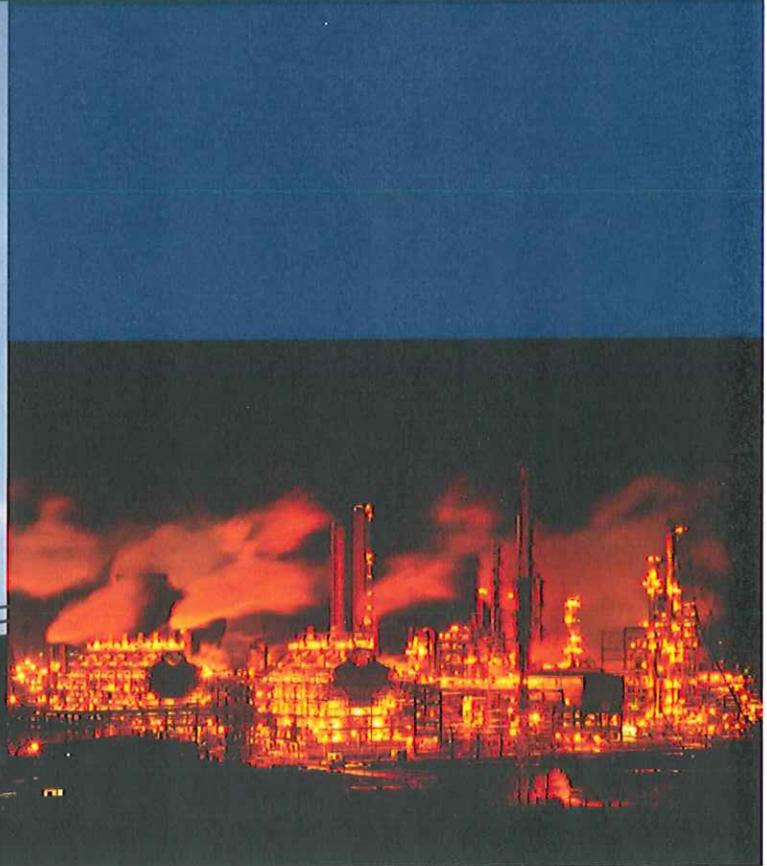


**FINDINGS OF THE KATY
INDEPENDENT SCHOOL DISTRICT BOARD
OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
WEATHERFORD ARTIFICIAL LIFT SYSTEMS, INC.**



December 17, 2012

**FINDINGS
OF THE
KATY INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
WEATHERFORD ARTIFICIAL LIFT SYSTEMS, INC.**

DECEMBER 17, 2012

FINDINGS OF THE KATY INDEPENDENT SCHOOL
DISTRICT BOARD OF TRUSTEES UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
WEATHERFORD ARTIFICIAL LIFT SYSTEMS, INC.

STATE OF TEXAS §

COUNTY OF WALLER §

On the 10th day of December, 2012, a public meeting of the Board of Trustees of the Katy 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 Weatherford Artificial Lift Systems, Inc. (Weatherford) 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 Katy Independent School District makes the following findings with respect to the application of Weatherford, and the economic impact of that application:

On June 22, 2012, the Superintendent of Schools of the Katy Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received an Application from Weatherford 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, Weatherford (Texas Taxpayer Id. 17522042500), 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 Katy 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 Waller 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 August 15, 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 Katy 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 Katy 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 Weatherford, over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The proposed Agreement is attached to these findings as **Attachment G**.

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

TABLE 1. Estimated Financial Impact of the Weatherford Artificial Lift Systems, Inc Project Property Value Limitation Request Submitted to Katy at \$1.1266 M&O 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 | School District Tax Benefit 10% | Company Tax Benefit |
|-------------------|-------------|---------------|-------------------------|---------------|----------------------|--------------------------|-------------------------|----------------------------------|---|--|--------------------------------|----------------------------|---------------------------------|---------------------|
| Pre-Year 1 | 2012-13 | \$0 | \$0 | \$0 | \$1.127 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1 | 2013-14 | \$53,864,420 | \$53,864,420 | \$0 | \$1.127 | \$606,837 | \$606,837 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | 2014-15 | \$81,125,000 | \$81,125,000 | \$0 | \$1.127 | \$913,954 | \$913,954 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | 2015-16 | \$74,875,000 | \$30,000,000 | \$44,875,000 | \$1.127 | \$843,542 | \$337,980 | \$505,562 | \$0 | \$505,562 | -\$524,925 | -\$19,364 | \$0 | -\$19,364 |
| 4 | 2016-17 | \$67,721,667 | \$30,000,000 | \$37,721,667 | \$1.127 | \$762,952 | \$337,980 | \$424,972 | \$120,690 | \$545,662 | \$0 | \$545,662 | \$54,566 | \$481,096 |
| 5 | 2017-18 | \$62,468,333 | \$30,000,000 | \$32,468,333 | \$1.127 | \$703,768 | \$337,980 | \$365,788 | \$120,690 | \$486,478 | \$0 | \$486,478 | \$48,648 | \$437,831 |
| 6 | 2018-19 | \$66,661,667 | \$30,000,000 | \$36,661,667 | \$1.127 | \$751,010 | \$337,980 | \$413,030 | \$120,690 | \$533,720 | -\$76,088 | \$450,277 | \$45,763 | \$411,869 |
| 7 | 2019-20 | \$59,255,000 | \$30,000,000 | \$29,255,000 | \$1.127 | \$667,567 | \$337,980 | \$329,587 | \$120,690 | \$450,277 | \$0 | \$450,277 | \$45,028 | \$405,249 |
| 8 | 2020-21 | \$51,945,000 | \$30,000,000 | \$21,945,000 | \$1.127 | \$585,212 | \$337,980 | \$247,232 | \$120,690 | \$367,922 | \$0 | \$367,922 | \$36,792 | \$331,130 |
| 9 | 2021-22 | \$44,585,000 | \$30,000,000 | \$14,585,000 | \$1.127 | \$502,295 | \$337,980 | \$164,315 | \$120,690 | \$285,005 | \$0 | \$285,005 | \$28,500 | \$256,504 |
| 10 | 2022-23 | \$51,121,667 | \$30,000,000 | \$21,121,667 | \$1.127 | \$575,937 | \$337,980 | \$237,957 | \$120,690 | \$358,647 | -\$88,110 | \$270,537 | \$25,117 | \$245,420 |
| 11 | 2023-24 | \$47,558,333 | \$47,558,333 | \$0 | \$1.127 | \$535,792 | \$535,792 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 12 | 2024-25 | \$44,091,667 | \$44,091,667 | \$0 | \$1.127 | \$496,737 | \$496,737 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 13 | 2025-26 | \$40,525,000 | \$40,525,000 | \$0 | \$1.127 | \$456,555 | \$456,555 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2026-27 | \$37,055,000 | \$37,055,000 | \$0 | \$1.127 | \$417,462 | \$417,462 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2027-28 | \$33,485,000 | \$33,485,000 | \$0 | \$1.127 | \$377,242 | \$377,242 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | | | | | | \$9,196,861 | \$6,508,418 | \$2,688,443 | \$844,831 | \$3,533,274 | -\$689,124 | \$2,844,150 | \$284,415 | \$2,559,735 |

Tax Credit for Value Over Limit in First 2 Years

| | Year 1 | Year 2 | Max Credits |
|-----------------------|-----------|-----------|-------------|
| Credits Earned | \$268,857 | \$575,974 | \$844,831 |
| Credits Paid | | | \$844,831 |
| Excess Credits Unpaid | | | \$0 |

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.

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 Weatherford Artificial Lifts Systems, Inc. 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 Katy, Texas is in need of long-term improvement, based on the state's analysis of Waller County data.

Based on information provided by the Comptroller's Office that focused on the county level, Waller County is the 79th largest county in the state in terms of population. Population growth in Waller County is up; the state population grew by 1.8 percent between 2009 and 2010, while the population of Waller County increased by 2.0 percent over the same period.

September 2011 employment for Waller County was up 1.8 percent from September 2010, above the state's 0.9 percent increase in total employment during the same period. The unemployment rate in Waller County was 9.3 percent in September 2011, significantly higher than the state average of 8.5 percent. It is noteworthy that the Waller County unemployment rate increased from 8.7 percent a year ago to the 9.4 percent level in September 2011.

Waller County continues to have a lower per capita personal income than the state as a whole. In terms of per capita income, Waller's \$33,798 in 2009 ranked 107th among the 254 counties in Texas, while the Texas average was \$38,609 for the same period.

Board Findings of the Katy Independent School District

The local economy in Waller County will benefit from economic activity like that associated with the Weatherford 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 \$56,102 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. Weatherford indicates that total employment will be approximately 245 new jobs, of which 196 will be qualifying jobs.

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

After construction, the project will create 245 new jobs when fully operational. One hundred, ninety-six 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 Houston-Galveston Area Council of Governments Region, where Waller County is located was \$51,002 in 2010. The annual average manufacturing wage for 2011 for Waller County is \$56,654. That same year, the county annual average wage for all industries was \$43,875. In addition to a salary of \$56,102, each qualifying position will receive the following benefits: medical; dental; vision; flexible spending accounts; life insurance, AD&D; short-term disability; long-term disability; 401(k) plan; critical illness, accident; whole life; business travel insurance; employee assistance program; legal plan; additional AD&D; additional life insurance; and additional critical illness.

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 \$633,364 on the basis of the goal of 196 new qualifying positions for the entire Weatherford project.

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

The project's total investment is \$124.1 million, resulting in a relative level of investment per qualifying job of \$633,364.

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 Weatherford Artificial Lift Systems, Inc.'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.

Board Findings of the Katy Independent School District

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Weatherford Artificial Lift Systems, Inc.

| Year | Employment | | | Personal Income | | |
|------|------------|--------------------|-------|-----------------|--------------------|--------------|
| | Direct | Indirect + Induced | Total | Direct | Indirect + Induced | Total |
| 2012 | 73 | 193 | 266 | \$3,982,377 | \$10,017,623 | \$14,000,000 |
| 2013 | 253 | 421 | 674 | \$15,748,082 | \$24,251,918 | \$40,000,000 |
| 2014 | 245 | 324 | 569 | \$15,903,685 | \$22,096,315 | \$38,000,000 |
| 2015 | 245 | 314 | 559 | \$16,380,700 | \$24,619,300 | \$41,000,000 |
| 2016 | 245 | 315 | 560 | \$16,872,170 | \$27,127,830 | \$44,000,000 |
| 2017 | 245 | 314 | 559 | \$17,378,340 | \$28,621,660 | \$46,000,000 |
| 2018 | 245 | 312 | 557 | \$17,899,700 | \$31,100,300 | \$49,000,000 |
| 2019 | 245 | 308 | 553 | \$18,436,740 | \$31,563,260 | \$50,000,000 |
| 2020 | 245 | 304 | 549 | \$18,989,705 | \$33,010,295 | \$52,000,000 |
| 2021 | 245 | 345 | 590 | \$19,559,330 | \$37,440,670 | \$57,000,000 |
| 2022 | 245 | 310 | 555 | \$20,146,105 | \$36,853,895 | \$57,000,000 |
| 2023 | 245 | 316 | 561 | \$20,750,520 | \$38,249,480 | \$59,000,000 |
| 2024 | 245 | 325 | 570 | \$21,373,065 | \$40,626,935 | \$62,000,000 |
| 2025 | 245 | 329 | 574 | \$22,014,230 | \$42,985,770 | \$65,000,000 |
| 2026 | 245 | 331 | 576 | \$22,674,750 | \$45,325,250 | \$68,000,000 |
| 2027 | 245 | 343 | 588 | \$23,354,870 | \$47,645,130 | \$71,000,000 |

Source: CPA, REMI, Weatherford Artificial Lift Systems, Inc.

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Katy ISD's ad valorem tax base in 2010 was \$18.3 billion. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Katy ISD's estimated wealth per WADA was \$270,488.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Waller County, Brookshire-Katy Drainage District, and Waller-Harris Emergency Services District, with all property tax incentives sought being granted using estimated market value from Weatherford Artificial Lift Systems, Inc.'s application. Weatherford Artificial Lift Systems, Inc. has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county. Table 3 illustrates the estimated tax impact of the Weatherford Artificial Lift Systems, Inc. project on the region if all taxes are assessed.

Board Findings of the Katy Independent School District

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought

| Year | Estimated Taxable value for I&S | Estimated Taxable value for M&O | Tax Rate ¹ | Katy ISD I&S Levy | Katy ISD M&O Levy | Katy ISD M&O and I&S Tax Levies (Before Credit Credited) | Katy ISD M&O and I&S Tax Levies (After Credit Credited) | Waller County | Brookshire-Katy Drainage District | Waller-Harris Emergency Services District | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|-----------------------|-------------------|-------------------|--|---|---------------|-----------------------------------|---|--------------------------------|
| | | | 0.4000 | 1.1266 | | | | 0.6958 | 0.0934 | 0.0944 | |
| 2013 | \$53,864,420 | \$53,864,420 | | \$215,458 | \$606,837 | \$822,294 | \$822,294 | \$0 | \$50,282 | \$50,848 | \$923,425 |
| 2014 | \$81,125,000 | \$81,125,000 | | \$324,500 | \$913,954 | \$1,238,454 | \$1,238,454 | \$0 | \$75,730 | \$76,582 | \$1,390,766 |
| 2015 | \$74,875,000 | \$30,000,000 | | \$299,500 | \$337,980 | \$637,480 | \$637,480 | \$0 | \$69,896 | \$70,682 | \$778,058 |
| 2016 | \$67,721,667 | \$30,000,000 | | \$270,887 | \$337,980 | \$608,867 | \$488,177 | \$0 | \$63,218 | \$63,929 | \$615,324 |
| 2017 | \$62,468,333 | \$30,000,000 | | \$249,873 | \$337,980 | \$587,853 | \$467,163 | \$0 | \$58,314 | \$58,970 | \$584,448 |
| 2018 | \$66,661,667 | \$30,000,000 | | \$266,647 | \$337,980 | \$604,627 | \$483,937 | \$0 | \$62,229 | \$62,929 | \$609,094 |
| 2019 | \$59,255,000 | \$30,000,000 | | \$237,020 | \$337,980 | \$575,000 | \$454,310 | \$0 | \$55,315 | \$55,937 | \$565,561 |
| 2020 | \$51,945,000 | \$30,000,000 | | \$207,780 | \$337,980 | \$545,760 | \$425,070 | \$0 | \$48,491 | \$49,036 | \$522,597 |
| 2021 | \$44,585,000 | \$30,000,000 | | \$178,340 | \$337,980 | \$516,320 | \$395,630 | \$0 | \$41,620 | \$42,088 | \$479,338 |
| 2022 | \$51,121,667 | \$30,000,000 | | \$204,487 | \$337,980 | \$542,467 | \$421,777 | \$0 | \$47,722 | \$48,259 | \$517,757 |
| 2023 | \$47,558,333 | \$47,558,333 | | \$190,233 | \$535,792 | \$726,026 | \$726,026 | \$0 | \$44,396 | \$44,895 | \$815,316 |
| 2024 | \$44,091,667 | \$44,091,667 | | \$176,367 | \$496,737 | \$673,103 | \$673,103 | \$0 | \$41,160 | \$41,623 | \$755,885 |
| 2025 | \$40,525,000 | \$40,525,000 | | \$162,100 | \$456,555 | \$618,655 | \$618,655 | \$0 | \$37,830 | \$38,256 | \$694,740 |
| 2026 | \$37,055,000 | \$37,055,000 | | \$148,220 | \$417,462 | \$565,682 | \$565,682 | \$0 | \$34,591 | \$34,980 | \$635,252 |
| 2027 | \$33,485,000 | \$33,485,000 | | \$133,940 | \$377,242 | \$511,182 | \$511,182 | \$0 | \$31,258 | \$31,610 | \$574,050 |
| | | | | | | Total | \$8,928,938 | \$0 | \$762,051 | \$770,623 | \$10,461,612 |

Assumes School Value Limitation and Tax Abatement with the County.

Source: CPA, Weatherford Artificial Lift Systems, Inc.

¹Tax 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 ¹ | Katy ISD I&S Levy | Katy ISD M&O Levy | Katy ISD M&O and I&S Tax Levies | Waller County | Brookshire-Katy Drainage District | Waller-Harris Emergency Services District | Estimated Total Property Taxes | |
|------|---------------------------------|---------------------------------|-----------------------|-------------------|-------------------|---------------------------------|---------------------|-----------------------------------|---|--------------------------------|---------------------|
| | | | 0.4000 | 1.1266 | | | 0.6958 | 0.0934 | 0.0944 | | |
| 2013 | \$53,864,420 | \$53,864,420 | | \$215,458 | \$606,837 | \$822,294 | \$374,802 | \$50,282 | \$50,848 | \$1,298,227 | |
| 2014 | \$81,125,000 | \$81,125,000 | | \$324,500 | \$913,954 | \$1,238,454 | \$564,488 | \$75,730 | \$76,582 | \$1,955,254 | |
| 2015 | \$74,875,000 | \$74,875,000 | | \$299,500 | \$843,542 | \$1,143,042 | \$520,999 | \$69,896 | \$70,682 | \$1,804,619 | |
| 2016 | \$67,721,667 | \$67,721,667 | | \$270,887 | \$762,952 | \$1,033,839 | \$471,224 | \$63,218 | \$63,929 | \$1,632,211 | |
| 2017 | \$62,468,333 | \$62,468,333 | | \$249,873 | \$703,768 | \$953,642 | \$434,670 | \$58,314 | \$58,970 | \$1,505,596 | |
| 2018 | \$66,661,667 | \$66,661,667 | | \$266,647 | \$751,010 | \$1,017,657 | \$463,849 | \$62,229 | \$62,929 | \$1,606,663 | |
| 2019 | \$59,255,000 | \$59,255,000 | | \$237,020 | \$667,567 | \$904,587 | \$412,311 | \$55,315 | \$55,937 | \$1,428,149 | |
| 2020 | \$51,945,000 | \$51,945,000 | | \$207,780 | \$585,212 | \$792,992 | \$361,446 | \$48,491 | \$49,036 | \$1,251,965 | |
| 2021 | \$44,585,000 | \$44,585,000 | | \$178,340 | \$502,295 | \$680,635 | \$310,234 | \$41,620 | \$42,088 | \$1,074,577 | |
| 2022 | \$51,121,667 | \$51,121,667 | | \$204,487 | \$575,937 | \$780,423 | \$355,717 | \$47,722 | \$48,259 | \$1,232,122 | |
| 2023 | \$47,558,333 | \$47,558,333 | | \$190,233 | \$535,792 | \$726,026 | \$330,923 | \$44,396 | \$44,895 | \$1,146,239 | |
| 2024 | \$44,091,667 | \$44,091,667 | | \$176,367 | \$496,737 | \$673,103 | \$306,801 | \$41,160 | \$41,623 | \$1,062,686 | |
| 2025 | \$40,525,000 | \$40,525,000 | | \$162,100 | \$456,555 | \$618,655 | \$281,983 | \$37,830 | \$38,256 | \$976,723 | |
| 2026 | \$37,055,000 | \$37,055,000 | | \$148,220 | \$417,462 | \$565,682 | \$257,838 | \$34,591 | \$34,980 | \$893,090 | |
| 2027 | \$33,485,000 | \$33,485,000 | | \$133,940 | \$377,242 | \$511,182 | \$232,997 | \$31,258 | \$31,610 | \$807,047 | |
| | | | | | | Total | \$12,462,212 | \$5,680,282 | \$762,051 | \$770,623 | \$19,675,168 |

Source: CPA, Weatherford Artificial Lift Systems, Inc.

¹Tax 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 \$81.1 million to the tax base for debt service purposes at the peak investment level for the 2014-15 school year. The Weatherford project remains fully taxable for debt services taxes, with Katy ISD currently levying a \$0.40 per \$100 I&S rate. The value of the Weatherford 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 Weatherford 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 manufacturing project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Katy 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 Weatherford Artificial Lift Systems, Inc.'s application, "Weatherford Artificial Lift Systems, Inc. is part of Weatherford International, Inc. Weatherford International, Inc. is one of the largest oilfield service companies, headquartered in Switzerland, with operations in more than 730 locations in 100 countries and employs more than 50,000 people worldwide. While Weatherford has the ability to build facilities

Board Findings of the Katy Independent School District

worldwide, current market conditions make it favorable to build a new manufacturing facility for pumping units in the Houston Area.”

Board Finding Number 9.

