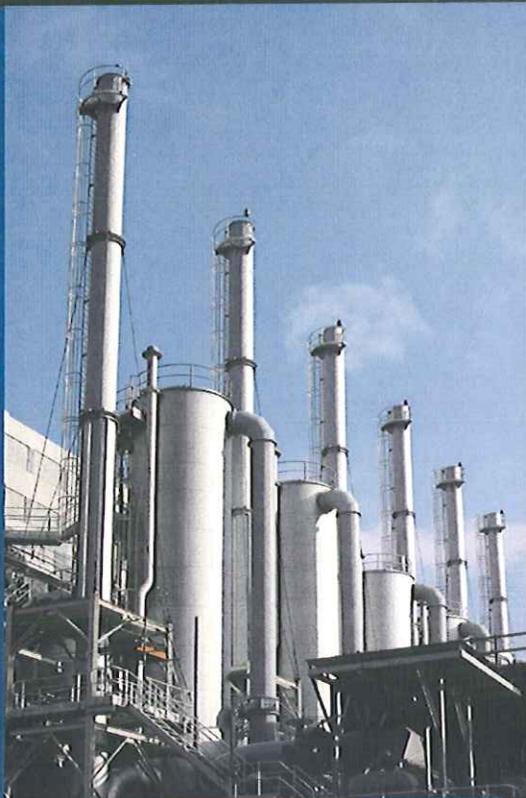


**FINDINGS OF THE PETTUS  
INDEPENDENT SCHOOL DISTRICT BOARD  
OF TRUSTEES  
UNDER THE  
TEXAS ECONOMIC DEVELOPMENT ACT  
ON THE  
APPLICATION SUBMITTED  
BY  
EDWARDS LIME GATHERING, LLC**



August 28, 2012

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FINDINGS  
OF THE  
PETTUS INDEPENDENT  
SCHOOL DISTRICT BOARD OF TRUSTEES  
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AUGUST 28, 2012

Board Findings of the Pettus Independent School District

FINDINGS OF THE PETTUS INDEPENDENT SCHOOL  
DISTRICT BOARD OF TRUSTEES UNDER THE  
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STATE OF TEXAS §

COUNTY OF KARNES §

On the 28<sup>th</sup> day of August, 2012, a public meeting of the Board of Trustees of the Pettus Independent School District was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of the Edwards Lime Gathering, LLC (Edwards Lime Gathering) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Pettus Independent School District makes the following findings with respect to the application of Edwards Lime Gathering, and the economic impact of that application:

On June 4, 2012, the Superintendent of Schools of the Pettus Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received an Application from Edwards Lime Gathering for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached as **Attachment A**.

The Applicant, Edwards Lime Gathering (Texas Taxpayer Id. 32034536865), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be in good standing with the Texas Comptroller of Public Accounts. See **Attachment B**.

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

Board Findings of the Pettus Independent School District

The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Karnes County Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a favorable recommendation was issued on July 13, 2012. A copy of the Comptroller's letter is attached to the findings as **Attachment C**.

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

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

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

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

Board Findings of the Pettus Independent School District

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

**Board Finding Number 1.**

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

In support of Finding 1, the economic analysis from the Comptroller's Office states the following:

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 Edwards Lime Gathering, LLC project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

**Board Finding Number 2.**

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

Based on information provided by the Comptroller's Office, Karnes County is the 139<sup>th</sup> largest in the state in terms of population. Population growth in Karnes County is positive and was the state's 150<sup>th</sup> fastest growing county from 2009 to 2010. The state population grew by 1.8 percent between 2009 and 2010, while the population of Karnes County increased by 0.5 percent over the same period.

September 2011 employment for Karnes County was down 1.3 percent from September 2010, below the state's 0.9 percent increase in total employment during the same period. The unemployment rate in Karnes County was 9.2 percent in September 2011, higher than

Board Findings of the Pettus Independent School District

the state average of 8.5 percent. It is noteworthy that the Karnes County unemployment rate increased from 9.0 percent a year ago to the 9.2 percent level in September 2011.

Karnes County continues to have a lower per capita personal income than the state as a whole. In terms of per capita income, Karnes County County's \$23,631 in 2009 ranked 242<sup>nd</sup> among the 254 counties in Texas, while the Texas average was \$38,609 for the same period.

While some of these indicators are positive, the local economy in Karnes County is susceptible to adverse changes because of its relatively small population base. Karnes County will benefit from economic activity like that associated with the Edwards Lime Gathering project. Major capital investments like this project are beneficial to the community on a number of fronts, including direct and indirect employment, expanded opportunities for existing businesses and increased local tax bases.

**Board Finding Number 3.**

**The average salary level of qualifying jobs is expected to be at least \$55,000 per year. The review of the application by the State Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs must pay 110 percent of the regional average manufacturing wage. Edwards Lime Gathering indicates that total employment will be approximately twelve (12) new jobs, ten (10) of which will be qualifying jobs.**

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

After construction, the project will create 12 new jobs when fully operational. 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 Alamo Area Council of Governments Region, where Karnes County is located was \$35,952 in 2010. The annual average manufacturing wage for 2011 for Karnes County is \$54,236. That same year, the county annual average wage for all industries was \$33,592. In addition to a salary of \$55,000, each qualifying position will receive the following benefits: 401(k) plan; medical; dental; vision; Rx plan; flex spending account; life and AD&D insurance; paid vacation, sick and

Board Findings of the Pettus Independent School District

holidays; wellness programs, employee assistance programs; and extended sick leave.

**Board Finding Number 4.**

**The level of the applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$8 million on the basis of the goal of ten (10) new qualifying positions for the entire Edwards Lime Gathering project.**

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

The project's total investment is \$80 million, resulting in a relative level of investment per qualifying job of \$8 million.

**Board Finding Number 5.**

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

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

**Table 1: Estimated Statewide Economic Impact of Investment and Employment in Edwards Lime Gathering, LLC**

| Year | Employment |                    |       | Personal Income |                    |              |
|------|------------|--------------------|-------|-----------------|--------------------|--------------|
|      | Direct     | Indirect + Induced | Total | Direct          | Indirect + Induced | Total        |
| 2012 | 130        | 130                | 260   | \$8,515,000     | \$7,485,000        | \$16,000,000 |
| 2013 | 37         | 72                 | 109   | \$2,249,500     | \$5,750,500        | \$8,000,000  |
| 2014 | 12         | 48                 | 60    | \$612,000       | \$4,388,000        | \$5,000,000  |
| 2015 | 12         | 49                 | 61    | \$612,000       | \$4,388,000        | \$5,000,000  |
| 2016 | 12         | 54                 | 66    | \$612,000       | \$5,388,000        | \$6,000,000  |
| 2017 | 12         | 51                 | 63    | \$612,000       | \$5,388,000        | \$6,000,000  |
| 2018 | 12         | 59                 | 71    | \$612,000       | \$5,388,000        | \$6,000,000  |
| 2019 | 12         | 57                 | 69    | \$612,000       | \$6,388,000        | \$7,000,000  |
| 2020 | 12         | 60                 | 72    | \$612,000       | \$6,388,000        | \$7,000,000  |
| 2021 | 12         | 64                 | 76    | \$612,000       | \$7,388,000        | \$8,000,000  |
| 2022 | 12         | 62                 | 74    | \$612,000       | \$7,388,000        | \$8,000,000  |
| 2023 | 12         | 65                 | 77    | \$612,000       | \$7,388,000        | \$8,000,000  |
| 2024 | 12         | 66                 | 78    | \$612,000       | \$7,388,000        | \$8,000,000  |
| 2025 | 12         | 60                 | 72    | \$612,000       | \$8,388,000        | \$9,000,000  |
| 2026 | 12         | 66                 | 78    | \$612,000       | \$9,388,000        | \$10,000,000 |
| 2027 | 12         | 64                 | 76    | \$612,000       | \$9,388,000        | \$10,000,000 |

Source: CPA, REMI, Edwards Lime Gathering, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Pettus ISD's ad valorem tax base in 2010 was \$188 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Pettus ISD's estimated wealth per WADA was \$273, 617. 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, Karnes County, Karnes County Wide Hospital District, Karnes County Wide Rural Fire District, Evergreen UWCD, Karnes County Wide Road & Bridge District, Escondido Watershed District, and San Antonio River Authority, with all property tax incentives sought being granted using estimated market value from Edwards Lime Gathering, LLC's application. Edwards Lime Gathering, LLC has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county and hospital district. Table 3

**Board Findings of the Pettus Independent School District**

illustrates the estimated tax impact of the Edwards Lime Gathering, LLC 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> | Pettus ISD I&S Levy | Pettus ISD M&O Levy | Pettus ISD M&O and I&S Tax Levies (Before Credit Credited) | Pettus ISD M&O and I&S Tax Levies (After Credit Credited) | Karnes County Tax Levy | Karnes County Wide Hospital District Tax Levy | Karnes County Wide Rural Fire District Tax Levy | Evergreen UWCD Tax Levy | Karnes County Wide Road & Bridge District | Escondido Watershed District | San Antonio River Authority Tax Levy | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|-----------------------|---------------------|---------------------|--|---|------------------------|---|---|-------------------------|---|------------------------------|--------------------------------------|--------------------------------|
|      |                                 |                                 |                       | 0.0000              | 1.1700              |  |   | 0.4269                 | 0.1872  | 0.0295  | 0.0119                  | 0.0523                                    | 0.0757                       | 0.0167                               |                                |
| 2013 | \$60,849,500                    | \$60,849,500                    |                       | \$0                 | \$711,939           | \$711,939  | \$711,939   | \$129,883              | \$56,955                                      | \$17,951  | \$7,241                 | \$31,824                                  | \$46,063                     | \$10,131                             | \$1,011,988                    |
| 2014 | \$74,249,500                    | \$74,249,500                    |                       | \$0                 | \$868,719           | \$868,719  | \$868,719   | \$158,486              | \$69,498                                      | \$21,904  | \$8,836                 | \$38,832                                  | \$56,207                     | \$12,363                             | \$1,234,843                    |
| 2015 | \$71,949,500                    | \$10,000,000                    |                       | \$0                 | \$117,000           | \$117,000  | \$117,000   | \$153,576              | \$67,345                                      | \$21,225  | \$8,562                 | \$37,630                                  | \$54,466                     | \$11,980                             | \$471,783                      |
| 2016 | \$69,749,500                    | \$10,000,000                    |                       | \$0                 | \$117,000           | \$117,000  | \$117,000   | \$148,880              | \$65,286                                      | \$20,576  | \$8,300                 | \$36,479                                  | \$52,800                     | \$11,613                             | \$402,435                      |
| 2017 | \$67,649,500                    | \$10,000,000                    |                       | \$0                 | \$117,000           | \$117,000  | \$117,000   | \$148,880              | \$65,286                                      | \$20,576  | \$8,300                 | \$36,479                                  | \$52,800                     | \$11,613                             | \$402,435                      |
| 2018 | \$65,649,500                    | \$10,000,000                    |                       | \$0                 | \$117,000           | \$117,000  | \$117,000   | \$148,880              | \$65,286                                      | \$20,576  | \$8,300                 | \$36,479                                  | \$52,800                     | \$11,613                             | \$402,435                      |
| 2019 | \$63,649,500                    | \$10,000,000                    |                       | \$0                 | \$117,000           | \$117,000  | \$117,000   | \$148,880              | \$65,286                                      | \$20,576  | \$8,300                 | \$36,479                                  | \$52,800                     | \$11,613                             | \$402,435                      |
| 2020 | \$61,749,500                    | \$10,000,000                    |                       | \$0                 | \$117,000           | \$117,000  | \$117,000   | \$148,880              | \$65,286                                      | \$20,576  | \$8,300                 | \$36,479                                  | \$52,800                     | \$11,613                             | \$402,435                      |
| 2021 | \$59,949,500                    | \$10,000,000                    |                       | \$0                 | \$117,000           | \$117,000  | \$117,000   | \$148,880              | \$65,286                                      | \$20,576  | \$8,300                 | \$36,479                                  | \$52,800                     | \$11,613                             | \$402,435                      |
| 2022 | \$58,149,500                    | \$10,000,000                    |                       | \$0                 | \$117,000           | \$117,000  | \$117,000   | \$148,880              | \$65,286                                      | \$20,576  | \$8,300                 | \$36,479                                  | \$52,800                     | \$11,613                             | \$402,435                      |
| 2023 | \$56,449,500                    | \$56,449,500                    |                       | \$0                 | \$660,459           | \$660,459  | \$660,459   | \$240,983              | \$105,673                                     | \$16,653  | \$6,717                 | \$29,523                                  | \$42,732                     | \$9,399                              | \$451,681                      |
| 2024 | \$54,749,500                    | \$54,749,500                    |                       | \$0                 | \$640,569           | \$640,569  | \$640,569   | \$233,726              | \$102,491                                     | \$16,151  | \$6,515                 | \$28,634                                  | \$41,445                     | \$9,116                              | \$401,948                      |
| 2025 | \$53,149,500                    | \$53,149,500                    |                       | \$0                 | \$621,849           | \$621,849  | \$621,849   | \$226,895              | \$99,496                                      | \$15,679  | \$6,325                 | \$27,797                                  | \$40,234                     | \$8,849                              | \$1,047,125                    |
| 2026 | \$51,549,500                    | \$51,549,500                    |                       | \$0                 | \$603,129           | \$603,129  | \$603,129   | \$220,065              | \$96,501                                      | \$15,207  | \$6,134                 | \$26,960                                  | \$39,023                     | \$8,583                              | \$1,015,602                    |
| 2027 | \$50,049,500                    | \$50,049,500                    |                       | \$0                 | \$585,579           | \$585,579  | \$585,579   | \$213,661              | \$93,693                                      | \$14,765  | \$5,956                 | \$26,176                                  | \$37,887                     | \$8,333                              | \$986,050                      |
|      |                                 |                                 |                       |                     |                     | <b>Total</b>   | <b>\$4,281,586</b>  | <b>\$3,334,702</b>     | <b>\$1,462,301</b>                            | <b>\$271,265</b>                                | <b>\$109,426</b>        | <b>\$480,921</b>                          | <b>\$696,094</b>             | <b>\$153,104</b>                     | <b>\$10,789,397</b>            |

Assumes School Value Limitation and Tax Abatements with the County and Hospital District

Source: CPA, Edwards Lime Gathering, LLC

<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> | Pettus ISD I&S Levy | Pettus ISD M&O Levy | Pettus ISD M&O and I&S Tax Levies | Karnes County Tax Levy | Karnes County Wide Hospital District Tax Levy | Karnes County Wide Rural Fire District Tax Levy | Evergreen UWCD Tax Levy | Karnes County Wide Road & Bridge District | Escondido Watershed District | San Antonio River Authority Tax Levy | Estimated Total Property Taxes |                     |
|------|---------------------------------|---------------------------------|-----------------------|---------------------|---------------------|-----------------------------------|------------------------|---|---|-------------------------|---|------------------------------|--------------------------------------|--------------------------------|---------------------|
|      |                                 |                                 |                       | 0.0000              | 1.1700              |                                   | 0.4269                 | 0.1872  | 0.0295  | 0.0119                  | 0.0523                                    | 0.0757                       | 0.0167                               |                                |                     |
| 2013 | \$60,849,500                    | \$60,849,500                    |                       | \$0                 | \$711,939           | \$711,939                         | \$259,767              | \$113,910                                     | \$17,951  | \$7,241                 | \$31,824                                  | \$46,063                     | \$10,131                             | \$1,198,826                    |                     |
| 2014 | \$74,249,500                    | \$74,249,500                    |                       | \$0                 | \$868,719           | \$868,719                         | \$316,971              | \$138,995                                     | \$21,904  | \$8,836                 | \$38,832                                  | \$56,207                     | \$12,363                             | \$1,462,827                    |                     |
| 2015 | \$71,949,500                    | \$10,000,000                    |                       | \$0                 | \$841,809           | \$841,809                         | \$307,152              | \$134,689                                     | \$21,225  | \$8,562                 | \$37,630                                  | \$54,466                     | \$11,980                             | \$1,417,513                    |                     |
| 2016 | \$69,749,500                    | \$10,000,000                    |                       | \$0                 | \$816,069           | \$816,069                         | \$297,761              | \$130,571                                     | \$20,576  | \$8,300                 | \$36,479                                  | \$52,800                     | \$11,613                             | \$1,374,170                    |                     |
| 2017 | \$67,649,500                    | \$10,000,000                    |                       | \$0                 | \$791,499           | \$791,499                         | \$288,796              | \$126,640                                     | \$19,957  | \$8,050                 | \$35,381                                  | \$51,211                     | \$11,264                             | \$1,332,797                    |                     |
| 2018 | \$65,649,500                    | \$10,000,000                    |                       | \$0                 | \$768,099           | \$768,099                         | \$280,258              | \$122,896                                     | \$19,367  | \$7,812                 | \$34,335                                  | \$49,697                     | \$10,931                             | \$1,293,394                    |                     |
| 2019 | \$63,649,500                    | \$10,000,000                    |                       | \$0                 | \$744,699           | \$744,699                         | \$271,720              | \$119,152                                     | \$18,777  | \$7,574                 | \$33,289                                  | \$48,183                     | \$10,598                             | \$1,253,991                    |                     |
| 2020 | \$61,749,500                    | \$10,000,000                    |                       | \$0                 | \$722,469           | \$722,469                         | \$263,609              | \$115,595                                     | \$18,216  | \$7,348                 | \$32,295                                  | \$46,744                     | \$10,281                             | \$1,216,558                    |                     |
| 2021 | \$59,949,500                    | \$10,000,000                    |                       | \$0                 | \$701,409           | \$701,409                         | \$255,924              | \$112,225                                     | \$17,685  | \$7,134                 | \$31,354                                  | \$45,382                     | \$9,982                              | \$1,181,095                    |                     |
| 2022 | \$58,149,500                    | \$10,000,000                    |                       | \$0                 | \$680,349           | \$680,349                         | \$248,240              | \$108,856                                     | \$17,154  | \$6,920                 | \$30,412                                  | \$44,019                     | \$9,682                              | \$1,145,632                    |                     |
| 2023 | \$56,449,500                    | \$56,449,500                    |                       | \$0                 | \$660,459           | \$660,459                         | \$240,983              | \$105,673                                     | \$16,653  | \$6,717                 | \$29,523                                  | \$42,732                     | \$9,399                              | \$1,112,140                    |                     |
| 2024 | \$54,749,500                    | \$54,749,500                    |                       | \$0                 | \$640,569           | \$640,569                         | \$233,726              | \$102,491                                     | \$16,151  | \$6,515                 | \$28,634                                  | \$41,445                     | \$9,116                              | \$1,078,647                    |                     |
| 2025 | \$53,149,500                    | \$53,149,500                    |                       | \$0                 | \$621,849           | \$621,849                         | \$226,895              | \$99,496                                      | \$15,679  | \$6,325                 | \$27,797                                  | \$40,234                     | \$8,849                              | \$1,047,125                    |                     |
| 2026 | \$51,549,500                    | \$51,549,500                    |                       | \$0                 | \$603,129           | \$603,129                         | \$220,065              | \$96,501                                      | \$15,207  | \$6,134                 | \$26,960                                  | \$39,023                     | \$8,583                              | \$1,015,602                    |                     |
| 2027 | \$50,049,500                    | \$50,049,500                    |                       | \$0                 | \$585,579           | \$585,579                         | \$213,661              | \$93,693                                      | \$14,765  | \$5,956                 | \$26,176                                  | \$37,887                     | \$8,333                              | \$986,050                      |                     |
|      |                                 |                                 |                       |                     |                     | <b>Total</b>                      | <b>\$10,758,647</b>    | <b>\$3,925,527</b>                            | <b>\$1,721,384</b>                              | <b>\$271,265</b>        | <b>\$109,426</b>                          | <b>\$480,921</b>             | <b>\$696,094</b>                     | <b>\$153,104</b>               | <b>\$18,116,367</b> |

Source: CPA, Edwards Lime Gathering, LLC

<sup>1</sup>Tax Rate per \$100 Valuation

**Board Finding Number 6.**

**The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.**

In support of this finding, the analysis prepared by Moak, Casey & Associates projects that the project would initially add \$74 million to the tax base for debt service purposes at the peak investment level for the 2014-15 school year. The Edwards Lime Gathering project remains fully taxable for debt services taxes, although Pettus ISD currently does not levy an I&S tax rate. The value of the Edwards Lime Gathering project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's tax base.

**Board Finding Number 7.**

**The effect of the applicant's proposal, if approved, on the number or size of needed school district instructional facilities is not expected to increase the District's facility needs, with current trends suggest little underlying enrollment growth based on the impact of the Edwards Lime Gathering project.**

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the new gas manufacturing project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Pettus ISD as stated in **Attachment D**.

**Board Finding Number 8.**

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

In support of Finding 8, the economic impact evaluation states:

According to Edwards Lime Gathering, LLC's application,

“Edwards Lime Gathering, LLC, is a joint venture between Energy Transfer's subsidiary Regency Energy Partners, Statoil and Talisman Energy. Energy Transfer is a leading midstream energy company whose primary

Board Findings of the Pettus Independent School District

activities include gathering, treating, manufacturing and transporting natural gas and natural gas liquids to a variety of markets and states. Energy Transfer currently operates over 17,500 miles of pipeline, 3 gas manufacturing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations included Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

Energy Transfer's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation."

**Board Finding Number 9.**

**During the past two years, one project in the Alamo Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.**

**Board Finding Number 10.**

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

**Board Finding Number 11.**

**The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Ten Million Dollars, which is consistent with the minimum values currently set out by Tax Code, §§ 313.054(a).**

According to the Texas Comptroller of Public Accounts' School and Appraisal Districts' Property Value Study 2011 Final Findings made under Subchapter M, Chapter 403, Government Code, as shown in, Attachment F, the total 2011 value of industrial property for Pettus ISD is \$5.8 million. Pettus ISD is categorized as Subchapter C, which applies to rural school districts, in this case based on their demographic characteristics. Given that the value of industrial property in Pettus ISD is more than \$1 million but less than \$90 million, it

Board Findings of the Pettus Independent School District

is classified as a Category III district which can offer a minimum value limitation of \$10 million.

**Board Finding Number 12.**

**The Applicant (Taxpayer Id. 32034536865) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its "good standing" certification as a franchise-tax paying entity.**

**Board Finding Number 13.**

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

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

**Board Finding Number 14.**

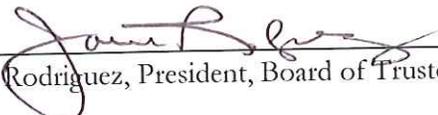
**Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.**

It is therefore ORDERED that the Agreement attached hereto as **Attachment G** is approved and hereby authorized to be executed and delivered by and on behalf of the Pettus Independent School District. It is further ORDERED that 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 Pettus Independent School District.

Board Findings of the Pettus Independent School District

Dated the 28<sup>th</sup> day of August, 2012.

*PETTUS INDEPENDENT SCHOOL DISTRICT*

By:   
Jaime Rodriguez, President, Board of Trustees

**ATTEST:**

By:   
Caryel Kruger, Secretary, Board of Trustees



LYNN M. MOAK, PARTNER

DANIEL T. CASEY, PARTNER

August 21, 2012

President and Members  
Board of Trustees  
Pettus Independent School District  
500 N. May Street  
Pettus, Texas 78146

*Re: Recommendations and Findings of the firm Concerning Application of Edwards Lime Gathering LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes*

Dear President Rodriguez and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Pettus Independent School District, with respect to the pending Application of Edwards Lime Gathering LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes. Since our engagement on behalf of the District, we have been actively engaged in reviewing the pending Application and verifying its contents. Based upon our review we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.
4. All applicable school finance implications arising from the contemplated Agreement have been explored.
5. The proposed Agreement contains adequate revenue protection provisions to protect the interests of the District.

As a result of the foregoing it is our recommendation that the Board of Trustees approve the Application of Edwards Lime Gathering LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

A handwritten signature in cursive script that reads "Daniel T. Casey".

Daniel T. Casey

[www.moakcasey.com](http://www.moakcasey.com)

# O'HANLON, MCCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE  
AUSTIN, TEXAS 78701  
TELEPHONE: (512) 494-9949  
FACSIMILE: (512) 494-9919

**KEVIN O'HANLON**  
CERTIFIED, CIVIL APPELLATE  
CERTIFIED, CIVIL TRIAL

**LESLIE MCCOLLOM**  
CERTIFIED, CIVIL APPELLATE  
CERTIFIED, LABOR AND EMPLOYMENT  
TEXAS BOARD OF LEGAL SPECIALIZATION

**JUSTIN DEMERATH**

August 21, 2012

President and Members  
Of the Board of Trustees  
Pettus Independent School District  
500 N. May Street  
Pettus, Texas 78146

*Re: Recommendations and Findings of the Firm Concerning Application of Edwards Lime Gathering LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, first qualifying year 2013*

Dear President Rodriguez and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Pettus Independent School District, with respect to the pending Application of Edwards Lime Gathering LLC for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, to be effected by an agreement with a first qualifying time year of 2013. Since our engagement on behalf of the District, we have been actively engaged in reviewing the pending Application and verifying its contents. We have also negotiated an Agreement between the District and Edwards Lime Gathering LLC. Based upon our review we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.

Letter to Pettus ISD  
August 21, 2012  
Page 2 of 2

4. All applicable school finance implications arising from the contemplated Agreement have been explored.
5. The proposed Agreement contains adequate legal provisions so as to protect the interests of the District.

As a result of the foregoing conclusions it is our recommendation that the Board of Trustees approve the Application of Edwards Lime Gathering LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin O'Hanlon", written in a cursive style.

