 Jackson County *Reinvestment Zone* was originally created on July 6, 2011 by action of the Jackson County Commissioner's Court. As a result of the action of the Jackson County Commissioner's Court, the 2011 Jackson County *Reinvestment Zone*, a map of which is attached as the last page of this **EXHIBIT 1**, includes real property within unincorporated Jackson County, Texas, more specifically the following property:

Being a 161.40 acre plant site in the I. & G.N. R.R. Survey, Abstract 172, Jackson County, Texas being more particularly described by metes and bounds in Exhibit A attached.

## EXHIBIT 2

### LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property owned by Applicant and located within the boundaries of both the Edna Independent School District and 2011 Jackson County *Reinvestment Zone* 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:

Being a 161.40 acre plant site in the I. & G.N. R.R. Survey, Abstract 172, Jackson County, Texas being more particularly described by metes and bounds in Exhibit A attached.

**EXHIBIT 3 DESCRIPTION OF THE APPLICANT'S QUALIFIED  
INVESTMENT**

ATTACHMENT 4  
APPLICATION FOR TAX ABATEMENT  
EDNA ISD – DCP Midstream

Project Description

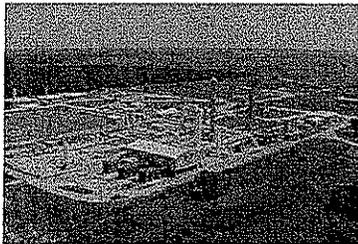
DCP Midstream, LP will construct a Natural Gas Processing Plant near Cordele in Jackson County, Texas.

Eagle Plant

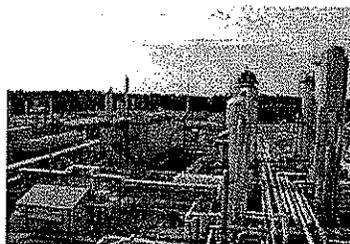
The DCP Midstream Eagle Gas Processing Plant is designed to initially process 200 mmscf/d of gas with the potential to expand production to 1 bscf/d. The Eagle Plant is designed to produce Y-Grade NGL Product and Residue Gas.

The Eagle Gas Processing Plant consists of the following main processing units and utility systems:

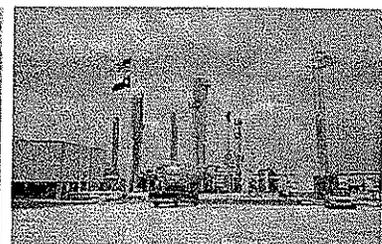
- Inlet Facilities
- Dehydration
- Regeneration
- NGL Recovery Train
- NGL Product Delivery Facilities
- Residue Recompression & Cooling
- Water Heat Recovery
- Heat Medium
- Fuel Gas
- Methanol Injection
- Drains & Flare
- Instrument & Utility Air
- Potable and Utility Water
- Emergency Generator



Wilcox Plant - Lavaca County



East Texas Complex - Panola County



Port Arthur Plant -- Jefferson County

DCP Midstream is the largest producer of natural gas liquids in North America and has significant pipeline infrastructure throughout Texas. This infrastructure provides DCP Midstream with the flexibility and opportunity to invest in a variety of regions in Texas and its neighboring states. Currently, DCP Midstream owns and operates 61 gas processing plants in 18 states. Capital investment is granted to projects that generate the best economic return for DCP Midstream. Currently, several projects in Louisiana, New Mexico and Colorado are competing with Texas projects for company investment.



**Edna ISD - DCP Midstream LP Tax Limitation Agreement**  
**Findings of Fact**  
**Attachment E**

1/29/2012

Agreement Year	School Year	Project Value without Limitation	Finding 8.m	Project Value with Limitation	Finding 8.n	Finding 8.o	Finding 8.q
			M&O Tax without Limitation		M&O Tax with Limitation	Foundation School Program	Total (Lost) or Gained Taxes
0	2012-13	\$671,424	\$6,983	\$671,424	\$6,983	\$0	\$0
1	2013-14	\$50,671,424	\$526,983	\$50,671,424	\$526,983	\$0	\$0
2	2014-15	\$70,021,424	\$728,223	\$70,021,424	\$728,223	\$0	\$0
3	2015-16	\$68,121,424	\$708,463	\$10,000,000	\$104,000	(\$544,630)	-\$59,833
4	2016-17	\$113,721,424	\$1,182,703	\$10,000,000	\$104,000	(\$1,031,556)	-\$47,147
5	2017-18	\$133,671,424	\$1,390,183	\$10,000,000	\$104,000	(\$1,267,508)	-\$18,675
6	2018-19	\$177,371,424	\$1,844,663	\$10,000,000	\$104,000	(\$1,701,382)	-\$39,281
7	2019-20	\$194,471,424	\$2,022,503	\$10,000,000	\$104,000	(\$1,904,363)	-\$14,140
8	2020-21	\$188,771,424	\$1,963,223	\$10,000,000	\$104,000	(\$1,863,793)	\$4,570
9	2021-22	\$183,071,424	\$1,903,943	\$10,000,000	\$104,000	(\$1,804,559)	\$4,616
10	2022-23	\$175,471,424	\$1,824,903	\$10,000,000	\$104,000	(\$1,727,122)	\$6,219
11	2023-24	\$170,227,424	\$1,770,365	\$170,227,424	\$1,770,365	(\$924,706)	\$924,706
12	2024-25	\$165,140,744	\$1,717,464	\$165,140,744	\$1,717,464	\$0	\$0
13	2025-26	\$160,206,664	\$1,666,149	\$160,206,664	\$1,666,149	\$0	\$0
14	2026-27	\$155,420,607	\$1,616,374	\$155,420,607	\$1,616,374	\$0	\$0
15	2027-28	\$150,778,132	\$1,568,093	\$150,778,132	\$1,568,093	\$0	\$0
TOTAL							\$761,035

Agreement Year	School Year	Project Value without Limitation	I&S Tax
0	2012-13	\$671,424	\$2,271
1	2013-14	\$50,671,424	\$171,371
2	2014-15	\$70,021,424	\$236,812
3	2015-16	\$68,121,424	\$230,387
4	2016-17	\$113,721,424	\$384,606
5	2017-18	\$133,671,424	\$452,077
6	2018-19	\$177,371,424	\$599,870
7	2019-20	\$194,471,424	\$657,702
8	2020-21	\$188,771,424	\$638,425
9	2021-22	\$183,071,424	\$619,148
10	2022-23	\$175,471,424	\$593,444
11	2023-24	\$170,227,424	\$575,709
12	2024-25	\$165,140,744	\$558,506
13	2025-26	\$160,206,664	\$541,819
14	2026-27	\$155,420,607	\$525,632
15	2027-28	\$150,778,132	\$509,932
TOTAL			\$7,297,711