During the past two years, 14 projects in the Houston-Galveston 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 Weatherford. 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 Thirty 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 for the preceding tax year, Attachment F, the total 2011 industrial value for Katy ISD is \$269.08 million. Katy ISD is categorized as Subchapter C, which applies only to a school district that has territory in a strategic investment area, as defined under Subchapter O, Chapter 171, Tax Code or in a county: (1) that has a population of less than 50,000 and (2) in which, from 1990 to 2000, according to the federal decennial census, the population: (A) remained the same; (B) decreased; or (C) increased, but at a rate of not more than three percent per annum. Katy ISD is classified as a “rural” district due to its territory in a strategic investment area. Given that the value of industrial property in Katy ISD is more than \$200 million, it is classified as a Category I district which can offer a minimum value limitation of \$30 million.

Board Finding Number 12.

The Applicant (Taxpayer Id. 17522042500) 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 and subsequent years 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 Katy 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 Katy Independent School District.

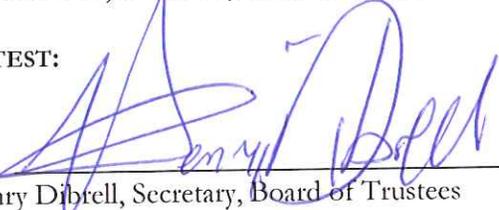
Board Findings of the Katy Independent School District

Dated the 17th day of December 2012.

KATY INDEPENDENT SCHOOL DISTRICT

By: 

Rebecca Fox, President, Board of Trustees

ATTEST:
By: 

Henry Dibrell, Secretary, Board of Trustees



LYNN M. MOAK, PARTNER

DANIEL T. CASEY, PARTNER

November 30, 2012

President and Members
Board of Trustees
Katy Independent School District
6301 South Stadium Lane
Katy, Texas 77494

Re: Recommendations and Findings of the firm Concerning Application of Weatherford Artificial Lift Systems Inc. for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President Fox 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 Katy Independent School District, with respect to the pending Application of Weatherford Artificial Lift Systems Inc. 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 Weatherford Artificial Lift Systems Inc. for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

A handwritten signature in blue ink that reads "Daniel T. Casey".

Daniel T. Casey

www.moakcasey.com

Phone 512-485-7878

400 W. 15th Street*Suite 1410*Austin, TX 78701-1648

Fax 512-485-7888

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

November 30, 2012

President and Members
Board of Trustees
Katy Independent School District
6301 South Stadium Lane
Katy, Texas 77494

Re: Recommendations and Findings of the Firm Concerning Application of Weatherford Artificial Lift Systems, Inc. for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, first qualifying year 2013

Dear President Fox 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 Katy Independent School District, with respect to the pending Application of Weatherford 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 Weatherford 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 Katy ISD
November 30, 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 Weatherford Artificial Lift Systems 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

O'HANLON, McCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE

AUSTIN, TEXAS 78701

TELEPHONE: (512) 494-9949

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CERTIFIED, CIVIL TRIAL

LESLIE McCOLLOM

CERTIFIED, CIVIL APPELLATE

CERTIFIED, LABOR AND EMPLOYMENT

TEXAS BOARD OF LEGAL SPECIALIZATION

JUSTIN DEMERATH

June 20, 2012

Local Government Assistance & Economic Analysis
Texas Comptroller of Public Accounts
P.O. Box 13528
Austin, Texas 78711-3528

RE: Application to the Katy Independent School District from Weatherford Artificial Lift Systems, Inc.

To the Local Government Assistance & Economic Analysis Division:

By copy of this letter transmitting the application for review to the Comptroller's Office, the Katy Independent School District is notifying the Applicant Weatherford Artificial Lift Systems, Inc. of its intent to consider the application for appraised value limitation on qualified property. The Applicant submitted the application to the school district on June 18, 2012. The Board voted to accept the application June 18, 2012. The application was determined completed on June 18, 2012. Please prepare the economic impact report.

Please note, no construction has begun at the project site as of the date of the filing of the application and the District's determination that the application is complete. The Applicant is aware that the determination of a completed application by the Comptroller determines what property may be eligible for a value limitation agreement. The Applicant is anticipating starting construction in June, but the start of construction is awaiting the determination of a completed application by the Comptroller's Office. We are requesting an expedited review of the application, so that the applicant may begin construction at the project site.

As you are aware, regional wage information is published annually and based upon the Texas Workforce Commission (TWC) OES data. According to the TWC, the new OES survey information will not be available until the end of June or July. A new publication will only be created if the information is available and at the request of your office. Therefore, the school district has determined that the wage information included in the application represents the most recent wage data available at the time of the application.

Letter to Local Government Assistance & Economic Analysis Division
June 20, 2012
Page 2 of 2

A paper copy of the application will be hand delivered to your office tomorrow morning. In accordance with 34 Tex. Admin Code §9.1054, a copy of the application will be submitted to the Waller County Appraisal District.

Please feel free to contact me with questions.

Sincerely,

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

Kevin O'Hanlon
School District Consultant

Cc: Chief Appraiser
Waller County Appraisal District

Alton Frailey, Katy ISD

APPLICATION FOR APPRAISED VALUE
LIMITATION ON QUALIFIED PROPERTY

(TAX CODE, CHAPTER 313, SUBCHAPTER B
OR C)

SUBMITTED TO

KATY ISD

ON BEHALF OF

WEATHERFORD ARTIFICIAL LIFT SYSTEMS,
INC.



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 June 18, 2012 |
| First Name Alton | Last Name Frailey | |
| Title Superintendent | | |
| School District Name Katy Independent School District | | |
| Street Address 6301 South Stadium Lane | | |
| City Katy | | State Texas |
| Phone Number (281) 396-2304 | | ZIP 77494 |
| Mobile Number (optional) | | Fax Number |
| | | E-mail Address altonfrailey@katyisd.org |

- I authorize the consultant to provide and obtain information related to this application..... Yes No
- Will consultant be primary contact? Yes No



Application for Appraised Value Limitation on Qualified Property

SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION (continued)

Authorized School District Consultant (If Applicable)

First Name: Kevin, Last Name: O'Hanlon, Title: Consultant, Firm Name: O'Hanlon, McCollom & Demerath, Street Address: 808 West Avenue, Mailing Address: 808 West Avenue, City: Austin, State: Texas, ZIP: 78701, Phone Number: 512-494-9949, Fax Number: 512-494-9919, Mobile Number (Optional):, E-mail Address: kohanlon@808west.com

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

Signature (Authorized School District Representative)

Date

[Handwritten Signature]

June 18, 2012

Has the district determined this application complete? [X] Yes [] No

If yes, date determined complete. June 18, 2012

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

SCHOOL DISTRICT CHECKLIST AND REQUESTED ATTACHMENTS

Table with 4 columns: Checklist, Page X of 16, Check Completed. Rows include: 1 Date application received by the ISD (1 of 16, checked), 2 Certification page signed and dated by authorized school district representative (2 of 16, checked), 3 Date application deemed complete by ISD (2 of 16, checked), 4 Certification pages signed and dated by applicant or authorized business representative (4 of 16, checked), 5 Completed company checklist (12 of 16, checked), 6 School finance documents described in TAC 9.1054(c)(3) (2 of 16, Will Supplement)

APPLICANT INFORMATION - CERTIFICATION OF APPLICATION

Authorized Business Representative (Applicant)

| | | |
|--|-----------------------------------|---------------------|
| First Name Joseph | Last Name Henry | |
| Title Senior Vice President | | |
| Organization Weatherford International, Inc. | | |
| Street Address 2000 St. James Place | | |
| Mailing Address | | |
| City Houston | State Texas | ZIP 77056 |
| Phone Number 713-836-4000 | Fax Number 713-836-5019 | |
| 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 Jeffery | Last Name Stringer | |
| Title Real Estate Manager, U.S. Gulf Coast Region | | |
| Organization Weatherford International, Inc. | | |
| Street Address 2000 St. James Place | | |
| Mailing Address | | |
| City Houston | State Texas | ZIP 77056 |
| Phone Number 713-836-4414 | Fax Number 713-836-5019 | |
| Mobile Number (optional) 713-469-0605 | E-mail Address jeffory.stringer@weatherford.com | |

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)

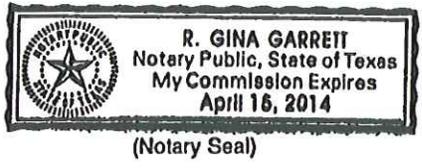
| | | |
|--|-----------------------------------|---------------------|
| First Name Stephen | Last Name Robinson | |
| Title Partner | | |
| Firm Name Allen Boone Humphries Robinson LLP | | |
| Street Address 3200 Southwest Freeway | | |
| Mailing Address Suite 2600 | | |
| City Houston | State Texas | ZIP 77027 |
| Phone Number 713-860-6408 | Fax Number 713-860-6608 | |
| Business email Address srobinson@abhr.com | | |

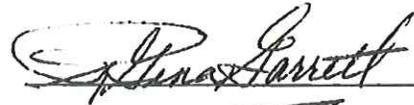
I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application is true and correct to the best of my knowledge 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))  | Date JUNE 15, 2012 |
|---|------------------------------|

GIVEN under my hand and seal of office this 15 day of JUNE, 2012




Notary Public, State of TEXAS

My commission expires April 15, 2014

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

FEES AND PAYMENTS

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

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

Please answer only either A OR B:

A. Will any "payments to the school district" that you may make in order to receive a property tax value limitation agreement result in payments that are not in compliance with Tax Code, 313.027(i)?

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)?

BUSINESS APPLICANT INFORMATION

Legal Name under which application is made

Weatherford Artificial Lift Systems, Inc.

Texas Taxpayer I.D. Number of entity subject to Tax Code, Chapter 171 (11 digits)

17522042500

NAICS code

333132

Is the applicant a party to any other Chapter 313 agreements?

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?

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

Weatherford Artificial Lift Systems, Inc.

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)?

2. Is the applicant current on all tax payments due to the State of Texas?

3. Are all applicant members of the combined group current on all tax payments due to the State of Texas?

ELIGIBILITY UNDER TAX CODE CHAPTER 313.024

- Are you an entity to which Tax Code, Chapter 171 applies? Yes No
- The property will be used as an integral part, or as a necessary auxiliary part, in one of the following activities:
- (1) manufacturing Yes No
 - (2) research and development Yes No
 - (3) a clean coal project, as defined by Section 5.001, Water Code Yes No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code Yes No
 - (5) renewable energy electric generation Yes No
 - (6) electric power generation using integrated gasification combined cycle technology Yes No
 - (7) nuclear electric power generation Yes No
 - (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) Yes No
- Are you requesting that any of the land be classified as qualified investment? Yes No
- Will any of the proposed qualified investment be leased under a capitalized lease? Yes No
- Will any of the proposed qualified investment be leased under an operating lease? Yes No
- Are you including property that is owned by a person other than the applicant? Yes No
- Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? Yes No

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 DESCRIPTION UNDER TAB 4

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

SEE DESCRIPTION UNDER TAB 4

PROJECT CHARACTERISTICS (CHECK ALL THAT APPLY)

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

PROJECTED TIMELINE

Begin Construction June 2012 Begin Hiring New Employees Fall 2012
 Construction Complete 1st Quarter 2013 Fully Operational 1st Quarter 2013
 Purchase Machinery & Equipment Fall 2012-1st Quarter 2013

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)? Yes No
 Note: Improvements made before that time may not be considered qualified property.

When do you anticipate the new buildings or improvements will be placed in service? Fall 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.)

Waller County - Tax Abatement

THE PROPERTY

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

Central Appraisal District (CAD) that will be responsible for appraising the property Waller 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: Waller - 100% City: None
(Name and percent of project) (Name and percent of project)

Hospital District: None Water District: Brookshire-Katy Drainage District - 100%
(Name and percent of project) (Name and percent of project)

Other (describe): Waller-Harris ESD - 100% Other (describe): _____
(Name and percent of project) (Name and percent of project)

Is the project located entirely within this ISD? Yes No

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

INVESTMENT

NOTE: The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as rural, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's Web site at www.window.state.tx.us/taxInfo/proptax/hb1200/values.html.

At the time of application, what is the estimated minimum qualified investment required for this school district? \$30,000,000

What is the amount of appraised value limitation for which you are applying? \$30,000,000

What is your total estimated qualified investment? \$90,500,000

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? November 2012

What is the anticipated date of the beginning of the qualifying time period? November 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? \$124,139,420

Describe the qualified investment. [See 313.021(1).] (See Attached description and map behind Tab 6 of all proposed real property improvements and fixed equipment

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

Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or 313.053 for rural school districts) for the relevant school district category during the qualifying time period? [X] Yes [] No

Except for new equipment described in Tax Code §151.318(q) or (q-1), is the proposed tangible personal property to be placed in service for the first time:

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

(2) if not in or on the new building or other new improvement for which you are applying for an appraised value limitation, is the personal property necessary and ancillary to the business conducted in the new building or other new improvement? [X] Yes [] No

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

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

Will the investment in real or personal property you propose be counted toward the minimum qualified investment required by Tax Code §313.023, (or 313.053 for rural school districts) be first placed in service in this state during the applicable qualifying time period? [X] Yes [] No

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

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

QUALIFIED PROPERTY

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

Attach the following items to this application. The qualified property also includes a 177 acre unimproved tract of land described behind Tab 10.

- (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 See description behind Tab 10.

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 [X] 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? June 2012

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

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



QUALIFIED PROPERTY (CONTINUED)

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

1. Legal description of the land **See description behind Tab 10.**
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 **See Tax Certificate behind Tab 10.**
3. Owner **Currently C-2 Pederson Road LLC**
4. The current taxable value of the land. Attach estimate if land is part of larger parcel. **Market Value: \$1,028,590; Ag Value - \$28,190**
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. **[to come]**

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. **Not applicable**

List current market value of existing property at site as of most recent tax year. **Not applicable**
(Market Value) _____ (Tax Year) _____

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

Will all of the property for which you are requesting an appraised value limitation be free of a tax abatement agreement entered into by a school district for the duration of the limitation? Yes No

WAGE AND EMPLOYMENT INFORMATION

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

The last complete calendar quarter before application review start date is the:
 First Quarter Second Quarter Third Quarter Fourth Quarter of **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?
793

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.

Total number of new jobs that will have been created when fully operational **245**

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? **106**

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

If this project creates less than 1,000 new jobs, does this district have territory in a county that meets the demographic characteristics of 313.051(2)? (see table of information showing this district characteristic at <http://www.window.state.tx.us/taxinfo/proptax/hb1200/values.html>) **No**

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 \$928.12
 110% of the county average weekly wage for manufacturing jobs in the county is \$1198.45
 110% of the county average weekly wage for manufacturing jobs in the region is \$1,078.88

Please identify which Tax Code section you are using to estimate the wage standard required for this project: **See calculations behind Tab 14**

§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? 56,102

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? 56,105

- 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 attached list of benefits behind Tab 15

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 | |
| 6 | Description of Qualified Investment (Attachment) | 8 of 16 | ✓ |
| 7 | Map of qualified investment showing location of new buildings or new improvements with vicinity map. | 8 of 16 | ✓ |
| 8 | Description of Qualified Property (Attachment) | 8 of 16 | ✓ |
| 9 | Map of qualified property showing location of new buildings or new improvements with vicinity map | 8 of 16 | ✓ |
| 10 | Description of Land (Attachment) | 9 of 16 | ✓ |
| 11 | A detailed map showing location of the land with vicinity map. | 9 of 16 | ✓ |
| 12 | A description of all existing (if any) improvements (Attachment) | 9 of 16 | |
| 13 | Request for Waiver of Job Creation Requirement (if applicable) (Attachment) | 9 of 16 | |
| 14 | Calculation of three possible wage requirements with TWC documentation. (Attachment) | 10 of 16 | ✓ |
| 15 | Description of Benefits | 10 of 16 | ✓ |
| 16 | Economic Impact (if applicable) | 10 of 16 | ✓ |
| 17 | Schedule A completed and signed | 13 of 16 | ✓ |
| 18 | Schedule B completed and signed | 14 of 16 | ✓ |
| 19 | Schedule C (Application) completed and signed | 15 of 16 | ✓ |
| 20 | Schedule D completed and signed | 16 of 16 | ✓ |
| 21 | Map of Reinvestment Zone (Attachment) (Showing the actual or proposed boundaries and size, Certified to be accurate by either the government entity creating the zone, the local appraisal district, or a licensed surveyor, with vicinity map)* | 9 of 16 | ✓ |
| 22 | Order, Resolution, or Ordinance Establishing the Zone (Attachment)* | 9 of 16 | ✓ |
| 23 | Legal Description of Reinvestment Zone (Attachment)* | 9 of 16 | ✓ |
| 24 | Guidelines and Criteria for Reinvestment Zone(Attachment)* | 9 of 16 | ✓ |

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

1

2

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)*

3



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

May 24, 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

WEATHERFORD ARTIFICIAL LIFT SYSTEMS, INC.

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 24th day of
May 2012 A.D.

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

Susan Combs
Texas Comptroller

Taxpayer number: 17522042500
File number: 0009297006

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

4

PROJECT DESCRIPTION

Weatherford Artificial Lift Systems, Inc. is building a manufacturing facility for oil field service equipment, specifically pumping units. The facility will consist of 4 buildings - an office building which will be approximately 40,000 square feet and three manufacturing buildings that are ±524,000 square feet. The products to be manufactured are pumping units for oil/gas. See detailed description of the machinery.

Ability to Relocate

Weatherford Artificial Lift Systems, Inc. is part of Weatherford International, Inc. Weatherford International, Inc. is one of the largest oilfield services companies, headquartered in Switzerland, with operations in more than 730 locations in 100 countries and employs more than 50,000 people worldwide. While Weatherford has the ability to build facilities worldwide, current market conditions make it favorable to build a new manufacturing facility for pumping units in the Houston area.