Kevin O'Hanlon  
For the Firm

Attachment A

Application



# 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 |                              |   |
|--|------------------------------|---|
| Authorized School District Representative                  |                              | Date application received by district<br>6-4-2012 |
| First Name<br>Robert                                       | Last Name<br>Thompson        |   |
| Title<br>Superintendent                                    |                              |   |
| School District Name<br>Pettus Independent School District |                              |   |
| Street Address<br>500 N. May Street                        |                              |   |
| Mailing Address  |                              |   |
| City<br>Pettus   | State<br>TX                  | ZIP<br>78146                                      |
| Phone Number<br>(361) 375-2296                             | Fax Number<br>(361) 375-2295 |   |
| 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



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

Authorized School District Consultant (If Applicable)

|   |   |                     |
|---|---|---------------------|
| First Name<br><b>Dan</b>                        | Last Name<br><b>Casey</b>                     |                     |
| Title<br><b>Consultant</b>                      |   |                     |
| Firm Name<br><b>Moak Casey &amp; Associates</b> |   |                     |
| Street Address<br><b>400 W 15th Street</b>      |   |                     |
| Mailing Address<br><b>400 W 15th Street</b>     |   |                     |
| City<br><b>Austin</b>                           | State<br><b>TX</b>                            | ZIP<br><b>78701</b> |
| Phone Number<br><b>(512) 485-7878</b>           | Fax Number<br><b>512- 485-7888</b>            |                     |
| Mobile Number (Optional)                        | E-mail Address<br><b>dcasey@moakcasey.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)<br><i>Robert B. Thompson</i> | Date<br><b>6-4-12</b> |
|--|-----------------------|

Has the district determined this application complete? .....  Yes  No

If yes, date determined complete. June 5, 2012

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

*will supplement*

**SCHOOL DISTRICT CHECKLIST AND REQUESTED ATTACHMENTS**

|   | Checklist   | Page X of 16 | Check Completed        |
|---|---|--------------|------------------------|
| 1 | Date application received by the ISD  | 1 of 16      | X                      |
| 2 | Certification page signed and dated by authorized school district representative  | 2 of 16      | X                      |
| 3 | Date application deemed complete by ISD   | 2 of 16      | X                      |
| 4 | Certification pages signed and dated by applicant or authorized business representative of applicant                              | 4 of 16      | X                      |
| 5 | Completed company checklist   | 12 of 16     | X                      |
| 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      | <i>will supplement</i> |

**APPLICANT INFORMATION - CERTIFICATION OF APPLICATION**

**Authorized Business Representative (Applicant)**

|   |  |                           |                          |
|---|--|---------------------------|--------------------------|
| First Name<br><b>Greg</b>                                 |  | Last Name<br><b>Maxim</b> |                          |
| Title<br><b>Consultant</b>                                |  |                           |                          |
| Organization<br><b>Energy Transfer Partners, L.P.</b>     |  |                           |                          |
| Street Address<br><b>800 E. Sonterra Blvd., Suite 400</b> |  |                           |                          |
| Mailing Address   |  |                           |                          |
| City<br><b>San Antonio</b>                                |  | State<br><b>TX</b>        | ZIP<br><b>78258-3941</b> |
| Phone Number<br><b>210-572-0457</b>                       |  | Fax Number                |                          |
| Mobile Number (optional)                                  |  | Business e-mail Address   |                          |

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: Greg; Last Name: Maxim

Title: Director

Firm Name: Duff and Phelps

Street Address: 919 Congress Avenue, Suite 1450

Mailing Address:

City: Austin; State: TX; ZIP: 78701

Phone Number: 512-671-5580; Fax Number:

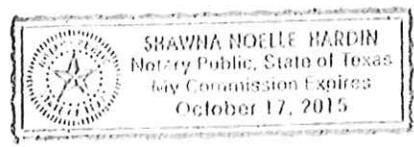
Business email Address: greg.maxim@duffandphelps.com

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)): [Handwritten Signature]; Date: 05-04-2012

GIVEN under my hand and seal of office this 4th day of June, 2012



(Notary Seal)

Shawna Noelle Hardin
Notary Public, State of Texas

[Handwritten Signature]

My commission expires October 17, 2015

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, 313.027(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 §313.027(i)?  Yes  No

**BUSINESS APPLICANT INFORMATION**

Legal Name under which application is made

Edwards Lime Gathering, LLC

Texas Taxpayer I.D. Number of entity subject to Tax Code, Chapter 171 (if digits)

32034536865

NAICS code

325120

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 Liability Corporation

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)

See Attachment

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

See Attachment

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 Jul 2012, Begin Hiring New Employees Jul 2012, Construction Complete Mar 2013, Fully Operational Apr 2013, Purchase Machinery & Equipment Mar 2012\*

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)?

When do you anticipate the new buildings or improvements will be placed in service? Apr 2013

\* Some long lead machinery and equipment has been ordered but fabrication has not begun and equipment will not arrive on site until October 2012

**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.)

Requesting Chapter 312 property tax abatement agreements with Karnes County and Karnes County Wide Hospital

**THE PROPERTY**

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

Central Appraisal District (CAD) that will be responsible for appraising the property Karnes County 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: Karnes County - 100% City: \_\_\_\_\_  
(Name and percent of project) (Name and percent of project)

Hospital District: Karnes County Wide Hospital - 100% Water District: Evergreen UWCD - 100%  
(Name and percent of project) (Name and percent of project)

Other (describe): Karnes County Wide Rural Fire - 100% Other (describe): San Antonio River Authority - 100%  
(Name and percent of project) (Name and percent of project)

Karnes County Wide Road & Bridge - 100%; Escondido Watershed District - 100%  
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? \$10,000,000

What is the amount of appraised value limitation for which you are applying? \$10,000,000

What is your total estimated qualified investment? \$73,600,000

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? September 15, 2012

What is the anticipated date of the beginning of the qualifying time period? September 15, 2012

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? \$80,000,000

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

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

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

Will the project be on leased land? Yes 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. \$49,500\*\* 2011

\*\* Estimated 2011 Market Value is based off of the per acre market value for Parcel #71322 that the 40 acre site was a part of in 2011

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 2012 (year)

What were 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? 0

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.

N/A

Total number of new jobs that will have been created when fully operational 12

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)(i).

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/hb1200/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 TWC 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 \$711  
 110% of the county average weekly wage for manufacturing jobs in the county is \$1,147  
 110% of the county average weekly wage for manufacturing jobs in the region is \$761

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

§313.021(5)(A) or  §313.021(5)(B) or  §313.021(3)(E)(ii), or  §313.051(b)?

What is the estimated minimum required annual wage for each qualifying job based on the qualified property? \$39,547

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? \$55,000

- Will 80% of all new jobs created by the owner be qualifying jobs as defined by 313.021(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 80% 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.)

**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.

**CONFIDENTIALITY NOTICE****Property Tax Limitation Agreement Applications  
Texas Government Code Chapter 313  
Confidential Information Submitted to the Comptroller**

Generally, an application for property tax value limitation, the information provided therein, and documents submitted in support thereof, are considered public information subject to release under the Texas Public Information Act.

There is an exception, outlined below, by which information will be withheld from disclosure.

The Comptroller's office will withhold information from public release if:

- 1) it describes the specific processes or business activities to be conducted or the specific tangible personal property to be located on real property covered by the application;
- 2) the information has been segregated in the application from other information in the application; and
- 3) the party requesting confidentiality provides the Comptroller's office a list of the documents for which confidentiality is sought and for each document lists the specific reasons, including any relevant legal authority, stating why the material is believed to be confidential.

All applications and parts of applications which are not segregated and marked as confidential as outlined above will be considered public information and will be posted on the internet.

Such information properly identified as confidential will be withheld from public release unless and until the governing body of the school district acts on the application, or we are directed to do so by a ruling from the Attorney General.

Other information in the custody of a school district or the comptroller submitted in connection with the application, including information related to the economic impact of a project or the essential elements of eligibility under Texas Tax Code, Chapter 313, such as

the nature and amount of the projected investment, employment, wages, and benefits, will not be considered confidential business information and will be posted on the internet.

All documents submitted to the Comptroller, as well as all information in the application once the school district acts thereon, are subject to public release unless specific parts of the application or documents submitted with the application are identified as confidential. Any person seeking to limit disclosure of such submitted records is advised to consult with their legal counsel regarding disclosure issues and also to take the appropriate precautions to safeguard copyrighted material, trade secrets, or any other proprietary information. The Comptroller assumes no obligation or responsibility relating to the disclosure or nondisclosure of information submitted by respondents. A person seeking to limit disclosure of information must submit in writing specific detailed reasons, including any relevant legal authority, stating why that person believes the material to be confidential.

The following outlines how the Comptroller's office will handle requests for information submitted under the Texas Public Information Act for application portions and submitted records appropriately identified as confidential.

- This office shall forward the request for records and a copy of the documents at issue to the Texas Attorney General's office for an opinion on whether such information may be withheld from disclosure under the Texas Public Information Act.
- The Comptroller will notify the person who submitted the application/documents when the information is forwarded to the Attorney General's office.
- Please be aware that this Office is obligated to comply with an Attorney General's decision, including release of information ruled public even if it was marked confidential.



| 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      | N/A             |
| 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      | N/A             |
| 14  | Calculation of three possible wage requirements with TWC documentation. (Attachment)   | 10 of 16     | ✓               |
| 15  | Description of Benefits  | 10 of 16     | ✓               |
| 16  | Economic Impact (if applicable)  | 10 of 16     | N/A             |
| 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 2**

**Proof of Payment of Application Fee**

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)*

**ATTACHMENT 3**

**Documentation of Combined Group Membership**

TEXAS FRANCHISE TAX PUBLIC INFORMATION REPORT

To be filed by Corporations and Limited Liability Companies (LLCS) and Financial Institutions This report MUST be signed and filed to satisfy franchise tax requirements

Tcode 13196

Taxpayer number 32034536865 Report year 2011 You have certain rights under Chapter 552 and 553, Government Code, to review, request, and correct information we have on file about you. Contact us at: (512) 463-4600, or (800) 252-1381, toll free nationwide.

Taxpayer name EDWARDS LIME GATHERING, LLC Mailing address 2001 BRYAN STREET, SUITE 3700 City DALLAS State TX ZIP Code 75201 Plus 4 Secretary of State file number or Comptroller file number 0800926163

Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

Principal office 2001 BRYAN STREET, SUITE 3700, DALLAS, TX 75201 Principal place of business 2001 BRYAN STREET, SUITE 3700, DALLAS, TX 75201



3203453686511

Please sign below! Officer, director and member information is reported as of the date a Public Information Report is completed. The information is updated annually as part of the franchise tax report. There is no requirement or procedure for supplementing the information as officers, directors, or members change throughout the year.

SECTION A Name, title and mailing address of each officer, director or member.

Table with 4 rows for officers/directors. Columns include Name, Title, Director (YES/NO), Term expiration (MMDDYY), Mailing address, City, State, ZIP Code.

SECTION B Enter the information required for each corporation or LLC, if any, in which this entity owns an interest of ten percent (10%) or more.

Table with 2 rows for owned entities. Columns include Name of owned (subsidiary) corporation or limited liability company, State of formation, Texas SOS file number, if any, Percentage of Ownership.

SECTION C Enter the information required for each corporation or LLC, if any, that owns an interest of ten percent (10%) or more in this entity or limited liability company.

Table with 1 row for parent entity. Columns include Name of owned (parent) corporation or limited liability company, State of formation, Texas SOS file number, if any, Percentage of Ownership.

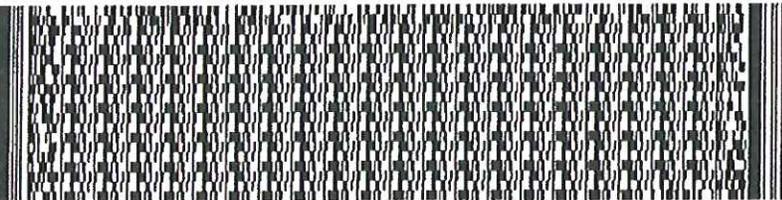
Registered agent and registered office currently on file. (See Instructions if you need to make changes) Agent: CT CORPORATION SYSTEM Office: 350 N. ST PAUL ST DALLAS TX 75201

The above information is required by Section 171.203 of the Tax Code for each corporation or limited liability company that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B, and C, if necessary. The information will be available for public inspection.

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director or member and who is not currently employed by this, or a related, corporation or limited liability company.

Signature here [Signature] Title VP-TAX Date 11/14/2011 Area code and phone number (210) 870-2706

Texas Comptroller Official Use Only



VE/DE [ ] PIR IND [ ]



ATTACHMENT  
TO  
2011 FORM 05-102

**EDWARDS LIME GATHERING LLC**

**32034536865**

***SECTION A***

| <b><u>NAME</u></b> | <b><u>MAILING ADDRESS</u></b>                    | <b><u>TITLE</u></b> | <b><u>DIRECTOR</u></b> |
|--------------------|--|---------------------|------------------------|
| KEITH CRAWFORD     | 2001 BRYAN ST. STE 3700<br>DALLAS, TX 75201-3093 | PRESIDENT           | YES                    |
| MARTIN ANTHONY     | 2001 BRYAN ST. STE 3700<br>DALLAS, TX 75201-3093 | DIRECTOR            | YES                    |
| JIM HOLOTIK        | 2001 BRYAN ST. STE 3700<br>DALLAS, TX 75201-3093 | VP                  | YES                    |
| BRET M. ALLAN      | 2001 BRYAN ST. STE 3700<br>DALLAS, TX 75201-3093 | TREASURER           | NO                     |
| A. TROY STURROCK   | 2001 BRYAN ST. STE 3700<br>DALLAS, TX 75201-3093 | CONTROLLER          | NO                     |
| CHRIS JESKE        | 2001 BRYAN ST. STE 3700<br>DALLAS, TX 75201-3093 | DIRECTOR            | YES                    |

ATTACHMENT  
TO  
2011 FORM 05-102

**EDWARDS LIME GATHERING, LLC**

**32034536865**

*SECTION C*

| <u>NAME OF ENTITY</u>       | <u>STATE OF FORM.</u> | <u>TX SOS FILE #</u> | <u>OWNERSHIP%</u> |
|-----------------------------|-----------------------|----------------------|-------------------|
| REGENCY FIELD SERVICES, LLC | DELAWARE              | 0800882815           | 60%               |
| EDWARDS GAS SERVICES, LLC   | DELAWARE              | 0800919587           | 40%               |

## ATTACHMENTS 4 & 5

### Detailed Description of Project

Edwards Lime Gathering, LLC, is proposing to build a new cryogenic gas facility for the manufacture of industrial gases in Karnes County, within the Pettus Independent School District. The facility will be constructed on a parcel of land consisting of approximately 40 acres and will be called the KDB facility for the three counties it will serve, Karnes, Bee and DeWitt Counties.

#### KDB Gas Plant

The KDB Gas Plant will consist of two trains with a total capacity of 180 million cubic feet of natural gas per day (MMCFD) in Phase I. The plant will produce industrial gases such as ethane, butane and propane from liquid rich natural gas that has been collected by upstream gas gathering systems in the Eagle Ford Shale play and transported to the KDB plant. The potential exists for a Phase II, which would install additional production capacity in 2013 or 2014 depending on the performance of Phase I and market conditions.

The first step in the manufacturing process is to separate the pipeline condensate liquids from the pipeline gas. Once separated, the condensate liquids are processed in a condensate stabilizer system in order to sell the hydrocarbon condensates to the NGL sales pipeline. Gas from the inlet separators is then treated in the amine treating system for removal of CO<sub>2</sub> from the inlet gas. The removal is required to prevent CO<sub>2</sub> freezing in the cryogenic NGL recovery plant and to meet the sales gas pipeline's and NGL pipeline's specifications. The CO<sub>2</sub> removed by the amine system is routed to an incinerator system to destroy incidental hydrocarbon vapors contained in the CO<sub>2</sub> stream. From the amine system, the sweet gas is then processed in the cryogenic plant for natural gas liquid recovery. The gas is refrigerated by mechanical refrigeration and by expansion through a turbo expander. The NGL liquids condensed by the refrigeration system are then pumped to the NGL sales pipeline. Gas from the cryogenic plant, now stripped of NGL liquids, is compressed and delivered to the sales gas pipeline.

The KDB plant consists of the following main production units and utility systems which are classified as "Qualified Investment"

- Slug Catcher
- 180 MMCFD Cryogenic Gas Production Unit – consisting of:
  - Inlet 3 Phase Separator
  - Produced Water Separator
  - Sales Gas Outlet Scrubber
  - Sour Gas Preheater
  - Amine Absorber and Regenerator
  - Acid Gas Cooler
  - Glycol Contactor

- Sales Gas Compressors
- O/H Gas Compressor / Cooler Skid
- BTEX Removal Skid
- Fuel Gas Conditioning Skid
- VRU Unit
- Thermal Oxidizer and K.O. Drum
- Flare and K.O. Drum
- Instrument & Utility Air Compressors / Dryers
- Control Building, Office and Warehouse
- Condensate Storage Tanks
- Produced Water Tanks

Some preliminary site work will be completed including leveling, access road improvements and installation of a fence. The cost of these improvements is estimated at \$50,000 and will not be included as Qualified Investment or Qualified Property.

### **Ability to Relocate**

Edwards Lime Gathering, LLC, is a joint venture between Energy Transfer's subsidiary Regency Energy Partners, Statoil and Talisman Energy.

Energy Transfer is a leading midstream energy company whose primary activities include gathering, treating, manufacturing and transporting natural gas and natural gas liquids to a variety of markets and states. Energy Transfer currently operates over 17,500 miles of pipeline, 3 gas manufacturing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations included Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

Energy Transfer's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation.

## ATTACHMENT 6

### Description of Qualified Investment

The KDB plant consists of the following main units and utility systems which are classified as "Qualified Investment"

- Slug Catcher
- 180 MMCFD Cryogenic Gas Unit-consisting of:
  - Inlet 3 Phase Separator
  - Produced Water Separator
  - Sales Gas Outlet Scrubber
  - Sour Gas Preheater
  - Amine Absorber and Regenerator
  - Acid Gas Cooler
  - Glycol Contactor
  - Sales Gas Compressors
  - O/H Gas Compressor / Cooler Skid
  - BTEX Removal Skid
  - Fuel Gas Conditioning Skid
  - VRU Unit
  - Thermal Oxidizer and K.O. Drum
- Flare and K.O. Drum
- Instrument & Utility Air Compressors I Dryers
- Control Building, Office and Warehouse
- Condensate Storage Tanks
- Produced Water Tanks

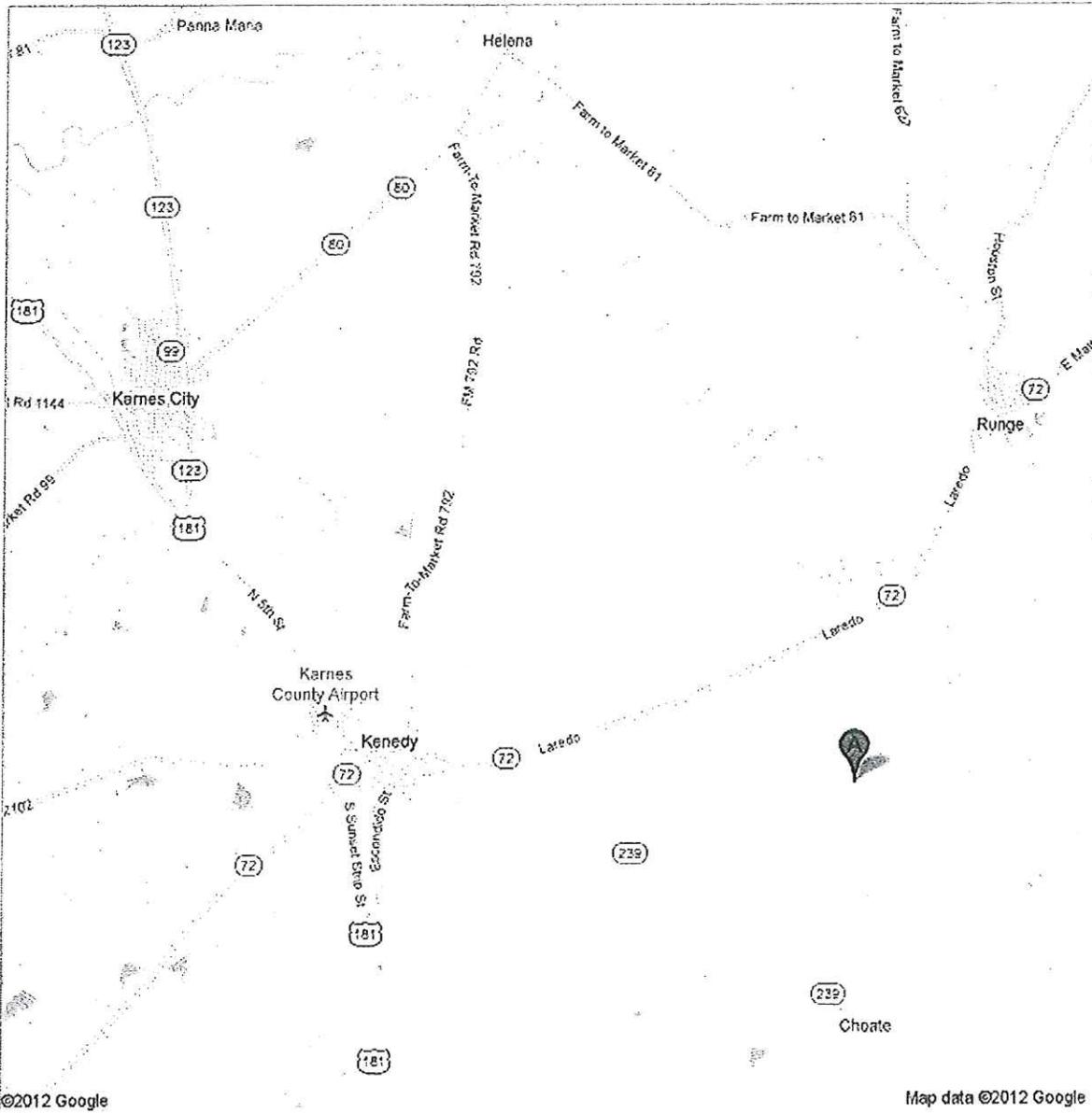
**ATTACHMENT 7**

**Map of Qualified Investment**

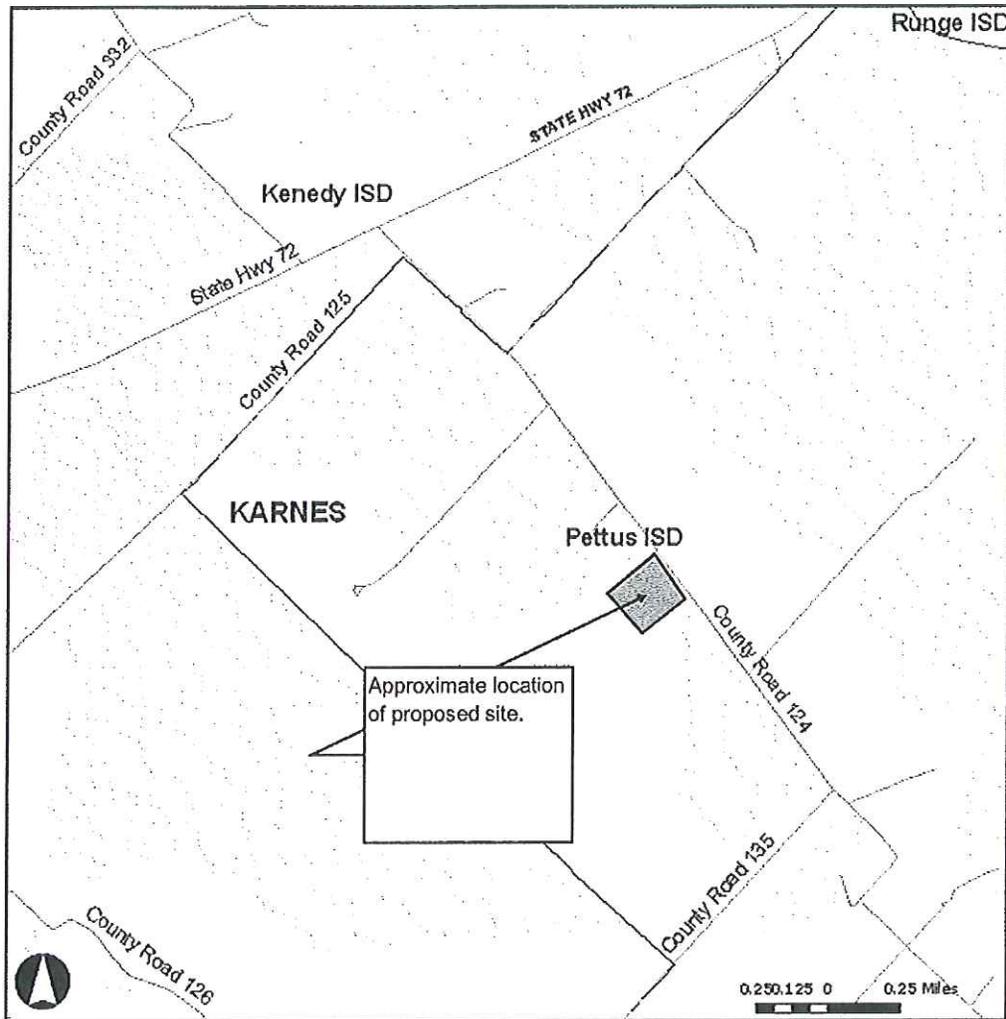
Google

Address County Road 124  
Kenedy, TX

KDB PLANT  
Near CR 124 and Highway 72



# Edwards Lime Processing, LLC - KDB Plant

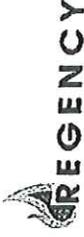


- |   |  |   |
|---|--|---|
| <p><b>Schools1</b></p> <ul style="list-style-type: none"> <li>• Elementary Schools</li> <li>■ Junior High/Middle Schools</li> <li>■ TocSymbol 0</li> <li>■ HighSchools</li> <li>▲ Elementary/Secondary Schools</li> <li>▲ Other Schools</li> </ul> <p><b>CommunityColleges</b></p> <ul style="list-style-type: none"> <li>★ Universities</li> </ul> <p><b>HigherEd</b></p> <ul style="list-style-type: none"> <li>★ Universities</li> </ul> <p><b>Hwys1</b></p> <ul style="list-style-type: none"> <li>Other</li> <li>==A11</li> <li>==A15</li> </ul> | <p><b>Hwys1 (continued)</b></p> <ul style="list-style-type: none"> <li>==A17</li> <li>—A21</li> <li>—A22</li> <li>—A23</li> <li>—A25</li> <li>—A27</li> </ul> <p><b>Streets2</b></p> <ul style="list-style-type: none"> <li>Street</li> </ul> <p><b>Counties1</b></p> <ul style="list-style-type: none"> <li>□ Counties</li> </ul> <p><b>Counties3</b></p> | <p><b>Hydrology</b></p> <ul style="list-style-type: none"> <li>□</li> </ul> <p><b>School Districts</b></p> <ul style="list-style-type: none"> <li>□ School Districts</li> </ul> <p><b>Districts</b></p> <p><b>Texas</b></p> <ul style="list-style-type: none"> <li>□</li> </ul> <p><b>Texas</b></p> <ul style="list-style-type: none"> <li>□</li> </ul> |
|---|--|---|

KDB Plant

County Road 124 southeast of Highway 72

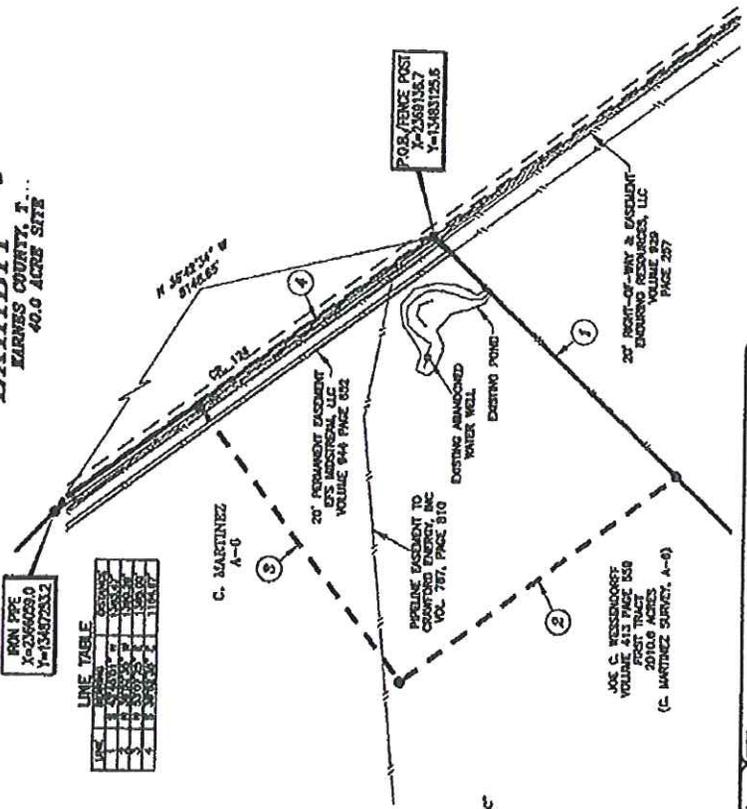




*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732  
 FEBRUARY 9, 2012

**EXHIBIT "B"**  
 KARNES COUNTY, TEXAS  
 40.0 ACRES SITE

TOTAL ACRES PROPOSED SITE: 40.0 ACRES



LINE TABLE

| LINE | BEARING        | DISTANCE | COORDINATES |
|------|----------------|----------|-------------|
| 1    | N 32°42'34\"/> |          |             |

SCALE: 1" = 600'  
 0' 250' 500'

- LEGEND**
- SURVEY/SECTION LINE
  - PROPERTY BOUNDARY
  - TRACT BOUNDARY
  - ROAD WAY
  - FENCE LINE
  - EXISTING PIPELINE
  - FENCE POST/CORNER
  - IRON PIPE FOUND
  - IRON ROD SET WITH CAP STAMPED "TOPOGRAPHIC"

**NOTES**

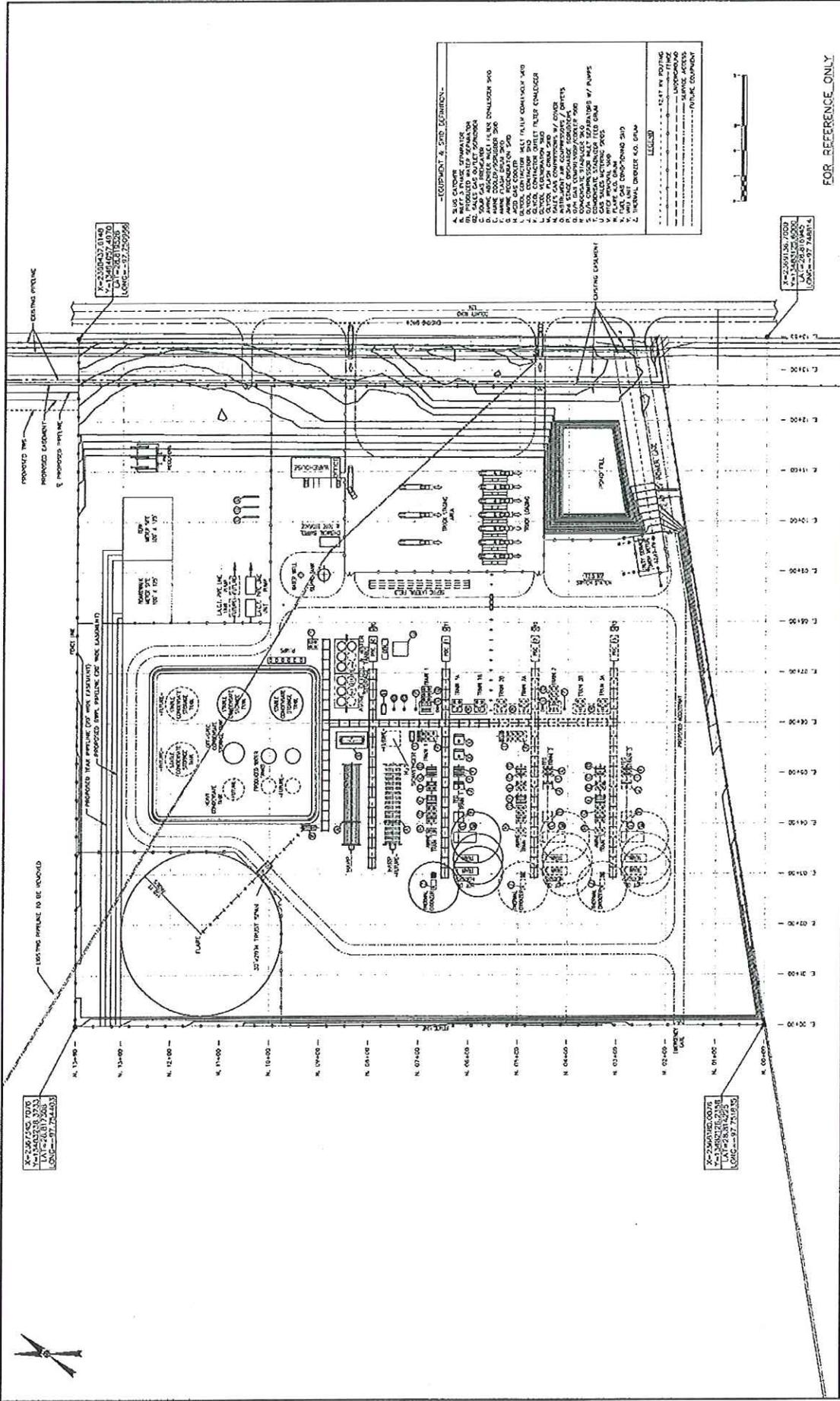
1. ALL CORNER MARKS AND COORDINATE VALUES CONTAINED HEREON ARE CORRECT AS SHOWN.
2. ALL SURVEY DATA WAS OBTAINED FROM THE COORDINATE SYSTEM, NORTH DATUM, 2011 U.S. FEET.
3. CONTRACTOR IS TO BE RESPONSIBLE FOR THE LOCATION OF THIS PROPERTY IN RELATION TO THE SURROUNDING ADJACENT PROPERTIES AND TO OBTAIN NECESSARY PERMITS AND APPROVALS FROM THE APPLICABLE AGENCIES AND LOCAL GOVERNMENT AGENCIES AS NECESSARY.
4. THIS SURVEY IS FOR THE PURPOSE OF THE PROPOSED PROJECT AND IS NOT TO BE USED FOR ANY OTHER PURPOSE.
5. THIS SURVEY IS BASED ON THE ASSUMPTION THAT THE COORDINATE SYSTEM IS CORRECT AND THAT THE DATA IS ACCURATE.
6. THIS SURVEY IS BASED ON THE ASSUMPTION THAT THE COORDINATE SYSTEM IS CORRECT AND THAT THE DATA IS ACCURATE.
7. THIS SURVEY IS BASED ON THE ASSUMPTION THAT THE COORDINATE SYSTEM IS CORRECT AND THAT THE DATA IS ACCURATE.
8. THIS SURVEY IS BASED ON THE ASSUMPTION THAT THE COORDINATE SYSTEM IS CORRECT AND THAT THE DATA IS ACCURATE.

**TOPOGRAPHIC**  
 Surveying • Mapping • GIS • GPS  
 1402 BOWEN STREET, SUITE 107 • FORT WORTH, TEXAS 76104  
 TELEPHONE (817) 744-7544 • FAX (817) 744-7548

| REVISION: | DATE     | BY |
|-----------|----------|----|
| B.S.Z.    | 02/09/12 |    |

**KDB GAS GATHERING & TREATMENT**

DATE: JANUARY 31, 2012  
 FILE: BO\_KDB\_CTF\_REV1  
 DRAWN BY: B.S.Z. & M.J.T.  
 SHEET : 1 OF 3



- EQUIPMENT & SITE LOCATIONS**
- A. 100% SINK FRACTIONATOR
  - B. 100% SINK FRACTIONATOR
  - C. 100% SINK FRACTIONATOR
  - D. 100% SINK FRACTIONATOR
  - E. 100% SINK FRACTIONATOR
  - F. 100% SINK FRACTIONATOR
  - G. 100% SINK FRACTIONATOR
  - H. 100% SINK FRACTIONATOR
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  - V. 100% SINK FRACTIONATOR
  - W. 100% SINK FRACTIONATOR
  - X. 100% SINK FRACTIONATOR
  - Y. 100% SINK FRACTIONATOR
  - Z. 100% SINK FRACTIONATOR

FOR REFERENCE ONLY

|          |       |          |       |
|----------|-------|----------|-------|
| DATE     | BY    | DATE     | BY    |
| 08/17/12 | DAVID | 08/17/12 | DAVID |
| 08/17/12 | DAVID | 08/17/12 | DAVID |
| 08/17/12 | DAVID | 08/17/12 | DAVID |

**REGENCY**  
 STREET PARTNERS  
 12000 WEST 10TH STREET, SUITE 100  
 DALLAS, TEXAS 75243  
 TEL: 972.382.1000 FAX: 972.382.1001  
 WWW.REGENCYENERGY.COM

**TALISMAN ENERGY Statoil**

| REV | BY    | DATE     | DESCRIPTION      | APPROVED BY |
|-----|-------|----------|------------------|-------------|
| 1   | DAVID | 08/17/12 | ISSUE FOR PERMIT | DAVID       |
| 2   | DAVID | 08/17/12 | ISSUE FOR PERMIT | DAVID       |

**CENTRAL TREATING FACILITY  
 EQUIPMENT LOCATION PLAN  
 KOB GATHERING & TREATING PROJECT**

MANANCE, DEWITT & BEE COUNTIES, TX

PROJECT NO. 70010-CIT-600-002

## ATTACHMENT 8

### Description of Qualified Property

The KDB plant consists of the following main units and utility systems which are classified as "QualifiedProperty"

- Slug Catcher
- 180 MMCFD Cryogenic Gas Unit-consisting of:
  - Inlet 3 Phase Separator
  - Produced Water Separator
  - Sales Gas Outlet Scrubber
  - Sour Gas Preheater
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  - BTEX Removal Skid
  - Fuel Gas Conditioning Skid
  - VRU Unit
  - Thermal Oxidizer and K.O. Drum
- Flare and K.O. Drum
- Instrument & Utility Air Compressors I Dryers
- Control Building, Office and Warehouse
- Condensate Storage Tanks
- Produced Water Tanks

**ATTACHMENT 9**

**Map of Qualified Property**

See Attachment 7

**ATTACHMENT 10**

**Description of Land**

**EXHIBIT "A"**  
**KARNES COUNTY, TEXAS**  
**LEGAL DESCRIPTION**



Metes and Bounds Description of a proposed 40.0 acre site located in the C. Martinez Survey, A-6, Karnes County, Texas and being a portion of a 2010.6 acre tract, recorded as the First Tract in Volume 413, Page 559, Official Records, Karnes County, Texas, said proposed 40.0 acre site being further described as follows:

BEGINNING at a fence post found for the occupied East corner of said 2010.6 acre tract, from whence an iron pipe found on the Northeast line of said 2010.6 acre tract, and also being in the West right-of-way line of County Road 124, bears N 36°42'34" W, a distance of 5148.65 feet;

Thence S 43°45'01" W, a distance of 1383.47 feet to an iron rod set with cap stamped "Topographic";

Thence N 36°52'35" W, a distance of 1390.29 feet to an iron rod set with cap stamped "Topographic";

Thence N 53°07'25" E, a distance of 1365.00 feet to an iron rod set with cap stamped "Topographic";

Thence S 36°52'35" E, a distance of 1164.97 feet to the POINT OF BEGINNING, and containing 40.0 acres more or less.



*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732

FEBRUARY 9, 2012

**TOPOGRAPHIC**

Surveying • Mapping • GIS • GPS  
 1400 JARDIN BLVD., SUITE 107 • FT. WORTH, TEXAS 76104  
 TELEPHONE: (817) 744-7818 • FAX: (817) 744-7648  
 WWW.TOPOGRAPHIC.COM

| KDB GAS GATHERING & TREATMENT |  | REVISION:       | NOTES:  |
|-------------------------------|--|-----------------|---|
| DATE: JANUARY 31, 2012        |  | B.S.Z. 02/09/12 | 1. ORIGINAL DOCUMENT SIZE: 11" X 8.5"   |
| FILE: BO_KDB_GTF_REV1         |  |                 | 2. ALL BEARINGS, DISTANCES, AND COORDINATE VALUES CONTAINED HEREIN ARE GSD BASED UPON THE TEXAS STATE PLANE COORDINATE SYSTEM, EIGHT COORDINATE ZONE, U.S. FEET, NORTH AMERICAN DATUM 1983  |
| DRAWN BY: B.S.Z. & H.J.T.     |  |                 | 3. ELEVATIONS ARE BASED ON THE LOCATION OF THIS INSTRUMENT, AS RELATED TO THE BENCHMARK PROVIDED BY TOPOGRAPHIC. FIELD SURVEY, MADE ON THE GROUND, UNDER MY SUPERVISION, AND UNDER DOCUMENTATION PROVIDED BY TOPOGRAPHIC. ONLY METERS/DECIMALS ARE MORE VISIBLE ON THE COPY OF THIS SURVEY, WHEN/WHICH THIS INSTRUMENT, HAVE BEEN LOCATED AS SHOWN HEREON OF WHICH I HAVE KNOWLEDGE. THIS COORDINATION IS LISTED TO THOSE PERSONS OR ENTITIES SHOWN ON THE FACE OF THIS PLAN AND IS NON-TRANSFERABLE, AND MADE FOR THIS TRANSACTION ONLY. |
| SHEET: 2 OF 3                 |  |                 | 4. B.O.L./P.O.B. = BEGINNING OF LINE/POINT OF BEGINNING   |
|                               |  |                 | 5. E.O.L./P.O.E. = END OF LINE/POINT OF END   |
|                               |  |                 | 6. B.A.R.C.T. = BOUND RECORDS KARNES COUNTY, TEXAS  |
|                               |  |                 | 7. O.A.R.C.T. = OFFICIAL RECORDS KARNES COUNTY, TEXAS   |

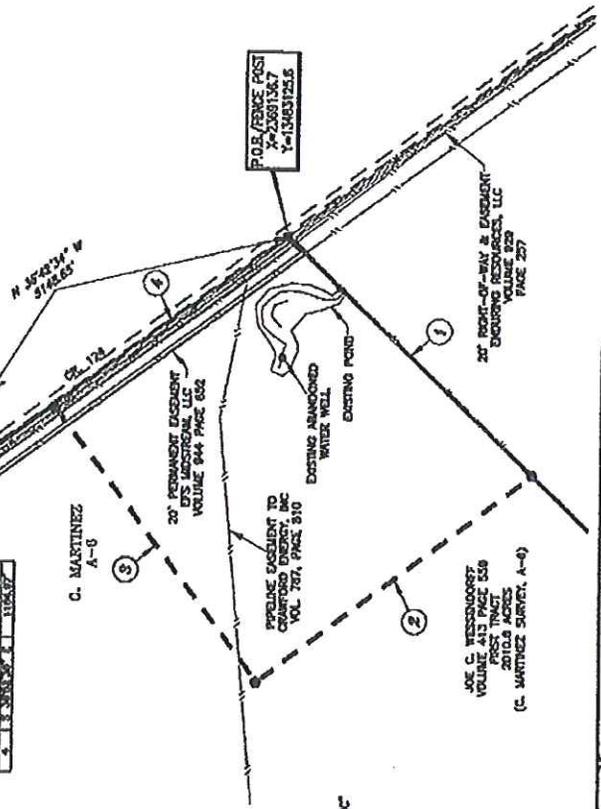
**EXHIBIT 'B'**  
**HERNANDEZ COUNTY, TEXAS**  
**40.0 ACRE SITE**

TOTAL ACREAGE PROPOSED SITE: 40.0 ACRES

IRON PIPE  
 X=22565053.0  
 Y=13457233.2

LINE TABLE

| LINE | BEARING         | DISTANCE | REMARKS |
|------|-----------------|----------|---------|
| 1    | N 34° 51' 14" W | 172.65   | STABLES |
| 2    | S 89° 52' 55" E | 1104.77  |         |
| 3    | S 89° 52' 55" E | 1104.77  |         |
| 4    | S 89° 52' 55" E | 1104.77  |         |



*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732  
 FEBRUARY 9, 2012



SCALE: 1" = 500'  
 0' 250' 500'

**LEGEND**

- SURVEY/SECTION LINE
- - - PROPOSED SITE
- FENCE BRICK
- FENCE WIRE
- EXISTING PORELINE
- FENCE POST/CORNER
- IRON PIPE FOUND
- IRON ROD SET WITH CAP STAMPED TOPOGRAPHIC

**TOPOGRAPHIC**

Surveyor & Mapper: GEL & GRS  
 1705 BROWN STREET, SUITE 107 • P.O. BOX 7040  
 WAXAHACH, TEXAS 75096 • TEL: (972) 744-7048

| REVISION: | DATE     |
|-----------|----------|
| B.S.Z.    | 02/09/12 |
|           |          |
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**KDB GAS GATHERING & TREATMENT**

DME-JANUARY 31, 2012

FILE-80\_KDB\_CTF\_REV1

DRAWN BY: B.S.Z. & W.J.T.

SHEET : 1 OF 3

**NOTES:**

- ALL SURVEY, RECORDS AND DEEDS ARE CORRECTED WITHIN THE ORDER AND FROM THE DATE THIS SURVEY WAS COMPLETED UNLESS OTHERWISE NOTED.
- CONTRIBUTORS TO THIS SURVEY ARE: GARY L. CLEMENTS, R.P.L.S. NO. 4732, SURVEYOR; AND THE TEXAS SURVEYING BOARD, 1000 WEST 17TH STREET, AUSTIN, TEXAS 78703.
- ALL DISTANCES ARE IN FEET AND DECIMALS THEREOF.
- ALL ANGLES ARE IN DEGREES AND MINUTES.
- ALL BEARINGS ARE TRUE BEARINGS UNLESS OTHERWISE NOTED.
- ALL DISTANCES ARE IN FEET AND DECIMALS THEREOF.
- ALL BEARINGS ARE TRUE BEARINGS UNLESS OTHERWISE NOTED.
- ALL DISTANCES ARE IN FEET AND DECIMALS THEREOF.
- ALL BEARINGS ARE TRUE BEARINGS UNLESS OTHERWISE NOTED.

**ATTACHMENT 11**

**Detailed Map Showing Location of the Land with Vicinity Map**

See Attachment 7

## **ATTACHMENT 12**

### **Description of All Existing Improvements**

Preliminary site surveying, preparatory work, fencing and improvement to access roads began in late May. The value of any existing improvements will not be included in the Application for Appraised Value Limitation.

**ATTACHMENT 14**

**Calculation of Three Possible Wage Requirements**

**ALL INDUSTRIES:**

**Quarterly Employment and Wages (QCEW)**

Page 1 of 1 (40 results/page)

| Year | Period  | Area          | Ownership | Division | Level | Ind Code | Industry              | Avg Weekly Wages |
|------|---------|---------------|-----------|----------|-------|----------|-----------------------|------------------|
| 2011 | 1st Qtr | Karnes County | Private   | 00       | 0     | 10       | Total, All Industries | \$582            |
| 2011 | 2nd Qtr | Karnes County | Private   | 00       | 0     | 10       | Total, All Industries | \$590            |
| 2011 | 3rd Qtr | Karnes County | Private   | 00       | 0     | 10       | Total, All Industries | \$677            |
| 2011 | 4th Qtr | Karnes County | Private   | 00       | 0     | 10       | Total, All Industries | \$736            |

| Year | Period  | Avg Weekly Wages |     |
|------|---------|------------------|-----|
| 2011 | 1st Qtr | \$               | 582 |
| 2011 | 2nd Qtr | \$               | 590 |
| 2011 | 3rd Qtr | \$               | 677 |
| 2011 | 4th Qtr | \$               | 736 |
|      | Average | \$               | 646 |
|      | 110%    | \$               | 711 |

**MANUFACTURING:**

**Quarterly Employment and Wages (QCEW)**

Page 1 of 1 (40 results/page)

| Year | Period  | Area          | Ownership | Division | Level | Ind Code | Industry      | Avg Weekly Wages |
|------|---------|---------------|-----------|----------|-------|----------|---------------|------------------|
| 2011 | 1st Qtr | Karnes County | Private   | 31       | 2     | 31-33    | Manufacturing | \$998            |
| 2011 | 2nd Qtr | Karnes County | Private   | 31       | 2     | 31-33    | Manufacturing | \$965            |
| 2011 | 3rd Qtr | Karnes County | Private   | 31       | 2     | 31-33    | Manufacturing | \$1,024          |
| 2011 | 4th Qtr | Karnes County | Private   | 31       | 2     | 31-33    | Manufacturing | \$1,185          |

| Year | Period  | Avg Weekly Wages |
|------|---------|------------------|
| 2011 | 1st Qtr | \$ 998           |
| 2011 | 2nd Qtr | \$ 965           |
| 2011 | 3rd Qtr | \$ 1,024         |
| 2011 | 4th Qtr | \$ 1,185         |
|      | Average | \$ 1,043         |
|      | 110%    | \$ 1,147         |

**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.

|   |
|---|
| ALAMO AREA COUNCIL OF GOVERNMENTS                 |
| ANNUAL \$35,952 x 110% = \$39,547                 |
| WEEKLY \$35,952 / 52 = \$691.38 x 110% = \$760.52 |

## **ATTACHMENT 15**

### **Description of Benefits**

**Regency Energy Partners offers its employees the following benefits:**

- 401K plan
- Medical
- Dental
- Vision
- RX Plan
- Flex Spending Account
- Life and AD&D insurance
- Paid Vacation, Sick, and Holidays
- Wellness Programs
- Employee Assistance Programs
- Extended Sick Leave

**ATTACHMENT 17 - 20**

**Schedules A - D**

Schedule A (Rev. May 2010): Investment

Form 50-296

Applicant Name: Edwards Lime Gathering LLC  
 ISD Name: Pettus ISD

| 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 (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 (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) | 2012-2013                                    | 2012  | \$ 50,000   | \$ -  |  | \$ -   | \$ 50,000                          |               |  |  |  |
|  | 2012-2013                                    | 2012  | \$ 6,400,000  | \$ -  |  | \$ -   | \$ 6,400,000                       |               |  |  |  |
|  | 2012-2013                                    | 2012  | \$ 57,600,000   | \$ -  | \$ 57,600,000  | \$ -   | \$ 57,600,000                      |               |  |  |  |
|  | Complete tax years of qualifying time period | 2013-2014                                     | 2013  | \$ 16,000,000   | \$ -   | \$ 16,000,000  | \$ -                               | \$ 16,000,000 |  |  |  |
|  |  | 2014-2015                                     | 2014  | \$ -  | \$ -   | \$ -   | \$ -                               | \$ -          |  |  |  |
|  |  | 2015-2016                                     | 2015  |   |  |  |                                    |               |  |  |  |
|  |  | 2016-2017                                     | 2016  |   |  |  |                                    |               |  |  |  |
|  |  | 2017-2018                                     | 2017  |   |  |  |                                    |               |  |  |  |
|  |  | 2018-2019                                     | 2018  |   |  |  |                                    |               |  |  |  |
|  |  | 2019-2020                                     | 2019  |   |  |  |                                    |               |  |  |  |
|  |  | 2020-2021                                     | 2020  |   |  |  |                                    |               |  |  |  |
|  |  | 2021-2022                                     | 2021  |   |  |  |                                    |               |  |  |  |
|  |  | 2022-2023                                     | 2022  |   |  |  |                                    |               |  |  |  |
|  | Value Limitation Period                      | 2023-2024                                     | 2023  |   |  |  |                                    |               |  |  |  |
|  |  | 2024-2025                                     | 2024  |   |  |  |                                    |               |  |  |  |
| 2025-2026  |  | 2025  |   |   |  |  |                                    |               |  |  |  |
| Continue to Maintain Viable Presence   | 2026-2027                                    | 2026  |   |   |  |  |                                    |               |  |  |  |
|  | 2027-2028                                    | 2027  |   |   |  |  |                                    |               |  |  |  |
| 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 §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: 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 §313.021(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 example for many projects would be land. Other examples may be items such as professional services, etc.