CAPEX - Machine Shop

| QTY | Description | Unit Value (USD) | Total (USD) |
|-----|--------------------------------|------------------|-------------|
| 2 | MILLING | \$ 350.000 | \$ 700.000 |
| 1 | KEY SEATING | \$ 200.000 | \$ 200.000 |
| 3 | TURNING (LATHE) | \$ 580.000 | \$1.740.000 |
| 2 | VERTICAL LATHE (INTEGREX TYPE) | \$ 1.200.000 | \$2.400.000 |
| 1 | DRILLING | \$ 450.000 | \$ 450.000 |
| 3 | BORING | \$ 1.000.000 | \$3.000.000 |
| 2 | DRILLING PRESS | \$ 50.000 | \$ 100.000 |
| 2 | RADIAL DRILL | \$ 50.000 | \$ 100.000 |
| 1 | MACHINING TOOLS | \$ 300.000 | \$ 300.000 |
| 1 | MACHININT FIXTURES | \$ 900.000 | \$ 900.000 |
| 2 | CNC LATHE | \$ 250.000 | \$ 500.000 |
| 8 | jib cranes | \$18.000 | \$144.000 |



CAPEX – Machine Shop (Cont...)

| QTY | Description | Unit Value (USD) | Total (USD) |
|-----|---|-------------------|----------------|
| 1 | FACE&CENTER DRILL (ENDOMATIC -SHAFTS/PINIONS) | \$400.000 | \$ 400.000 |
| 1 | MACH CENTER (GANTRY TYPE-GEARCASE/CRANK) | \$1.600.000 | \$1.600.000 |
| 1 | MACHINING CENTER (PRE ROUGH GEARS) | \$1.000.000 | \$1.000.000 |
| 23 | MACHINE FOUNDATIONS | \$20.000 | \$ 460.000 |
| 1 | COORDINATE MEASURING MACHINE (ZEISS) | \$220.000 | \$ 220.000 |
| 8 | OVERHEAD CRANE | \$128.125 | \$1.025.000 |
| 11 | SYKES | \$1.100.000 | \$12.100.000 |
| 3 | HOBGING MACHINE | \$1.000.000 | \$3.000.000 |
| 1 | RESHARPENING MACHINE | \$320.000 | \$320.000 |
| 2 | GRINDING MACHINE | \$100.000 | \$200.000 |
| 11 | JIGS AND FIXTURE | \$2.000 | \$21.310 |
| 11 | OPERATORS PLATFORM | \$5.000 | \$55.000 |
| 1 | 400 TON Horizontal Press | \$200.000 | \$200.000 |
| 5 | Assembly carts | \$15.000 | \$75.000 |
| 1 | Tools and Fixtures | \$200.000 | \$200.000 |
| 1 | Assembly Line | \$120.000 | \$120.000 |
| | | SUBTOTAL-1 | \$31.5M |



CAPEX - Fab Shop

| QTY | Description | Unit Value (USD) | Total (USD) |
|-------------------|---|------------------|---------------|
| 1 | BEAM CUTTING | \$1,000,000 | \$1,000,000 |
| 1 | Beam Saw Mitre | \$350,000 | \$350,000 |
| 1 | Grit Blasting Booth for Welded Structures | \$1,500,000 | \$1,500,000 |
| 1 | Grit Blasting Burning Table | \$500,000 | \$500,000 |
| 1 | Grit Blasting Heavy Beams Stage 2 | \$500,000 | \$500,000 |
| 1 | Painting & Drying Booths System | \$1,000,000 | \$1,000,000 |
| 7 | Fitting (Welding Machines) | \$5,000 | \$35,000 |
| 1 | Welding Robotic System | \$1,300,000 | \$1,300,000 |
| 2 | Burning Table | \$120,000 | \$240,000 |
| 1 | Main Beam Turning Fixture Peddinghaus | \$56,000 | \$56,000 |
| 1 | Horsehead Bending Machine | \$50,000 | \$50,000 |
| 1 | Saw | \$40,000 | \$45,238 |
| 1 | Shearing | \$40,000 | \$40,000 |
| 1 | Press | \$40,000 | \$40,000 |
| 10 | Fitting/Welding Cells Jib Cranes | \$12,000 | \$120,000 |
| 12 | Overhead Crane | \$125,000 | \$1,500,000 |
| SUBTOTAL-2 | | | \$8.3M |



CAPEX – FA&FT Shop

| QTY | Description | Unit Value (USD) | Total (USD) |
|-------------------|---|------------------|---------------|
| 1 | Beam Cutting | \$1,000,000 | \$1,000,000 |
| 1 | Grit Blasting Booth for Welded Structures | \$1,500,000 | \$1,500,000 |
| 1 | Grit Blasting Burning Table | \$500,000 | \$500,000 |
| 1 | Grit Blasting Heavy Beams Stage 2 | \$500,000 | \$500,000 |
| 1 | Painting & Drying Booths System | \$1,000,000 | \$1,000,000 |
| 7 | Fitting (Welding Machines) | \$5,000 | \$35,000 |
| 1 | Welding Robotic System | \$900,000 | \$900,000 |
| 1 | Burning Table | \$120,000 | \$120,000 |
| 1 | GearBox Line | \$200,000 | \$200,000 |
| 1 | Shearing | \$40,000 | \$40,000 |
| 1 | Press | \$40,000 | \$40,000 |
| 10 | Fitting/Welding Cells Jib Cranes | \$12,000 | \$120,000 |
| 13 | Overhead Crane | \$125,000 | \$1,625,000 |
| SUBTOTAL-3 | | | \$7.6M |



CAPEX - Consolidated

| | |
|--------------|----------------|
| SUBTOTAL-1 | \$31.5M |
| SUBTOTAL-2 | \$8.3M |
| SUBTOTAL-3 | \$7.6M |
| TOTAL | \$47.4M |

ATTACHMENT 5

The Project is 100% located in Waller ISD.

6

Buildings and Equipment

| | |
|----------------------------|---------------------|
| Office Building "A" | \$5,000,000 |
| Manufacturing Building "B" | \$13,300,000 |
| Manufacturing Building "C" | \$14,800,000 |
| Manufacturing Building "D" | \$6,300,000 |
| Site Work | \$4,200,000 |
| Lay Down/Storage | \$3,700,000 |
| Fixed Equipment* | <u>\$48,000,000</u> |
| | |
| Total | \$95,300,000 |

*See attached Equipment List for list of fixed equipment and approximate values.



CAPEX - Machine Shop

| Description | | Total (USD) | |
|-------------|--------------------------------|------------------|-------------|
| QTY | Description | Unit Value (USD) | Total (USD) |
| 2 | MILLING | \$ 350.000 | \$ 700.000 |
| 1 | KEY SEATING | \$ 200.000 | \$ 200.000 |
| 3 | TURNING (LATHE) | \$ 580.000 | \$1.740.000 |
| 2 | VERTICAL LATHE (INTEGREX TYPE) | \$ 1.200.000 | \$2.400.000 |
| 1 | DRILLING | \$ 450.000 | \$ 450.000 |
| 3 | BORING | \$ 1.000.000 | \$3.000.000 |
| 2 | DRILLING PRESS | \$ 50.000 | \$ 100.000 |
| 2 | RADIAL DRILL | \$ 50.000 | \$ 100.000 |
| 1 | MACHINING TOOLS | \$ 300.000 | \$ 300.000 |
| 1 | MACHININT FIXTURES | \$ 900.000 | \$ 900.000 |
| 2 | CNC LATHE | \$ 250.000 | \$ 500.000 |
| 8 | Jib cranes | \$18.000 | \$144.000 |



CAPEX – Machine Shop (Cont...)

| QTY | | Description | Unit Value (USD) | Total (USD) |
|-------------------|--|---|------------------|----------------|
| 1 | | FACE&CENTER DRILL (ENDOMATIC -SHAFTS/PINIONS) | \$400.000 | \$ 400.000 |
| 1 | | MACH CENTER (GANTRY TYPE-GEARCASE/CRANK) | \$1.600.000 | \$1.600.000 |
| 1 | | MACHINING CENTER (PRE ROUGH GEARS) | \$1.000.000 | \$1.000.000 |
| 23 | | MACHINE FOUNDATIONS | \$20.000 | \$ 460.000 |
| 1 | | COORDINATE MEASURING MACHINE (ZEISS) | \$220.000 | \$ 220.000 |
| 8 | | OVERHEAD CRANE | \$128.125 | \$1.025.000 |
| 11 | | SYKES | \$1.100.000 | \$12.100.000 |
| 3 | | HOBGING MACHINE | \$1.000.000 | \$3.000.000 |
| 1 | | RESHARPENING MACHINE | \$320.000 | \$320.000 |
| 2 | | GRINDING MACHINE | \$100.000 | \$200.000 |
| 11 | | JIGS AND FIXTURE | \$2.000 | \$21.310 |
| 11 | | OPERATORS PLATFORM | \$5.000 | \$55.000 |
| 1 | | 400 TON Horizontal Press | \$200.000 | \$200.000 |
| 5 | | Assembly carts | \$15.000 | \$75.000 |
| 1 | | Tools and Fixtures | \$200.000 | \$200.000 |
| 1 | | Assembly Line | \$120.000 | \$120.000 |
| SUBTOTAL-1 | | | \$120.000 | \$31.5M |



CAPEX – Fab Shop

| QTY | Description | Unit Value (USD) | Total (USD) |
|-------------------|---|------------------|---------------|
| 1 | BEAM CUTTING | \$1,000,000 | \$1,000,000 |
| 1 | Beam Saw Mitre | \$350,000 | \$350,000 |
| 1 | Grit Blasting Booth for Welded Structures | \$1,500,000 | \$1,500,000 |
| 1 | Grit Blasting Burning Table | \$500,000 | \$500,000 |
| 1 | Grit Blasting Heavy Beams Stage 2 | \$500,000 | \$500,000 |
| 1 | Painting & Drying Booths System | \$1,000,000 | \$1,000,000 |
| 7 | Fitting (Welding Machines) | \$5,000 | \$35,000 |
| 1 | Welding Robotic System | \$1,300,000 | \$1,300,000 |
| 2 | Burning Table | \$120,000 | \$240,000 |
| 1 | Main Beam Turning Fixture Peddinghaus | \$56,000 | \$56,000 |
| 1 | Horsehead Bending Machine | \$50,000 | \$50,000 |
| 1 | Saw | \$40,000 | \$45,238 |
| 1 | Shearing | \$40,000 | \$40,000 |
| 1 | Press | \$40,000 | \$40,000 |
| 10 | Fitting/Welding Cells Jib Cranes | \$12,000 | \$120,000 |
| 12 | Overhead Crane | \$125,000 | \$1,500,000 |
| SUBTOTAL-2 | | | \$8.3M |



CAPEX - FA&FT Shop

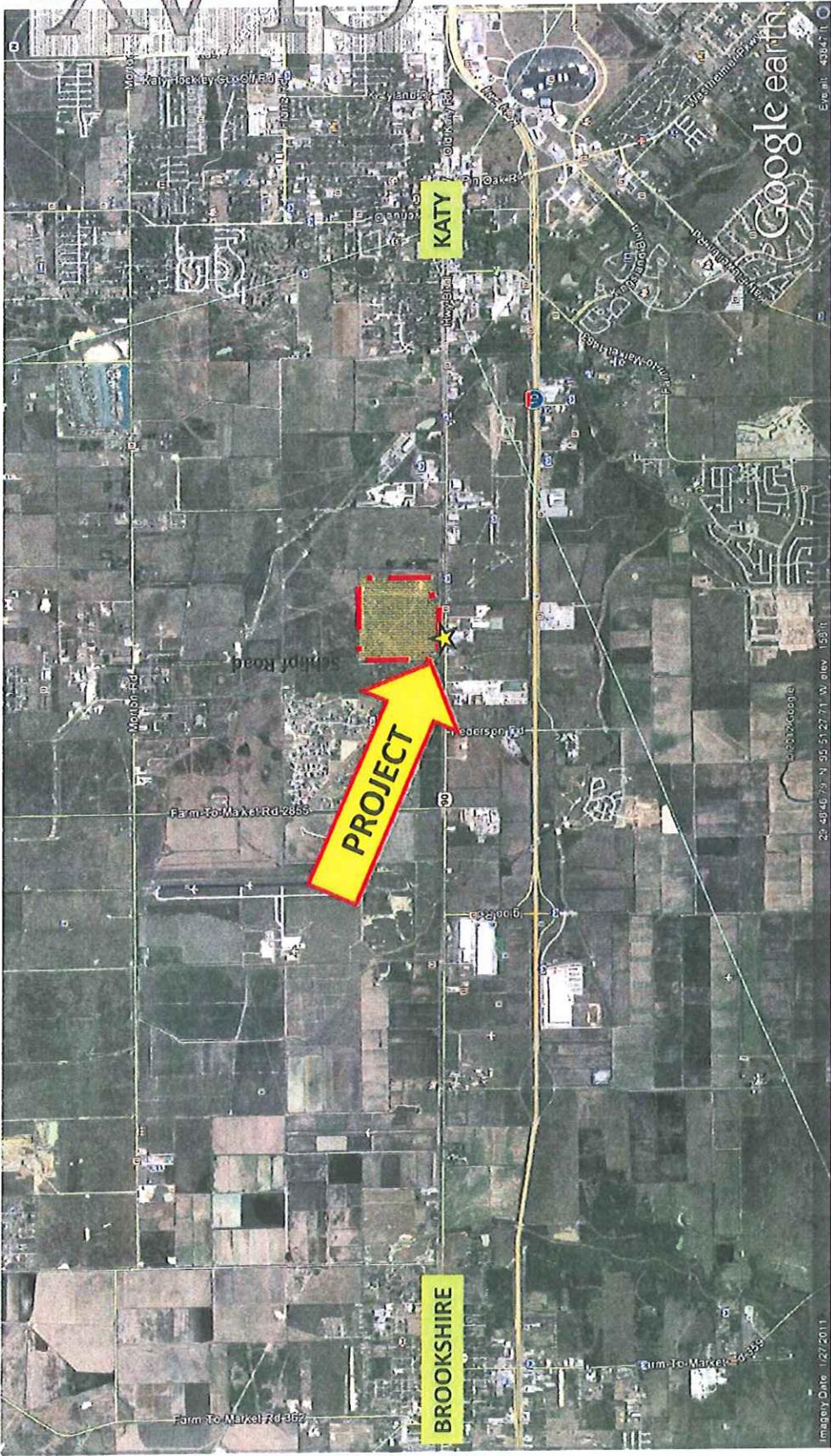
| QTY | Description | Unit Value (USD) | Total (USD) |
|-------------------|---|------------------|---------------|
| 1 | Beam Cutting | \$1,000,000 | \$1,000,000 |
| 1 | Grit Blasting Booth for Welded Structures | \$1,500,000 | \$1,500,000 |
| 1 | Grit Blasting Burning Table | \$500,000 | \$500,000 |
| 1 | Grit Blasting Heavy Beams Stage 2 | \$500,000 | \$500,000 |
| 1 | Painting & Drying Booths System | \$1,000,000 | \$1,000,000 |
| 7 | Fitting (Welding Machines) | \$5,000 | \$35,000 |
| 1 | Welding Robotic System | \$900,000 | \$900,000 |
| 1 | Burning Table | \$120,000 | \$120,000 |
| 1 | GearBox Line | \$200,000 | \$200,000 |
| 1 | Shearing | \$40,000 | \$40,000 |
| 1 | Press | \$40,000 | \$40,000 |
| 10 | Fitting/Welding Cells Jib Cranes | \$12,000 | \$120,000 |
| 13 | Overhead Crane | \$125,000 | \$1,625,000 |
| SUBTOTAL-3 | | | \$7.6M |



CAPEX - Consolidated

| | |
|--------------|----------------|
| SUBTOTAL-1 | \$31.5M |
| SUBTOTAL-2 | \$8.3M |
| SUBTOTAL-3 | \$7.6M |
| TOTAL | \$47.4M |

7



CLAY
DEVELOPMENT & CONSTRUCTION INC.

COMMERCIAL DESIGN-BUILDERS
5599 San Felipe, Suite 1440, Houston, TX 77056
www.claydevelopment.com 713.789.2529 (or)

**COMMERCIAL DRIVEWAY @ ENTRY TO
PEDERSON ROAD BUSINESS PARK**



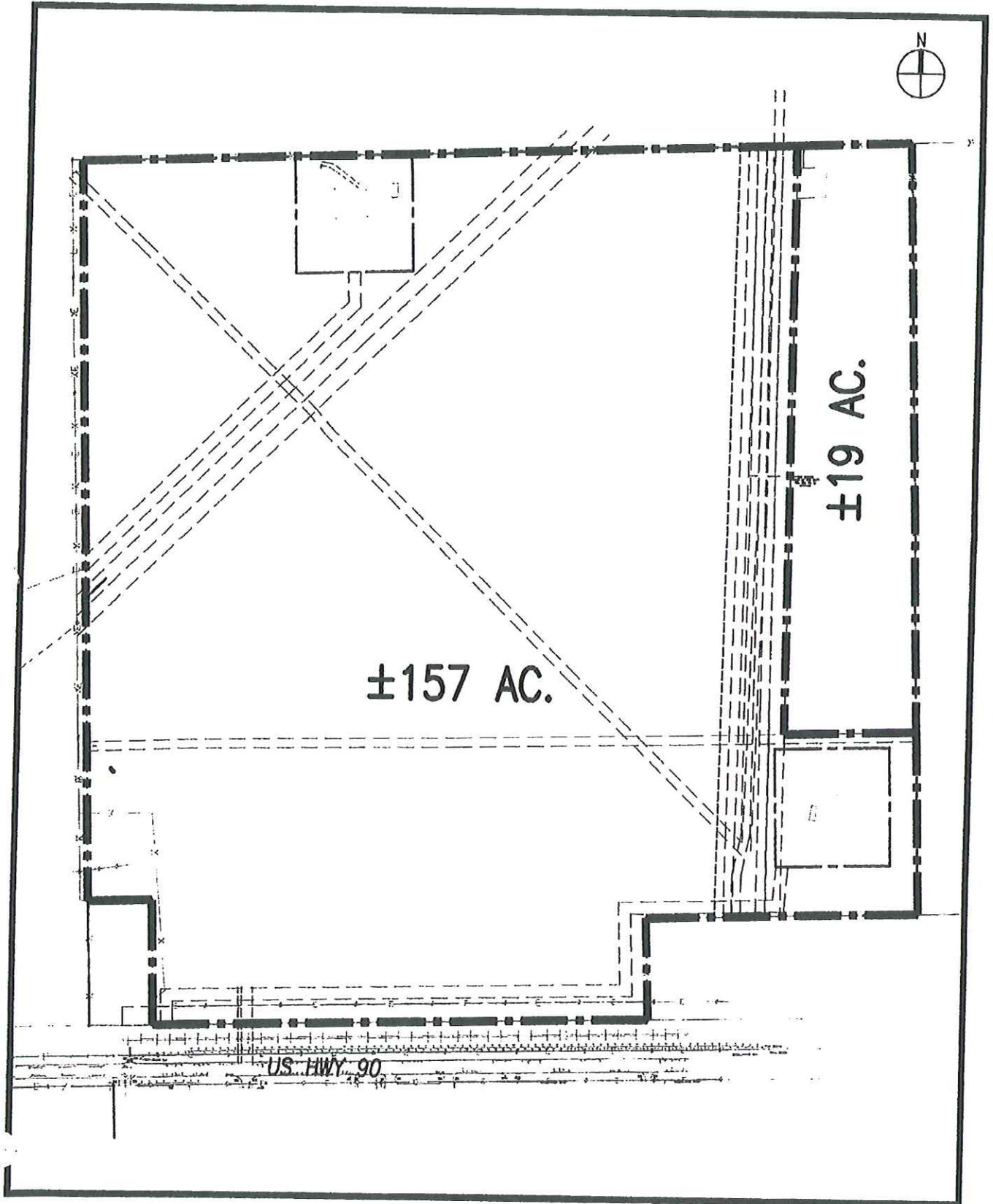
SK01

Image Date: 1/27/2011
Elev. ft.: 49.47 ft.
29.494679 N 95.512771 W elev. 153 ft.