Column D: Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: 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.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE: 6-4-2012

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

Applicant Name: Edwards Lime Gathering LLC  
 ISD Name: Pettus ISD

Form 50-296

| 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 I&S - after all reductions | Final taxable value for M&O - after all reductions |
| pre-year 1 | 2012-2013               | 2012                                    | 49,500                         |   |  |                              | 49,500   | 49,500   |
| 1          | 2013-2014               | 2013                                    | 49,500                         | -   | 64,000,000   | 3,200,000                    | 60,849,500   | 60,849,500   |
| 2          | 2014-2015               | 2014                                    | 49,500                         | -   | 78,100,000   | 3,900,000                    | 74,249,500   | 74,249,500   |
| 3          | 2015-2016               | 2015                                    | 49,500                         | -   | 75,700,000   | 3,800,000                    | 71,949,500   | 10,000,000   |
| 4          | 2016-2017               | 2016                                    | 49,500                         | -   | 73,400,000   | 3,700,000                    | 69,749,500   | 10,000,000   |
| 5          | 2017-2018               | 2017                                    | 49,500                         | -   | 71,200,000   | 3,600,000                    | 67,649,500   | 10,000,000   |
| 6          | 2018-2019               | 2018                                    | 49,500                         | -   | 69,100,000   | 3,500,000                    | 65,649,500   | 10,000,000   |
| 7          | 2019-2020               | 2019                                    | 49,500                         | -   | 67,000,000   | 3,400,000                    | 63,649,500   | 10,000,000   |
| 8          | 2020-2021               | 2020                                    | 49,500                         | -   | 65,000,000   | 3,300,000                    | 61,749,500   | 10,000,000   |
| 9          | 2021-2022               | 2021                                    | 49,500                         | -   | 63,100,000   | 3,200,000                    | 59,949,500   | 10,000,000   |
| 10         | 2022-2023               | 2022                                    | 49,500                         | -   | 61,200,000   | 3,100,000                    | 58,149,500   | 10,000,000   |
| 11         | 2023-2024               | 2023                                    | 49,500                         | -   | 59,400,000   | 3,000,000                    | 56,449,500   | 56,449,500   |
| 12         | 2024-2025               | 2024                                    | 49,500                         | -   | 57,600,000   | 2,900,000                    | 54,749,500   | 54,749,500   |
| 13         | 2025-2026               | 2025                                    | 49,500                         | -   | 55,900,000   | 2,800,000                    | 53,149,500   | 53,149,500   |
| 14         | 2026-2027               | 2026                                    | 49,500                         | -   | 54,200,000   | 2,700,000                    | 51,549,500   | 51,549,500   |
| 15         | 2027-2028               | 2027                                    | 49,500                         | -   | 52,600,000   | 2,600,000                    | 50,049,500   | 50,049,500   |

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.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE:  DATE: 6-4-2012

**Schedule C- Application: Employment Information**

Applicant Name: Edwards Lime Gathering LLC  
 ISD Name: Pettus ISD

Form 50-296

|  | 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                                    | 130 FTE   | 65,500   |   |  |  |  |
| Complete tax years of qualifying time period | 1          | 2013-2014               | 2013                                    | 25 FTE  | 65,500   | 12  | 51,000   | 10   | 55,000   |
|  | 2          | 2014-2015               | 2014                                    |   |  | 12  | 51,000   | 10   | 55,000   |
|  | 3          | 2015-2016               | 2015                                    |   |  | 12  | 51,000   | 10   | 55,000   |
|  | 4          | 2016-2017               | 2016                                    |   |  | 12  | 51,000   | 10   | 55,000   |
|  | 5          | 2017-2018               | 2017                                    |   |  | 12  | 51,000   | 10   | 55,000   |
| Value Limitation Period                      | 6          | 2018-2019               | 2018                                    |   |  | 12  | 51,000   | 10   | 55,000   |
|  | 7          | 2019-2020               | 2019                                    |   |  | 12  | 51,000   | 10   | 55,000   |
|  | 8          | 2020-2021               | 2020                                    |   |  | 12  | 51,000   | 10   | 55,000   |
|  | 9          | 2021-2022               | 2021                                    |   |  | 12  | 51,000   | 10   | 55,000   |
|  | 10         | 2022-2023               | 2022                                    |   |  | 12  | 51,000   | 10   | 55,000   |
| Continue to Maintain Viable Presence         | 11         | 2023-2024               | 2023                                    |   |  | 12  | 51,000   | 10   | 55,000   |
|  | 12         | 2024-2025               | 2024                                    |   |  | 12  | 51,000   | 10   | 55,000   |
|  | 13         | 2025-2026               | 2025                                    |   |  | 12  | 51,000   | 10   | 55,000   |
| Post-Settle-Up Period                        | 14         | 2026-2027               | 2026                                    |   |  | 12  | 51,000   | 10   | 55,000   |
| Post-Settle-Up Period                        | 15         | 2027-2028               | 2027                                    |   |  | 12  | 51,000   | 10   | 55,000   |

Notes: For job definitions see TAC §§.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.

*[Handwritten Signature]*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

6-4-2012  
DATE

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

| Applicant Name   | Edwards Lime Gathering LLC |                         |                        | ISD Name  |   | Pettus ISD  |        |      |          |       |
|--|----------------------------|-------------------------|------------------------|---|---|---|--------|------|----------|-------|
|  | Sales Tax Information      |                         |                        | Franchise Tax   |   | Other Property Tax Abatements Sought  |        |      |          |       |
|  | Year                       | School Year (YYYY-YYYY) | Tax/Calendar Year YYYY | 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 |
| The year preceding the first complete tax year of the qualifying time period (assuming no deferrals) |                            | 2012-2013               | 2012                   | 4,480,000   | 59,520,000  | -   | 50%    |      | 50%      |       |
| Complete tax years of qualifying time period   | 1                          | 2013-2014               | 2013                   | 1,120,000   | 14,880,000  | 156,000   | 50%    |      | 50%      |       |
|  | 2                          | 2014-2015               | 2014                   | 100,000   | 200,000   | 195,000   | 50%    |      | 50%      |       |
|  | 3                          | 2015-2016               | 2015                   | 100,000   | 200,000   | 200,000   | 50%    |      | 50%      |       |
|  | 4                          | 2016-2017               | 2016                   | 100,000   | 200,000   | 204,000   | 50%    |      | 50%      |       |
|  | 5                          | 2017-2018               | 2017                   | 100,000   | 200,000   | 205,000   | 50%    |      | 50%      |       |
|  | 6                          | 2018-2019               | 2018                   | 100,000   | 200,000   | 207,000   |        |      |          |       |
|  | 7                          | 2019-2020               | 2019                   | 100,000   | 200,000   | 209,000   |        |      |          |       |
|  | 8                          | 2020-2021               | 2020                   | 100,000   | 200,000   | 211,000   |        |      |          |       |
|  | 9                          | 2021-2022               | 2021                   | 100,000   | 200,000   | 212,000   |        |      |          |       |
|  | 10                         | 2022-2023               | 2022                   | 100,000   | 200,000   | 212,000   |        |      |          |       |
|  | 11                         | 2023-2024               | 2023                   | 100,000   | 200,000   | 212,000   |        |      |          |       |
|  | 12                         | 2024-2025               | 2024                   | 100,000   | 200,000   | 212,000   |        |      |          |       |
|  | 13                         | 2025-2026               | 2025                   | 100,000   | 200,000   | 212,000   |        |      |          |       |
|  | 14                         | 2026-2027               | 2026                   | 100,000   | 200,000   | 212,000   |        |      |          |       |
|  | 15                         | 2027-2028               | 2027                   | 100,000   | 200,000   | 212,000   |        |      |          |       |

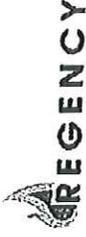
\*For planning, construction and operation of the facility.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

6-4-2012  
DATE

**ATTACHMENT 21**

**Map of Reinvestment Zone**

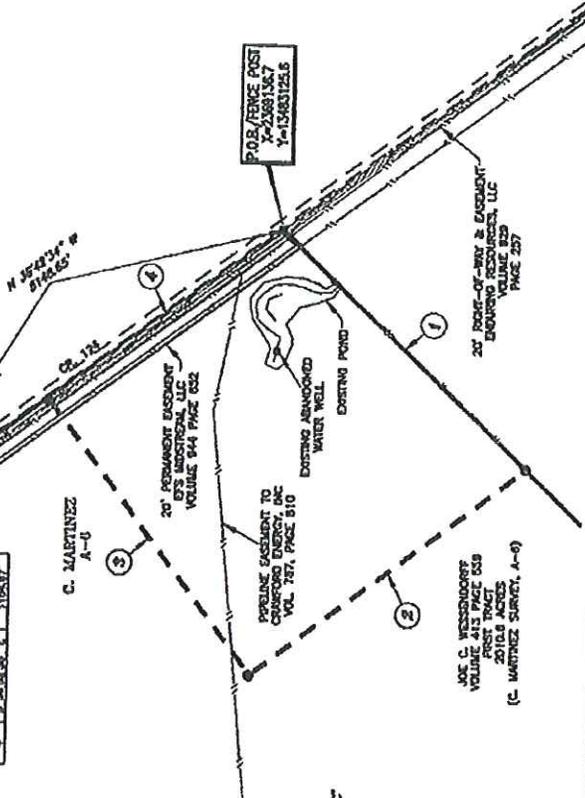


**EXHIBIT 3**  
**HARRIS COUNTY, TEXAS**  
**40.0 ACRE SITE**

TOTAL ACREAGE PROPOSED SITE: 40.0 ACRES

IRON PIPE  
 X=2366955.0  
 Y=13407253.2

| LINE | BEARING       | LENGTH  | AREA     |
|------|---------------|---------|----------|
| 1    | N 85°29'11" W | 8146.65 | 10000.00 |
| 2    | S 85°29'11" E | 8146.65 | 10000.00 |
| 3    | S 85°29'11" E | 8146.65 | 10000.00 |
| 4    | N 85°29'11" W | 8146.65 | 10000.00 |



- LEGEND**
- SURVEY/SECTION LINE
  - PROPOSED SET
  - FENCE LINE
  - EXISTING PIPELINE
  - FENCE POST/POSSIBLE
  - IRON PIPE FOUND
  - IRON ROD SET WITH CAP STAMPED "TOPOGRAPHIC"

SCALE: 1" = 500'  
 0' 250' 500'



*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732  
 FEBRUARY 9, 2012

**NOTES:**

- ALL SURVEY DATA AND CALCULATIONS WERE OBTAINED FROM THE ORIGINAL RECORDS AND THE ORIGINAL RECORDS ARE ON FILE AT THE OFFICE OF THE SURVEYOR.
- THE SURVEY WAS CONDUCTED IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE BOARD OF SURVEYING AND MAPPING.
- THE SURVEY WAS CONDUCTED IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE BOARD OF SURVEYING AND MAPPING.
- THE SURVEY WAS CONDUCTED IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE BOARD OF SURVEYING AND MAPPING.

**TOPOGRAPHIC**

Surveying & Mapping • GPS • GIS  
 1425 SOUTH WYOMING, SUITE 117 • F.O. BOX 7940 DALLAS, TEXAS 75240  
 TELEPHONE (972) 342-0017 • FAX (972) 794-7548  
 WWW.TOPOGRAFIC.COM

| REVISION: | DATE     | BY |
|-----------|----------|----|
| B.S.Z.    | 02/09/12 |    |

|  |                           |
|--|---------------------------|
| <b>KOB GAS GATHERING &amp; TREATMENT</b> | DATE: JANUARY 31, 2012    |
|  | FILE NO: KOB_GIF_REV1     |
|  | DRAWN BY: B.S.Z. & M.A.T. |
|  | SHEET: 1 OF 3             |



**ATTACHMENT 22**

**Order, Resolution, or Ordinance Establishing the Zone**

**COUNTY OF KARNES**

**STATE OF TEXAS**

**AN ORDER DESIGNATING 40 ACRES LOCATED IN THE C. MARTINEZ SURVEY, A-6, KARNES COUNTY, TEXAS, AND BEING A PORTION OF A 2010.6 ACRE TRACT, RECORDED AS THE FIRST TRACT IN VOLUMEN 413, PAGE 559, OFFICIAL RECORDS, KARNES COUNTY, TEXAS AND 10 ACRES LOCATED IN THE C. MARTINEZ SURVEY, A-6, KARNES COUNTY, TEXAS AND BEING A PORTION OF A 2010.6 ACRE TRACT. RECORDED AS THE FIRST TRACT IN VOLUMEN 413, PAGE 559, OFFICIAL RECORDS, KARNES COUNTY, TEXAS AS A REINVESTMENT ZONE PURSUANT TO CHAPTER 312 OF THE TEXAS TAX CODE; MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH; PROVIDING AN EFFECTIVE DATE; AND PROVIDING A SEVERABILITY CLAUSE**

WHEREAS, the Commissioners Court of the County of Karnes desires to create the proper economic and social environment to induce the investment of private resources in productive business enterprises located in distressed areas of the County and to provide employment opportunities within such areas; and

WHEREAS, the Commissioners Court finds that the 40 acre tract indicated on Exhibit "A" and Exhibit "B" and the 10 acre tract indicated on Exhibit "C" and Exhibit "D" ("the property"), which are incorporated herein for all purposes, are within the County of Karnes; and

WHEREAS, the Commissioners Court finds that the improvements planned for the property are feasible and practical and would be a benefit to the area after expiration of any subsequent tax abatement agreement; and

WHEREAS, the Commissioners Court finds that the designation of the area as a reinvestment zone is likely to contribute to the retention and expansion of primary employment, and is likely to attract major investment in the area; and

WHEREAS, after notice was published in accordance with Texas Tax Code 312.401(b) and 312.201(d), a public hearing was held to consider this order on March 31, 2010; and

WHEREAS, the Commissioners Court finds that it is in the County's interest to designate the property as a reinvestment zone pursuant to Texas Tax Code 312.401;

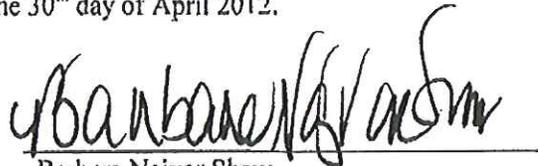
**NOW, THEREFORE BE IT ORDERED BY THE COMMISSIONERS COURT OF THE COUNTY OF KARNES, TEXAS:**

Section 1. That the County hereby designates the 40-acre tract of real property located in Karnes County and described in the metes and bounds description and survey map attached hereto as Exhibit "A" and Exhibit

"B" respectively, and legally described as: 40 acres located in the C. Martinez Survey, A-6, Karnes County, Texas and being a portion of a 2010.6 acre tract, recorded as the First Tract in Volume 413, Page 559, Official Records, Karnes County, Texas AND the 10-acre tract of real property located in Karnes County a described in the metes and bounds description and survey map attached hereto as Exhibit "C" and Exhibit "D" respectively. and legally described as: 10 acres located in the C. Martinez Survey, A-6, Karnes County, Texas and being a portion of a 2010.6 acre tract, recorded as the First Tract in Volume 413, Page 559, Official Records, Karnes County, Texas. as a reinvestment zone.

- Section 2. That the County finds that the designation of the area as a reinvestment zone is likely to contribute to the retention and expansion of primary employment. and is likely to attract major investment in the area, and will contribute to the economic development of the County.
- Section 3. That the County finds that the property meets the legal qualifications necessary to receive designation as a reinvestment zone pursuant to Chapter 312 of the Texas Tax Code.
- Section 4. That this order shall take effect from and after its passage as the law in such case provides.
- Section 5. If any clause or provision of this order shall be deemed to be unenforceable for any reason, such unenforceable clause or provision shall be severed from the remaining portions of the order, which shall continue to have full force and effect.

PASSED AND APPROVED on the 30<sup>th</sup> day of April 2012.

  
Barbara Najvar Shaw  
County Judge, Karnes County

ATTEST:

  
Carol Swize, County Clerk

**ATTACHMENT 23**

**Legal Description of Reinvestment Zone**



**EXHIBIT "C"**  
**KARNES COUNTY, TEXAS**  
**LEGAL DESCRIPTION**



Metes and Bounds Description of a proposed 10.0 acre site located in the C. Martinez Survey, A-6, Karnes County, Texas and being a portion of a 2010.6 acre tract, recorded as the First Tract in Volume 413, Page 559, Official Records, Karnes County, Texas, said proposed 10.0 acre site being further described as follows:

BEGINNING at an fence post found for the occupied North corner of said 2010.6 acre tract, from whence an iron pipe found at a fence corner for the West corner of said 2010.6 acre tract bears S 45°54'24" W, a distance of 11218.20 feet;

Thence S 46°01'53" E, a distance of 641.64 feet to an iron rod set with cap stamped "Topographic";

Thence S 43°11'50" W, a distance of 660.06 feet to an iron rod set with cap stamped "Topographic";

Thence N 46°01'53" W, a distance of 660.06 feet to an iron rod set with cap stamped "Topographic";

Thence N 43°11'50" E, a distance of 620.09 feet to an iron rod set with cap stamped "Topographic";

Thence Thence N 68°04'21" E, a distance of 43.79 feet to the POINT OF BEGINNING, and containing 10.0 acres more or less.



*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732  
 FEBRUARY 9, 2012

**TOPOGRAPHIC**

Accepted - Metric - GPS - GDS  
 1100 FORT WORTH AVENUE, SUITE 1000, FORT WORTH, TEXAS 76104  
 (817) 733-7012 • FAX (817) 733-7013  
 METROPOD.COM

|                               | REVISION: |          | NOTES  |
|-------------------------------|-----------|----------|--|
|                               | B.S.Z.    | 02/09/12 |  |
| KDB GAS GATHERING & TREATMENT |           |          | 1. GROUND ELEVATION FROM 10' X 8" B.M.<br>2. ALL DISTANCES GIVEN ARE IN FEET, UNLESS OTHERWISE NOTED.<br>3. THIS SURVEY WAS CONDUCTED IN ACCORDANCE WITH THE SURVEYING ACT AND THE RULES AND REGULATIONS OF THE BOARD OF SURVEYING AND MAPPING, TEXAS.<br>4. ALL DATA IS BASED UPON THE BEST AVAILABLE INFORMATION AND THE SURVEYOR'S BEST JUDGMENT.<br>5. ALL DATA IS BASED UPON THE BEST AVAILABLE INFORMATION AND THE SURVEYOR'S BEST JUDGMENT.<br>6. ALL DATA IS BASED UPON THE BEST AVAILABLE INFORMATION AND THE SURVEYOR'S BEST JUDGMENT.<br>7. ALL DATA IS BASED UPON THE BEST AVAILABLE INFORMATION AND THE SURVEYOR'S BEST JUDGMENT. |
| DATE: JANUARY 31, 2012        |           |          |  |
| FILE NO: KDB_CSP-B_REV1       |           |          |  |
| DRAWN BY: B.S.Z.              |           |          |  |
| SHEET: 2 OF 3                 |           |          |  |

## **ATTACHMENT 24**

### **Guidelines and Criteria for Reinvestment Zone**

# **Tax Abatement Guidelines and Criteria For Karnes County**

Modified on 2/12/10 by:

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## Section 1 - Definitions

ABATEMENT means the full or partial exemption from ad valorem taxes of certain real property in a reinvestment zone designated by the County or City for economic development purposes.

AGREEMENT means a contractual agreement between a property owner and/ or lessee and the affected jurisdiction for the purpose of tax abatement.

AFFECTED JURISDICTION means Karnes County and any city and school district located in Karnes County that levies ad valorem taxes upon and/ or provides services to property located within the proposed or existing reinvestment zone designated by Karnes County or the City of XXXX.

AQUACULTURE/AGRICULTURE FACILITY means building, structures and major earth structure improvements, including fixed machinery and equipment, the primary purpose of which is the hatching, incubation, nursing, maturing and/ or processing to marketable size aquatic culture in commercially marketable quantities or the processing, refining, packaging, and distribution of food and/ or fiber products in commercially marketable quantities.

AVERAGE HOURLY WAGE means the total annual hourly wages (including base pay, shift differential and overtime) divided by total annual hours worked (full-time and full-time equivalent). Wages paid and hours worked are restricted to the XXXX facility. Highly compensated employees hours and wages will be excluded from this calculation.

BASE YEAR VALUE means improvements necessary for continued operations that do not improve productivity or alter the process technology.

CAPITAL INVESTMENT means the value of new, expanded, replaced or upgraded facilities and fixtures as appraised and established by the Karnes County Appraisal District for ad valorem tax purposes.

CITY means City of XXXX.

COMMERCIAL ENTERPRISE means a business unit whose primary function is retail commercial or service sector oriented and is legally operating within Karnes County.

COMMITTEE shall mean the Karnes County Economic and Community Development Corporation's (KCE & CDC's) Executive Committee.

COUNTY means Karnes County.

DEFERRED MAINTENANCE means improvements necessary for continued operations that do not improve productivity or alter the process technology.

DISTRIBUTION CENTER is the same term as DISTRIBUTION CENTER FACILITY.

DISTRIBUTION CENTER FACILITY means building and structures, including machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility, from which a majority of the revenues generated by the activity at the facility are derived from outside Karnes County.

ECONOMIC LIFE means the number of years a property improvement is expected to be in service in a facility.

ENTERTAINMENT/TOURISM FACILITY means buildings and structures, including machinery and equipment, used or to be used to provide entertainment and/ or tourism related services.

EXPANSION means the addition of building, structures, machinery or equipment for purposes of increasing production capacity.

FACILITY means property improvements completed or in the process of construction which together comprise an integral whole.

FULL-TIME EQUIVALENT (FTE) means permanent employment for at least 624 hours or more per year or 12 hours or more per week per person on an annualized basis. Two half time or three one third time jobs equal one full-time job.

FULL-TIME JOB is defined by the State of Texas as permanent employment for 1820 hours or more per year or 35 hours or more per week per person on an annualized basis.

HIGHLY COMPENSATED EMPLOYEES as defined by the Fair Labor Standards Act hours and wages will be excluded from the calculation of the facility's overall average hourly wage.

INDUSTRIAL ENTITY (or INDUSTRIAL FACILITY) means a business unit whose primary function is manufacturing and/ or distribution only.

INITIATING GOVERNING BODY shall be either the XXXX City Council or the Karnes County Commissioner's Court depending on whether Applicant's project is located in the City of XXXX or within Karnes County but outside the City of XXXX.

JOB (or JOBS) means a permanent position held by one employee or multiple full-time equivalent employees.

MANUFACTURING FACILITY means buildings and structures, including machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.

MODERNIZATION means the upgrading and or replacement of existing facilities which increases the productive input or cost of operation. Modernization may result from the construction, alteration or installation of buildings, structures, fixed machinery or equipment. It shall not be for the purpose of reconditioning, refurbishing or repairing.

MULTI-FAMILY HOUSING FACILITY means a building or business containing dwelling units designed to be leased to residential tenants. To qualify as a "multi-family housing facility" the facility must provide not less than two (2) housing units for lease.

NEW FACILITY means a property previously undeveloped which is placed in to service by means other than or in conjunction with expansion or ill Odernization.

OFFICE BUILDING means office building.

OTHER BASIC INDUSTRY means buildings and structures including fixed machinery and equipment not elsewhere described, used or to be used for the production of products or services which serve a market primarily outside the County and result in the creation of new permanent jobs and create new wealth into the county.

PETROCHEMICAL FACILITY means a business or industrial unit whose primary function is the processing, refining, or transportation of petroleum-based products.

PRODUCTIVE LIFE means the number of years a property improvement is expected to be in service in a facility.

REGIONAL SERVICE FACILITY means buildings and structures, including machinery and equipment used or to be used to service goods where a majority of the goods being serviced are domiciled at least 25 miles from the facility's location in Karnes County.

REGIONAL TELECOMMUNICATIONS OR DATA PROCESSING FACILITY Means buildings or structures used to consolidate and/ or coordinate telecommunications or data processing transactions that are initiated from locations outside the territorial boundaries of the applicable taxing jurisdiction.

REINVESTMENT ZONE means an area of the City of XXXX or County of Karnes designated as a reinvestment zone in accordance with the criteria and procedures set forth in Chapter 312 of the Texas Tax Code.

RESEARCH FACILITY means buildings and structures, including machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.

RETAIL FACILITY means a business unit whose primary function is the sale of goods, products, or services to the public at large.

SCHOOL DISTRICT means XXXX Independent School District.

SERVICE FACILITY means buildings and structures, including fixed machinery and equipment, used to provide a service.

TOURISM ENTITY means a business unit whose primary function is entertainment, recreation or education leading to the promotion of tourism.

#### Section 2 - Abatements Authorized

- A. Eligible Facilities: A Facility may become eligible for abatement if it is Located within a designated Reinvestment Zone and is a:
1. Manufacturing or Industrial Facility.
  2. Research Facility.
  3. Distribution Center Facility.
  4. Regional Service Facility.

5.

6. Regional Entertainment or Tourist Facility Including Hotels and Motels.
6. Other Basic Industry.
7. Multi-Family Housing Facility.
8. Office Building or Office
9. Aquaculture or Agriculture Facility.
10. Petrochemical Facility
11. Regional Telecommunication or Data Processing Facility.
12. Retail Facility, including Restaurants, Health Care and Financial Institutions.

- B. Effect of Commencement of Construction: A reinvestment zone or a tax abatement agreement shall not be established if it is found that the application for designation of a reinvestment zone and! or the abatement was filed after the commencement of construction, alteration, or installation of improvements related to a proposed modernization, expansion or new facility.
- C. Abatement of New Value: Abatement may only be granted for the additional value of eligible property improvements made subsequent to an application for tax abatement. Eligible property improvements must be in the abatement application and must be included in the tax abatement agreement between the governmental entity and the property owner and lessee, subject to such limitation as the governmental entity may require.
- D. New and Existing Facilities: Abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.

E. Property Value Eligible for Abatement: Abatement may be extended to the value of improvements to Real Property as defined by the Karnes County Appraisal District including building, structures, fixed machinery and equipment, site improvements plus that office space and related fixed improvements necessary to the operation and administration of the facility. The taxing jurisdictions may also agree for the abatement of the following:

- 1) Inventories
- 2) Supplies
- 3) Tools

F. Ineligible Property: The following types of property shall be fully taxable and ineligible for abatement:

1. Land.
2. Furnishings and other forms of movable personal property.
3. Vehicles.
4. Watercraft.
5. Aircraft.
6. Deferred Maintenance Investments.
7. Property to be rented or leased except as provided in Section 2, G.
8. Improvements for the generation and transmission of electrical energy the majority of which is not consumed by a new facility or expansion.
9. Any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility.
10. Property owned or used by the State of Texas, Federal, or Foreign government or one of their political subdivisions.
11. Property owned by any organization that is owned, operated or directed by a political subdivision.

G. Owned or Leased Facilities: If a leased facility is granted abatement, the agreement shall be executed with the lessor and lessee.

- H. Economic Qualification: In order to be eligible for tax abatement, the planned new facility or planned expansion of an existing facility must;
1. Be reasonably expected to increase the value of the property a minimum of \$75,000.00 after completion of construction or within two years after the abatement agreement is entered into, whichever is earlier.
  2. Be reasonably expected to prevent the loss of employment, retain, or create employment for at least five (5)\* people on a full time permanent basis at the site of the eligible facility.
  3. Be necessary because capacity cannot be provided efficiently utilizing existing improved property.
  4. Be reasonably expected to contribute to the economic development of the reinvestment zone and the City and County.
  5. Must not be expected to solely or primarily have the effect of transferring employment from one part of Karnes County to another.

\*Minimum number of jobs may be waived for Multi-Family Housing Facility.

- I. Abatement Considerations: Abatement may be granted for up to 100% of the value of eligible property. The following factors will be considered in determining the percentage of the abatement:
1. Number of jobs and type created or retained (permanent full time qualifying for Abatement percentages plus part timers or temporary hires) in excess of the minimum required herein.
  2. Capital investment amounts, type and expected economic life of eligible property in excess of the minimum required here.
  3. Level of wages to be paid to employees and whether new jobs created will be filled by persons residing in or projected to reside in Karnes County.
  4. Capital investment amounts, type and expected economic life of new taxable property to be included in the project.
  5. Sales Taxes, hotel taxes or other incomes or projected population growth that would be generated by the project to the benefit of governmental entities.
  6. Off site infrastructure investment by applicant.

7. Off site infrastructure investment by County, City, or other public entities in order to serve the project.
8. Use of City utilities where available (i.e. water, wastewater).
9. Whether proposed improvements compete with existing businesses to the detriment of the local economy or adversely impact the business opportunities of existing businesses.
10. Whether the project is environmentally compatible with the community.

The applicable governmental entity shall have the authority to determine the percentage of tax abatement according to the above criteria in order to:

1. Accomplish their economic development goals;
2. Insure that governmental entities are not hampered in their delivery of services; and
3. Insure that the property tax burden is not shifted to present taxpayers without offsetting advancement of a public purpose.

J. Denial of Abatement: No Abatement Agreement shall be authorized if it is determined that:

- (1) There would be a substantial adverse affect on the tax base or costs associated with the providing of government services.
- (2) The applicant has insufficient financial capacity, which reasonably could be expected to jeopardize the success of the undertaking.
- (3) The planned or potential use of the property would constitute a hazard to public safety, health or morals.
- (4) Granting an Abatement might lead to the violation of other codes or laws.
- (5) For any other reason deemed appropriate by KCE & CDC's Executive Committee, or applicable governmental entity.

K. Review: C E & CDC's Executive Committee will review tax abatement applications and make recommendations on the percentage, duration



Once the minimum number of new jobs (5)\* and/ or the minimum capital investment level (\$75,000) is met, the abatement percentage amounts to be recommended may be based either on the number of new jobs or the new capital investment level.

**In addition** to the abatement percentages cited above, an additional 1% may be added for each payroll unit of \$25,000 or more (i.e. each employee earning \$25,000 per year) up to a maximum of 25%. Abatement amounts may not exceed 100% or go beyond ten years with the maximum abatement for the tenth year being 50%.

\*Minimum number of jobs may be waived for Multi Family Housing Projects.

**In addition** to the criteria cited above, KCE & CDC's Executive Committee may recommend and each applicable governmental entity may individually approve adding or subtracting abatement percentage amounts based on Abatement Considerations cited in Section 2, 1.

N. **Taxability**: From the execution of the abatement contract to the end of the agreement period, taxes shall be payable as follows:

1. The value of the ineligible property as described in Section 2, F shall be fully taxable.

2. The base year value of existing eligible properties as determined

- each year shall be fully taxable.
3. The additional value of eligible properties shall be taxable at the non-abated percentage of their value as determined by the applicable governmental entity based on recommendations made by KCE & CDC's Executive Committee and the guidelines cited above and shall be fully taxable at the end of the Abatement period.

### **Section 3 - Application**

- A. **Written Application:** Any present or potential owner of taxable property in an affected jurisdiction may request the creation of a Reinvestment Zone and Tax Abatement by filing a written request with the affected jurisdictions and attaching a plat and metes and bounds description effectively describing said Reinvestment Zone. Applicants may request Tax Abatement by filing a written application with the City Administrator, City Secretary, or County Clerk (or his/her designated representative) of the appropriate jurisdiction. Appropriate jurisdictional staff will review the application for completeness and accuracy and submit it to KCE & CDC's Executive Committee for consideration. KCE & CDC's Executive Committee will then meet to consider the application and develop a recommendation to the appropriate jurisdictions.
- B. **Contents of Application:** The application shall consist of;
  1. A completed application form accompanied by a general description of the new improvements to be undertaken.
  2. A descriptive list of the improvements for which the Abatement is requested.
  3. A list of the kind, number, and location of all proposed improvements of the property.
  4. A map and property description.
  5. A time schedule for undertaking and completing the proposed improvements.

In the case of a modernization or expansion project, a statement of the assessed value of the facility, separately stated for real and personal property, shall be given for the tax year immediately preceding the application. The application form may require such financial and other information as the taxing jurisdiction deems appropriate for evaluating

the financial capacity and other relevant factors of the applicant.

- C. Written Notification to Governmental Bodies: Upon receipt of a completed application, the City Administrator, City Secretary, or County Clerk (or his/her designated representative) of the appropriate jurisdiction shall forward a copy of the application to the presiding officer of the governmental jurisdictions having jurisdiction of the property covered by the applications.
- D. Feasibility: After receipt of an application for tax abatement, the taxing jurisdiction, KCE & CDC's Executive Committee, and the Karnes County Chief Appraiser shall jointly consider the feasibility and the impact of the proposed Tax Abatement. The review of feasibility shall include, but not be limited to, an estimate of the economic effect of the Abatement of taxes and the benefit to the governmental jurisdictions and property to be covered by such Abatement.

#### Section 4 - Agreement

- A. Contents of Tax Abatement Agreement: The Tax Abatement Agreement with the owners of the facility shall include:
  - 1. A list of the kind, number, and location of all proposed improvements of the property.
  - 2. Provision for access to and authorized inspection of the property by municipal or county employees to ensure that the improvements or repairs are made according to the specifications and conditions of the Agreement. All inspections shall be conducted in a manner that does not unreasonably interfere with the construction or operation of the facility; provided, however, the City or County may conduct inspections without advance notification to applicant. A representative of applicant shall have the right to be present during any such inspection. Any inspection shall be conducted in accordance with accepted safety standards.
  - 4. Provisions to limit the uses of the property consistent with the general purpose of encouraging development or redevelopment of

the Reinvestment Zone during the period that property tax exemptions are in effect.

5. Provisions for recapturing property tax revenue lost as a result of the Agreement if the owner of the property fails to make the improvements or repairs as provided by the Agreement.
5. The estimated value to be subject to Abatement.
6. The percentage of value to be abated each year as provided in Section 2.
7. The commencement date, and termination date of the Agreement.
8. The proposed use of the facility, nature of construction, time schedule, and map property description, as provided in the application.
9. The amount of capital investment, and minimum number of jobs created by the project.
10. Reporting requirements, including periodic capital investment reports during construction and periodic manpower reports from applicant's personnel officer confirming the number of additional employees added and retained as a result of the capital investment.
11. Applicant shall warrant that the information provided to the taxing jurisdictions are true and correct, and that any materially false or misleading information that is provided on the application or, in any periodic report to the taxing jurisdictions, may be grounds for the termination of the existing Tax Abatement and possible liability for the capture of past taxes normally due.
12. If the applicant is a City utility customer, the applicant agrees to remain a City utility customer during the abated period, and maintain currency on City utility bill payment for the period of the Abatement.

Agreements with multiple owners in a single designated Reinvestment Zone must have identical terms.

- B. Additional Fees: Extraordinary additional fees incurred by governmental bodies in preparation of Tax Abatement Agreements will be paid by the applicant upon execution of the Agreement.
- C. Notice of Agreement: Not later than the seventh day before the date on which the City Council or County considers an agreement, the City Administrator, City Secretary, or County Clerk (or his/her designated representative) shall deliver to the presiding officer of the governing body of each taxing jurisdiction in which the property is located, a written notice that the City / County intends to enter into the Agreement. The notice must include a copy of the proposed Agreement and shall be hand delivered or sent by certified mail.

#### **Section 5. Recapture**

- A. In the event that the facility is completed and begins producing product or service, but subsequently discontinues producing product or service for any reason excepting fire, explosion or other casualty or accident or natural disaster for a period of six (6) months during the Abatement period, then the Abatement Agreement shall terminate and so shall the Abatement of the taxes for the current and any future calendar year during which the facility no longer produces. The taxes that were to be abated for that calendar year shall be paid to the affected jurisdictions within 60 days from the date of termination.
- B. Should the governing body determine that the company or individual is in default according to the terms and conditions of its Agreement, the governing body shall notify- the company or individual in writing at the address stated in the Agreement, and if such is not cured within 60 days from the date of such notice (Cure Period), then the Agreement may be terminated.
- C. In the event that the company or individual (1) allows its unabated ad valorem taxes owed any of the affected jurisdictions to become delinquent and fails to timely and properly follow the legal procedures for their protest and/ or contest, or (2) violates any of the terms and conditions of the Abatement Agreement with any of the affected jurisdictions and fails to cure during the Cure Period, the Agreement then may be terminated by every affected jurisdiction and all taxes previously abated by virtue of every Agreement will be recaptured by each affected jurisdiction and shall be paid by the applicant to each affected jurisdiction within 60 days of the termination.

#### Section 6 - Administration

- A. The Chief Appraiser of the Karnes County Appraisal District shall annually determine an assessment of the real and personal property comprising the Reinvestment Zone. Each year the company or individual receiving Abatement shall furnish the assessor with such information as may be necessary for Abatement, including the number of new or retained employees associated with the facility. Once value has been established, the Chief Appraiser shall notify the affected jurisdictions, which levies taxes on the amount of the assessment.
  
- B. The Agreement shall stipulate that employees *and/or* designated representatives of the jurisdiction establishing the Reinvestment Zone and entering into a Tax Abatement Agreement 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 the giving of twenty-four (24) hours prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/ or operation of the facility. All inspections will be made with one or more representatives of the company or individual and in accordance with its safety standards.
  - 1. Upon completion of construction, the jurisdiction establishing the Reinvestment Zone and entering into a Tax Abatement Agreement shall annually evaluate each facility and report possible violations of the contract and Agreement to each affected jurisdiction.
  - 2. All proprietary information acquired by any affected jurisdictions for purposes of monitoring compliance with the terms and conditions of an Abatement Agreement shall be considered confidential.

#### Section 7- Assignment

- A. The Abatement may be transferred and assigned by the holder to a new owner or lessee of the same facility upon the approval of resolution of each affected jurisdiction, subject to the financial capacity of the assignee and provided that all conditions and obligations in the

Abatement Agreement are guaranteed by the execution of a new contractual Agreement with each affected jurisdiction.

- B. The contractual Agreement with the new owner or lessee shall not exceed the termination date of the Abatement Agreement with the original owner and/or lessee.
- C. No assignment or transfer shall be approved if the parties to the existing Agreement, the new owner or new lessee are liable to any affected jurisdiction for outstanding taxes or other liabilities.
- D. Approval shall not be unreasonably withheld.

**Section 8 - Sunset Provision**

- A. These Guidelines and Criteria are effective upon the date of their adoption and will remain in force for two years, at which time all Reinvestment Zones and Tax Abatement contracts created pursuant to its provisions will be reviewed by the governing body to determine whether the goals have been achieved. Based on that review, the Guidelines and Criteria may be modified, renewed or eliminated providing that such actions shall not affect existing contracts.
- B. These guidelines and criteria do not apply to Industrial District Contracts entered into in accordance with chapter 42 of the Texas Local Government code.

Section 9 - Severability and Limitations

- A. In the event that any section, clause, sentence, paragraph or any part of these Guidelines and Criteria shall, for any reason be adjudged by any court of competent jurisdiction to be invalid such invalidity shall not affect, impair, or invalidate the remainder of these Guidelines and Criteria.
  
- B. If these Guidelines and Criteria have omitted any mandatory requirements of the applicable Tax Abatement laws of the State of Texas, then such requirements are hereby incorporated as a part of these Guidelines and Criteria.

Signed and Approved This

Attachment B

Certificate of Account Status



## TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

July 25, 2012

### CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS  
COUNTY OF TRAVIS

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, DO  
HEREBY CERTIFY that according to the records of this office

**EDWARDS LIME GATHERING, LLC**

is, as of this date, in good standing with this office having no franchise tax reports or payments due at this time. This certificate is valid through the date that the next franchise tax report will be due August 15, 2012.

This certificate does not make a representation as to the status of the entity's registration, if any, with the Texas Secretary of State.

This certificate is valid for the purpose of conversion when the converted entity is subject to franchise tax as required by law. This certificate is not valid for any other filing with the Texas Secretary of State.

GIVEN UNDER MY HAND AND  
SEAL OF OFFICE in the City of  
Austin, this 25th day of  
July 2012 A.D.

A handwritten signature in cursive script that reads "Susan Combs".

Susan Combs  
Texas Comptroller

Taxpayer number: 32034536865  
File number: 0057808580

Form 05-304 (Rev. 12-07/17)

Attachment C

State Comptroller's Recommendation

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



July 13, 2012

Robert Thompson  
Superintendent  
Pettus Independent School District  
500 N. May Street  
Pettus, Texas 78146

Dear Superintendent Thompson:

On June 15, 2012, the Comptroller received the completed application for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted in June 4, 2012 to the Pettus Independent School District (Pettus ISD) by Edwards Lime Gathering, LLC. This letter presents the results of the comptroller's review of the application:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to make a recommendation to the governing body of the school district as to whether the application should be approved or disapproved using the criteria set out by Section 313.026.

Pettus ISD is currently classified as a rural school district in Category 3 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$73.6 million) 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. Edwards Lime Gathering, LLC is proposing the construction of a manufacturing facility in Karnes County. Edwards Lime Gathering, LLC is an active franchise taxpayer in good standing, as required by Tax Code Section 313.024(a).

As required by Section 313.024(h), the Comptroller has determined that the property, as described by the application, meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

After reviewing the application using the criteria listed in Section 313.026, and the information provided by Edwards Lime Gathering, LLC, the Comptroller's recommendation is that Edwards Lime Gathering, LLC's application under Tax Code Chapter 313 be approved.

Our review of the application 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. Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. The school district is responsible for verifying that all requirements of the statute have been fulfilled. Additionally, 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

<sup>1</sup> All statutory references are to the Texas Tax Code, unless otherwise noted.

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.

The Comptroller's recommendation is based on the application that has been submitted and reviewed by the Comptroller. The recommendation may not be used by the ISD to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

1. The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency 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 must approve and execute a limitation agreement that has been reviewed by this office within a year from the date of this letter; and
4. Section 313.025 requires the district to provide to the Comptroller a copy of the signed limitation agreement within 7 days after execution.

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 D

Economic Analysis

Economic Impact for Chapter 313 Project

|   |                             |
|---|-----------------------------|
| Applicant   | Edwards Lime Gathering, LLC |
| Tax Code, 313.024 Eligibility Category  | Manufacturing               |
| School District   | Pettus ISD                  |
| 2010-11 Enrollment in School District   | 411                         |
| County  | Karnes                      |
| Total Investment in District  | \$80,000,000                |
| Qualified Investment  | \$73,600,000                |
| Limitation Amount   | \$10,000,000                |
| Number of total jobs committed to by applicant  | 12                          |
| Number of qualifying jobs committed to by applicant   | 10                          |
| Average Weekly Wage of Qualifying Jobs committed to by applicant  | \$1,058                     |
| Minimum Weekly Wage Required Tax Code, 313.051(b)   | \$761                       |
| Minimum Annual Wage committed to by applicant for qualified jobs  | \$55,000                    |
| Investment per Qualifying Job   | \$8,000,000                 |
| Estimated 15 year M&O levy without any limit or credit:   | \$10,758,647                |
| Estimated gross 15 year M&O tax benefit   | \$6,477,062                 |
| 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): | \$6,133,581                 |
| Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)   | \$1,346,658                 |
| Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:  | \$4,625,067                 |
| Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)  | 57.0%                       |
| Percentage of tax benefit due to the limitation   | 79.2%                       |
| Percentage of tax benefit due to the credit.  | 20.8%                       |

This presents the Comptroller's economic impact evaluation of Edwards Lime Gathering, LLC (the project) applying to Pettus 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 12 new jobs when fully operational. 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 Alamo Area Council of Governments Region, where Karnes County is located was \$35,952 in 2010. The annual average manufacturing wage for 2011 for Karnes County is \$54,236. That same year, the county annual average wage for all industries was \$33,592. In addition to a salary of \$55,000, each qualifying position will receive the following benefits: 401(k) plan; medical; dental; vision; Rx plan; flex spending account; life and AD&D insurance; paid vacation, sick and holidays; wellness programs, employee assistance programs; and extended sick leave. The project's total investment is \$80 million, resulting in a relative level of investment per qualifying job of \$8 million.

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

According to Edwards Lime Gathering, LLC's application, "Edwards Lime Gathering, LLC, is a joint venture between Energy Transfer's subsidiary Regency Energy Partners, Statoil and Talisman Energy. Energy Transfer is a leading midstream energy company whose primary activities include gathering, treating, manufacturing and transporting natural gas and natural gas liquids to a variety of markets and states. Energy Transfer currently operates over 17,500 miles of pipeline, 3 gas manufacturing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations included Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

Energy Transfer's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation."

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

During the past two years, one project in the Alamo Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

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

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Edwards Lime Gathering, LLC 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 Edwards Lime Gathering, LLC's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

**Table 1: Estimated Statewide Economic Impact of Investment and Employment in Edwards Lime Gathering, LLC**

| Year | Employment |                    |       | Personal Income |                    |              |
|------|------------|--------------------|-------|-----------------|--------------------|--------------|
|      | Direct     | Indirect + Induced | Total | Direct          | Indirect + Induced | Total        |
| 2012 | 130        | 130                | 260   | \$8,515,000     | \$7,485,000        | \$16,000,000 |
| 2013 | 37         | 72                 | 109   | \$2,249,500     | \$5,750,500        | \$8,000,000  |
| 2014 | 12         | 48                 | 60    | \$612,000       | \$4,388,000        | \$5,000,000  |
| 2015 | 12         | 49                 | 61    | \$612,000       | \$4,388,000        | \$5,000,000  |
| 2016 | 12         | 54                 | 66    | \$612,000       | \$5,388,000        | \$6,000,000  |
| 2017 | 12         | 51                 | 63    | \$612,000       | \$5,388,000        | \$6,000,000  |
| 2018 | 12         | 59                 | 71    | \$612,000       | \$5,388,000        | \$6,000,000  |
| 2019 | 12         | 57                 | 69    | \$612,000       | \$6,388,000        | \$7,000,000  |
| 2020 | 12         | 60                 | 72    | \$612,000       | \$6,388,000        | \$7,000,000  |
| 2021 | 12         | 64                 | 76    | \$612,000       | \$7,388,000        | \$8,000,000  |
| 2022 | 12         | 62                 | 74    | \$612,000       | \$7,388,000        | \$8,000,000  |
| 2023 | 12         | 65                 | 77    | \$612,000       | \$7,388,000        | \$8,000,000  |
| 2024 | 12         | 66                 | 78    | \$612,000       | \$7,388,000        | \$8,000,000  |
| 2025 | 12         | 60                 | 72    | \$612,000       | \$8,388,000        | \$9,000,000  |
| 2026 | 12         | 66                 | 78    | \$612,000       | \$9,388,000        | \$10,000,000 |
| 2027 | 12         | 64                 | 76    | \$612,000       | \$9,388,000        | \$10,000,000 |

Source: CPA, REMI, Edwards Lime Gathering, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Pettus ISD's ad valorem tax base in 2010 was \$188 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Pettus ISD's estimated wealth per WADA was \$273,617. 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, Karnes County, Karnes County Wide Hospital District, Karnes County Wide Rural Fire District, Evergreen UWCD, Karnes County Wide Road & Bridge District, Escondido Watershed District, and San Antonio River Authority, with all property tax incentives sought being granted using estimated market value from Edwards Lime Gathering, LLC's application. Edwards Lime Gathering, LLC has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county and hospital district. Table 3 illustrates the estimated tax impact of the Edwards Lime Gathering, LLC project on the region if all taxes are assessed.



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 \$10,758,647. The estimated gross 15 year M&O tax benefit, or levy loss, is \$6,477,062.

Attachment 3 is an economic overview of Karnes 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.

Economic Impact for Chapter 313 Project

|   |                             |
|---|-----------------------------|
| Applicant   | Edwards Lime Gathering, LLC |
| Tax Code, 313.024 Eligibility Category  | Manufacturing               |
| School District   | Pettus ISD                  |
| 2010-11 Enrollment in School District   | 411                         |
| County  | Karnes                      |
| Total Investment in District  | \$80,000,000                |
| Qualified Investment  | \$73,600,000                |
| Limitation Amount   | \$10,000,000                |
| Number of total jobs committed to by applicant  | 12                          |
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| Estimated 15 year M&O levy without any limit or credit:   | \$10,758,647                |
| Estimated gross 15 year M&O tax benefit   | \$6,477,062                 |
| 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): | \$6,133,581                 |
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| Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:  | \$4,625,067                 |
| Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)  | 57.0%                       |
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This presents the Comptroller's economic impact evaluation of Edwards Lime Gathering, LLC (the project) applying to Pettus 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;
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- (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
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- (11) the economic condition of the region of the state at the time the person's application is being considered;
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Source: CPA, REMI, Edwards Lime Gathering, LLC

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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 \$10,758,647. The estimated gross 15 year M&O tax benefit, or levy loss, is \$6,477,062.

Attachment 3 is an economic overview of Karnes 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.



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

July 2, 2012

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 Edwards Lime Gathering LLC project for the Pettus Independent School District (PISD). Projections prepared by our Office of School Finance confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Edwards Lime Gathering LLC project on PISD 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

July 2, 2012

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 Edwards Lime Gathering LLC project on the number and size of school facilities in Pettus Independent School District (PISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the PISD superintendent, Brian Thompson, the TEA has found that the Edwards Lime Gathering LLC project would not have a significant impact on the number or size of school facilities in PISD.

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

## Karnes County

### Population

- Total county population in 2010 for Karnes County: 15,126 , up 0.5 percent from 2009. State population increased 1.8 percent in the same time period.
- Karnes County was the state's 139th largest county in population in 2010 and the 150th fastest growing county from 2009 to 2010.
- Karnes County's population in 2009 was 38.2 percent Anglo (below the state average of 46.7 percent), 10.8 percent African-American (below the state average of 11.3 percent) and 49.8 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Karnes County:

|              |       |             |       |
|--------------|-------|-------------|-------|
| Karnes City: | 3,318 | Kenedy:     | 3,290 |
| Runge:       | 1,047 | Falls City: | 602   |

### Economy and Income

#### Employment

- September 2011 total employment in Karnes County: 4,939 , down 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 Karnes County unemployment rate: 9.2 percent, up from 9.0 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

- Karnes County's ranking in per capita personal income in 2009: 242nd with an average per capita income of \$23,631, up 0.8 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 Karnes County averaged \$28.32 million annually from 2007 to 2010. County total agricultural values in 2010 were up 168.0 percent from 2009. Major agriculture related commodities in Karnes County during 2010 included:
  - Sorghum      • Horses      • Hay      • Hunting      • Other Beef
- 2011 oil and gas production in Karnes County: 2.5 million barrels of oil and 22.4 million Mcf of gas. In September 2011, there were 144 producing oil wells and 144 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 Karnes County during the fourth quarter 2010: \$21.12 million, up 42.4 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

|              |   |
|--------------|---|
| Karnes City: | \$2.00 million, up 20.6 percent from the same quarter in 2009.  |
| Kenedy:      | \$13.28 million, up 42.0 percent from the same quarter in 2009. |
| Runge:       | \$450,370.00, up 32.0 percent from the same quarter in 2009.    |
| Falls City:  | \$500,329.00, up 20.5 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 Karnes County through the fourth quarter of 2010: \$69.22 million, up 23.3 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

|              |  |
|--------------|--|
| Karnes City: | \$7.18 million, up 11.3 percent from the same period in 2009.  |
| Kenedy:      | \$42.59 million, up 19.9 percent from the same period in 2009. |
| Runge:       | \$1.48 million, up 13.3 percent from the same period in 2009.  |
| Falls City:  | \$1.75 million, up 11.9 percent from the same period in 2009.  |

##### *Annual (2010)*

- Taxable sales in Karnes County during 2010: \$69.22 million, up 23.3 percent from 2009.
- Karnes County sent an estimated \$4.33 million (or 0.03 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

|              |   |
|--------------|---|
| Karnes City: | \$7.18 million, up 11.3 percent from 2009.  |
| Kenedy:      | \$42.59 million, up 19.9 percent from 2009. |
| Runge:       | \$1.48 million, up 13.3 percent from 2009.  |
| Falls City:  | \$1.75 million, up 11.9 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 Karnes County based on the sales activity month of August 2011: \$215,203.13, up 146.8 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:
 

|              |  |
|--------------|--|
| Karnes City: | \$57,058.24, up 216.8 percent from August 2010.  |
| Kenedy:      | \$147,136.08, up 133.1 percent from August 2010. |
| Runge:       | \$7,903.25, up 110.6 percent from August 2010.   |
| Falls City:  | \$3,105.56, up 35.3 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 Karnes County based on sales activity months from September 2010 through August 2011: \$1.60 million, up 60.8 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:
 

|              |   |
|--------------|---|
| Karnes City: | \$369,990.67, up 85.1 percent from fiscal 2010.   |
| Kenedy:      | \$1.12 million, up 54.2 percent from fiscal 2010. |
| Runge:       | \$72,113.41, up 82.4 percent from fiscal 2010.    |
| Falls City:  | \$39,265.81, up 29.7 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 Karnes County based on sales activity months through August 2011: \$1.17 million, up 73.2 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:
 

|              |  |
|--------------|--|
| Karnes City: | \$286,854.91, up 115.4 percent from the same period in 2010. |
| Kenedy:      | \$801,072.93, up 61.8 percent from the same period in 2010.  |
| Runge:       | \$52,898.95, up 92.6 percent from the same period in 2010.   |
| Falls City:  | \$27,707.48, up 45.8 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 Karnes County based on sales activity in the 12 months ending in August 2011: \$1.60 million, up 60.8 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:
 

|              |  |
|--------------|--|
| Karnes City: | \$369,990.67, up 85.1 percent from the previous 12-month period.   |
| Kenedy:      | \$1.12 million, up 54.2 percent from the previous 12-month period. |
| Runge:       | \$72,113.41, up 82.4 percent from the previous 12-month period.    |
| Falls City:  | \$39,265.81, up 29.7 percent from the previous 12-month period.    |

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

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

|              |  |
|--------------|--|
| Karnes City: | \$330,558.79, up 100.3 percent from the same period in 2010. |
| Kenedy:      | \$979,781.79, up 58.9 percent from the same period in 2010.  |
| Runge:       | \$64,477.03, up 95.7 percent from the same period in 2010.   |
| Falls City:  | \$32,364.64, up 33.3 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 Karnes County based on sales activity months in 2010: \$1.11 million, up 15.6 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

|              |  |
|--------------|--|
| Karnes City: | \$216,293.38, up 9.0 percent from 2009.  |
| Kenedy:      | \$813,109.66, up 18.1 percent from 2009. |
| Runge:       | \$46,673.24, up 13.7 percent from 2009.  |
| Falls City:  | \$30,559.05, up 5.4 percent from 2009.   |

### ***Property Tax***

- As of January 2009, property values in Karnes County: \$1.34 billion, up 16.1 percent from January 2008 values. The property tax base per person in Karnes County is \$89,280, above the statewide average of \$85,809. About 25.3 percent of the property tax base is derived from oil, gas and minerals.

### **State Expenditures**

- Karnes County's ranking in state expenditures by county in fiscal year 2010: 124th. State expenditures in the county for FY2010: \$69.17 million, up 0.1 percent from FY2009.
- In Karnes County, 11 state agencies provide a total of 760 jobs and \$6.95 million in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
  - Department of Criminal Justice
  - Department of Transportation
  - University of Texas Medical Branch
  - Health & Human Services Commission

### **Higher Education**

- Community colleges in Karnes County fall 2010 enrollment:
  - None.
- Karnes County is in the service area of the following:
  - Coastal Bend College with a fall 2010 enrollment of 4,348. Counties in the service area include:
    - Atascosa County
    - Bee County
    - Brooks County
    - Duval County
    - Jim Wells County
    - Karnes County
    - Kleberg County
    - Live Oak County
    - McMullen County
- Institutions of higher education in Karnes County fall 2010 enrollment:
  - None.