EXHIBIT A

LEGAL DESCRIPTION

CLAY
DEVELOPMENT & CONSTRUCTION, INC.
COMMERCIAL DESIGN-BUILDERS
5599 San Felipe St., Suite 1440
Houston, TX 77055
Phone (713)789-2529
Fax (713)782-3765

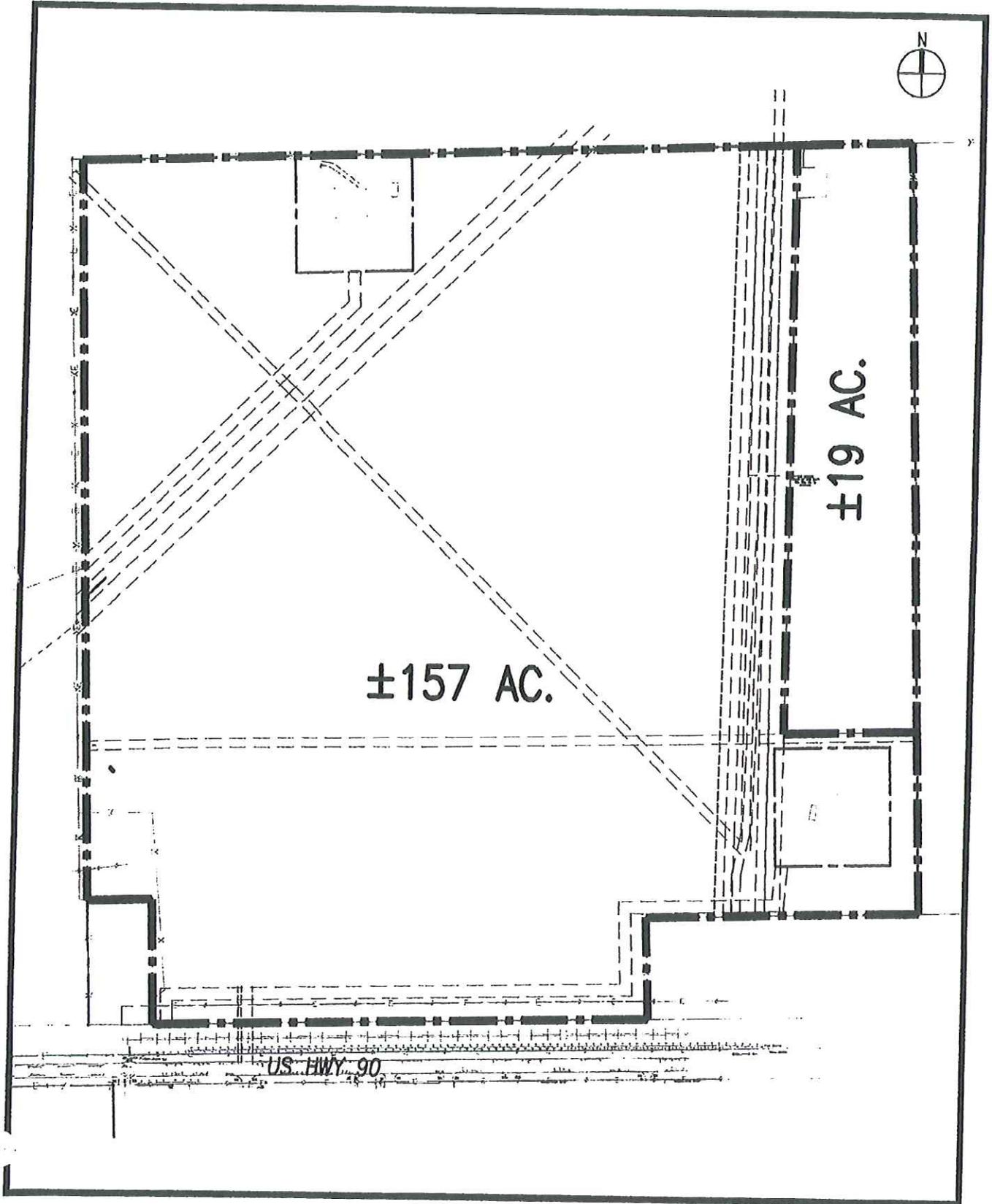


8

EXHIBIT A

LEGAL DESCRIPTION

CLAY
DEVELOPMENT & CONSTRUCTION, INC.
COMMERCIAL DESIGN-BUILDERS
5599 San Felipe St., Suite 1440
Houston, TX 77056
Phone (713)789-2529
Fax (713)782-3755



SCHEDULE A
(continued)

4. Legal description of land:

FIELD NOTES FOR A 176.149 ACRE TRACT OF LAND IN THE T. S. REESE SURVEY, ABSTRACT 334, AND THE H. & T. C. RAILROAD COMPANY SURVEY SECTION 107, ABSTRACT 170, WALLER COUNTY, TEXAS, SAID 176.149 ACRE TRACT BEING THE RESIDUE OF THAT CERTAIN CALLED 198 ACRE TRACT DESCRIBED IN DEED RECORDED IN VOLUME 412, PAGE 44, DEED RECORDS, WALLER COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1-inch iron pipe found in the north right-of-way line of the adjoining M. K. & T. Railroad right-of-way for the southeast corner of an adjoining called 1.9921 acre tract described in deed recorded in Volume 349, Page 491, Deed Records, Waller County, Texas, for the lower southwest corner and Place of Beginning of the herein described 176.149 acre tract of land, from which point a 5/8 inch iron rod found for the southwest corner of said called 198 acre tract and the southwest corner of said adjoining called 1.9921 acre tract bears South 88 degrees 42 minutes 26 seconds West, 209.14 feet;

THENCE North 01 degree 14 minutes 00 seconds West (adjoiner called North 00 degrees 01 minute 04 seconds West) along the common line of the herein described tract and said adjoining called 1.9921 acre tract, 415.06 feet (adjoiner called 414.69 feet) to a 1/2 inch iron rod found for a reentry corner to the herein described tract, same being the northeast corner of said adjoining called 1.9921 acre tract;

THENCE South 88 degrees 29 minutes 13 seconds West (adjoiner called South 89 degrees 44 minutes 09 seconds West) continuing along said common line, at 209.40 feet (adjoiner called 209.37 feet) pass a 1/2 inch iron rod found on said line for the called northwest corner of said adjoining called 1.9921 acre tract, and continuing for a total distance of 212.89 feet to a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" set in the west line of said T. S. Reese Survey, Abstract 334, same being the east line of the adjoining E. B. Couch Survey, Abstract 295, for the upper southwest corner of the herein described tract, said point also being in the west line of said called 198 acre tract, same being the east line of an adjoining called 19.36 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, described in Volume 0514, Page 926, Official Records, Waller County, Texas;

THENCE North 01 degree 45 minutes 05 seconds West along the west line of the herein described tract, the west line of said called 198 acre tract, and the west line of said T. S. Reese Survey, Abstract 334, same being the east line of said adjoining E. B. Couch Survey, Abstract 295, the east line of said adjoining called 19.36 acre tract, the east line of an adjoining called 11.2461 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, and the east line of an adjoining called 1.0655 acre tract recorded in Volume 0893, Page 781, Official Records, Waller County, Texas, at 2,454.68 feet pass a 1/2 inch iron pipe with cap marked "Kalkomey Surveying" found on said line for the northeast corner of said adjoining called 1.0655 acre tract, same being the southeast corner of an adjoining called 18.895 acre tract recorded in Volume 0603, Page 750, Official Records, Waller County, Texas, described in Volume 0560, Page 393, Official Records, Waller County, Texas, and continuing for a total distance of 2,462.65 feet to a 1/2 inch iron pipe with cap marked "Kalkomey Surveying" set on said line for the northwest corner of the herein described tract and the northwest corner of said called 198 acre tract;

THENCE North 88 degrees 04 minutes 39 seconds East along the north line of the herein described tract and the north line of said called 198 acre tract, at 10.39 feet pass a 1-inch iron pipe found on said line for the called southwest corner of an adjoining called 200 acre tract recorded in Volume 0553, Page 096, Official Records, Waller County, Texas, at 28.87 feet pass a 1-inch iron pipe found 0.40 feet north of said

SCHEDULE A
(continued)

line, and continuing for a total distance of 2,789.83 feet to a ½ inch iron rod found for the northeast corner of the herein described tract, same being the northwest corner of an adjoining called 21.713 acre tract described in deed recorded in Volume 0553, Page 101, Official Records, Waller County, Texas, from which point a 1-inch iron pipe found for the northeast corner of said called 198 acre tract and the northeast corner of said adjoining called 21.713 acre tract, same being the southeast corner of said adjoining called 200 acre tract bears North 88 degrees 04 minutes 39 seconds East, 368.30 feet (adjoiner called South 89 degrees 49 minutes East, 368.21 feet);

THENCE South 01 degree 47 minutes 53 seconds East (adjoiner called South 01 degree 17 minutes 46 seconds East) along the east line of the herein described tract, same being the west line of said adjoining called 21.713 acre tract, 2,567.39 feet (adjoiner called 2,566.43 feet) to a ½ inch iron rod found for the upper southeast corner of the herein described tract, same being the southwest corner of said adjoining called 21.713 acre tract, and being in the south line of said T. S. Reese Survey, Abstract 334, same being the north line of the adjoining W. W. Bains Survey, Abstract 385, and the north line of an adjoining tract of land in deed to R. & Y. Interests, Ltd. recorded in Volume 0575, Page 029, Official Records, Waller County, Texas, from which point a ½ inch iron rod found for the upper southeast corner of said called 198 acre tract and the southeast corner of said adjoining called 21.713 acre tract bears North 88 degrees 29 minutes 33 seconds East, 368.56 feet (adjoiner called South 89 degrees 24 minutes 28 seconds East, 368.21 feet);

THENCE South 88 degrees 29 minutes 33 seconds West along the upper south line of the herein described tract, the upper south line of said called 198 acre tract, and the south line of said T. S. Reese Survey, Abstract 334, same being the north line of said adjoining W. W. Bains Survey, Abstract 385, and the north line of said adjoining R. & Y. Interests, Ltd. tract, 925.08 feet to a 1-inch iron pipe found for a reentry corner to the herein described tract and a reentry corner to said called 198 acre tract, same being the northwest corner of said adjoining W. W. Bains Survey, Abstract 385, and the northwest corner of said adjoining R. & Y. Interest, Ltd. tract, said point also being the northeast corner of the aforementioned H & T. C. Railroad Company Survey Section 107, Abstract 170;

THENCE South 02 degrees 08 minutes 14 seconds East along the lower east line of the herein described tract, the lower east line of said called 198 acre tract, and the east line of said H. & T. C. Railroad Company Survey Section 107, Abstract 170, same being the west line of said adjoining W. W. Bains Survey, Abstract 385, and the west line of said adjoining R. & Y. Interests, Ltd. tract, 338.02 feet to a ½ inch iron pipe found for the lower southeast corner of the herein described tract and the lower southeast corner of said called 198 acre tract, same being the southwest corner of said adjoining R. & Y. Interests, Ltd. tract, and being in the north line of the aforementioned adjoining M. K. & T. Railroad right-of-way;

THENCE South 88 degrees 45 minutes 03 seconds West along the lower south line of the herein described tract and the lower south line of said called 198 acre tract, same being the north right-of-way line of said adjoining M. K. & T. Railroad right-of-way, 1,660.05 feet to the Place of Beginning and containing 176.149 acres of land, more or less.

NOTE: THIS COMPANY DOES NOT REPRESENT THE ABOVE ACREAGE AND/OR SQUARE FOOTAGE ARE CORRECT.

END OF SCHEDULE A

Buildings and Equipment

| | |
|----------------------------|---------------------|
| Office Building "A" | \$5,000,000 |
| Manufacturing Building "B" | \$13,300,000 |
| Manufacturing Building "C" | \$14,800,000 |
| Manufacturing Building "D" | \$6,300,000 |
| Site Work | \$4,200,000 |
| Lay Down/Storage | \$3,700,000 |
| Fixed Equipment* | <u>\$48,000,000</u> |
| | |
| Total | \$95,300,000 |

*See attached Equipment List for list of fixed equipment and approximate values.



CAPEX - Machine Shop

| QTY | Description | Unit Value (USD) | Total (USD) |
|-----|--------------------------------|------------------|-------------|
| 2 | MILLING | \$ 350.000 | \$ 700.000 |
| 1 | KEY SEATING | \$ 200.000 | \$ 200.000 |
| 3 | TURNING (LATHE) | \$ 580.000 | \$1.740.000 |
| 2 | VERTICAL LATHE (INTEGREX TYPE) | \$ 1.200.000 | \$2.400.000 |
| 1 | DRILLING | \$ 450.000 | \$ 450.000 |
| 3 | BORING | \$ 1.000.000 | \$3.000.000 |
| 2 | DRILLING PRESS | \$ 50.000 | \$ 100.000 |
| 2 | RADIAL DRILL | \$ 50.000 | \$ 100.000 |
| 1 | MACHINING TOOLS | \$ 300.000 | \$ 300.000 |
| 1 | MACHININT FIXTURES | \$ 900.000 | \$ 900.000 |
| 2 | CNC LATHE | \$ 250.000 | \$ 500.000 |
| 8 | Jib cranes | \$18.000 | \$144.000 |



CAPEX – Machine Shop (Cont...)

| QTY | Description | Unit Value (USD) | Total (USD) |
|-------------------|--|------------------|----------------|
| 1 | FACE&CENTER DRILL (ENDOMATIC-SHAFTS/PINIONS) | \$400.000 | \$ 400.000 |
| 1 | MACH CENTER (GANTRY TYPE-GEARCASE/CRANK) | \$1.600.000 | \$1.600.000 |
| 1 | MACHINING CENTER (PRE ROUGH GEARS) | \$1.000.000 | \$1.000.000 |
| 23 | MACHINE FOUNDATIONS | \$20.000 | \$ 460.000 |
| 1 | COORDINATE MEASURING MACHINE (ZEISS) | \$220.000 | \$ 220.000 |
| 8 | OVERHEAD CRANE | \$128.125 | \$1.025.000 |
| 11 | SYKES | \$1.100.000 | \$12.100.000 |
| 3 | HOBGING MACHINE | \$1.000.000 | \$3.000.000 |
| 1 | RESHARPENING MACHINE | \$320.000 | \$320.000 |
| 2 | GRINDING MACHINE | \$100.000 | \$200.000 |
| 11 | JIGS AND FIXTURE | \$2.000 | \$21.310 |
| 11 | OPERATORS PLATFORM | \$5.000 | \$55.000 |
| 1 | 400 TON Horizontal Press | \$200.000 | \$200.000 |
| 5 | Assembly carts | \$15.000 | \$75.000 |
| 1 | Tools and Fixtures | \$200.000 | \$200.000 |
| 1 | Assembly Line | \$120.000 | \$120.000 |
| SUBTOTAL-1 | | \$31.5M | \$31.5M |



CAPEX – Fab Shop

| QTY | Description | Unit Value (USD) | Total (USD) |
|-------------------|---|------------------|---------------|
| 1 | BEAM CUTTING | \$1,000,000 | \$1,000,000 |
| 1 | Beam Saw Mitre | \$350,000 | \$350,000 |
| 1 | Grit Blasting Booth for Welded Structures | \$1,500,000 | \$1,500,000 |
| 1 | Grit Blasting Burning Table | \$500,000 | \$500,000 |
| 1 | Grit Blasting Heavy Beams Stage 2 | \$500,000 | \$500,000 |
| 1 | Painting & Drying Booths System | \$1,000,000 | \$1,000,000 |
| 7 | Fitting (Welding Machines) | \$5,000 | \$35,000 |
| 1 | Welding Robotic System | \$1,300,000 | \$1,300,000 |
| 2 | Burning Table | \$120,000 | \$240,000 |
| 1 | Main Beam Turning Fixture Peddinghaus | \$56,000 | \$56,000 |
| 1 | Horsehead Bending Machine | \$50,000 | \$50,000 |
| 1 | Saw | \$40,000 | \$45,238 |
| 1 | Shearing | \$40,000 | \$40,000 |
| 1 | Press | \$40,000 | \$40,000 |
| 10 | Fitting/Welding Cells Jib Cranes | \$12,000 | \$120,000 |
| 12 | Overhead Crane | \$125,000 | \$1,500,000 |
| SUBTOTAL-2 | | | \$8.3M |



CAPEX – FA&FT Shop

| QTY | Description | Unit Value (USD) | Total (USD) |
|-------------------|---|------------------|---------------|
| 1 | Beam Cutting | \$1,000,000 | \$1,000,000 |
| 1 | Grit Blasting Booth for Welded Structures | \$1,500,000 | \$1,500,000 |
| 1 | Grit Blasting Burning Table | \$500,000 | \$500,000 |
| 1 | Grit Blasting Heavy Beams Stage 2 | \$500,000 | \$500,000 |
| 1 | Painting & Drying Booths System | \$1,000,000 | \$1,000,000 |
| 7 | Fitting (Welding Machines) | \$5,000 | \$35,000 |
| 1 | Welding Robotic System | \$900,000 | \$900,000 |
| 1 | Burning Table | \$120,000 | \$120,000 |
| 1 | GearBox Line | \$200,000 | \$200,000 |
| 1 | Shearing | \$40,000 | \$40,000 |
| 1 | Press | \$40,000 | \$40,000 |
| 10 | Fitting/Welding Cells Jib Cranes | \$12,000 | \$120,000 |
| 13 | Overhead Crane | \$125,000 | \$1,625,000 |
| SUBTOTAL-3 | | | \$7.6M |



CAPEX - Consolidated

| | |
|--------------|----------------|
| SUBTOTAL-1 | \$31.5M |
| SUBTOTAL-2 | \$8.3M |
| SUBTOTAL-3 | \$7.6M |
| TOTAL | \$47.4M |

9



CDM
DEVELOPMENT & CONSTRUCTION INC.

COMMERCIAL DESIGN-BUILDERS
5599 San Felipe, Suite 1440, Houston, TX 77056
www.claydevelopment.com 713.789.2529 (or)c.

**COMMERCIAL DRIVEWAY @ ENTRY TO
PEDERSON ROAD BUSINESS PARK**



SK01

Imagery Date: 1/27/2011

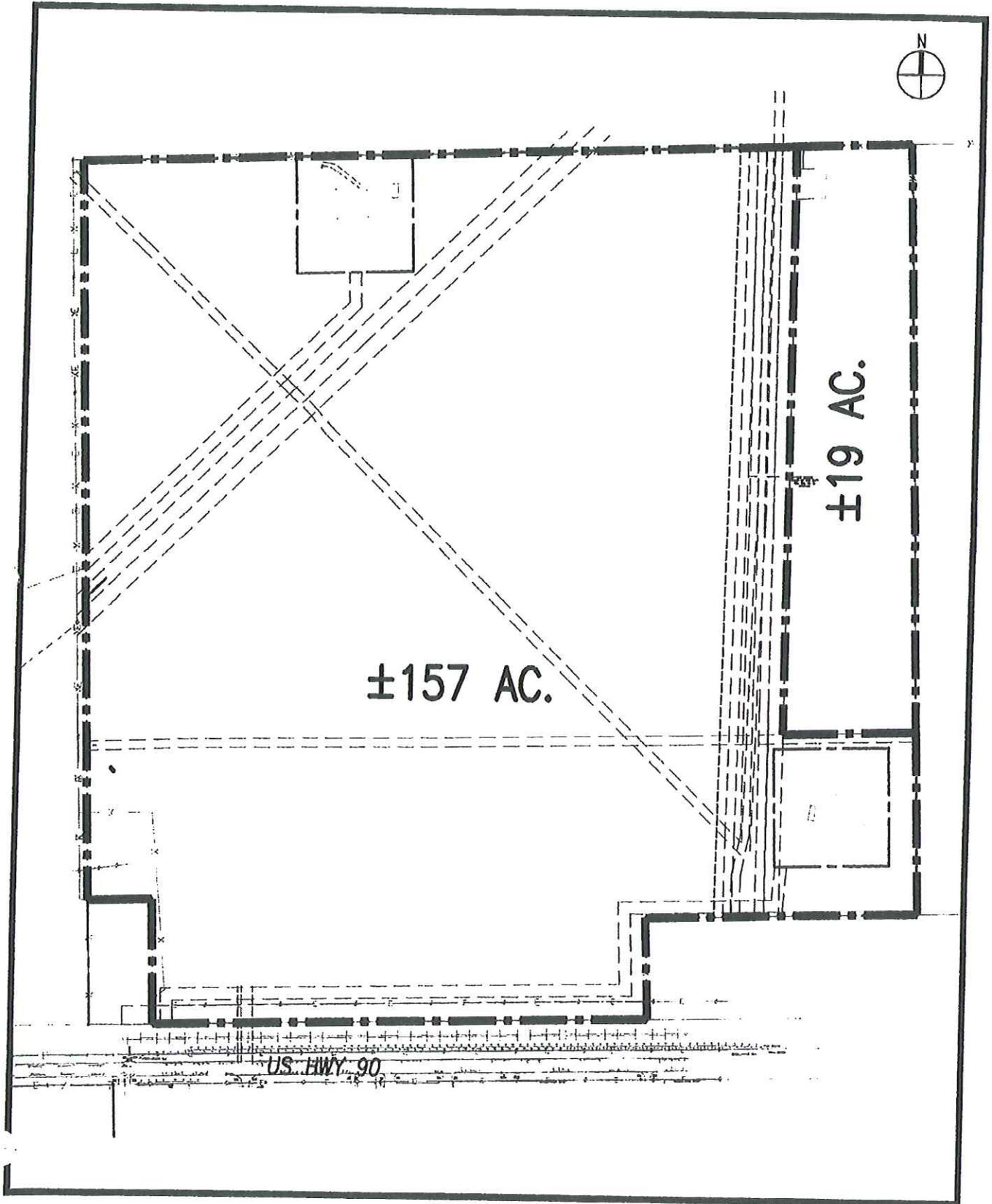
29.494679° N 95.512771° W, elev. 159ft

Elev: 91.49947 ft

EXHIBIT A

LEGAL DESCRIPTION

CLAY
DEVELOPMENT & CONSTRUCTION, INC.
COMMERCIAL DESIGN-BUILDERS
5599 San Felipe St., Suite 1440
Houston, TX 77056
Phone (713) 789-2529
Fax (713) 782-3755