### **School Districts**

- Karnes County had 4 school districts with 16 schools and 2,265 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.)
  - Falls City ISD had 329 students in the 2009-10 school year. The average teacher salary was \$44,363. The percentage of students meeting the 2010 TAKS passing standard for all tests was 96 percent.
  - Karnes City ISD had 953 students in the 2009-10 school year. The average teacher salary was \$46,325. The percentage of students meeting the 2010 TAKS passing standard for all tests was 85 percent.
  - Kenedy ISD had 683 students in the 2009-10 school year. The average teacher salary was \$42,691. The percentage of students meeting the 2010 TAKS passing standard for all tests was 68 percent.
  - Runge ISD had 300 students in the 2009-10 school year. The average teacher salary was \$40,149. The percentage of students meeting the 2010 TAKS passing standard for all tests was 74 percent.

Attachment E

Summary of Financial Impact

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED EDWARDS  
LIME GATHERING LLC PROJECT ON THE FINANCES OF THE  
PETTUS INDEPENDENT SCHOOL DISTRICT UNDER A  
REQUESTED CHAPTER 313 PROPERTY VALUE LIMITATION**

**June 11, 2012**

**Final Report**

**PREPARED BY**



## Estimated Impact of the Proposed Edwards Lime Gathering LLC Project on the Finances of the Pettus Independent School District under a Requested Chapter 313 Property Value Limitation

### Introduction

Edwards Lime Gathering LLC (Edwards Lime) has requested that the Pettus Independent School District (PISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to PISD on June 4, 2012, Edwards Lime proposes to invest \$80 million to construct a new cryogenic industrial gas manufacturing facility in PISD.

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

Under the provisions of Chapter 313, PISD may offer a minimum value limitation of \$10 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2013-14 and 2014-15 school years, unless the District and the Company agree to an extension of the start of the two-year qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2013-14 and 2014-15 school years. Beginning in the 2015-16 school year, the project would go on the local tax roll at \$10 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes.

The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues, although PISD does not have any outstanding bonded indebtedness. As a result, PISD does not currently levy an I&S tax.

The taxable value of the investment is expected to reach \$74 million in the 2014-15 school year. Depreciation is expected to reduce the taxable value of the project over the course of the value limitation agreement.

In the case of the Edwards Lime project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. PISD would experience a revenue loss as a result of the implementation of the value limitation in the 2015-16 school year (-\$343,481).

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$6.1 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

## School Finance Mechanics

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

The third year is often problematical financially for a school district that approves a Chapter 313 value limitation. The implementation of the value limitation often results in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant under the revenue protection provisions of the agreement. In years 4-10, smaller or no revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local M&O tax roll and the corresponding M&O state property value.

Under the HB 1 system adopted in 2006, most school districts received additional state aid for tax reduction (ASATR) that was used to maintain their target revenue amounts established at the revenue levels under old law for the 2005-06 or 2006-07 school years, whichever was highest. In terms of new Chapter 313 property value limitation agreements, adjustments to ASATR funding often moderated the impact of the reduced M&O collections as a result of the limitation, in contrast with the earlier formula-driven finance system.

House Bill 3646 as enacted in 2009 created more "formula" school districts that were less dependent on ASATR state aid than had been the case previously. The formula reductions enacted under Senate Bill 1 (SB 1) as approved in the First Called Session in 2011 are designed to make \$4 billion in reductions to the existing school funding formulas for the 2011-12 and 2012-13 school years. For the 2011-12 school year, across-the-board reductions were made that reduced each district's WADA count and resulted in an estimated 797 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 227 districts operating directly on the state formulas.

For the 2012-13 school year, the SB 1 changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula. These changes are expected to result in a reduction to 403 target revenue districts, compared with 624 formula districts for the 2012-13 school year.

For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the appropriations bill. The recent legislative session also saw the adoption of a statement of legislative intent to no longer fund target revenue (through ASATR) by the 2017-18 school year. It is likely that ASATR state funding will be reduced in future years and eliminated by the 2017-18 school year, based on current state policy.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Edwards Lime project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws

are in effect in each of those years. This meets the statutory requirement under Section 313.027(f)(1) of the Tax Code to provide school district revenue protection language in the agreement.

### **Underlying Assumptions**

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

The general approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. The current SB 1 reductions are reflected in the underlying models. With regard to ASATR funding the 92.35 percent reduction enacted for the 2012-13 school year and thereafter, until the 2017-18 school year. A statement of legislative intent was adopted in 2011 to no longer fund target revenue by the 2017-18 school year, so that change is reflected in the estimates presented below. The projected taxable values of the Edwards Lime Gathering LLC project are factored into the base model used here. The impact of the limitation value for the proposed Edwards Lime project is isolated separately and the focus of this analysis.

It should be noted that PISD has a low target revenue of \$4,846 per WADA, compared with a state average of about \$5,200 per WADA. Even at relatively low target revenue level, these estimates assume that PISD would receive ASATR funding for the 2011-12 school year and again in the 2015-16 school year, when the \$10 million value limitation would take effect.

Student enrollment counts are held constant at 385 students in average daily attendance (ADA) in analyzing the effects of the Edwards Lime project on the finances of PISD. The District's local tax base reached \$139.1 million for the 2011 tax year and is maintained at that level for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.17 is used throughout this analysis. PISD has estimated state property wealth per weighted ADA or WADA of approximately \$246,303 for the 2011-12 school year. The enrollment and property value assumptions for the 15 years that are the subject of this analysis are summarized in Table 1.

### **School Finance Impact**

School finance models were prepared for PISD under the assumptions outlined above through the 2027-28 school year. Beyond the 2012-13 school year, no attempt was made to forecast the 88<sup>th</sup> percentile or Austin yield that influence future state funding beyond the projected level for that school year. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

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

A second model is developed which adds the Edwards Lime value but imposes the proposed property value limitation effective in the third year, which in this case is the 2015-16 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3).

A summary of the differences between these models is shown in Table 4. The model results show approximately \$3.8 million a year in annual net General Fund revenue, after various funding adjustments have been made, as needed.

Under these assumptions, PISD would experience a revenue loss as a result of the implementation of the value limitation in the 2015-16 school year (-\$343,481). The revenue reduction results from the impact of the M&O tax reduction at the compressed rate and on Tier II up to the PISD M&O tax rate of \$1.17.

As noted previously, no attempt was made to forecast further reductions in ASATR funding beyond the 92.35 percent adjustment adopted for the 2012-13 school year, although it is assumed that ASATR will be eliminated beginning in the 2017-18 school year, based on the 2011 statement of legislative intent.

One risk factor under the estimates presented here relates to the implementation of the value limitation in the 2015-16 school year. The formula loss of \$343,481 cited above between the base and the limitation models is based on an assumption that Edwards Lime would see an estimated M&O tax deduction of \$724,809 when the \$10 million limitation is implemented. Under the estimates presented here and as highlighted in Table 4, an increase in ASATR funding of about \$401,000 would offset most of the reduction in M&O taxes in the first year the value limitation is in effect.

In general, the ASATR offset poses little financial risk to the school district as a result of the adoption of the value limitation agreement. But a significant reduction of ASATR funding prior to the assumed 2017-18 school year elimination of these funds could reduce the residual tax savings for Edwards Lime in the first year that the \$10 million value limitation takes effect.

The Comptroller's state property value study influences these calculations, as noted previously. At the school-district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect. The Comptroller's Property Tax Assistance Division makes two value determinations for school districts granting Chapter 313 agreements, consistent with local practice. A consolidated single state property value had been provided previously.

### **Impact on the Taxpayer**

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.17 per \$100 of taxable value M&O rate is assumed in 2012-13 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$5.1 million over the life of the agreement. In addition, Edwards Lime would be eligible for a tax credit for M&O taxes paid on value in excess of the value limitation in each of the first two

qualifying years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$1.3 million over the life of the agreement, with no unpaid tax credits anticipated. PISD is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key PISD revenue losses are expected to total approximately -\$343,481 in the 2015-16 school year. The potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to total \$6.1 million over the life of the agreement. While legislative changes to ASATR funding could increase the hold-harmless amount owed in the initial year of the agreement, there would still be a substantial tax benefit to Edwards Lime under the value limitation agreement for the remaining years that the limitation is in effect.

### **Facilities Funding Impact**

The Edwards Lime project remains fully taxable for debt services taxes, although PISD not currently levy an I&S tax. The value of the Edwards Lime project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value is expected to increase the District's projected wealth per ADA to \$552,637 in the peak year of I&S taxable project value, well above the \$350,000 per ADA funding level provided for under the state's facilities funding programs.

The Edwards Lime project is not expected to affect PISD in terms of enrollment. Continued expansion of the project and related development could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

### **Conclusion**

The proposed Edwards Lime cryogenic industrial gas manufacturing facility enhances the tax base of PISD. It reflects continued capital investment in keeping with the goals of Chapter 313 of the Tax Code.

Under the assumptions outlined above, the potential tax savings for the applicant under a Chapter 313 agreement could reach an estimated \$6.1 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of PISD in meeting any future debt service obligations, should the need arise.

Table 1 – Base District Information with Edwards Lime Gathering LLC Project Value and Limitation Values

| Year of Agreement | School Year | ADA    | WADA   | M&O Tax Rate | I&S Tax Rate | CAD Value with Project | CAD Value with Limitation | CPTD with Project | CPTD With Limitation | CPTD Value with Project per WADA | CPTD Value with Limitation per WADA |
|-------------------|-------------|--------|--------|--------------|--------------|------------------------|---------------------------|-------------------|----------------------|----------------------------------|-------------------------------------|
| Pre-Year 1        | 2012-13     | 385.00 | 667.50 | \$1.1700     | \$0.0000     | \$139,105,580          | \$139,105,580             | \$138,515,915     | \$138,515,915        | \$207,513                        | \$207,513                           |
| 1                 | 2013-14     | 385.00 | 667.50 | \$1.1700     | \$0.0000     | \$199,905,580          | \$199,905,580             | \$138,565,415     | \$138,565,415        | \$207,587                        | \$207,587                           |
| 2                 | 2014-15     | 385.00 | 667.50 | \$1.1700     | \$0.0000     | \$213,305,580          | \$213,305,580             | \$199,365,415     | \$199,365,415        | \$298,673                        | \$298,673                           |
| 3                 | 2015-16     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$211,005,580          | \$149,056,080             | \$212,765,415     | \$212,765,415        | \$314,316                        | \$314,316                           |
| 4                 | 2016-17     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$208,805,580          | \$149,056,080             | \$210,465,415     | \$148,515,915        | \$310,918                        | \$219,401                           |
| 5                 | 2017-18     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$206,705,580          | \$149,056,080             | \$208,265,415     | \$148,515,915        | \$307,668                        | \$219,401                           |
| 6                 | 2018-19     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$204,705,580          | \$149,056,080             | \$206,165,415     | \$148,515,915        | \$304,566                        | \$219,401                           |
| 7                 | 2019-20     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$202,705,580          | \$149,056,080             | \$204,165,415     | \$148,515,915        | \$301,612                        | \$219,401                           |
| 8                 | 2020-21     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$200,805,580          | \$149,056,080             | \$202,165,415     | \$148,515,915        | \$298,657                        | \$219,401                           |
| 9                 | 2021-22     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$199,005,580          | \$149,056,080             | \$200,265,415     | \$148,515,915        | \$295,850                        | \$219,401                           |
| 10                | 2022-23     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$197,205,580          | \$149,056,080             | \$198,465,415     | \$148,515,915        | \$293,191                        | \$219,401                           |
| 11                | 2023-24     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$195,505,580          | \$195,505,580             | \$196,665,415     | \$148,515,915        | \$290,532                        | \$219,401                           |
| 12                | 2024-25     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$193,805,580          | \$193,805,580             | \$194,965,415     | \$194,965,415        | \$288,020                        | \$288,020                           |
| 13                | 2025-26     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$192,205,580          | \$192,205,580             | \$193,265,415     | \$193,265,415        | \$285,509                        | \$285,509                           |
| 14                | 2026-27     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$190,605,580          | \$190,605,580             | \$191,665,415     | \$191,665,415        | \$283,145                        | \$283,145                           |
| 15                | 2027-28     | 385.00 | 676.92 | \$1.1700     | \$0.0000     | \$189,105,580          | \$189,105,580             | \$190,065,415     | \$190,065,415        | \$280,782                        | \$280,782                           |

\*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

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

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid   | Additional State Aid-Hold Harmless | Excess Formula Reduction | Recapture Costs | Additional Local M&O Collections | State Aid From Additional M&O Tax Collections | Recapture from the Additional Local Tax Effort | Total General Fund |
|-------------------|-------------|-----------------------------|-------------|------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| Pre-Year 1        | 2012-13     | \$1,370,646                 | \$1,946,452 | \$0                                | \$0                      | \$0             | \$232,930                        | \$236,743                                     | \$0  | \$3,786,771        |
| 1                 | 2013-14     | \$1,966,516                 | \$1,945,957 | \$0                                | \$0                      | \$0             | \$334,193                        | \$339,423                                     | \$0  | \$4,586,089        |
| 2                 | 2014-15     | \$2,097,842                 | \$1,337,926 | \$0                                | \$0                      | \$0             | \$356,510                        | \$142,940                                     | \$0  | \$3,935,219        |
| 3                 | 2015-16     | \$2,075,301                 | \$1,249,696 | \$0                                | \$0                      | \$0             | \$352,680                        | \$116,814                                     | \$0  | \$3,794,490        |
| 4                 | 2016-17     | \$2,053,740                 | \$1,272,698 | \$0                                | \$0                      | \$0             | \$349,016                        | \$120,677                                     | \$0  | \$3,796,131        |
| 5                 | 2017-18     | \$2,033,159                 | \$1,294,699 | \$0                                | \$0                      | \$0             | \$345,518                        | \$124,380                                     | \$0  | \$3,797,756        |
| 6                 | 2018-19     | \$2,013,558                 | \$1,315,700 | \$0                                | \$0                      | \$0             | \$342,187                        | \$127,921                                     | \$0  | \$3,799,366        |
| 7                 | 2019-20     | \$1,993,957                 | \$1,335,701 | \$0                                | \$0                      | \$0             | \$338,856                        | \$131,236                                     | \$0  | \$3,799,750        |
| 8                 | 2020-21     | \$1,975,336                 | \$1,355,702 | \$0                                | \$0                      | \$0             | \$335,692                        | \$134,618                                     | \$0  | \$3,801,347        |
| 9                 | 2021-22     | \$1,957,695                 | \$1,374,703 | \$0                                | \$0                      | \$0             | \$332,694                        | \$137,838                                     | \$0  | \$3,802,929        |
| 10                | 2022-23     | \$1,940,054                 | \$1,392,704 | \$0                                | \$0                      | \$0             | \$329,696                        | \$140,825                                     | \$0  | \$3,803,279        |
| 11                | 2023-24     | \$1,923,394                 | \$1,410,705 | \$0                                | \$0                      | \$0             | \$326,864                        | \$143,885                                     | \$0  | \$3,804,847        |
| 12                | 2024-25     | \$1,906,733                 | \$1,427,705 | \$0                                | \$0                      | \$0             | \$324,033                        | \$146,708                                     | \$0  | \$3,805,178        |
| 13                | 2025-26     | \$1,891,052                 | \$1,444,706 | \$0                                | \$0                      | \$0             | \$321,368                        | \$149,608                                     | \$0  | \$3,806,734        |
| 14                | 2026-27     | \$1,875,371                 | \$1,460,707 | \$0                                | \$0                      | \$0             | \$318,703                        | \$152,266                                     | \$0  | \$3,807,048        |
| 15                | 2027-28     | \$1,860,670                 | \$1,476,708 | \$0                                | \$0                      | \$0             | \$316,205                        | \$155,006                                     | \$0  | \$3,808,590        |

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

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid   | Additional State Aid- Hold Harmless | Excess Formula Reduction | Recapture Costs | Additional Local M&O Collections | State Aid From Additional M&O Tax Collections | Recapture from the Additional Local Tax Effort | Total General Fund |
|-------------------|-------------|-----------------------------|-------------|-------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| Pre-Year 1        | 2012-13     | \$1,370,646                 | \$1,946,452 | \$0                                 | \$0                      | \$0             | \$232,930                        | \$236,743                                     | \$0  | \$3,786,771        |
| 1                 | 2013-14     | \$1,966,516                 | \$1,945,957 | \$0                                 | \$0                      | \$0             | \$334,193                        | \$339,423                                     | \$0  | \$4,586,089        |
| 2                 | 2014-15     | \$2,097,842                 | \$1,337,926 | \$0                                 | \$0                      | \$0             | \$356,510                        | \$142,940                                     | \$0  | \$3,935,219        |
| 3                 | 2015-16     | \$1,468,166                 | \$1,249,696 | \$401,007                           | \$0                      | \$0             | \$249,502                        | \$82,640                                      | \$0  | \$3,451,010        |
| 4                 | 2016-17     | \$1,468,166                 | \$1,892,224 | \$0                                 | \$0                      | \$0             | \$249,502                        | \$226,327                                     | \$0  | \$3,836,219        |
| 5                 | 2017-18     | \$1,468,166                 | \$1,892,224 | \$0                                 | \$0                      | \$0             | \$249,502                        | \$226,327                                     | \$0  | \$3,836,219        |
| 6                 | 2018-19     | \$1,468,166                 | \$1,892,224 | \$0                                 | \$0                      | \$0             | \$249,502                        | \$226,327                                     | \$0  | \$3,836,219        |
| 7                 | 2019-20     | \$1,468,166                 | \$1,892,224 | \$0                                 | \$0                      | \$0             | \$249,502                        | \$226,327                                     | \$0  | \$3,836,219        |
| 8                 | 2020-21     | \$1,468,166                 | \$1,892,224 | \$0                                 | \$0                      | \$0             | \$249,502                        | \$226,327                                     | \$0  | \$3,836,219        |
| 9                 | 2021-22     | \$1,468,166                 | \$1,892,224 | \$0                                 | \$0                      | \$0             | \$249,502                        | \$226,327                                     | \$0  | \$3,836,219        |
| 10                | 2022-23     | \$1,468,166                 | \$1,892,224 | \$0                                 | \$0                      | \$0             | \$249,502                        | \$226,327                                     | \$0  | \$3,836,219        |
| 11                | 2023-24     | \$1,923,394                 | \$1,892,224 | \$0                                 | \$0                      | \$0             | \$326,864                        | \$296,504                                     | \$0  | \$4,438,985        |
| 12                | 2024-25     | \$1,906,733                 | \$1,427,705 | \$0                                 | \$0                      | \$0             | \$324,033                        | \$146,708                                     | \$0  | \$3,805,178        |
| 13                | 2025-26     | \$1,891,052                 | \$1,444,706 | \$0                                 | \$0                      | \$0             | \$321,368                        | \$149,608                                     | \$0  | \$3,806,734        |
| 14                | 2026-27     | \$1,875,371                 | \$1,460,707 | \$0                                 | \$0                      | \$0             | \$318,703                        | \$152,266                                     | \$0  | \$3,807,048        |
| 15                | 2027-28     | \$1,860,670                 | \$1,476,708 | \$0                                 | \$0                      | \$0             | \$316,205                        | \$155,006                                     | \$0  | \$3,808,590        |

Table 4 – Value Limit less Project Value with No Limit

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid- Hold Harmless | Excess Formula Reduction | Recapture Costs | Additional Local M&O Collections | State Aid From Additional M&O Tax Collections | Recapture from the Additional Local Tax Effort | Total General Fund |
|-------------------|-------------|-----------------------------|-----------|-------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| Pre-Year 1        | 2012-13     | \$0                         | \$0       | \$0                                 | \$0                      | \$0             | \$0                              | \$0   | \$0  | \$0                |
| 1                 | 2013-14     | \$0                         | \$0       | \$0                                 | \$0                      | \$0             | \$0                              | \$0   | \$0  | \$0                |
| 2                 | 2014-15     | \$0                         | \$0       | \$0                                 | \$0                      | \$0             | \$0                              | \$0   | \$0  | \$0                |
| 3                 | 2015-16     | -\$607,135                  | \$0       | \$401,007                           | \$0                      | \$0             | -\$103,178                       | -\$34,174                                     | \$0  | -\$343,481         |
| 4                 | 2016-17     | -\$585,574                  | \$619,526 | \$0                                 | \$0                      | \$0             | -\$99,513                        | \$105,650                                     | \$0  | \$40,088           |
| 5                 | 2017-18     | -\$564,993                  | \$597,525 | \$0                                 | \$0                      | \$0             | -\$96,016                        | \$101,947                                     | \$0  | \$38,463           |
| 6                 | 2018-19     | -\$545,392                  | \$576,524 | \$0                                 | \$0                      | \$0             | -\$92,685                        | \$98,406                                      | \$0  | \$36,853           |
| 7                 | 2019-20     | -\$525,791                  | \$556,523 | \$0                                 | \$0                      | \$0             | -\$89,354                        | \$95,091                                      | \$0  | \$36,469           |
| 8                 | 2020-21     | -\$507,170                  | \$536,522 | \$0                                 | \$0                      | \$0             | -\$86,189                        | \$91,710                                      | \$0  | \$34,872           |
| 9                 | 2021-22     | -\$489,530                  | \$517,521 | \$0                                 | \$0                      | \$0             | -\$83,191                        | \$88,490                                      | \$0  | \$33,290           |
| 10                | 2022-23     | -\$471,889                  | \$499,520 | \$0                                 | \$0                      | \$0             | -\$80,193                        | \$85,503                                      | \$0  | \$32,941           |
| 11                | 2023-24     | \$0                         | \$481,519 | \$0                                 | \$0                      | \$0             | \$0                              | \$152,619                                     | \$0  | \$634,138          |
| 12                | 2024-25     | \$0                         | \$0       | \$0                                 | \$0                      | \$0             | \$0                              | \$0   | \$0  | \$0                |
| 13                | 2025-26     | \$0                         | \$0       | \$0                                 | \$0                      | \$0             | \$0                              | \$0   | \$0  | \$0                |
| 14                | 2026-27     | \$0                         | \$0       | \$0                                 | \$0                      | \$0             | \$0                              | \$0   | \$0  | \$0                |
| 15                | 2027-28     | \$0                         | \$0       | \$0                                 | \$0                      | \$0             | \$0                              | \$0   | \$0  | \$0                |

Table 5 - Estimated Financial impact of the Edwards Lime Gathering LLC Project Property Value Limitation Request Submitted to PISD at \$1.17 M&O Tax Rate

| Year of Agreement                                | School Year | Project Value | Estimated Taxable Value | Value Savings | Assumed M&O Tax Rate | Taxes Before Value Limit | Taxes after Value Limit | Tax Savings @ Projected M&O Rate | Tax Credits for First Two Years Above Limit | Tax Benefit to Company Before Revenue Protection | School District Revenue Losses | Estimated Net Tax Benefits |
|--|-------------|---------------|-------------------------|---------------|----------------------|--------------------------|-------------------------|----------------------------------|---|--|--------------------------------|----------------------------|
| Pre-Year 1                                       | 2012-13     | \$49,500      | \$49,500                | \$0           | \$1.170              | \$579                    | \$579                   | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 1  | 2013-14     | \$60,849,500  | \$60,849,500            | \$0           | \$1.170              | \$711,939                | \$711,939               | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 2  | 2014-15     | \$74,249,500  | \$74,249,500            | \$0           | \$1.170              | \$868,719                | \$868,719               | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 3  | 2015-16     | \$71,949,500  | \$10,000,000            | \$61,949,500  | \$1.170              | \$841,809                | \$117,000               | \$724,809                        | \$0   | \$724,809  | -\$343,481                     | \$381,329                  |
| 4  | 2016-17     | \$69,749,500  | \$10,000,000            | \$59,749,500  | \$1.170              | \$816,069                | \$117,000               | \$699,069                        | \$58,500                                    | \$757,569  | \$0                            | \$757,569                  |
| 5  | 2017-18     | \$67,649,500  | \$10,000,000            | \$57,649,500  | \$1.170              | \$791,499                | \$117,000               | \$674,499                        | \$58,500                                    | \$732,999  | \$0                            | \$732,999                  |
| 6  | 2018-19     | \$65,649,500  | \$10,000,000            | \$55,649,500  | \$1.170              | \$768,099                | \$117,000               | \$651,099                        | \$58,500                                    | \$709,599  | \$0                            | \$709,599                  |
| 7  | 2019-20     | \$63,649,500  | \$10,000,000            | \$53,649,500  | \$1.170              | \$744,699                | \$117,000               | \$627,699                        | \$58,500                                    | \$686,199  | \$0                            | \$686,199                  |
| 8  | 2020-21     | \$61,749,500  | \$10,000,000            | \$51,749,500  | \$1.170              | \$722,469                | \$117,000               | \$605,469                        | \$58,500                                    | \$663,969  | \$0                            | \$663,969                  |
| 9  | 2021-22     | \$59,949,500  | \$10,000,000            | \$49,949,500  | \$1.170              | \$701,409                | \$117,000               | \$584,409                        | \$58,500                                    | \$642,909  | \$0                            | \$642,909                  |
| 10   | 2022-23     | \$58,149,500  | \$10,000,000            | \$48,149,500  | \$1.170              | \$680,349                | \$117,000               | \$563,349                        | \$58,500                                    | \$621,849  | \$0                            | \$621,849                  |
| 11   | 2023-24     | \$56,449,500  | \$56,449,500            | \$0           | \$1.170              | \$660,459                | \$660,459               | \$0                              | \$660,459                                   | \$660,459  | \$0                            | \$660,459                  |
| 12   | 2024-25     | \$54,749,500  | \$54,749,500            | \$0           | \$1.170              | \$640,569                | \$640,569               | \$0                              | \$276,699                                   | \$276,699  | \$0                            | \$276,699                  |
| 13   | 2025-26     | \$53,149,500  | \$53,149,500            | \$0           | \$1.170              | \$621,849                | \$621,849               | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 14   | 2026-27     | \$51,549,500  | \$51,549,500            | \$0           | \$1.170              | \$603,129                | \$603,129               | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 15   | 2027-28     | \$50,049,500  | \$50,049,500            | \$0           | \$1.170              | \$585,579                | \$585,579               | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
|  |             |               |                         |               |                      | \$10,758,647             | \$5,628,244             | \$5,130,403                      | \$1,346,658                                 | \$6,477,062                                      | -\$343,481                     | \$6,133,581                |
| Tax Credit for Value Over Limit in First 2 Years |             |               |                         |               |                      |                          |                         | Year 1                           | Year 2                                      | Max Credits                                      |                                |                            |
|  |             |               |                         |               |                      |                          |                         | \$594,939                        | \$751,719                                   | \$1,346,658                                      |                                |                            |
|  |             |               |                         |               |                      |                          |                         | Credits Earned                   |   | \$1,346,658                                      |                                |                            |
|  |             |               |                         |               |                      |                          |                         | Credits Paid                     |   | <u>\$1,346,658</u>                               |                                |                            |
|  |             |               |                         |               |                      |                          |                         | Excess Credits Unpaid            |   | \$0  |                                |                            |