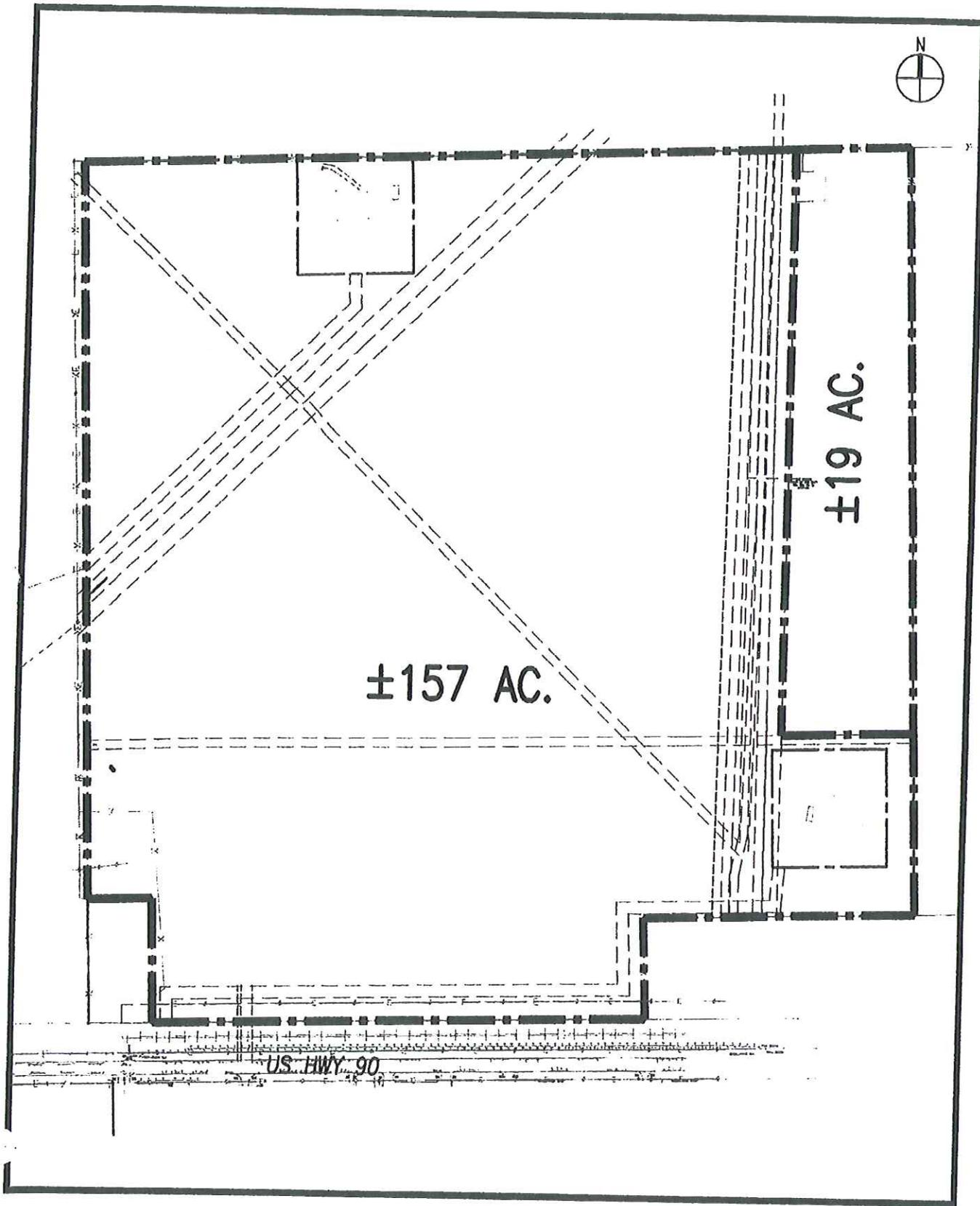


10

EXHIBIT A

LEGAL DESCRIPTION

CLAY
DEVELOPMENT & CONSTRUCTION, INC.
COMMERCIAL DESIGN-BUILDERS
5509 San Felipe St., Suite 1440
Houston, TX 77056
Phone (713)782-2529
Fax (713)782-3765



SCHEDULE A
(continued)

4. Legal description of land:

FIELD NOTES FOR A 176.149 ACRE TRACT OF LAND IN THE T. S. REESE SURVEY, ABSTRACT 334, AND THE H. & T. C. RAILROAD COMPANY SURVEY SECTION 107, ABSTRACT 170, WALLER COUNTY, TEXAS, SAID 176.149 ACRE TRACT BEING THE RESIDUE OF THAT CERTAIN CALLED 198 ACRE TRACT DESCRIBED IN DEED RECORDED IN VOLUME 412, PAGE 44, DEED RECORDS, WALLER COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1-inch iron pipe found in the north right-of-way line of the adjoining M. K. & T. Railroad right-of-way for the southeast corner of an adjoining called 1.9921 acre tract described in deed recorded in Volume 349, Page 491, Deed Records, Waller County, Texas, for the lower southwest corner and Place of Beginning of the herein described 176.149 acre tract of land, from which point a 5/8 inch iron rod found for the southwest corner of said called 198 acre tract and the southwest corner of said adjoining called 1.9921 acre tract bears South 88 degrees 42 minutes 26 seconds West, 209.14 feet;

THENCE North 01 degree 14 minutes 00 seconds West (adjoiner called North 00 degrees 01 minute 04 seconds West) along the common line of the herein described tract and said adjoining called 1.9921 acre tract, 415.06 feet (adjoiner called 414.69 feet) to a 1/2 inch iron rod found for a reentry corner to the herein described tract, same being the northeast corner of said adjoining called 1.9921 acre tract;

THENCE South 88 degrees 29 minutes 13 seconds West (adjoiner called South 89 degrees 44 minutes 09 seconds West) continuing along said common line, at 209.40 feet (adjoiner called 209.37 feet) pass a 1/2 inch iron rod found on said line for the called northwest corner of said adjoining called 1.9921 acre tract, and continuing for a total distance of 212.89 feet to a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" set in the west line of said T. S. Reese Survey, Abstract 334, same being the east line of the adjoining E. B. Couch Survey, Abstract 295, for the upper southwest corner of the herein described tract, said point also being in the west line of said called 198 acre tract, same being the east line of an adjoining called 19.36 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, described in Volume 0514, Page 926, Official Records, Waller County, Texas;

THENCE North 01 degree 45 minutes 05 seconds West along the west line of the herein described tract, the west line of said called 198 acre tract, and the west line of said T. S. Reese Survey, Abstract 334, same being the east line of said adjoining E. B. Couch Survey, Abstract 295, the east line of said adjoining called 19.36 acre tract, the east line of an adjoining called 11.2461 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, and the east line of an adjoining called 1.0655 acre tract recorded in Volume 0893, Page 781, Official Records, Waller County, Texas, at 2,454.68 feet pass a 1/2 inch iron pipe with cap marked "Kalkomey Surveying" found on said line for the northeast corner of said adjoining called 1.0655 acre tract, same being the southeast corner of an adjoining called 18.895 acre tract recorded in Volume 0603, Page 750, Official Records, Waller County, Texas, described in Volume 0560, Page 393, Official Records, Waller County, Texas, and continuing for a total distance of 2,462.65 feet to a 1/2 inch iron pipe with cap marked "Kalkomey Surveying" set on said line for the northwest corner of the herein described tract and the northwest corner of said called 198 acre tract;

THENCE North 88 degrees 04 minutes 39 seconds East along the north line of the herein described tract and the north line of said called 198 acre tract, at 10.39 feet pass a 1-inch iron pipe found on said line for the called southwest corner of an adjoining called 200 acre tract recorded in Volume 0553, Page 096, Official Records, Waller County, Texas, at 28.87 feet pass a 1-inch iron pipe found 0.40 feet north of said

SCHEDULE A
(continued)

line, and continuing for a total distance of 2,789.83 feet to a ½ inch iron rod found for the northeast corner of the herein described tract, same being the northwest corner of an adjoining called 21.713 acre tract described in deed recorded in Volume 0553, Page 101, Official Records, Waller County, Texas, from which point a 1-inch iron pipe found for the northeast corner of said called 198 acre tract and the northeast corner of said adjoining called 21.713 acre tract, same being the southeast corner of said adjoining called 200 acre tract bears North 88 degrees 04 minutes 39 seconds East, 368.30 feet (adjoiner called South 89 degrees 49 minutes East, 368.21 feet);

THENCE South 01 degree 47 minutes 53 seconds East (adjoiner called South 01 degree 17 minutes 46 seconds East) along the east line of the herein described tract, same being the west line of said adjoining called 21.713 acre tract, 2,567.39 feet (adjoiner called 2,566.43 feet) to a ½ inch iron rod found for the upper southeast corner of the herein described tract, same being the southwest corner of said adjoining called 21.713 acre tract, and being in the south line of said T. S. Reese Survey, Abstract 334, same being the north line of the adjoining W. W. Bains Survey, Abstract 385, and the north line of an adjoining tract of land in deed to R. & Y. Interests, Ltd. recorded in Volume 0575, Page 029, Official Records, Waller County, Texas, from which point a ½ inch iron rod found for the upper southeast corner of said called 198 acre tract and the southeast corner of said adjoining called 21.713 acre tract bears North 88 degrees 29 minutes 33 seconds East, 368.56 feet (adjoiner called South 89 degrees 24 minutes 28 seconds East, 368.21 feet);

THENCE South 88 degrees 29 minutes 33 seconds West along the upper south line of the herein described tract, the upper south line of said called 198 acre tract, and the south line of said T. S. Reese Survey, Abstract 334, same being the north line of said adjoining W. W. Bains Survey, Abstract 385, and the north line of said adjoining R. & Y. Interests, Ltd. tract, 925.08 feet to a 1-inch iron pipe found for a reentry corner to the herein described tract and a reentry corner to said called 198 acre tract, same being the northwest corner of said adjoining W. W. Bains Survey, Abstract 385, and the northwest corner of said adjoining R. & Y. Interest, Ltd. tract, said point also being the northeast corner of the aforementioned H & T. C. Railroad Company Survey Section 107, Abstract 170;

THENCE South 02 degrees 08 minutes 14 seconds East along the lower east line of the herein described tract, the lower east line of said called 198 acre tract, and the east line of said H. & T. C. Railroad Company Survey Section 107, Abstract 170, same being the west line of said adjoining W. W. Bains Survey, Abstract 385, and the west line of said adjoining R. & Y. Interests, Ltd. tract, 338.02 feet to a ½ inch iron pipe found for the lower southeast corner of the herein described tract and the lower southeast corner of said called 198 acre tract, same being the southwest corner of said adjoining R. & Y. Interests, Ltd. tract, and being in the north line of the aforementioned adjoining M. K. & T. Railroad right-of-way;

THENCE South 88 degrees 45 minutes 03 seconds West along the lower south line of the herein described tract and the lower south line of said called 198 acre tract, same being the north right-of-way line of said adjoining M. K. & T. Railroad right-of-way, 1,660.05 feet to the Place of Beginning and containing 176.149 acres of land, more or less.

NOTE: THIS COMPANY DOES NOT REPRESENT THE ABOVE ACREAGE AND/OR SQUARE FOOTAGE ARE CORRECT.

END OF SCHEDULE A

WALLER COUNTY APPRAISAL DISTRICT

CERTIFICATE OF OWNERSHIP

THE STATE OF TEXAS §

COUNTY OF WALLER §

I, the undersigned, herby certify that I have examined the appraisal rolls of Waller County, Texas, and find that the property described in Exhibit A attached hereto, is assessed on the appraisal rolls of Waller County, Texas, for the tax year 2011 In the names(s) of: C-2 PEDERSON ROAD LLC

Exhibit A: C-2 PEDERSON ROAD LLC

Existing or Parent Accounts on Last Certified Roll with Appraised Values:

| ACCOUNT # | ACREAGE | MARKET VALUE | AG-USE PROD. VALUE (TAXABLE) |
|------------|----------|--------------|------------------------------|
| PID: 11044 | 11.92 | \$135,190 | \$2,030 |
| PID: 13479 | 164.2271 | \$893,400 | \$27,920 |
| | | | |
| | | | |
| | | | |
| | | | |

CERTIFIED this 16 day of May, 2012.



Waller County Appraisal District

By: [Signature]

Name: Chris Barzilla

Title: Waller County Chief Appraiser

ALLER COUNTY APPRAISAL DISTRICT
 PROPERTY 13479 R
 13479 Description
 IS A333400 A-334 T S REESE TRACT 2 ACRES
 4.2271 PART OF 176.149 ACRES
 Ref ID: R13479
 Map ID: 914158
 3400-002-000-104
 OWNER ID: 304639
 OWNERSHIP: 100.00%
 PROPERTY APPRAISAL INFORMATION 2011
 C-2 PEDERSON ROAD LLC
 % CLAY DEVELOPMENT & CONSTRUCTION INC
 P O BOX 37109
 HOUSTON, TX 77237-7109
 ACRES: 164.2271
 EFF. ACRES: 176.1490
 APPR VAL METHOD: Cost

VALUES
 IMPROVEMENTS 0
 LAND MARKET + 893,400
 MARKET VALUE = 893,400
 PRODUCTIVITY LOSS - 865,480
 APPRAISED VALUE = 27,920
 HS CAP LOSS - 0
 ASSESSED VALUE = 27,920
 EXEMPTIONS

BUILDING PERMITS
 ISSUE DT PERMIT TYPE PERMIT AREA ST PERMIT VAL
 9798262112 y
 2012/2008 PRICE GRANTOR: DEED INFO
 MOTHERAL BESSIE SWD / 1091 / 821
 WARD DAVID SWDY / 1091 / 843
 2012/2008 REMOVE AREA FAC
 MARKS

SKETCH COMMANDS
 IMPROVEMENT FEATURES

IMPROVEMENT INFORMATION
 TYPE DESCRIPTION METH CLASS SUBCL AREA UNIT PRCEUNITS BUILT EFF YR COND VALUE DEPR PHYS ECON FUNG COMP ADJ ADJ VALUE
 SUBD: A333400 100.00% NBHD: RW2
 100.00% NBHD: RW2 100.00%
 DESCRIPTION C/S TABLE SC ES N METH
 IMPROVED PASTURE C/S TABLE SC ES N METH
 2009 AG LEFT OFF IN ERR PCHRS. CHG FRMAY TO PASTURE A

LAND INFORMATION IRR Vals: 0 Capacity: 0
 DIMENSIONS UNIT PRICE GROSS VALUE ADJ MASS ADJ VAL SRC
 164.2271 AC 8,500.00 1,395,930 0.84 1.00 A
 IRR Acres: 0
 AG CLASS AG TABLE AG UNIT PRG AG VALUE
 101 305 170.00 27,920
 893,400

Effective Date of Appraisal: January 1
 Date Printed: 05/16/2012 02:07:24 PM
 by beckyg

2012-05-16 14:39
 9798262112 y
 2012-05-16 14:39
 9798262112 y
 2012-05-16 14:39
 9798262112 y

WALLER COUNTY APPRAISAL DISTRICT
 PROPERTY 14044
 R
 S A317000 A-170 H & T C R R CO, TRACT 4, ACRES
 9219, PART OF 176.149 ACRES

Ref ID: R11044
 Map ID 914158

1000-004-000-101
 US HWY 90 TX

GENERAL

LAST APPR.
 LAST APPR. YR 2011
 LAST INSP. DATE 01/01/2010
 NEXT INSP. DATE

BUILDING PERMITS
 SUE DT PERMIT TYPE PERMIT AREA ST PERMIT VAL

GRANTOR DEED INFO
 MOTHERAL BESSIE SWD / 1091 / 821
 WARD DAVID SWDV / 1091 / 843

100.00% NEHD-KV1
 MIND CLASS/SUBCL AREA UND PRECIBETS BUILT EFF YR COND. VALUE DEPR PHYS ECON FUNG COLR ADJ VALUE

PROPERTY APPRAISAL INFORMATION 2011
 C-2 PEDERSON ROAD LLC
 % CLAY DEVELOPMENT & CONSTRUCTION INC
 P O BOX 37109
 HOUSTON, TX 77237-7109

ACRES: 11.9219
 EFF. ACRES: 176.1490
 APPR VAL METHOD: Cost

| Entitled | Values |
|----------|-------------------|
| CAD | IMPROVEMENTS |
| DBK | LAND MARKET |
| ESD | MARKET VALUE |
| GWA | PRODUCTIVITY LOSS |
| REM | APPRAISED VALUE |
| SKT | HS CAP LOSS |
| | ASSESSED VALUE |
| | EXEMPTIONS |

SKETCH COMMANDS

IMPROVEMENT FEATURES

| JED: A317000 | 100.00% | NEHD-KV1 | 100.00% | LAND INFORMATION | ERR WALK: 0 | CAPAC: 0 | ERR ACRES: 0 | OR WALK: 0 |
|--|-----------|----------|---------|------------------|-------------|-------------|----------------------|------------------|
| DESCRIPTION | CLS TABLE | SC HS | METH | DIMENSIONS | UNIT PRICE | GROSS VALUE | ADJ MASS ADJ VAL SRC | MKT VAL AG APPLY |
| D5 IMPROVED PASTURE | K-3 | D5 N | A | 11.9219 AC | 27,000.00 | 321,890.042 | 1.00 A | 135,190 |
| ment ACC ESS 7THRY 96; NO FRONTAGE. 2009 AG LEFT OFF IN ERROR PER CHRIS, CHG FRMT TO PASTURE BK. A | | | | | | | | YES |
| | | | | | | | | AG CLASS |
| | | | | | | | | AG TABLE |
| | | | | | | | | AG UNIT PRC |
| | | | | | | | | 170.00 |
| | | | | | | | | 2,030 |
| | | | | | | | | 2,030 |

11



Imagery Date: 1/27/2011
Elev. alt.: 499.47 ft
23.404679° N 95.512771° W, elev. 153 ft

COMMERCIAL DESIGN-BUILDERS
5599 San Felipe, Suite 1440, Houston, TX 77056
www.claydevelopment.com 713.789.2529 (ext.)



COMMERCIAL DRIVEWAY @ ENTRY TO PEDERSON ROAD BUSINESS PARK



SK01

14

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

| COG | Wages | |
|--|---------|----------|
| | Hourly | Annual |
| Texas | | |
| <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.

110% of \$51,002 = \$56,102

| | | | | | | | | |
|------|---------|---------------|---------|----|---|----|-----------------------|-------|
| 2011 | 1st Qtr | Waller County | Private | 00 | 0 | 10 | Total, All Industries | \$771 |
| 2011 | 2nd Qtr | Waller County | Private | 00 | 0 | 10 | Total, All Industries | \$810 |
| 2011 | 3rd Qtr | Waller County | Private | 00 | 0 | 10 | Total, All Industries | \$846 |
| 2011 | 4th Qtr | Waller County | Private | 00 | 0 | 10 | Total, All Industries | \$948 |

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Average - \$843.75
X 110% = \$928.12

Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

| Year | Period | Area | Ownership | Division | Level | Ind Code | Industry | Avg Weekly Wages |
|------|---------|---------------|-----------|----------|-------|----------|---------------|------------------|
| 2011 | 1st Qtr | Waller County | Private | 31 | 2 | 31-33 | Manufacturing | \$1,067 |
| 2011 | 2nd Qtr | Waller County | Private | 31 | 2 | 31-33 | Manufacturing | \$1,092 |
| 2011 | 3rd Qtr | Waller County | Private | 31 | 2 | 31-33 | Manufacturing | \$1,070 |
| 2011 | 4th Qtr | Waller County | Private | 31 | 2 | 31-33 | Manufacturing | \$1,129 |

Average - \$1089.50
x 110% = \$1198.45

15

Comprehensive Benefits Package

- ▶ Life Insurance
- ▶ AD&D
- ▶ Short-term Disability
- ▶ Long-term Disability
- ▶ Critical Illness
- ▶ Business Travel Insurance
- ▶ Employee Assistance Program
- ▶ Medical
- ▶ Dental
- ▶ Vision
- ▶ Flexible Spending Accounts
- ▶ Additional AD&D
- ▶ Additional Life Insurance
- ▶ Additional Critical Illness
- ▶ Legal Plan
- ▶ 401(k) Plan
- ▶ Accident
- ▶ Whole Life

ATTACHMENT 16

The economic impact study will be performed by the Comptroller at a future date.

17

Weatherford Artificial Lift Systems, Inc.
Katy Independent School District

Applicant Name
ISD Name

PROPERTY INVESTMENT AMOUNTS

(Estimated investment in each year. Do not put cumulative totals.)

| Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year below) YYYY | Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year | Column B: Building or permanent nonremovable component of building (annual amount only) | Column C: Sum of A and B Qualifying investment (during the qualifying time period) | Column D: Other investment that is not qualified investment but 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) Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment) Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property) Complete tax years of qualifying time period Value Limitation Period Continue to Maintain Viable Presence Post-Settle-Up Period Post-Settle-Up Period | 1 | 2012-2013 | | | | | 11,739,420 |
| | 2 | 2013-2014 | 24,250,000 | 21,000,000 | 45,250,000 | | 45,250,000 |
| | 3 | 2013-2014 | 24,250,000 | 21,000,000 | 45,250,000 | | 45,250,000 |
| | 4 | 2014-2015 | | 100,000 | | | 100,000 |
| | 5 | 2015-2016 | | 100,000 | | | 100,000 |
| | 6 | 2016-2017 | | 1,150,000 | | | 1,150,000 |
| | 7 | 2017-2018 | | | | | |
| | 8 | 2018-2019 | | | | | |
| | 9 | 2019-2020 | | | | | |
| | 10 | 2020-2021 | | 10,000,000 | | | 10,000,000 |
| | 11 | 2021-2022 | | | | | |
| | 12 | 2022-2023 | | | | | |
| | 13 | 2023-2024 | | | | | |
| | 14 | 2024-2025 | | | | | |
| | 15 | 2025-2027 | | | | | |

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.