**\*Note:** School District Revenue-Loss estimates are subject to change based on numerous factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year appraisals of project values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

Attachment F

Taxable Value of Property

DATE: 06/26/2012  
 TIME: 10:04:23

COMPTROLLER OF PUBLIC ACCOUNTS - PROPERTY TAX ASSISTANCE DIVISION  
 2011 ISD SUMMARY WORKSHEET  
 013-903/Pettus ISD  
 SCHOOL DISTRICT TOTALS

PAGE: 005  
 REPT: PIS265  
 VRSN: F

| CATEGORY                    | LOCAL TAX ROLL VALUE | 2011 WTD MEAN RATIO | 2011 PTAD VALUE ESTIMATE | 2011 VALUE ASSIGNED |
|-----------------------------|----------------------|---------------------|--------------------------|---------------------|
| A. SINGLE-FAMILY RESIDENCES | 19,426,762           | .9640               | 20,152,021               | 19,426,762          |
| B. MULTIFAMILY RESIDENCES   | 52,400               | N/A                 | 52,400                   | 52,400              |
| C. VACANT LOTS              | 1,215,660            | N/A                 | 1,215,660                | 1,215,660           |
| D. RURAL REAL(TAXABLE)      | 35,003,234           | .9876               | 35,440,952               | 35,003,234          |
| F1. COMMERCIAL REAL         | 1,139,284            | N/A                 | 1,139,284                | 1,139,284           |
| F2. INDUSTRIAL REAL         | 0                    | N/A                 | 0                        | 0                   |
| G. OIL,GAS,MINERALS         | 63,248,850           | 1.0058              | 62,887,119               | 63,248,850          |
| J. UTILITIES                | 22,637,810           | .9807               | 23,084,203               | 22,637,810          |
| L1. COMMERCIAL PERSONAL     | 2,174,215            | N/A                 | 2,174,215                | 2,174,215           |
| L2. INDUSTRIAL PERSONAL     | 5,802,030            | N/A                 | 5,802,030                | 5,802,030           |
| M. MOBILE HOMES             | 1,306,732            | N/A                 | 1,306,732                | 1,306,732           |
| N. INTANGIBLE PERS/UNCERT   | 0                    | N/A                 | 0                        | 0                   |
| O. RESIDENTIAL INVENTORY    | 0                    | N/A                 | 0                        | 0                   |
| S. SPECIAL INVENTORY        | 0                    | N/A                 | 0                        | 0                   |
| SUBTOTAL                    | 152,006,977          |                     | 153,254,616              | 152,006,977         |
| LESS TOTAL DEDUCTIONS       | 13,491,062           |                     | 13,853,110               | 13,491,062          |
| TOTAL TAXABLE VALUE         | 138,515,915          |                     | 139,401,506              | 138,515,915 T2      |

| CATEGORY D DETAIL          | LOCAL TAX ROLL | RATIO  | PTAD VALUE |
|----------------------------|----------------|--------|------------|
| MARKET VALUE NON-QUALIFIED |                |        |            |
| ACRES & FARM/RANCH IMP     | 26,989,019     | 1.0165 | 26,551,912 |
| PROD VALUE QUALIFIED ACRES | 8,014,215      | .9016  | 8,889,040  |
| TAXABLE VALUE              | 35,003,234     |        | 35,440,952 |

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

Attachment G

Participation Agreement

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

---

by and between

**PETTUS INDEPENDENT SCHOOL DISTRICT**

and

**EDWARDS LIME GATHERING, LLC**

*(Texas Taxpayer ID # 32034536865)*

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Dated

August 28, 2012

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

*STATE OF TEXAS* §

*COUNTY OF KARNES* §

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 the **PETTUS 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 **EDWARDS LIME GATHERING, LLC**, (*Texas Taxpayer ID #32034536865*), 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 June 4, 2012, the Superintendent of Schools (hereinafter referred to as "Superintendent") of the Pettus Independent School District, acting as agent of the Board of Trustees of the District (the "Board of Trustees"), received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code; and,

**WHEREAS**, on June 4, 2012, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from Edwards Lime Gathering, LLC, and on June 5, 2012, the Superintendent determined the Application complete and 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 were delivered to the office of the Comptroller for review pursuant to Texas Tax Code §313.025(d); and,

**WHEREAS**, the Comptroller, via letter, has established June 1, 2012 as the completed Application date; and,

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

*WHEREAS*, the Comptroller reviewed the Application pursuant to Texas Tax Code §313.025(d), and on July 13, 2012 the Comptroller, via letter, recommended that the Application be approved; and,

*WHEREAS*, the Comptroller conducted an economic impact evaluation pursuant to Chapter 313 of the Texas Tax Code which was presented to the Board of Trustees at a public hearing held in connection with the Board of Trustees' consideration of the Application; and,

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

*WHEREAS*, on \_\_\_\_\_, the District received written notification, pursuant to 34 Texas Administrative Code §9.1055(e)(2)(A), that the Comptroller reviewed this Agreement, and reaffirmed the recommendation previously made on July 13, 2012 that the Application be approved; and,

*WHEREAS*, on August 28, 2012, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

*WHEREAS*, on August 28, 2012, the Board of Trustees made factual findings pursuant to Texas Tax Code §313.025(f), including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the limitation on appraised value of the Applicant's Qualified Property; and, (iv) each criterion referenced in Texas Tax Code §313.025(e) has been met; and,

*WHEREAS*, on August 28, 2012, the Board of Trustees determined that the Tax Limitation Amount requested by the Applicant, and as defined in Sections 1.2 and 1.3, below, is consistent with the minimum values set out by Tax Code, §§313.022(b) and 313.052, as such Tax Limitation Amount was computed for the effective date of this Agreement; and,

*WHEREAS*, on August 28, 2012, 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 President and Secretary of the Board of Trustees 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 the Applicant makes a Qualified Investment in the amount defined in Section 2.6 below, between the Commencement Date and the end of the Qualifying Time Period, Applicant will be 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.

The period beginning with the Commencement Date of August 28, 2012 and ending on December 31, 2014 will be 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 during the Qualifying Time Period.

Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2022. 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) affect the right of a Party to enforce the payment of any amount to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination, so long as the right to such payment survives said termination.

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

| <b>Full Tax Year<br/>of Agreement</b> | <b>Date of<br/>Appraisal</b> | <b>School<br/>Year</b> | <b>Tax Year</b> | <b>Summary Description<br/>of Provisions</b> |
|---------------------------------------|------------------------------|------------------------|-----------------|--|
|---------------------------------------|------------------------------|------------------------|-----------------|--|

| <b>Full Tax 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 Commencing on date of Board approval (8/28/12) | January 1, 2012          | 2012-13            | 2012            | Start of Qualifying Time Period beginning with Commencement Date (8/28/12). No limitation on value. First year for computation of Annual Limit. |
| 1   | January 1, 2013          | 2013-14            | 2013            | Qualifying Time Period. No limitation on value. Possible Tax Credit in future years.  |
| 2   | January 1, 2014          | 2014-15            | 2014            | Qualifying Time Period. No limitation on value. Possible 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 to Applicant.   |
| 10  | January 1, 2022          | 2022-23            | 2022            | \$10 million property value limitation. Possible Tax Credit   |

| Full Tax Year of Agreement | Date of Appraisal | School Year | Tax Year | Summary Description of Provisions   |
|----------------------------|-------------------|-------------|----------|---|
|                            |                   |             |          | 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” of any specified person or entity means any other person or entity which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under direct or indirect common control with such specified person or entity. For purposes of this definition “control” when used with respect to any person or entity means (i) the ownership, directly or indirectly, or fifty percent (50%) or more of the voting securities of such person or entity, or (ii) the right to direct the management or operations of such person or entity, directly or indirectly, whether through the 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 during the term of this Agreement, the cumulative total of the Annual Limit amount for such Tax Year and for all previous Tax Years

during the course of this Agreement, less all amounts paid by the Applicant to or on behalf of the District under Article IV.

"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, pursuant to Texas Education Code §42.005, by multiplying the District's average daily attendance, but no less than the District's 2012-13 average daily attendance of 385, times \$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 year of the Qualifying Time Period under this Agreement.

"Applicant" means Edwards Lime Gathering, LLC, *Texas Taxpayer Identification Number 32034536865*, the company listed in the Preamble of this Agreement who, on June 4, 2012, filed the Original 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.

"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 June 4, 2012, which has been certified by the Comptroller's office to constitute a complete final Application as of the date of June 15, 2012. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by the Applicant for the purpose of obtaining this Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

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

"Appraisal District" means the Karnes County Appraisal District.

"Board of Trustees" means the Board of Trustees of the Pettus Independent School District.

"Commencement Date" means August 28, 2012, the date upon which this Agreement was approved by the District's Board of Trustees.

"Completed Application Date" means June 15, 2012, the date upon which the Comptroller determined to be the date of its receipt of a completed Application for Appraised Value Limitation on Qualified Property (Texas Tax Code, Chapter 313, Subchapter B or C), Comptroller Form 50-296, from the Applicant.

"Comptroller" means the Texas Comptroller of Public Accounts, or the designated representative of the Texas Comptroller of Public Accounts acting on behalf of the Comptroller.

"Comptroller's Rules" means the applicable rules and regulations of the Comptroller set forth at Title 34 of the Texas Administrative Code, Chapter 9, Subchapter D, together with any court or administrative decisions interpreting same.

"County" means Karnes County, Texas.

"Determination of Breach and Notice of Contract Termination" shall have the meaning assigned to such term in Section 7.8 of the Agreement.

"District" or "School District" means the Pettus 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, 2025. However, any payment obligations of any Party arising under this Agreement prior to the Final Termination Date will survive until paid by the Party owing same.

"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 and 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; (ii) the maintenance of at least twelve (12) New Jobs, from the time they are created until the Final Termination Date and (iii) the maintenance of at least ten (10) Qualifying Jobs as set forth in the Application from the time they are created until the Final Termination Date.

"M&O Amount" shall have the meaning assigned to such term in Section 3.2 of this Agreement.

"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 an amount equal to (but not less than zero): (i) the sum of (A) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for all Tax Years during the term of this Agreement if this Agreement had not been entered into by the Parties; plus (B) any Tax Credits received by Applicant under this Agreement; minus, (ii) an amount equal to 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 during the term of this Agreement, plus (B) any and all payments due to the District under Article III of this Agreement.

"New Jobs" means 12 (twelve) "new jobs," defined by 34 Texas Administrative Code §9.1051(14)(C), which the Applicant will create in connection with the project described in the Application and in the description of the Applicant's Qualified Investment and Qualified Property as set forth in Section 2.3 below. In accordance with the requirements of Texas Tax Code §313.024(d), eighty percent (80%), of all New Jobs 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 Agreement, and 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 Jobs" means the ten (10) New Jobs which meet the requirements of Texas Tax Code 313.021(3). At least eighty percent (80%) of all New Jobs must be Qualifying Jobs.

"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, after a deferral period as permitted by Texas Tax Code §313.027(h), the period that begins on the Commencement Date of August 28, 2012 and ends on December 31, 2014.

"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 Texas 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 the 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 Texas Tax Code, §313.103.

"Tax Credit" means the Tax Credit, either to be paid by the District to the Applicant, or to be applied against any taxes that the District imposes on the Applicant's Qualified Property, as computed under the provisions of Subchapter D of the Act and rules adopted by the Comptroller and/or the Texas Education Agency, provided that the Applicant complies with the requirements imposed on the Applicant under such provisions, including the timely filing of a completed

application under Texas Tax Code §313.103 and the duly adopted administrative rules relating thereto.

"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 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).

The 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 Texas Tax Code, §313.022(b) or §313.052, as applicable.

"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 – Part 2, Texas Administrative Code (including, but not limited to, §61.1019), together with any court or administrative decisions interpreting same.

## ARTICLE II

### PROPERTY DESCRIPTION

#### **Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE**

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

#### **Section 2.2. LOCATION OF QUALIFIED PROPERTY**

The location of the Qualified Property upon which the Applicant's Qualified Investment will be located (the "Applicant's Qualified Property") is described in the legal description which is attached to this Agreement as **EXHIBIT 2** and is incorporated herein by reference for all

purposes ("Land"). The Parties expressly agree that the boundaries of the Land may not be materially changed from its configuration described in EXHIBIT 2 without the express authorization of each of the Parties.

### **Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT 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 (the "Applicant's Qualified Investment"). The Applicant's 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. The Applicant's Qualified Property shall be all property, described in EXHIBIT 3, including, but not limited to the Applicant's Qualified Investment, which (1) is owned by the Applicant; (2) is first placed in service after June 4, 2012, the Completed Application Date established by the Comptroller; and (3) 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 the Applicant's 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 for purposes of this Agreement.

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

- (a) submits to the 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 that is necessary to re-evaluate the economic impact analysis for the new or changed conditions.

Notwithstanding the foregoing, any replacement property shall not be subject to the foregoing restrictions and shall be considered Qualified Property hereunder.

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

At the end of the Qualifying Time Period; at any other time when there is a material change in the Applicant's 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 reasonably specific and detailed description of the material tangible personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Applicant's 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 Parties agree that the Applicant's Qualified Investment described above in Section 2.3 qualifies for a Tax Limitation Agreement under Texas Tax Code §313.024(b)(5) as a manufacturing facility.

#### **Section 2.6. LIMITATION ON APPRAISED VALUE**

So long as the Applicant makes a Qualified Investment in the amount of 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 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 Texas Tax Code, §313.022(b) or §313.052.

### **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 accordance with the provisions of Texas Tax Code, §§313.027(f)(1), be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue solely as a result of, or on account 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, or on account of, 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 the District means the Original M&O Revenue *minus* the New M&O Revenue;

Where:

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

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 relating to the definition of "New M&O Revenue" 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. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements or any other factors not contained in this Agreement.

### **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 the Applicant, any applicable Tax Credit to which the 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.
- (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 the Applicant's Qualified Investment 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.
- (c) any other loss of the District's revenues which directly result from, or are reasonably attributable to any payment made by the Applicant to or on behalf of any third party beneficiary of this Agreement.

### **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 7.9 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 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/or 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, which fee shall be the sole responsibility of the District, subject to the limit of Section 3.7. 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 the 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.

### **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 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, or Tax Credit or other reimbursement applications filed with or sent to the State of Texas which are, or may be required under the terms or because of the execution of this Agreement. For no Tax Year during the term of this Agreement shall the Applicant be responsible for the payment of an aggregate amount of fees and expenses under this Section 3.7 and Section 3.6 which exceeds Ten Thousand Dollars (\$10,000.00).

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

Pursuant to Section 3.4 and Section 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 following the later of (i) receipt of the certification, or (ii) the date the Applicant is granted access to the books, records and other information in accordance with Section 3.6 for purposes of auditing or reviewing the information in connection with the certification. Within fifteen (15) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations.

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 District's Board of Trustees within thirty (30) days of the final determination of certification containing the calculations, without limitation of Applicant's other rights and remedies available hereunder, at law or in equity.

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

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

If as a result of an 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 the new Taxable Value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years using the new Taxable Value. In the event the new calculations result in a change in any amount paid or payable by the Applicant under this Agreement, the Party from whom the adjustment is payable shall remit such amounts to the other Party within thirty (30) days of the receipt of the new 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 reasonably determines that it 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, the 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 actual 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. Such payment shall be made no later than thirty (30) days following notice from the District of such determination.

## **ARTICLE IV**

### **SUPPLEMENTAL PAYMENTS**

#### **Section 4.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS**

- (a) Amounts Exclusive of Indemnity Amounts

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as further 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"). The 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 Applicant's obligation to make Supplemental Payments under this Article IV is separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that all payments under Articles III and IV are subject to the limitations contained in Section 5.1, and that all payments under this Article IV are subject to the separate limitations contained in Section 4.4.

(b) Adherence to Statutory Limits on Supplemental Payments

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 to be increased by the Legislature for any future year of this Agreement.

**Section 4.2. STIPULATED SUPPLEMENTAL PAYMENT AMOUNT - SUBJECT TO AGGREGATE LIMIT**

During the term of this Agreement, the District shall not be entitled to receive Supplemental Payments that exceed the lesser of:

- (a) the "Applicant's Stipulated Supplemental Payment Amount," which is hereby defined as forty percent (40%) of the Applicant's Net Tax Benefit, as the term is defined in Section 1.3, above, as a result of this Agreement; or,
- (b) the Aggregate Limit, as the term is defined in Section 1.3, above.

**Section 4.3. ANNUAL CALCULATION OF STIPULATED SUPPLEMENTAL PAYMENT AMOUNT**

The Parties agree that for each Tax Year during the term of this Agreement, beginning with the third full Tax Year (Tax Year 2015) the Applicant's Stipulated Supplemental Payment Amount, described in Section 4.2 will annually be calculated based upon the then most current estimate of tax savings to the Applicant, which will be made, based upon assumptions of student counts, tax collections, and other applicable data, in accordance with the following formula:

Taxable Value of the Applicant's Qualified Property for such Tax Year had this Agreement not been entered into by the Parties (i.e., the Taxable Value of the

Applicant's Qualified Property used for the District's interest and sinking fund tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

*Minus,*

The Taxable Value of the Applicant's Qualified Property for such Tax Year after giving effect to this Agreement (i.e., the Taxable Value of the Applicant's Qualified Property used for the District's maintenance and operations tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

*Multiplied by,*

The District's maintenance and operations tax rate for such Tax Year, or the school tax rate of any other governmental entity, including the State of Texas, for such Tax Year;

*Plus,*

Any Tax Credit received by the Applicant with respect to such Tax Year;

*Minus,*

Any amounts previously paid to the District under Article III;

*Multiplied by,*

The number 0.4;

*Minus,*

Any amounts previously paid to the District under Sections 4.2 and 4.3 with respect to such Tax Year.

In the event that there are changes in the data upon which the calculations set forth herein are made, the Third Party described in Section 3.4, above, shall adjust the Applicant's Stipulated Supplemental Payment Amount calculation to reflect such changes in the data.

**Section 4.4. CALCULATION OF ANNUAL SUPPLEMENTAL PAYMENTS TO THE DISTRICT AND APPLICATION OF AGGREGATE LIMIT**

For each Tax Year during the term of this Agreement, beginning with Tax Year three (Tax Year 2015) and continuing thereafter through Tax Year thirteen (Tax Year 2025), the District, or its successor beneficiary should one be designated under Section 4.6, below, shall not

be entitled to receive Supplemental Payments, computed under Sections 4.2 and 4.3, above, that exceed the Aggregate Limit.

If, for any Tax Year during the term of this Agreement the amount of the Applicant's Stipulated Supplemental Payment Amount, calculated under sections 4.2 and 4.3 above for such Tax Year, exceeds the Aggregate Limit for such Tax Year, the difference between the Applicant's Stipulated Supplemental Payment Amount so calculated and the Aggregate Limit for such Tax Year, shall be carried forward from year-to-year into subsequent Tax Years during the term of this Agreement, and to the extent not limited by the Aggregate Limit in any subsequent Tax Year during the term of this Agreement, shall be paid to the District. If there are changes in Chapter 313 Tax Laws, higher or lower payments that first became due prior to the effective date of any statutory change will not be adjusted.

Any of the Applicant's Stipulated Supplemental Payment Amounts which cannot be paid to the District prior to the end of year thirteen (Tax Year 2025) because such payment would exceed the Aggregate Limit, will be deemed to have been cancelled by operation of law, and the Applicant shall have no further obligation with respect thereto.

#### **Section 4.5. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS**

- (a) All calculations required by this Article IV, including but not limited to: the calculation of the Applicant's Stipulated Supplemental Payment Amount; the determination of both the Annual Limit and the Aggregate Limit; the effect, if any, of the Aggregate Limit upon the actual amount of Supplemental Payments eligible to be paid to the District by the Applicant; and the carry forward and accumulation of any of the Applicant's Stipulated Supplemental Payment Amounts unpaid by the Applicant due to the Aggregate Limit in previous years, shall be calculated by the Third Party selected pursuant to Section 3.4.
- (b) The calculations made by the Third Party shall be made at the same time and on the same schedule as the calculations made pursuant to Section 3.6.
- (c) The payment of all amounts due under this Article IV shall be made at the time set forth in Section 3.7.

#### **Section 4.6. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY**

At any time during this Agreement, the Board of Trustees may, in its sole discretion, direct that the Applicant's payment under this Article IV be made to the District's educational foundation or to a similar entity. Such foundation or entity may only use such funds received under this Article IV to support the educational mission of the District and its students. Any designation of such foundation or entity must be made by recorded vote of the Board of Trustees at a properly posted public meeting of the Board of Trustees. Any such designation will become effective after such public vote and the delivery of notice of said vote in conformance with the provisions of Section 8.1, below. Such designation may be rescinded by the Board of Trustees,

by Board action, at any time, and any such rescission will become effective after delivery of notice of such action to the Applicant in conformance with the provisions of Section 8.1.

Any designation of a successor beneficiary under this Section shall not alter the Aggregate Limitation on Supplemental payments described in Section 4.4, above.

Notwithstanding the foregoing, any payments made by Applicant shall be made in the manner and to the party designated in this Agreement unless Applicant receives unambiguous written notice from the District that such payments are to be made to a different party.

## **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 2015 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 Article 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. In addition to the foregoing, in the event the Applicant determines that it will not commence or complete construction of the Applicant's Qualified Investment, the Applicant shall have the option, during the Qualifying Time Period, to terminate this Agreement by notifying the District in writing of its exercise of such option. Any termination of this

Agreement under the immediately preceding sentence shall be effective immediately prior to the beginning of the Tax Year immediately following the Tax Year during which such notification is delivered to the District. Upon any termination this Agreement under this Section 5.2, 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 the Comptroller's Rules, provided that the Applicant complies with the requirements under such provisions, including the filing of a completed application under Section 313.103 of the Texas Tax Code and the Comptroller's 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 its obligations under Subchapter D of the Act and the Comptroller's Rules, including, but not limited to, such obligations set forth in Section 313.104 of the Texas Tax Code and either the Comptroller's Rules 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. 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 which may arise 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. All inspections will be made at a mutually agreeable time after the giving of not less than ten (10) days prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant 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 or any other information that is not necessary for the District to determine the Applicant's compliance with this Agreement.

#### Section 7.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES

The Applicant shall timely make any and all reports that are or may be required under the provisions of law or administrative regulation as a result of this Agreement, including but not limited to the annual report or certifications that may be required to be submitted by the Applicant to the Comptroller under the provisions of Texas Tax Code §313.032 and the provisions of Title 34, Part 1, Chapter 9, Subchapter F of the Texas Administrative Code. The Applicant shall forward a copy of all such required reports or certifications to the District contemporaneously with the filing thereof. Currently, the Comptroller requires an Annual Eligibility Report and the Biennial Progress Reports, Form 50-772 and 50-773 respectively, and an Application for Tax Credit, Form 50-300. The obligation to make all such required filings shall be a material obligation under this Agreement. The Applicant shall not be in default of any reporting obligation hereunder, unless the Applicant has received thirty (30) days prior notice of its reporting obligation from the District.

#### Section 7.3. 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 this Agreement;
- (b) if it does not cancel the Agreement prior to the end of the Qualifying Time Period under Section 5.2 of this Agreement, it will Maintain Viable Presence in the District through the Final Termination Date of this Agreement; provided, however, that notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of this Agreement, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure, provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure; and,
- (c) it will meet the applicable minimum eligibility requirements under Texas Tax Code, Chapter 313, throughout the period from and including the Tax Year 2015 through and including the last Tax Year during the term of this Agreement with respect to which the Applicant receives the benefit of a Tax Credit.

**Section 7.4. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT**

(a) In the event of a Material Breach (hereinafter defined), except as provided in Section 5.2, after the notice and cure period provided by Section 7.8, then the District shall be entitled, as its sole and exclusive remedy, 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 7.5, 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. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV.

(b) Notwithstanding Section 7.4(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of this 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 maintenance and operations taxes for all of the Tax Years for which the Tax Limitation Amount was allowed pursuant to this Agreement that are prior to the Tax Year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 7.5. 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, the Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy. Notwithstanding the foregoing, penalties shall only be due to the extent it is determined that the breach of this Agreement by the Applicant was willful and without a good faith, reasonable belief by the Applicant that its action or omission constituting such breach was in compliance with this Agreement.

## **Section 7.5. 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 7.4 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 7.4 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 7.6. MATERIAL BREACH OF AGREEMENT**

The Applicant shall be in Material Breach of this Agreement (herein so called) 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 material representations of fact in the submission of its Application as is required by Section 8.13, below.
- (b.) Subject to Section 5.2, Applicant fails to Maintain Viable Presence in the District, as required by Section 7.3 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.) Subject to Section 5.2, Applicant fails to create and maintain at least twelve (12) New Jobs, once the project is fully operational.
- (e.) Subject to Section 5.2, Applicant fails to create and maintain at least Eighty Percent (80%) of all such New Jobs on the project 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, 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 or in consideration for this Agreement are not barred by this provision.

- (g.) Applicant fails to materially comply in any material respect with any other term of this Agreement, or the Applicant fails to meet its obligations under the applicable Comptroller's Rules, and under the Act.

#### **Section 7.7. 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, the Applicant may cure any Material Breaches of this Agreement described in Sections 7.6(d) and 7.6(e) or 7.6(f), above, without the termination of the remaining term of this Agreement. In order to cure any such non-compliance with Sections 7.6(d) and 7.6(e) or 7.6(f) for any such Tax Year, the Applicant may make the liquidated damages payment required by Texas Tax Code §313.0275(b), in accordance with the provisions of Texas Tax Code §313.0275(c).

#### **Section 7.8. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT**

Prior to making a determination under Section 7.4 or Section 7.6 that the Applicant is in 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, and if cure is possible, the cure proposed by the District. After receipt of the notice, the Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that a Material Breach has not occurred and/or that it has cured or undertaken to cure any such Material Breach.

If the Board of Trustees is not reasonably satisfied with such response and/or that such Material 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 Material Breach has occurred and, if so, whether such Material 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 has occurred, the date such Material Breach occurred, if any, and whether or not any such Material Breach has been cured. Except as otherwise provided in Section 7.7, in the event that the Board of Trustees determines that such a Material Breach has occurred and has not been cured, it shall also terminate this Agreement and determine the amount of recaptured taxes under Section 7.4 (net of all credits under Section 7.4), and the amount of any penalty and/or interest under Section 7.5 that are owed to the District.

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

#### **Section 7.9. DISPUTE RESOLUTION**

After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, the Applicant shall have ninety (90) 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 ninety (90) days after the Applicant's receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, 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 presiding in Karnes 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.

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such ninety (90) days, the District shall have the remedies for the collection of the amounts determined under Section 7.8 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 reasonable 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. In the event that the Applicant is a prevailing party in any such legal proceedings under this section, the District shall be responsible for the payment of the Applicant's reasonable attorney's fees.

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 above in this Section 7.9, 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. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of reasonable attorney's fees to the attorneys representing the District. In the event that the Applicant is a prevailing party in any such legal proceedings under this section, the District shall be responsible for the payment of the Applicant's reasonable attorney's fees.

#### **Section 7.10. LIMITATION OF OTHER DAMAGES**

Notwithstanding anything contained in this Agreement to the contrary, the District's damages for any default shall under no circumstances exceed the greater of either any amounts calculated under Sections 7.4 and 7.5 above, or the monetary sum of the difference between the

payments and credits due and owing to the Applicant at the time of such default and the District taxes that would have been lawfully payable to the District had this Agreement not been executed. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

The Parties further agree that the limitation of damages and remedies set forth in this Section 7.10 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

#### **Section 7.11. 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; (ii) sent by facsimile transmission, with "answer back" or other "advice of receipt" obtained, or by e-mail, 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:

Brian Thompson, Superintendent  
**PETTUS INDEPENDENT SCHOOL DISTRICT**  
PO Box D  
Pettus, TX 78146-1149  
Phone: (361) 375-2296  
Fax: (361) 375-2295  
E-mail: [bthompson@pettusisd.esc2.net](mailto:bthompson@pettusisd.esc2.net)

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 as follows:

Megan McKavanagh  
Property Tax Manager  
Energy Transfer Partners, LP  
800 E. Sonterra Blvd., Suite 400  
San Antonio, Texas 78258-3941  
Phone: (210) 572-0457

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 Board of Trustees,
- (b) Subject to Section 5.2, the obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the Final Termination Date.
- (c) In the event that the 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, 2014.

**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. 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 or Qualified Investment 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 or replacement property. Any amendment of this Agreement adding additional or replacement Qualified Property or Qualified Investment pursuant to this Section 8.3 shall, (1) require that all property added by amendment be eligible property as defined by Texas Tax Code, §313.024; (2) clearly identify 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 beyond its eight-year statutory term.

**Section 8.4. ASSIGNMENT**

The Applicant may assign this Agreement, or a portion of this Agreement, to an Affiliate or a new owner or lessee of all or a portion of the Applicant's Qualified Property and/or the Applicant's Qualified Investment, provided that the Applicant shall provide written notice of such assignment to the District. Upon such assignment, the Applicant's assignee will be liable to the District for outstanding taxes or other obligations arising under this Agreement. A recipient of limited value under Texas Tax Code, Chapter 313 shall notify immediately the District, the Comptroller, and the Appraisal District in writing of any change in address or other contact information for the owner of the property subject to the limitation agreement for the purposes of Texas Tax Code §313.032. The assignee's or its reporting entity's Texas Taxpayer Identification Number shall be included in the notification.

**Section 8.5. MERGER**

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

**Section 8.6. MAINTENANCE OF COUNTY APPRAISAL DISTRICT RECORDS**

When appraising the Applicant's Qualified Property and the Applicant's Qualified Investment subject to a limitation on Appraised Value under this Agreement, the Chief Appraiser of the 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 Karnes County, Texas.

**Section 8.8. AUTHORITY TO EXECUTE AGREEMENT**

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

**Section 8.9. SEVERABILITY**

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot

be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in a mutually 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, (i) 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, and (ii) in the event of a dispute between the Parties in connection with this Agreement, the prevailing Party in the resolution of any such dispute, whether by litigation or otherwise, shall be entitled to full recovery of all attorneys' fees (including a reasonable hourly fee for in-house legal counsel), costs and expenses incurred in connection therewith, including costs of court, from the non-prevailing Party.

#### **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. The Applicant warrants that to the best of Applicant's knowledge all material representations, material information, and material facts contained in the Application are true and correct in all material respects. 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; provided, however, to the extent of any differences or inconsistencies between the terms, conditions, representations, information, and facts contained in the Application and those contained in this Agreement, the terms, conditions, representations, information, and facts contained in this Agreement shall be controlling.

In the event that the Board of Trustees, after completing the procedures required by Sections 7.8 and 7.9 of this Agreement, makes a written determination that the Application was either incomplete or inaccurate as to any material representation, material information, or material fact, then the Board of Trustees shall notify Applicant in writing of such determination and the Applicant shall have the time periods permitted by Section 7.8 or any other section of this Agreement; if any such material representation, information or fact item remains uncured after the written notice and cure periods specified herein, 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. The District shall provide on its website a link to the location of those documents posted on the Comptroller's website.
- c. This Section 8.14 does not require the publication of information that is confidential under Texas Tax Code §313.028.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 28 day of August 2012.

EDWARDS LIME GATHERING, LLC

BY: [Signature]

PETTUS INDEPENDENT SCHOOL DISTRICT

BY: [Signature]  
JAIMIE RODRIGUEZ  
President  
Board of Trustees

BY: [Signature]  
CARYEL KRUGER  
Secretary  
Board of Trustees

## **EXHIBIT 1**

### **DESCRIPTION OF QUALIFIED REINVESTMENT ZONE**

On April 30, 2012, the Commissioners Court of Karnes County designated a 40-acre tract of real property and a 10-acre tract of real property as a Reinvestment Zone. As a result, all of the following real property within Karnes County, Texas is located within the boundaries of the Reinvestment Zone. A map of the Reinvestment Zone is attached as the last page of this **EXHIBIT 1**. The legal description of the zone is as follows:

**EXHIBIT "A"**  
**KARNE COUNTY, TEXAS**  
**LEGAL DESCRIPTION**



Metes and Bounds Description of a proposed 40.0 acre site located in the C. Martínez Survey, A-6, Karnes County, Texas and being a portion of a 2010.6 acre tract, recorded as the First Tract in Volume 413, Page 559, Official Records, Karnes County, Texas, said proposed 40.0 acre site being further described as follows:

BEGINNING at a fence post found for the occupied East corner of said 2010.6 acre tract, from whence an iron pipe found on the Northeast line of said 2010.6 acre tract, and also being in the West right-of-way line of County Road 124, bears N 36°42'34" W, a distance of 5148.65 feet;

Thence S 43°45'01" W, a distance of 1383.47 feet to an iron rod set with cap stamped "Topographic";

Thence N 36°52'35" W, a distance of 1390.29 feet to an iron rod set with cap stamped "Topographic";

Thence N 53°07'25" E, a distance of 1365.00 feet to an iron rod set with cap stamped "Topographic";

Thence S 36°52'35" E, a distance of 1164.97 feet to the POINT OF BEGINNING, and containing 40.0 acres more or less.



*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732

FEBRUARY 9, 2012

**TOPOGRAPHIC**

Surveying • Mapping • GIS • GPS  
 1408 South Highway 101, Box 174, P.O. Box 70149  
 Houston, TX 77271 • (281) 941-7414  
 www.pcpconsulting.com

| KDB GAS GATHERING & TREATMENT | REVISION:       | NOTES |
|-------------------------------|-----------------|-------|
|                               | B.S.Z. 02/09/12 |       |
| DATE: JANUARY 31, 2012        |                 |       |
| FILE: BO_KDB_CTF_REV1         |                 |       |
| DRAWN BY: B.S.Z. & M.J.T.     |                 |       |
| SHEET : 2 OF 3                |                 |       |

**EXHIBIT "C"**  
**KARNES COUNTY, TEXAS**  
**LEGAL DESCRIPTION**



Metes and Bounds Description of a proposed 10.0 acre site located in the C, Martinez Survey, A-6, Karnes County, Texas and being a portion of a 2010.6 acre tract, recorded as the First Tract in Volume 413, Page 539, Official Records, Karnes County, Texas, said proposed 10.0 acre site being further described as follows:

**BEGINNING** at an fence post found for the occupied North corner of said 2010.6 acre tract, from whence an iron pipe found at a fence corner for the West corner of said 2010.6 acre tract bears S 45°54'24" W, a distance of 11218.20 feet;

Thence S 46°01'53" E, a distance of 641.64 feet to an iron rod set with cap stamped "Topographic";

Thence S 43°11'50" W, a distance of 660.06 feet to an iron rod set with cap stamped "Topographic";

Thence N 46°01'53" W, a distance of 660.06 feet to an iron rod set with cap stamped "Topographic";

Thence N 43°11'50" E, a distance of 620.09 feet to an iron rod set with cap stamped "Topographic";

Thence Thence N 68°04'21" E, a distance of 43.79 feet to the **POINT OF BEGINNING**, and containing 10.0 acres more or less.



*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732

FEBRUARY 9, 2012

**TOPOGRAPHIC**

Surveying • Mapping • GPS • GIS  
 1400 Highway 107, Box 107 • Ft. Worth, Texas 76116  
 Telephone: (817) 341-7412 • Fax: (817) 341-7414  
 www.clementsland.com

| NO. | REVISION:       |
|-----|-----------------|
| 1   | B.S.Z. 02/09/12 |
| 2   |                 |
| 3   |                 |
| 4   |                 |
| 5   |                 |
| 6   |                 |
| 7   |                 |

**NOTES**

1. ALL DIMENSIONS SHOWN ARE IN FEET AND INCHES.
2. ALL DIMENSIONS SHOWN ARE TO THE CENTER OF THE LINE UNLESS OTHERWISE NOTED.
3. ALL DIMENSIONS SHOWN ARE TO THE CENTER OF THE LINE UNLESS OTHERWISE NOTED.
4. ALL DIMENSIONS SHOWN ARE TO THE CENTER OF THE LINE UNLESS OTHERWISE NOTED.
5. ALL DIMENSIONS SHOWN ARE TO THE CENTER OF THE LINE UNLESS OTHERWISE NOTED.
6. ALL DIMENSIONS SHOWN ARE TO THE CENTER OF THE LINE UNLESS OTHERWISE NOTED.
7. ALL DIMENSIONS SHOWN ARE TO THE CENTER OF THE LINE UNLESS OTHERWISE NOTED.

**KDB GAS GATHERING & TREATMENT**  
 DATE: JANUARY 31, 2012  
 FILE: BO\_KDB\_CRP-B\_REV1  
 DRAWN BY: B.S.Z.  
 SHEET: 2 OF 3



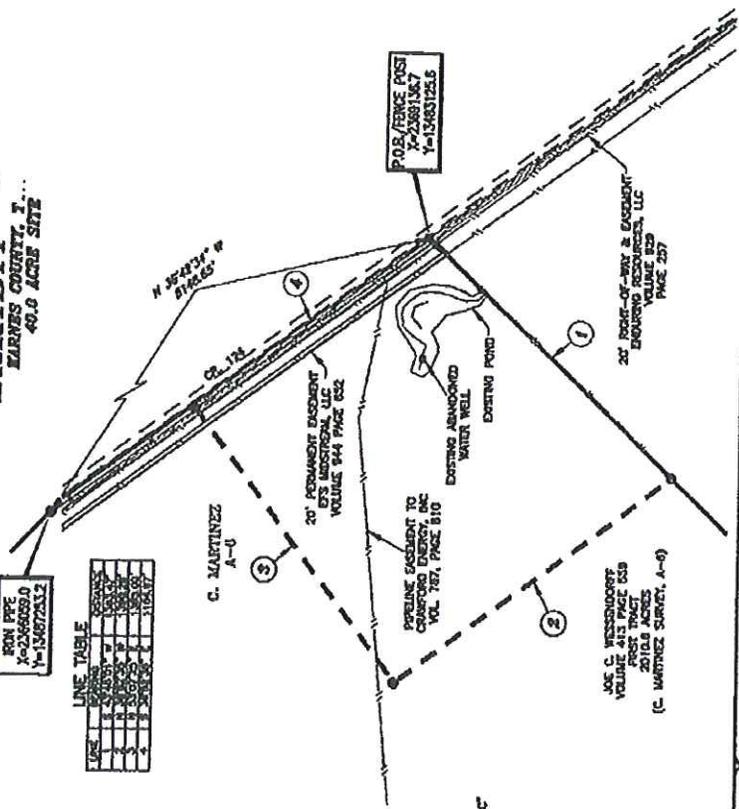
*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732  
 FEBRUARY 9, 2012

**EXHIBIT "B"**  
 BARNES COUNTY, TEXAS  
 40.0 ACRE SITE

TOTAL ACREAGE PROPOSED SITE: 40.0 ACRES

IRON PIPE  
 X=224600.0  
 Y=13487233.2

| LINE | BEARING       | DISTANCE | AREA    |
|------|---------------|----------|---------|
| 1    | N 35°23'11" W | 574.65'  | 110.47' |
| 2    | S 89°52'55" E | 110.47'  | 110.47' |
| 3    | S 89°52'55" E | 110.47'  | 110.47' |
| 4    | N 35°23'11" W | 574.65'  | 110.47' |



- LEGEND**
- SURVEY/SECTION LINE
  - PROPOSED SITE
  - TRACT BOUNDARY
  - ROAD WAY
  - FENCE LINE
  - EXISTING PIPELINE
  - FENCE POST/Corner
  - IRON PIPE FOUND
  - IRON ROD SET WITH CAP STAMPED TOPOGRAPHIC

SCALE: 1" = 600'  
 0' 250' 500'

|  |  |                   |
|--|--|-------------------|
| <b>TOPOGRAPHIC</b><br><small>Surveying &amp; Mapping • GIS • GPS<br/>       1423 SOUTH WYOMING, SUITE 117 • P.O. BOX 7940<br/>       MIDLAND, TEXAS 79702-7940<br/>       TELEPHONE (817) 744-7548<br/>       FAX (817) 744-7548</small> | REVISION:                                | B.S.Z.   02/09/12 |
|  | <b>KDB GAS GATHERING &amp; TREATMENT</b> |                   |
| DATE: JANUARY 31, 2012   |  |                   |
| FILE NO: KDB_GTF_REV1  |  |                   |
| DRAWN BY: B.S.Z. & M.J.T.  |  |                   |
| SHEET: 1 OF 3  |  |                   |

**NOTES:**

- ALL PROPERTY CORNERS AND OCCUPIED WALLS CONTAINED HEREIN ARE CORNER AND WALL MARKS. THESE MARKS WERE CORRELATED WITH THE CORNER MARKS SET BY THE SURVEYOR IN 1984 AND THE CORNER MARKS SET BY THE SURVEYOR IN 1984. THE CORNER MARKS SET BY THE SURVEYOR IN 1984 ARE THE ONLY MARKS TO BE USED IN THE LOCATION OF THE PROPERTY. IN RELATION TO THE PROPERTY, THE CORNER MARKS SET BY THE SURVEYOR IN 1984 ARE THE ONLY MARKS TO BE USED IN THE LOCATION OF THE PROPERTY. IN RELATION TO THE PROPERTY, THE CORNER MARKS SET BY THE SURVEYOR IN 1984 ARE THE ONLY MARKS TO BE USED IN THE LOCATION OF THE PROPERTY.
- ALL PROPERTY CORNERS AND OCCUPIED WALLS CONTAINED HEREIN ARE CORNER AND WALL MARKS. THESE MARKS WERE CORRELATED WITH THE CORNER MARKS SET BY THE SURVEYOR IN 1984 AND THE CORNER MARKS SET BY THE SURVEYOR IN 1984. THE CORNER MARKS SET BY THE SURVEYOR IN 1984 ARE THE ONLY MARKS TO BE USED IN THE LOCATION OF THE PROPERTY. IN RELATION TO THE PROPERTY, THE CORNER MARKS SET BY THE SURVEYOR IN 1984 ARE THE ONLY MARKS TO BE USED IN THE LOCATION OF THE PROPERTY.
- ALL PROPERTY CORNERS AND OCCUPIED WALLS CONTAINED HEREIN ARE CORNER AND WALL MARKS. THESE MARKS WERE CORRELATED WITH THE CORNER MARKS SET BY THE SURVEYOR IN 1984 AND THE CORNER MARKS SET BY THE SURVEYOR IN 1984. THE CORNER MARKS SET BY THE SURVEYOR IN 1984 ARE THE ONLY MARKS TO BE USED IN THE LOCATION OF THE PROPERTY. IN RELATION TO THE PROPERTY, THE CORNER MARKS SET BY THE SURVEYOR IN 1984 ARE THE ONLY MARKS TO BE USED IN THE LOCATION OF THE PROPERTY.

**EXHIBIT 'D'**  
 ELMER COUNTY, TEXAS  
 10.0 ACRES SITE

**REGENCY**



SCALE: 1" = 200'  
 0' 100' 200'

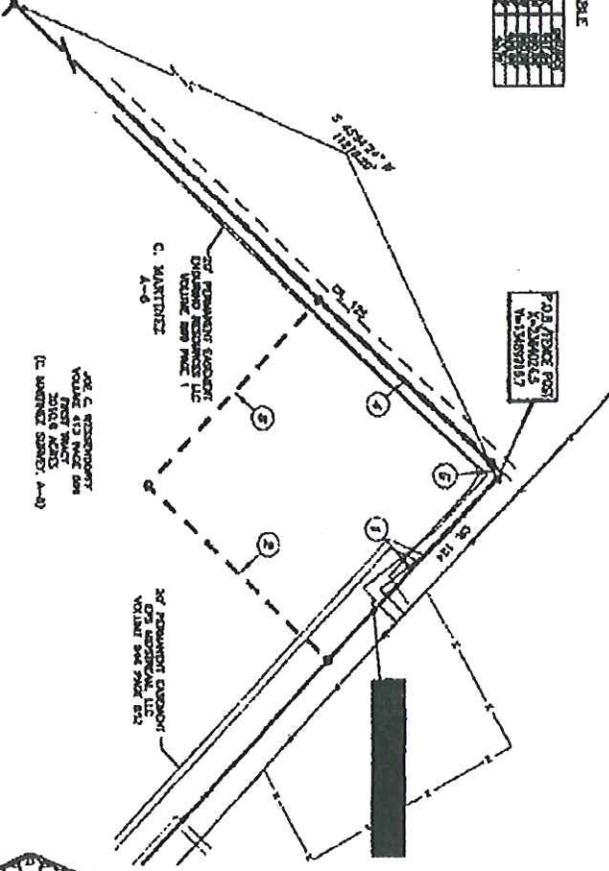
**LEGEND**

- STATION/SECTION LINE
- STATIONED BOUNDARY
- TRACT BOUNDARY
- ROAD WAY
- FENCE LINE
- EXISTING FENCE
- FENCE POST/POSTHOLE
- 30' RADIUS SET BACK
- 30' RADIUS "CORNER"

**LINE TABLE**

| LINE NO. | START  | END    | DESCRIPTION   |
|----------|--------|--------|---------------|
| 1        | 100.00 | 100.00 | START OF LINE |
| 2        | 100.00 | 100.00 | START OF LINE |
| 3        | 100.00 | 100.00 | START OF LINE |
| 4        | 100.00 | 100.00 | START OF LINE |
| 5        | 100.00 | 100.00 | START OF LINE |
| 6        | 100.00 | 100.00 | START OF LINE |
| 7        | 100.00 | 100.00 | START OF LINE |
| 8        | 100.00 | 100.00 | START OF LINE |
| 9        | 100.00 | 100.00 | START OF LINE |
| 10       | 100.00 | 100.00 | START OF LINE |

30' RADIUS SET BACK  
 30' RADIUS "CORNER"



30' RADIUS SET BACK  
 30' RADIUS "CORNER"

30' RADIUS SET BACK  
 30' RADIUS "CORNER"

**TOPOGRAPHIC**  
 Surveyed & Approved by GCS & GCS  
 1424 Avenue B, Suite 100, Ft. Worth, TX 76102  
 www.gcsurvey.com

| NO. | DATE     | DESCRIPTION |
|-----|----------|-------------|
| 1   | 02/07/12 | REVISION    |

**KUB GAS GATHERING & TREATMENT**

DATE: JANUARY 31, 2012  
 FILE NO. JGR-09-8-REV1  
 DRAWN BY: B.S.Z.

SHEET: 1 OF 3

*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732  
 FEBRUARY 7, 2012



**EXHIBIT 2**

**LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY**

All Qualified Property owned by the Applicant and located within the boundaries of both the Pettus Independent School District and the Reinvestment Zone will be included in and subject to this Agreement. Specifically, all Qualified Property of the Applicant located in the reinvestment zone is included, to wit:

**EXHIBIT "A"**  
**KARNES COUNTY, TEXAS**  
**LEGAL DESCRIPTION**



Metes and Bounds Description of a proposed 40.0 acre site located in the C. Martinez Survey, A-6, Karnes County, Texas and being a portion of a 2010.6 acre tract, recorded as the First Tract in Volume 413, Page 559, Official Records, Karnes County, Texas, said proposed 40.0 acre site being further described as follows:

BEGINNING at a fence post found for the occupied East corner of said 2010.6 acre tract, from whence an iron pipe found on the Northeast line of said 2010.6 acre tract, and also being in the West right-of-way line of County Road 124, bears N 36°42'34" W, a distance of 5148.65 feet;

Thence S 43°45'01" W, a distance of 1383.47 feet to an iron rod set with cap stamped "Topographic";

Thence N 36°52'35" W, a distance of 1390.29 feet to an iron rod set with cap stamped "Topographic";

Thence N 53°07'25" E, a distance of 1365.00 feet to an iron rod set with cap stamped "Topographic";

Thence S 36°52'35" E, a distance of 1164.97 feet to the POINT OF BEGINNING, and containing 40.0 acres more or less.



*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732  
 FEBRUARY 9, 2012

**TOPOGRAPHIC**

Surveyed • Measured • GIS • GPS  
 1408 S. BROWN STREET, SUITE 107 • DALLAS, TEXAS 75210  
 TEL: (214) 742-7612 • FAX: (214) 742-7616  
 WWW.TOPOGRAFIC.COM

| KDB GAS GATHERING & TREATMENT | REVISION: |          |
|-------------------------------|-----------|----------|
|                               | B.S.Z.    | 02/09/12 |
| DATE: JANUARY 31, 2012        |           |          |
| FILE: BO_KDB_OTF_REV1         |           |          |
| DRAWN BY: B.S.Z. & M.J.T.     |           |          |
| SHEET: 2 OF 3                 |           |          |

**NOTES:**

1. SURVEY INSTRUMENT SEE 11" X 8.5"
2. ALL COURSE DISTANCES AND OCCURRING VALUES CONTAINED HEREIN ARE GROUND BASED UNLESS OTHERWISE NOTED.
3. ACCURACY IS BASED ON THE LOCATION OF THIS SURVEY, AS RELATED TO THE BOUNDARY POINTS SHOWN ON THE FIELD PLANS, AND ON THE CURRENT STATE OF SURVEYING AND MEASUREMENT PRACTICES BY PROFESSIONAL SURVEYORS/ENGINEERS AND THE QUALITY OF THE DATA OBTAINED FROM THESE SOURCES. THIS SURVEY IS LIMITED TO THE LOCATION OF THE POINTS SHOWN ON THESE PLANS AND IS NOT TO BE USED FOR ANY OTHER PURPOSES WITHOUT THE WRITTEN CONSENT OF THE SURVEYOR.
4. B.S.Z./M.J.T. = SURVEYOR OF LICENSE NO. 4732
5. B.S.Z. = BOUNDARY SURVEYING COUNTY, TEXAS
6. M.J.T. = BOUNDARY SURVEYING COUNTY, TEXAS

**EXHIBIT "C"**  
**KARNES COUNTY, TEXAS**  
**LEGAL DESCRIPTION**



Mets and Bounds Description of a proposed 10.0 acre site located in the C. Martinez Survey, A-6, Karnes County, Texas and being a portion of a 2010.6 acre tract, recorded as the First Tract in Volume 413, Page 559, Official Records, Karnes County, Texas, said proposed 10.0 acre site being further described as follows:

**BEGINNING** at an fence post found for the occupied North corner of said 2010.6 acre tract, from whence an iron pipe found at a fence corner for the West corner of said 2010.6 acre tract bears S 45°54'24" W, a distance of 11218.20 feet;

Thence S 46°01'53" E, a distance of 641.64 feet to an iron rod set with cap stamped "Topographic";

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Thence N 43°11'50" E, a distance of 620.09 feet to an iron rod set with cap stamped "Topographic";

Thence Thence N 68°04'21" E, a distance of 43.79 feet to the POINT OF BEGINNING, and containing 10.0 acres more or less.



*Gary L. Clements*  
 Gary L. Clements, R.P.L.S. No. 4732  
 FEBRUARY 9, 2012

**TOPOGRAPHIC**

Surveyed & Mapped by G.S. & G.S.  
 1100 Highway 107, P.O. Box 107, Karnes County, Texas 78045  
 Telephone: (817) 311-7617 • Fax: (817) 311-7618  
 www.gsgandgs.com

|                               | REVISION: |          |
|-------------------------------|-----------|----------|
|                               | BY        | DATE     |
| KDB GAS GATHERING & TREATMENT | B.S.Z.    | 02/09/12 |
| DATE: JANUARY 31, 2012        |           |          |
| FILE NO: KDB_CRP-B_REV1       |           |          |
| DRAWN BY: B.S.Z.              |           |          |
| SHEET: 2 OF 3                 |           |          |

- NOTES**
1. ORIGINAL DOCUMENT SIZE 11" X 8 1/2"
  2. ALL CORNERS, INTERSECTIONS, AND COORDINATE VALUES CONTAINED HEREON AND SHOWN UPON THE TYPED SURVEY PLANS, INCLUDING BOUNDARY BEARINGS, DISTANCES, BEARINGS, AND COORDINATE VALUES, SHALL BE AS SHOWN UNLESS OTHERWISE SPECIFIED BY A REVISION.
  3. CORRECTIONS TO THIS PLAN SHALL BE MADE BY THE SURVEYOR, AND ANY CORRECTIONS SHALL BE MADE BY THE SURVEYOR, AND ANY CORRECTIONS SHALL BE MADE BY THE SURVEYOR, AND ANY CORRECTIONS SHALL BE MADE BY THE SURVEYOR.
  4. B.S.Z. = SURVEYOR'S INITIALS
  5. G.S. & G.S. = SURVEYOR'S INITIALS
  6. G.S. & G.S. = SURVEYOR'S INITIALS
  7. G.S. & G.S. = SURVEYOR'S INITIALS

### EXHIBIT 3

#### DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

The KDB plant consists of the following main units and utility systems which are classified as Qualified Investment/Qualified Property:

- Slug Catcher
- 180 MMCFD Cryogenic Gas Unit-consisting of:
  - Inlet 3 Phase Separator
  - Produced Water Separator
  - Sales Gas Outlet Scrubber
  - Sour Gas Preheater
  - Amine Absorber and Regenerator
  - Acid Gas Cooler
  - Glycol Contactor
  - Sales Gas Compressors
  - O/H Gas Compressor / Cooler Skid
  - BTEX Removal Skid
  - Fuel Gas Conditioning Skid
- VRU Unit
- Thermal Oxidizer and K.O. Drum
- Flare and K.O. Drum
- Control Building, Office and Warehouse
- Condensate Storage Tanks
- Produced Water Tanks