For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property

include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period

The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

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.

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

JUNE 15, 2012

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

18

Schedule B (Rev. May 2010): Estimated Market And Taxable Value
Weatherford Airlift Systems, Inc.

Form 50-296

Applicant Name
ISD Name

Katy Independent School District

| Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year) YYYY | Estimated Market Value of Land | Estimated Total Market Value of new buildings or other new improvements | Qualified Property | | Reductions from Market Value | Estimated Taxable Value | Final taxable value for M&O--after all reductions |
|--|----------------------------|--|-----------------------------------|---|---|----------------|---------------------------------|-------------------------|---|
| | | | | | Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement" | Exempted Value | | | |
| pre- year 1 | 2012-2013 | 2012 | | | | | | | |
| Complete tax years of qualifying time period | 1 | 2013-2014 | 11,739,420 | 20,300,000 | 21,825,000 | 0 | 0 | 53,864,420 | 53,864,420 |
| | 2 | 2014-2015 | 11,739,420 | 39,900,000 | 41,225,000 | 0 | 0 | 81,125,000 | 81,125,000 |
| | 3 | 2015-2016 | 11,739,420 | 38,500,000 | 36,375,000 | 0 | 0 | 74,875,000 | 30,000,000 |
| | 4 | 2016-2017 | 11,739,420 | 37,196,667 | 31,525,000 | 0 | 0 | 67,721,667 | 30,000,000 |
| | 5 | 2017-2018 | 11,739,420 | 35,793,333 | 26,675,000 | 0 | 0 | 62,468,333 | 30,000,000 |
| Value Limitation Period | 6 | 2018-2019 | 11,739,420 | 34,486,667 | 32,175,000 | 0 | 0 | 66,661,667 | 30,000,000 |
| | 7 | 2019-2020 | 11,739,420 | 33,080,000 | 26,175,000 | 0 | 0 | 59,255,000 | 30,000,000 |
| | 8 | 2020-2021 | 11,739,420 | 31,770,000 | 20,175,000 | 0 | 0 | 51,945,000 | 30,000,000 |
| | 9 | 2021-2022 | 11,739,420 | 30,360,000 | 14,225,000 | 0 | 0 | 44,585,000 | 30,000,000 |
| | 10 | 2022-2023 | 11,739,420 | 29,046,667 | 22,075,000 | 0 | 0 | 51,121,667 | 30,000,000 |
| Continue to Maintain Viable Presence | 11 | 2023-2024 | 11,739,420 | 27,633,333 | 19,925,000 | 0 | 0 | 47,558,333 | 47,558,333 |
| | 12 | 2024-2025 | 11,739,420 | 26,316,667 | 17,775,000 | 0 | 0 | 44,091,667 | 44,091,667 |
| | 13 | 2025-2026 | 11,739,420 | 24,900,000 | 15,625,000 | 0 | 0 | 40,525,000 | 40,525,000 |
| Post- Settle-Up Period | 14 | 2026-2027 | 11,739,420 | 23,580,000 | 13,475,000 | 0 | 0 | 37,055,000 | 37,055,000 |
| | 15 | 2027-2028 | 11,739,420 | 22,160,000 | 11,325,000 | 0 | 0 | 33,485,000 | 33,485,000 |

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.



JUNE 15, 2012

DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

19

Schedule C- Application: Employment Information

Form 50-296

Applicant Name: Weatherford Artificial Lift Systems, Inc.
 ISD Name: Katy Independent School District

| | 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 | 48,000 hrs | 40,000 | 50 | 61,186 | 40 | 56,105 |
| Complete tax years of qualifying time period | 1 | 2013-2014 | 2013 | 16,000 hrs | 40,000 | 245 | 63,022 | 196 | 56,105 |
| | 2 | 2014-2015 | 2014 | | | 245 | 64,913 | 196 | 56,105 |
| | 3 | 2015-2016 | 2015 | | | 245 | 66,860 | 196 | 56,105 |
| | 4 | 2016-2017 | 2016 | | | 245 | 68,866 | 196 | 56,105 |
| | 5 | 2017-2018 | 2017 | | | 245 | 70,932 | 196 | 56,105 |
| | 6 | 2018-2019 | 2018 | | | 245 | 73,060 | 196 | 56,105 |
| Tax Credit Period (with 50% cap on credit) | 7 | 2019-2020 | 2019 | | | 245 | 75,252 | 196 | 56,105 |
| | 8 | 2020-2021 | 2020 | | | 245 | 77,509 | 196 | 56,105 |
| | 9 | 2021-2022 | 2021 | | | 245 | 79,834 | 196 | 56,105 |
| | 10 | 2022-2023 | 2022 | | | 245 | 82,229 | 196 | 56,105 |
| | 11 | 2023-2024 | 2023 | | | 245 | 84,696 | 196 | 56,105 |
| Credit Settle-Up Period | 12 | 2024-2025 | 2024 | | | 245 | 87,237 | 196 | 56,105 |
| | 13 | 2025-2026 | 2025 | | | 245 | 89,854 | 196 | 56,105 |
| Post-Settle-Up Period | 14 | 2026-2027 | 2026 | | | 245 | 92,550 | 196 | 56,105 |
| Post-Settle-Up Period | 15 | 2027-2028 | 2027 | | | 245 | 95,326 | 196 | 56,105 |

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

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal distinct 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

JUNE 15, 2012
 DATE

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

Applicant Name

Weatherford Artificial Lift Systems, Inc.

ISD Name

Katy Independent School District

Form 50-296

Other Property Tax Abatements Sought

| | Year | School Year (YYYY-YYYY) | Tax/Calendar Year YYYY | Sales Tax Information | | Franchise Tax | Other Property Tax Abatements Sought | | | | |
|--|------|-------------------------|------------------------|---|---|---------------|--------------------------------------|------|----------|-------|---|
| | | | | 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 | | County | City | Hospital | Other | |
| The year preceding the first complete tax year of the qualifying time period (assume no deferrals) | | 2012-2013 | 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Complete tax years of qualifying time period | 1 | 2013-2014 | 2013 | 4,865,015 | 5,686,556 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 2 | 2014-2015 | 2014 | 7,297,523 | 8,529,834 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 3 | 2015-2016 | 2015 | 9,730,031 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 4 | 2016-2017 | 2016 | 9,730,031 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 5 | 2017-2018 | 2017 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 6 | 2018-2019 | 2018 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 7 | 2019-2020 | 2019 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 8 | 2020-2021 | 2020 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 9 | 2021-2022 | 2021 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 10 | 2022-2023 | 2022 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| Tax Credit Period (with 50% cap on credit) | 11 | 2023-2024 | 2023 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 12 | 2024-2025 | 2024 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 13 | 2025-2026 | 2025 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| Credit Settle-Up Period | 14 | 2026-2027 | 2026 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| | 15 | 2027-2028 | 2027 | 14,595,046 | 11,373,112 | 0 | 100% | 0 | 0 | 0 | 0 |
| Post-Settle-Up Period | | | | | | 0 | 100% | 0 | 0 | 0 | 0 |
| | | | | | | 0 | 100% | 0 | 0 | 0 | 0 |

For planning, construction and operation of the facility.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE
JUNE 15, 2012

Explanation of Franchise Tax Reporting on Schedule D

Schedule D, Column H reflects no franchise tax due from applicant. Weatherford International is structured so that the plants generally do not have outside sales. Weatherford plants produce product, and in the case of Weatherford Artificial Lift Systems, it would transfer the product to the Odessa or Longview distribution centers which hold the finished inventory. At that point, a sale would be recorded. The Texas franchise tax would be reported in those distribution centers, not at the plant in Waller County.

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STATE OF TEXAS
COUNTY OF WALLER

IN THE COMMISSIONERS COURT
OF WALLER COUNTY, TEXAS

**ORDER DESIGNATING A REINVESTMENT ZONE
PURSUANT TO SECTIONS 312.401 AND 312.201 OF THE TAX CODE
(THE PROPERTY REDEVELOPMENT AND TAX ABATEMENT ACT)**

BE IT REMEMBERED at a meeting of Commissioners Court of Waller County, Texas, held on the 13th day of June, 2012, on motion made by Pokluda, Commissioner of Precinct No 2, and seconded by Kitzman, Commissioner of Precinct No 4, the following Order was adopted:

WHEREAS, the Commissioners Court of Waller County, Texas desires to create the proper economic and social environment to induce the investment of private resources in productive business enterprises located in the county and to provide employment to residents of the area; and,

WHEREAS, it is in the best interest of the county to designate the Weatherford Artificial Lift Systems, Inc. facility near Katy, Texas, a reinvestment zone, pursuant to Sections 312.401 and 312.201 of the Tax Code (The Property Redevelopment and Tax Abatement Act)

IT IS THEREFORE ORDERED BY THE COMMISSIONERS COURT OF WALLER COUNTY, TEXAS

- Section 1. That the Commissioners Court hereby designates the Weatherford Artificial Lift Systems, Inc., a Delaware Corporation, 2000 St. James Place Houston, Texas 77056 (mailing purposes only), Waller County, Texas, further described in the legal description attached hereto as Exhibit "A", and made apart hereof for all purposes, as a Reinvestment Zone (the "Zone");
- Section 2. That the Commissioners Court finds that the Zone area meets the qualifications of the Texas Redevelopment and Tax Abatement Act;
- Section 3. That the Commissioners Court has heretofore adopted Tax Abatement and Incentives Policy Guidelines & Criteria for Waller County;
- Section 4. That the Commissioners Court held a public hearing to consider this Order on the 13th day of June, 2012
- Section 5. The Commissioners Court finds that such improvements are feasible and will benefit the Zone after the expiration of the agreement

Section 6. The Commissioners Court finds that creation of the Zone is likely to contribute to the retention or expansion of primary employment in the area and/or would contribute to attract major investments that would be a benefit to the property and that would contribute to the economic development of the community

Section 7. That this Order shall take effect from and after its passage as the law in such cases provides.

Signed this 13th day of June 2012.



GLENN BECKENDORFF
County Judge

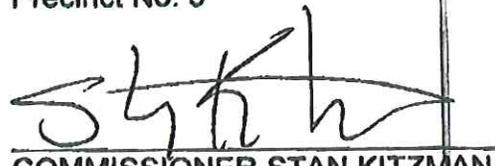
COMMISSIONER ODIS STYERS
Precinct No. 1 (Absent)



COMMISSIONER SYLVIA CEDILLO
Precinct No. 3



COMMISSIONER FRANK POKLUDA
Precinct No. 2



COMMISSIONER STAN KITZMAN
Precinct No. 4

SCHEDULE A
(continued)

4. Legal description of land:

FIELD NOTES FOR A 176.149 ACRE TRACT OF LAND IN THE T. S. REESE SURVEY, ABSTRACT 334, AND THE H. & T. C. RAILROAD COMPANY SURVEY SECTION 107, ABSTRACT 170, WALLER COUNTY, TEXAS, SAID 176.149 ACRE TRACT BEING THE RESIDUE OF THAT CERTAIN CALLED 198 ACRE TRACT DESCRIBED IN DEED RECORDED IN VOLUME 412, PAGE 44, DEED RECORDS, WALLER COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1-inch iron pipe found in the north right-of-way line of the adjoining M. K. & T. Railroad right-of-way for the southeast corner of an adjoining called 1.9921 acre tract described in deed recorded in Volume 349, Page 491, Deed Records, Waller County, Texas, for the lower southwest corner and Place of Beginning of the herein described 176.149 acre tract of land, from which point a 5/8 inch iron rod found for the southwest corner of said called 198 acre tract and the southwest corner of said adjoining called 1.9921 acre tract bears South 88 degrees 42 minutes 26 seconds West, 209.14 feet;

THENCE North 01 degree 14 minutes 00 seconds West (adjoiner called North 00 degrees 01 minute 04 seconds West) along the common line of the herein described tract and said adjoining called 1.9921 acre tract, 415.06 feet (adjoiner called 414.69 feet) to a 1/2 inch iron rod found for a reentry corner to the herein described tract, same being the northeast corner of said adjoining called 1.9921 acre tract;

THENCE South 88 degrees 29 minutes 13 seconds West (adjoiner called South 89 degrees 44 minutes 09 seconds West) continuing along said common line, at 209.40 feet (adjoiner called 209.37 feet) pass a 1/2 inch iron rod found on said line for the called northwest corner of said adjoining called 1.9921 acre tract and continuing for a total distance of 212.89 feet to a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" set in the west line of said T. S. Reese Survey, Abstract 334, same being the east line of the adjoining E. B. Couch Survey, Abstract 295, for the upper southwest corner of the herein described tract, said point also being in the west line of said called 198 acre tract, same being the east line of an adjoining called 19.36 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, described in Volume 0514, Page 926, Official Records, Waller County, Texas;

THENCE North 01 degree 45 minutes 05 seconds West along the west line of the herein described tract, the west line of said called 198 acre tract, and the west line of said T. S. Reese Survey, Abstract 334, same being the east line of said adjoining E. B. Couch Survey, Abstract 295, the east line of said adjoining called 19.36 acre tract, the east line of an adjoining called 11.2461 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, and the east line of an adjoining called 1.0655 acre tract recorded in Volume 0893, Page 781, Official Records, Waller County, Texas, at 2,454.68 feet pass a 1/2 inch iron pipe with cap marked "Kalkomey Surveying" found on said line for the northeast corner of said adjoining called 1.0655 acre tract, same being the southeast corner of an adjoining called 18.895 acre tract recorded in Volume 0603, Page 750, Official Records, Waller County, Texas, described in Volume 0560, Page 393, Official Records, Waller County, Texas, and continuing for a total distance of 2,462.65 feet to a 1/2 inch iron pipe with cap marked "Kalkomey Surveying" set on said line for the northwest corner of the herein described tract and the northwest corner of said called 198 acre tract;

THENCE North 88 degrees 04 minutes 39 seconds East along the north line of the herein described tract and the north line of said called 198 acre tract, at 10.39 feet pass a 1-inch iron pipe found on said line for the called southwest corner of an adjoining called 200 acre tract recorded in Volume 0553, Page 096, Official Records, Waller County, Texas, at 28.87 feet pass a 1-inch iron pipe found 0.40 feet north of said

SCHEDULE A
(continued)

line, and continuing for a total distance of 2,789.83 feet to a ½ inch iron rod found for the northeast corner of the herein described tract, same being the northwest corner of an adjoining called 21.713 acre tract described in deed recorded in Volume 0553, Page 101, Official Records, Waller County, Texas, from which point a 1-inch iron pipe found for the northeast corner of said called 198 acre tract and the northeast corner of said adjoining called 21.713 acre tract, same being the southeast corner of said adjoining called 200 acre tract bears North 88 degrees 04 minutes 39 seconds East, 368.30 feet (adjoiner called South 89 degrees 49 minutes East, 368.21 feet);

THENCE South 01 degree 47 minutes 53 seconds East (adjoiner called South 01 degree 17 minutes 46 seconds East) along the east line of the herein described tract, same being the west line of said adjoining called 21.713 acre tract, 2,567.39 feet (adjoiner called 2,566.43 feet) to a ½ inch iron rod found for the upper southeast corner of the herein described tract, same being the southwest corner of said adjoining called 21.713 acre tract, and being in the south line of said T. S. Reese Survey, Abstract 334, same being the north line of the adjoining W. W. Bains Survey, Abstract 385, and the north line of an adjoining tract of land in deed to R. & Y. Interests, Ltd. recorded in Volume 0575, Page 029, Official Records, Waller County, Texas, from which point a ½ inch iron rod found for the upper southeast corner of said called 198 acre tract and the southeast corner of said adjoining called 21.713 acre tract bears North 88 degrees 29 minutes 33 seconds East, 368.56 feet (adjoiner called South 89 degrees 24 minutes 28 seconds East, 368.21 feet);

THENCE South 88 degrees 29 minutes 33 seconds West along the upper south line of the herein described tract, the upper south line of said called 198 acre tract, and the south line of said T. S. Reese Survey, Abstract 334, same being the north line of said adjoining W. W. Bains Survey, Abstract 385, and the north line of said adjoining R. & Y. Interests, Ltd. tract, 925.08 feet to a 1-inch iron pipe found for a reentry corner to the herein described tract and a reentry corner to said called 198 acre tract, same being the northwest corner of said adjoining W. W. Bains Survey, Abstract 385, and the northwest corner of said adjoining R. & Y. Interest, Ltd. tract, said point also being the northeast corner of the aforementioned H. & T. C. Railroad Company Survey Section 107, Abstract 170;

THENCE South 02 degrees 08 minutes 14 seconds East along the lower east line of the herein described tract, the lower east line of said called 198 acre tract, and the east line of said H. & T. C. Railroad Company Survey Section 107, Abstract 170, same being the west line of said adjoining W. W. Bains Survey, Abstract 385, and the west line of said adjoining R. & Y. Interests, Ltd. tract, 338.02 feet to a ½ inch iron pipe found for the lower southeast corner of the herein described tract and the lower southeast corner of said called 198 acre tract, same being the southwest corner of said adjoining R. & Y. Interests, Ltd. tract, and being in the north line of the aforementioned adjoining M. K. & T. Railroad right-of-way;

THENCE South 88 degrees 45 minutes 03 seconds West along the lower south line of the herein described tract and the lower south line of said called 198 acre tract, same being the north right-of-way line of said adjoining M. K. & T. Railroad right-of-way, 1,660.05 feet to the Place of Beginning and containing 176.149 acres of land, more or less.

NOTE: THIS COMPANY DOES NOT REPRESENT THE ABOVE ACREAGE AND/OR SQUARE FOOTAGE ARE CORRECT.

END OF SCHEDULE A

STATE OF TEXAS
COUNTY OF WALLER

IN THE COMMISSIONERS COURT
OF WALLER COUNTY, TEXAS

**ORDER DESIGNATING A REINVESTMENT ZONE
PURSUANT TO SECTIONS 312.401 AND 312.201 OF THE TAX CODE
(THE PROPERTY REDEVELOPMENT AND TAX ABATEMENT ACT)**

BE IT REMEMBERED at a meeting of Commissioners Court of Waller County, Texas, held on the 13th day of June, 2012, on motion made by Pokluda, Commissioner of Precinct No 2, and seconded by Kitzman, Commissioner of Precinct No 4, the following Order was adopted:

WHEREAS, the Commissioners Court of Waller County, Texas desires to create the proper economic and social environment to induce the investment of private resources in productive business enterprises located in the county and to provide employment to residents of the area; and,

WHEREAS, it is in the best interest of the county to designate the Weatherford Artificial Lift Systems, Inc. facility near Katy, Texas, a reinvestment zone, pursuant to Sections 312.401 and 312.201 of the Tax Code (The Property Redevelopment and Tax Abatement Act)

IT IS THEREFORE ORDERED BY THE COMMISSIONERS COURT OF WALLER COUNTY, TEXAS

- Section 1.** That the Commissioners Court hereby designates the Weatherford Artificial Lift Systems, Inc., a Delaware Corporation, 2000 St. James Place Houston, Texas 77056 (mailing purposes only), Waller County, Texas, further described in the legal description attached hereto as Exhibit "A", and made apart hereof for all purposes, as a Reinvestment Zone (the "Zone");
- Section 2** That the Commissioners Court finds that the Zone area meets the qualifications of the Texas Redevelopment and Tax Abatement Act;
- Section 3.** That the Commissioners Court has heretofore adopted Tax Abatement and Incentives Policy Guidelines & Criteria for Waller County;
- Section 4** That the Commissioners Court held a public hearing to consider this Order on the 13th day of June, 2012
- Section 5.** The Commissioners Court finds that such improvements are feasible and will benefit the Zone after the expiration of the agreement

Section 6. The Commissioners Court finds that creation of the Zone is likely to contribute to the retention or expansion of primary employment in the area and/or would contribute to attract major investments that would be a benefit to the property and that would contribute to the economic development of the community

Section 7. That this Order shall take effect from and after its passage as the law in such cases provides.

Signed this 13th day of June 2012.

GLENN BECKENDORFF
County Judge

COMMISSIONER ODIS STYERS
Precinct No. 1 (Absent)

COMMISSIONER SYLVIA CEDILLO
Precinct No. 3

COMMISSIONER FRANK POKLUDA
Precinct No. 2

COMMISSIONER STAN KITZMAN
Precinct No. 4

SCHEDULE A
(continued)

4. Legal description of land:

FIELD NOTES FOR A 176.149 ACRE TRACT OF LAND IN THE T. S. REESE SURVEY, ABSTRACT 334, AND THE H. & T. C. RAILROAD COMPANY SURVEY SECTION 107, ABSTRACT 170, WALLER COUNTY, TEXAS, SAID 176.149 ACRE TRACT BEING THE RESIDUE OF THAT CERTAIN CALLED 198 ACRE TRACT DESCRIBED IN DEED RECORDED IN VOLUME 412, PAGE 44, DEED RECORDS, WALLER COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1-inch iron pipe found in the north right-of-way line of the adjoining M. K. & T. Railroad right-of-way for the southeast corner of an adjoining called 1.9921 acre tract described in deed recorded in Volume 349, Page 491, Deed Records, Waller County, Texas, for the lower southwest corner and Place of Beginning of the herein described 176.149 acre tract of land, from which point a 5/8 inch iron rod found for the southwest corner of said called 198 acre tract and the southwest corner of said adjoining called 1.9921 acre tract bears South 88 degrees 42 minutes 26 seconds West, 209.14 feet;

THENCE North 01 degree 14 minutes 00 seconds West (adjoiner called North 00 degrees 01 minute 04 seconds West) along the common line of the herein described tract and said adjoining called 1.9921 acre tract, 415.06 feet (adjoiner called 414.69 feet) to a 1/4 inch iron rod found for a reentry corner to the herein described tract, same being the northeast corner of said adjoining called 1.9921 acre tract;

THENCE South 88 degrees 29 minutes 13 seconds West (adjoiner called South 89 degrees 44 minutes 09 seconds West) continuing along said common line, at 209.40 feet (adjoiner called 209.37 feet) pass a 1/4 inch iron rod found on said line for the called northwest corner of said adjoining called 1.9921 acre tract, and continuing for a total distance of 212.89 feet to a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" set in the west line of said T. S. Reese Survey, Abstract 334, same being the east line of the adjoining E. B. Couch Survey, Abstract 295, for the upper southwest corner of the herein described tract, said point also being in the west line of said called 198 acre tract, same being the east line of an adjoining called 19.38 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, described in Volume 0514, Page 926, Official Records, Waller County, Texas;

THENCE North 01 degree 45 minutes 05 seconds West along the west line of the herein described tract, the west line of said called 198 acre tract, and the west line of said T. S. Reese Survey, Abstract 334, same being the east line of said adjoining E. B. Couch Survey, Abstract 295, the east line of said adjoining called 19.38 acre tract, the east line of an adjoining called 11.2461 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, and the east line of an adjoining called 1.0655 acre tract recorded in Volume 0893, Page 781, Official Records, Waller County, Texas, at 2,454.68 feet pass a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" found on said line for the northeast corner of said adjoining called 1.0655 acre tract, same being the southeast corner of an adjoining called 18.895 acre tract recorded in Volume 0603, Page 750, Official Records, Waller County, Texas; described in Volume 0560, Page 393, Official Records, Waller County, Texas, and continuing for a total distance of 2,482.65 feet to a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" set on said line for the northwest corner of the herein described tract and the northwest corner of said called 198 acre tract;

THENCE North 88 degrees 04 minutes 39 seconds East along the north line of the herein described tract and the north line of said called 198 acre tract, at 10.39 feet pass a 1-inch iron pipe found on said line for the called southwest corner of an adjoining called 200 acre tract recorded in Volume 0553, Page 086, Official Records, Waller County, Texas, at 26.87 feet pass a 1-inch iron pipe found 0.40 feet north of said

SCHEDULE A
(continued)

line, and continuing for a total distance of 2,789.83 feet to a ½ inch iron rod found for the northeast corner of the herein described tract, same being the northwest corner of an adjoining called 21.713 acre tract described in deed recorded in Volume 0553, Page 101, Official Records, Waller County, Texas, from which point a 1-inch iron pipe found for the northeast corner of said called 198 acre tract and the northeast corner of said adjoining called 21.713 acre tract, same being the southeast corner of said adjoining called 200 acre tract bears North 88 degrees 04 minutes 39 seconds East, 368.30 feet (adjoiner called South 89 degrees 49 minutes East, 368.21 feet);

THENCE South 01 degree 47 minutes 53 seconds East (adjoiner called South 01 degree 17 minutes 46 seconds East) along the east line of the herein described tract, same being the west line of said adjoining called 21.713 acre tract, 2,567.39 feet (adjoiner called 2,568.43 feet) to a ½ inch iron rod found for the upper southeast corner of the herein described tract, same being the southwest corner of said adjoining called 21.713 acre tract, and being in the south line of said T. S. Reese Survey, Abstract 334, same being the north line of the adjoining W. W. Bains Survey, Abstract 385, and the north line of an adjoining tract of land in deed to R. & Y. Interests, Ltd., recorded in Volume 0575, Page 029, Official Records, Waller County, Texas, from which point a ½ inch iron rod found for the upper southeast corner of said called 198 acre tract and the southeast corner of said adjoining called 21.713 acre tract bears North 88 degrees 29 minutes 33 seconds East, 368.66 feet (adjoiner called South 89 degrees 24 minutes 28 seconds East, 368.21 feet);

THENCE South 88 degrees 29 minutes 33 seconds West along the upper south line of the herein described tract, the upper south line of said called 198 acre tract, and the south line of said T. S. Reese Survey, Abstract 334, same being the north line of said adjoining W. W. Bains Survey, Abstract 385, and the north line of said adjoining R. & Y. Interests, Ltd. tract, 925.08 feet to a 1-inch iron pipe found for a reentry corner to the herein described tract and a reentry corner to said called 198 acre tract, same being the northwest corner of said adjoining W. W. Bains Survey, Abstract 385, and the northwest corner of said adjoining R. & Y. Interest, Ltd. tract, said point also being the northeast corner of the aforementioned H. & T. C. Railroad Company Survey Section 107, Abstract 170;

THENCE South 02 degrees 08 minutes 14 seconds East along the lower east line of the herein described tract, the lower east line of said called 198 acre tract, and the east line of said H. & T. C. Railroad Company Survey Section 107, Abstract 170, same being the west line of said adjoining W. W. Bains Survey, Abstract 385, and the west line of said adjoining R. & Y. Interests, Ltd. tract, 338.02 feet to a ½ inch iron pipe found for the lower southeast corner of the herein described tract and the lower southeast corner of said called 198 acre tract, same being the southwest corner of said adjoining R. & Y. Interests, Ltd. tract, and being in the north line of the aforementioned adjoining M. K. & T. Railroad right-of-way;

THENCE South 88 degrees 46 minutes 03 seconds West along the lower south line of the herein described tract and the lower south line of said called 198 acre tract, same being the north right-of-way line of said adjoining M. K. & T. Railroad right-of-way, 1,660.05 feet to the Place of Beginning and containing 176.149 acres of land, more or less.

NOTE: THIS COMPANY DOES NOT REPRESENT THE ABOVE ACREAGE AND/OR SQUARE FOOTAGE ARE CORRECT.

END OF SCHEDULE A

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SCHEDULE A
(continued)

4. Legal description of land:

FIELD NOTES FOR A 176.149 ACRE TRACT OF LAND IN THE T. S. REESE SURVEY, ABSTRACT 334, AND THE H. & T. C. RAILROAD COMPANY SURVEY SECTION 107, ABSTRACT 170, WALLER COUNTY, TEXAS, SAID 176.149 ACRE TRACT BEING THE RESIDUE OF THAT CERTAIN CALLED 198 ACRE TRACT DESCRIBED IN DEED RECORDED IN VOLUME 412, PAGE 44, DEED RECORDS, WALLER COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1-inch iron pipe found in the north right-of-way line of the adjoining M. K. & T. Railroad right-of-way for the southeast corner of an adjoining called 1.9921 acre tract described in deed recorded in Volume 349, Page 491, Deed Records, Waller County, Texas, for the lower southwest corner and Place of Beginning of the herein described 176.149 acre tract of land, from which point a 5/8 inch iron rod found for the southwest corner of said called 198 acre tract and the southwest corner of said adjoining called 1.9921 acre tract bears South 88 degrees 42 minutes 26 seconds West, 209.14 feet;

THENCE North 01 degree 14 minutes 00 seconds West (adjoiner called North 00 degrees 01 minute 04 seconds West) along the common line of the herein described tract and said adjoining called 1.9921 acre tract, 415.06 feet (adjoiner called 414.69 feet) to a 1/4 inch iron rod found for a reentry corner to the herein described tract, same being the northeast corner of said adjoining called 1.9921 acre tract;

THENCE South 88 degrees 29 minutes 13 seconds West (adjoiner called South 89 degrees 44 minutes 09 seconds West) continuing along said common line, at 209.40 feet (adjoiner called 209.37 feet) pass a 1/4 inch iron rod found on said line for the called northwest corner of said adjoining called 1.9921 acre tract, and continuing for a total distance of 212.89 feet to a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" set in the west line of said T. S. Reese Survey, Abstract 334, same being the east line of the adjoining E. B. Couch Survey, Abstract 295, for the upper southwest corner of the herein described tract, said point also being in the west line of said called 198 acre tract, same being the east line of an adjoining called 19.38 acre tract recorded in Volume 0510, Page 049, Official Records, Waller County, Texas, described in Volume 0514, Page 926, Official Records, Waller County, Texas;

THENCE North 01 degree 45 minutes 06 seconds West along the west line of the herein described tract, the west line of said called 198 acre tract, and the west line of said T. S. Reese Survey, Abstract 334, same being the east line of said adjoining E. B. Couch Survey, Abstract 295, the east line of said adjoining called 19.38 acre tract, the east line of an adjoining called 11.2461 acre tract recorded in Volume 0510, Page 049, Official Records, Waller County, Texas, and the east line of an adjoining called 1.0655 acre tract recorded in Volume 0593, Page 781, Official Records, Waller County, Texas, at 2,454.68 feet pass a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" found on said line for the northeast corner of said adjoining called 1.0655 acre tract, same being the southeast corner of an adjoining called 18.895 acre tract recorded in Volume 0503, Page 750, Official Records, Waller County, Texas, described in Volume 0580, Page 393, Official Records, Waller County, Texas, and continuing for a total distance of 2,482.65 feet to a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" set on said line for the northwest corner of the herein described tract and the northwest corner of said called 198 acre tract;

THENCE North 88 degrees 04 minutes 39 seconds East along the north line of the herein described tract and the north line of said called 198 acre tract, at 10.39 feet pass a 1-inch iron pipe found on said line for the called southwest corner of an adjoining called 200 acre tract recorded in Volume 0553, Page 096, Official Records, Waller County, Texas, at 28.87 feet pass a 1-inch iron pipe found 0.40 feet north of said

SCHEDULE A

(continued)

line, and continuing for a total distance of 2,789.83 feet to a ½ inch iron rod found for the northeast corner of the herein described tract, same being the northwest corner of an adjoining called 21.713 acre tract described in deed recorded in Volume 0553, Page 101, Official Records, Waller County, Texas, from which point a 1-inch iron pipe found for the northeast corner of said called 198 acre tract and the northeast corner of said adjoining called 21.713 acre tract, same being the southeast corner of said adjoining called 200 acre tract bears North 88 degrees 04 minutes 39 seconds East, 388.30 feet (adjoiner called South 89 degrees 49 minutes East, 368.21 feet);

THENCE South 01 degree 47 minutes 53 seconds East (adjoiner called South 01 degree 17 minutes 46 seconds East) along the east line of the herein described tract, same being the west line of said adjoining called 21.713 acre tract, 2,557.38 feet (adjoiner called 2,565.43 feet) to a ½ inch iron rod found for the upper southeast corner of the herein described tract, same being the southwest corner of said adjoining called 21.713 acre tract, and being in the south line of said T. S. Reese Survey, Abstract 334, same being the north line of the adjoining W. W. Bains Survey, Abstract 385, and the north line of an adjoining tract of land in deed to R. & Y. Interests, Ltd. recorded in Volume 0575, Page 029, Official Records, Waller County, Texas, from which point a ½ inch iron rod found for the upper southeast corner of said called 198 acre tract and the southeast corner of said adjoining called 21.713 acre tract bears North 88 degrees 29 minutes 33 seconds East, 368.56 feet (adjoiner called South 89 degrees 24 minutes 28 seconds East, 368.21 feet);

THENCE South 88 degrees 29 minutes 33 seconds West along the upper south line of the herein described tract, the upper south line of said called 198 acre tract, and the south line of said T. S. Reese Survey, Abstract 334, same being the north line of said adjoining W. W. Bains Survey, Abstract 385, and the north line of said adjoining R. & Y. Interests, Ltd. tract, 925.08 feet to a 1-inch iron pipe found for a reentry corner to the herein described tract and a reentry corner to said called 198 acre tract, same being the northwest corner of said adjoining W. W. Bains Survey, Abstract 385, and the northwest corner of said adjoining R. & Y. Interest, Ltd. tract, said point also being the northeast corner of the aforementioned H. & T. C. Railroad Company Survey Section 107, Abstract 170;

THENCE South 02 degrees 08 minutes 14 seconds East along the lower east line of the herein described tract, the lower east line of said called 198 acre tract, and the east line of said H. & T. C. Railroad Company Survey Section 107, Abstract 170, same being the west line of said adjoining W. W. Bains Survey, Abstract 385, and the west line of said adjoining R. & Y. Interests, Ltd. tract, 338.02 feet to a ½ inch iron pipe found for the lower southeast corner of the herein described tract and the lower southeast corner of said called 198 acre tract, same being the southwest corner of said adjoining R. & Y. Interests, Ltd. tract, and being in the north line of the aforementioned adjoining M. K. & T. Railroad right-of-way;

THENCE South 88 degrees 46 minutes 03 seconds West along the lower south line of the herein described tract and the lower south line of said called 198 acre tract, same being the north right-of-way line of said adjoining M. K. & T. Railroad right-of-way, 1,660.05 feet to the Place of Beginning and containing 176.149 acres of land, more or less.

NOTE: THIS COMPANY DOES NOT REPRESENT THE ABOVE ACREAGE AND/OR SQUARE FOOTAGE ARE CORRECT.

END OF SCHEDULE A

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**TAX ABATEMENT POLICY
GUIDELINES & CRITERIA
FOR WALLER COUNTY**

Whereas, the creation and retention of job opportunities that bring new wealth into Waller County is a high priority; and

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

Whereas, the communities within Waller County must compete with other localities across the nation currently offering tax inducements to attract new plant and modernization projects; and

Whereas, any tax incentives offered in Waller County would be strictly limited in application to those new and existing industries that bring new wealth to the community; and

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

Whereas, effective September 1, 1987, Texas law, pursuant to Chapter 312 of the Texas Tax Code, requires any eligible taxing jurisdiction to establish guidelines and criteria as to eligibility for tax abatement agreements prior to granting of any future tax abatement, said guidelines and criteria to be unchanged for a two year period unless amended by a three-quarters vote of Commissioners' Court; and

Whereas, these guidelines and criteria shall not be construed as implying or suggesting that Waller County is under an obligation to provide tax abatement or other incentive to any applicant; and all applicants shall be considered on a case-by-case basis;

Now, therefore, be it resolved, that Waller County Commissioners' Court does hereby adopt these Guidelines and Criteria for granting tax abatement in reinvestment zones in Waller County, Texas.

DEFINITIONS - Section I

- a. **"Abatement"** means the full or partial exemption from ad valorem taxes of certain real and personal property in a reinvestment zone designated by Waller County for economic development purposes.
- b. **"Affected jurisdiction"** means Waller County and any municipality or school district, the majority of which is located in Waller County that levies ad valorem taxes upon and provides services to property located within the proposed or existing reinvestment zone

designated by Waller County.

- c. **"Agreement"** means a contractual agreement between a property owner and/or lessee and Waller County for the purposes of tax abatement.
- d. **"Base year value"** means the assessed value of eligible property January 1 preceding the execution of the agreement plus the agreed upon value of eligible property improvements made after January 1, but before the execution of the agreement.
- e. **"Deferred maintenance"** means improvements necessary for continued operations which do not improve productivity or alter the process technology.
- f. **"Distribution Center Facility"** means buildings and structures, including fixed machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility operator where a majority of the goods or services are distributed to points outside of any part of Waller County.
- g. **"Expansion"** means the addition of buildings, structures, fixed machinery or equipment for purposes of increasing production capacity.
- h. **"Facility"** means property improvements completed or in the process of construction which together comprise an integral whole.
- i. **"Hospital"** as defined in Texas Health & Safety Code Section 241.003.
- j. **"Manufacturing Facility"** means products, 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.
- k. **"Modernization"** means a complete or partial demolition of facilities and the completion of partial reconstruction or installation of a facility or facilities of similar or expanded production capacity. Modernization may result from the construction, alteration, or installation of buildings, structures, machinery or equipment. Modernization shall include improvements for the purpose of increasing productivity or updating the technology of machinery and equipment, or both.
- l. **"New Facility"** means a property previously undeveloped which is placed into service by means other than or in conjunction with expansion or modernization.
- m. **"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 of Waller County, resulting in the creation of new permanent jobs bringing in new wealth.

- n. **"Productive Life"** means the number of years a property improvement is expected to be in service in a facility.
- o. **"Regional Entertainment/Tourism Facility"** means buildings and structures, including fixed machinery and equipment, used or to be used to provide entertainment through the admission of the general public where the majority of users reside outside any part of Waller County.
- p. **"Research Facility"** means buildings and structures, including fixed machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.
- q. **"Regional Service Facility"** means buildings and structures, including fixed machinery and equipment, used or to be used to service goods where a majority of the goods being serviced originate outside any part of Waller County.
- r. **"Spec Building"** means the new building construction to create an enclosed area of a commercial facility that would normally qualify for abatements built without an occupying tenant at the time the construction is complete.
- s. **"Urgent Care Facility"** a facility dedicated to the delivery of unscheduled, walk-in diagnosis and treatment of acute, but non-life threatening injuries and illnesses, outside of a hospital emergency department or doctor's office.

ABATEMENT AUTHORIZED - Section II

- a. **Authorized Facility.** A facility may be eligible for abatement if it is a Manufacturing Facility, Research Facility, Distribution Center, Regional Service Facility, Regional Entertainment Facility, Spec Building, Hospital, Urgent Care Facility or Other Basic Industry.
- b. **Creation of New Value.** Abatement may only be granted for the additional value of eligible property improvements made subsequent to and specified in an abatement agreement between Waller County and the property owner and/or lessee, subject to such limitations as Waller County Commissioners' Court may require.
- c. **New and Existing Facilities.** Abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.
- d. **Eligible Property.** Abatement may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements and related fixed improvements

necessary to the operation and administration of the facility.

- e. **Ineligible Property.** The following types of property shall be fully taxable and ineligible for abatement: land; inventories; supplies; tools; furnishings, and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotels accommodations; retail facilities; deferred maintenance investments; property to be rented or leased except as provided in Section II (f); improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion; any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; property which has a productive life of less than 10 years; property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated or directed by a political subdivision of the State of Texas.
- f. **Owned/Leased Facilities.** If a leased facility is granted abatement the agreement shall be executed with the lessor and the lessee.
- g. **Value and Term of Abatement.** Abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the agreement. The value of new eligible properties shall be abated according to the approved agreement between applicant and the governing body. The governing body, in its sole discretion, shall determine the amount of any abatement. The table in the attached Exhibit "A", incorporated herein by reference, shall be the maximum abatement available.

The abatement may be extended through an initial agreement and a subsequent agreement as may be required to comply with state law regarding the term of the reinvestment zone.
- h. **Construction in Progress.** If a qualifying facility has not been placed in service as of January 1 following execution of the abatement agreement, the tax payer may apply for a one year extension of the term of abatement. Said extension must be applied for prior to the end of the calendar year in which the abatement agreement is executed.
- i. **Economic Qualification.** In order to be eligible for designation as a reinvestment zone and receive tax abatement the planned improvements:
 1. Must be expected to have an increased appraised ad valorem tax value of at least \$500,000 for existing qualifying facilities or \$1,000,000 for new qualifying facilities based upon the Waller County Appraisal District's assessment of the eligible property.
 2. Must be expected to retain or create employment on a permanent basis in Waller County.
 3. Must not be expected to solely or primarily have the effect of transferring employment from one part of Waller County to another.
 4. Must be necessary because capacity cannot be provided efficiently utilizing

existing improved property when reasonable allowance is made for necessary improvements.

5. Must have no serious adverse effect on jurisdictions.
6. Must be in an area outside of the taxing jurisdiction of an incorporated city or town, unless the city or town has granted a tax abatement for the planned improvements, and ninety (90) days have not passed since the granting of such abatement.
7. Must have a significantly positive result from the economic impact analysis performed as part of the application process.

j. **Standards for Tax Abatement.** The following factors, among others, shall be considered in determining whether to grant Tax Abatement:

1. The value of land and existing improvement, if any.
2. The type and value of the proposed improvements.
3. The expected economic life of the proposed improvements.
4. The number and quality of existing, permanent jobs to be retained by the proposed improvements.
5. The number of new permanent jobs to be created by the proposed improvements.
6. The amount of local payroll to be created or enhanced.
7. Whether the new jobs to be created will be filled by persons residing or projected to reside in the County.
8. The amount of property tax base valuation will be increased during the term of Abatement and after Abatement.
9. The costs to be incurred by the County to provide facilities or services directly resulting from the new improvements.
10. The amount of ad valorem taxes to be paid the County during the Abatement period - considering (a) existing values, (b) the percentage of new value abated, (c) the Abatement period, and (d) the value after expiration of the Abatement period.
11. The population growth of the County that might occur as a direct result of new improvements.
12. The types and values of public improvements, if any, to be made by applicant seeking Abatement.
13. The impact on the business opportunities of existing businesses.
14. The attraction of other new businesses to the area.
15. Whether the project is environmentally compatible with the community.
16. The company profile - when established - including business references, principal bank, audited financial statement and Business Plan.

Each application shall be reviewed on its merit, utilizing the factors provided above. After such review, Abatement may be denied entirely or may be granted to the extent deemed appropriate after full evaluation.

- k. **Denial of Abatement.** No Abatement Agreement shall be authorized if it is determined that:
1. There would be 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. The area considered for abatement lies within the taxing jurisdiction of an incorporated city or town, unless the city or town has already granted abatement to the concerned entity and ninety (90) days have not passed since the granting of such abatement.
 5. Granting abatement might lead to the violation of other codes or laws.
 6. For any other reason deemed appropriate by Commissioners' Court.
- k. **Taxability.** From the execution of the abatement to the end of the agreement period taxes shall be payable as follows:
1. The value of ineligible property as provided in Section II (e) shall be fully taxable;
 2. The base year value of existing eligible property as determined each year shall be fully taxable; and
 3. The additional value of new eligible property shall be taxable in the manner described in Section II (h).

APPLICATION - Section III

- a. Any present or potential owner of taxable property in Waller County may request the creation of a reinvestment zone and tax abatement by filing a written request, along with application processing fee, with the County Judge of Waller County.
- b. The application shall consist of a completed application form accompanied by:
1. A copy of the executive overview from a completed economic impact analysis.
 2. A general description of the proposed use and the general nature and extent of the modernization, expansion or new improvements to be undertaken.
 3. A descriptive list of the improvements which will be a part of the facility;
 4. A site map and property description;
 5. A time schedule for undertaking and completing the planned improvements. In the case of modernization, a statement of the assessed value of the facility, separately stated for real and personal property, shall be given for the tax year immediately preceding the application. The application form may require such financial and other information as the County deems appropriate for evaluating the financial capacity and other factors of the applicant.
 6. Disclosure of any environmental permits required or additional environmental

impacts.

- c. Upon receipt of a completed application and prior to acting on the application, the County Judge shall (1) notify in writing the presiding officer of the legislative body of each taxing unit in which the property to be subject to the agreement is located not later than the seventh day before the public hearing and (2) publish in a newspaper of general circulation within such taxing jurisdiction not later than the seventh day before the public hearing. Before acting upon the application, Waller County shall through public hearing afford the applicant and the designated representative of any affected jurisdiction, and any other interested person, opportunity to show cause why the abatement should or should not be granted. Notice of the public hearing shall be clearly identified on Commissioners' Court agenda to be posted at least seven (7) days prior to the hearing.
- d. Waller County, not more than 60 days after receipt of the application, shall by order either approve or disapprove the application for tax abatement at a regularly scheduled meeting by a majority vote. The county judge shall notify the applicant of approval or disapproval. If disapproved, a Commissioner may request a second review, in which case a new application and hearing shall be required.
- e. Waller County shall not establish a reinvestment zone for the purpose of abatement if it finds that the request for the abatement was filed after the commencement of construction, alteration, or installation of improvements related to a proposed modernization, expansion, or construction of new facility.
- f. **Variance.** Requests for variance from the provisions of Section II may be made in written form to the Commissioners' Court. Such request shall include all the items listed in Section III (b), together with a complete description of the circumstances which prompt the applicant to request a variance. The approval process for a variance request requires a three-fourths (3/4) vote of the governing body and shall be identical to that for a standard application and may be supplemented by such additional requirements as may be deemed necessary by the Commissioners' Court.
- g. **Confidentiality Required.** Information that is provided to the County in connection with an application or request for Tax Abatement and that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property for which Tax Abatement is sought is confidential and not subject to public disclosure until the Tax Abatement Agreement is executed. That information in the custody of a taxing unit after the Agreement is executed is Public Record, and not confidential.

PUBLIC HEARING - Section IV

- a. Should any affected jurisdiction be able to show cause in the public hearing why the granting of abatement will have a substantial adverse affect on its bonds, tax revenue, service capacity or the provision of service, that showing shall be reason for the Commissioners' Court to deny any designation of the reinvestment zone, the granting of abatement, or both.
- b. Neither a reinvestment zone nor abatement agreement shall be authorized if it is determined that:
 1. There would be a substantial adverse affect on the provision of government service or tax base;
 2. The applicant has insufficient financial capacity;
 3. Planned or potential use of the property would constitute a hazard to public safety, health or morals; or,
 4. Planned or potential use of the property violates other codes or laws.
 5. Use of the property as planned does not comply with the overall developmental goals of the county.
- c. Following the public hearing, the Commissioners' Court must make affirmative findings in the minutes of the Court that:
 1. Designation of the reinvestment zone would contribute to the retention or expansion of primary employment.
 2. Designation of the zone would attract major investment in the zone that would benefit the property within the zone.
 3. Designation of the zone would contribute to the economic development of the county.

AGREEMENT - Section V

- a. **Notice to Jurisdictions.** Not later than the seventh day before the date on which Waller County enters into the Abatement Agreement, the County shall deliver to the presiding officer of the governing body of each other taxing unit in which the property is located a written notice that the County intends to enter into the Agreement, along with a copy of the proposed agreement.
- b. After approval, Waller County shall formally pass an order and execute an agreement with the owner of the facility and lessee as required which shall include:
 1. Estimated value to be abated and the base year value;
 2. Percent of value to be abated each year as provided in Section II (h);
 3. The commencement date and the termination date of abatement;
 4. The proposed use of the facility; nature of construction, time schedule, map,

- property description and improvements list as provided in the abatement application.
5. Contractual obligations in the event of default, violations of terms or conditions, delinquent taxes, recapture, administration and assignment as provided herein and other provisions that may be required for uniformity or by State law and;
 6. Size of investment and average number of jobs involved for the period of Abatement.
- c. Such agreement shall be executed within sixty (60) days after the later of the date applicant has forwarded all necessary information and documentation to Waller County or the date of the approval of the application.
- d. **Mandatory contract provisions.** Any tax abatement entered into by the County must:
1. Include a list of the kind, number, and location of all proposed improvements to the property.
 2. Provide access to and authorize inspection of the property by the taxing unit to ensure compliance with the agreement.
 3. Limit the use of the property consistent with the taxing unit's development goals.
 4. Provide for recapturing property tax revenues that are lost if the owner fails to make the improvements or create the jobs as provided by the application/agreement.
 5. Include each term that was agreed upon with the property owner and require the owner to annually certify compliance with the terms of the agreement to each taxing unit.
 6. Allow the taxing unit to cancel or modify the agreement at any time if the property owner fails to comply with the terms of the agreement.

RECAPTURE - Section VI

- a. In the event that the facility is completed and begins producing products or services, but subsequently discontinues producing products or services for any reason excepting fire, explosion or other casualty or accident or natural disaster for a period of one year during the abatement period, then the agreement shall terminate and so shall the abatement of the taxes for the calendar year during which the facility no longer produces. The taxes otherwise abated for that calendar year shall be paid to the County within sixty (60) days from the date of termination.
- b. Should the County determine that the company or individual is in default according to the terms and conditions of its agreement, the County shall notify the company or individual in writing at the address stated in the agreement, and if such is not cured within sixty (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 ad valorem taxes owed the County or affected jurisdiction 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 and fails to cure during the Cure Period, the agreement then may be terminated and all taxes previously abated by virtue of the agreement will be recaptured and paid within sixty (60) days of the termination.

ADMINISTRATION - Section VII

- a. The Chief Appraiser of Waller County 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 Appraiser with such information as may be necessary for the 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 levy taxes of the amount of the assessment.
- b. The agreement shall stipulate that employees and/or designated representatives of Waller County will have access to the reinvestment zone during the term of the abatement to inspect the facility to determine if the terms and conditions of the agreement are being met. All inspections will be made only after the giving of twenty-four (24) hours notice and will only be conducted in a 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.
- c. Upon completion of construction Waller County shall annually evaluate each facility receiving abatement to insure compliance with the agreement and report possible violations of the contract and agreement to the Commissioner's Court.
- d. **Timely Filing.** The County shall timely file with the State Comptroller's Office all information required by the Tax Code.

ASSIGNMENT - Section VIII

- a. Abatement may be transferred and assigned by the holder to a new owner or lessee of the same facility upon the approval by resolution of Waller County Commissioners' Court 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 the County.
- 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 existing agreement, the new owner, or new lessee are liable to Waller County or any affected jurisdiction for outstanding taxes or other obligations.
- d. Approval shall not be unreasonably withheld.

SUNSET PROVISION - Section IX

- a. These Guidelines and Criteria are effective upon the date of their adoption and will remain in force for two (2) years, unless amended by three-quarters (3/4) vote of the Commissioners' Court of Waller County as so provided for in the Tax Code, at which time all Reinvestment Zones and Tax Abatement Agreements, created pursuant to these provisions will be reviewed by the County to determine whether the goals have been achieved. Based on that review, the Guidelines and Criteria will be modified, renewed or eliminated.
- b. This policy is mutually exclusive of existing Industrial District Contract and owners of real property in areas deserving of special attention as agreed by the affected jurisdictions.
- c. This policy is effective this 12th Day of February, 2008, and supersedes any previous policy on Tax Abatement. It will remain in effect until changed by court order.

DISCRETION OF THE COUNTY - Section X

The adoption of these guidelines and criteria by Waller County does not:

1. Limit the discretion of the Commissioners' Court to decide whether to enter into a specific Tax Abatement Agreement.
2. Limit the discretion of the Commissioners' Court to delegate to its employees the authority to determine whether or not the Commissioners' Court should consider a particular application or request for Tax Abatement.
3. Create any property, contract, or other legal right in any person, partnership, corporation or other entity to have the Commissioners' Court consider or grant a specific application or request for Tax Abatement.

Attachment B

Certificate of Account Status



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

November 13, 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

WEATHERFORD ARTIFICIAL LIFT SYSTEMS, INC.

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 November 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 13th day of
November 2012 A.D.

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

Susan Combs
Texas Comptroller

Taxpayer number: 17522042500
File number: 0009297006

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



August 15, 2012

Alton Frailey
Superintendent
Katy Independent School District
6301 South Stadium Lane
Katy, Texas 77494

Dear Superintendent Frailey:

On June 22, 2012, the Comptroller received the completed application for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on June 18, 2012 to the Katy Independent School District (Katy ISD) by Weatherford Artificial Lift Systems, Inc. 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.

Katy ISD is currently classified as a rural school district in Category 1 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 (\$90.5 million) is consistent with the proposed appraised value limitation sought (\$30 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. Weatherford Artificial Lift Systems, Inc. is proposing the construction of a manufacturing facility in Waller County. Weatherford Artificial Lift Systems, Inc. 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 Weatherford Artificial Lift Systems, Inc., the Comptroller's recommendation is that Weatherford Artificial Lift Systems, Inc.'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

¹ 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.

Note that any new building or other improvement existing as of the application review start date of June 22, 2012, or any tangible personal property placed in service prior that date may not become "Qualified Property" as defined by 313.021(2).

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 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 | Weatherford Artificial Lift Systems, Inc. |
| Tax Code, 313.024 Eligibility Category | Manufacturing |
| School District | Katy ISD |
| 2010-11 Enrollment in School District | 60,573 |
| County | Waller |
| Total Investment in District | \$124,139,420 |
| Qualified Investment | \$90,500,000 |
| Limitation Amount | \$30,000,000 |
| Number of total jobs committed to by applicant | 245 |
| Number of qualifying jobs committed to by applicant | 196 |
| Average Weekly Wage of Qualifying Jobs committed to by applicant | \$1,079 |
| Minimum Weekly Wage Required Tax Code, 313.051(b) | \$1,079 |
| Minimum Annual Wage committed to by applicant for qualified jobs | \$56,102 |
| Investment per Qualifying Job | \$633,364 |
| Estimated 15 year M&O levy without any limit or credit: | \$9,196,861 |
| Estimated gross 15 year M&O tax benefit | \$3,533,274 |
| 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): | \$2,844,150 |
| Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program) | \$844,831 |
| Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection: | \$6,352,711 |
| Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted) | 30.9% |
| Percentage of tax benefit due to the limitation | 76.1% |
| Percentage of tax benefit due to the credit. | 23.9% |

This presents the Comptroller's economic impact evaluation of Weatherford Artificial Lift Systems, Inc. (the project) applying to Katy 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 245 new jobs when fully operational. One hundred, ninety-six 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 Houston-Galveston Area Council of Governments Region, where Waller County is located was \$51,002 in 2010. The annual average manufacturing wage for 2011 for Waller County is \$56,654. That same year, the county annual average wage for all industries was \$43,875. In addition to a salary of \$56,102, each qualifying position will receive the following benefits: medical; dental; vision; flexible spending accounts; life insurance, AD&D; short-term disability; long-term disability; 401(k) plan; critical illness, accident; whole life; business travel insurance; employee assistance program; legal plan; additional AD&D; additional life insurance; and additional critical illness. The project's total investment is \$124 million, resulting in a relative level of investment per qualifying job of \$633,364.

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

According to Weatherford Artificial Lift Systems, Inc.'s application, "Weatherford Artificial Lift Systems, Inc. is part of Weatherford International, Inc. Weatherford International, Inc. is one of the largest oilfield service companies, headquartered in Switzerland, with operations in more than 730 locations in 100 countries and employs more than 50,000 people worldwide. While Weatherford has the ability to build facilities worldwide, current market conditions make it favorable to build a new manufacturing facility for pumping units in the Houston Area."

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

During the past two years, 14 projects in the Houston-Galveston 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 Weatherford Artificial Lifts Systems, Inc. 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 Weatherford Artificial Lift Systems, Inc.'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 Weatherford Artificial Lift Systems, Inc.

| Year | Employment | | | Personal Income | | |
|------|------------|--------------------|-------|-----------------|--------------------|--------------|
| | Direct | Indirect + Induced | Total | Direct | Indirect + Induced | Total |
| 2012 | 73 | 193 | 266 | \$3,982,377 | \$10,017,623 | \$14,000,000 |
| 2013 | 253 | 421 | 674 | \$15,748,082 | \$24,251,918 | \$40,000,000 |
| 2014 | 245 | 324 | 569 | \$15,903,685 | \$22,096,315 | \$38,000,000 |
| 2015 | 245 | 314 | 559 | \$16,380,700 | \$24,619,300 | \$41,000,000 |
| 2016 | 245 | 315 | 560 | \$16,872,170 | \$27,127,830 | \$44,000,000 |
| 2017 | 245 | 314 | 559 | \$17,378,340 | \$28,621,660 | \$46,000,000 |
| 2018 | 245 | 312 | 557 | \$17,899,700 | \$31,100,300 | \$49,000,000 |
| 2019 | 245 | 308 | 553 | \$18,436,740 | \$31,563,260 | \$50,000,000 |
| 2020 | 245 | 304 | 549 | \$18,989,705 | \$33,010,295 | \$52,000,000 |
| 2021 | 245 | 345 | 590 | \$19,559,330 | \$37,440,670 | \$57,000,000 |
| 2022 | 245 | 310 | 555 | \$20,146,105 | \$36,853,895 | \$57,000,000 |
| 2023 | 245 | 316 | 561 | \$20,750,520 | \$38,249,480 | \$59,000,000 |
| 2024 | 245 | 325 | 570 | \$21,373,065 | \$40,626,935 | \$62,000,000 |
| 2025 | 245 | 329 | 574 | \$22,014,230 | \$42,985,770 | \$65,000,000 |
| 2026 | 245 | 331 | 576 | \$22,674,750 | \$45,325,250 | \$68,000,000 |
| 2027 | 245 | 343 | 588 | \$23,354,870 | \$47,645,130 | \$71,000,000 |

Source: CPA, REMI, Weatherford Artificial Lift Systems, Inc.

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Katy ISD's ad valorem tax base in 2010 was \$18.3 billion. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Katy ISD's estimated wealth per WADA was \$270,488. 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, Waller County, Brookshire-Katy Drainage District, and Waller-Harris Emergency Services District, with all property tax incentives sought being granted using estimated market value from Weatherford Artificial Lift Systems, Inc.'s application. Weatherford Artificial Lift Systems, Inc. has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county. Table 3 illustrates the estimated tax impact of the Weatherford Artificial Lift Systems, Inc. project on the region if all taxes are assessed.

| Year | Estimated Taxable value for I&S | Estimated Taxable value for M&O | Tax Rate ¹ | Katy ISD I&S Levy | Katy ISD M&O Levy | Katy ISD M&O and I&S Tax Levies (Before Credit Credited) | Katy ISD M&O and I&S Tax Levies (After Credit Credited) | Waller County | Brookshire-Katy Drainage District | Waller-Harris Emergency Services District | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|-----------------------|-------------------|-------------------|--|---|---------------|-----------------------------------|---|--------------------------------|
| | | | | 0.4000 | 1.1266 | | | 0.6958 | 0.0934 | 0.0944 | |
| 2013 | \$53,864,420 | \$53,864,420 | | \$215,458 | \$606,837 | \$822,294 | \$822,294 | \$0 | \$50,282 | \$50,848 | \$923,425 |
| 2014 | \$81,125,000 | \$81,125,000 | | \$324,500 | \$913,954 | \$1,238,454 | \$1,238,454 | \$0 | \$75,730 | \$76,582 | \$1,390,766 |
| 2015 | \$74,875,000 | \$30,000,000 | | \$299,500 | \$337,980 | \$637,480 | \$637,480 | \$0 | \$69,896 | \$70,682 | \$778,058 |
| 2016 | \$67,721,667 | \$30,000,000 | | \$270,887 | \$337,980 | \$608,867 | \$488,177 | \$0 | \$63,218 | \$63,929 | \$615,324 |
| 2017 | \$62,468,333 | \$30,000,000 | | \$249,873 | \$337,980 | \$587,853 | \$467,163 | \$0 | \$58,314 | \$58,970 | \$584,448 |
| 2018 | \$66,661,667 | \$30,000,000 | | \$266,647 | \$337,980 | \$604,627 | \$483,937 | \$0 | \$62,229 | \$62,929 | \$609,094 |
| 2019 | \$59,255,000 | \$30,000,000 | | \$237,020 | \$337,980 | \$575,000 | \$454,310 | \$0 | \$55,315 | \$55,937 | \$565,561 |
| 2020 | \$51,945,000 | \$30,000,000 | | \$207,780 | \$337,980 | \$545,760 | \$425,070 | \$0 | \$48,491 | \$49,036 | \$522,597 |
| 2021 | \$44,585,000 | \$30,000,000 | | \$178,340 | \$337,980 | \$516,320 | \$395,630 | \$0 | \$41,620 | \$42,088 | \$479,338 |
| 2022 | \$51,121,667 | \$30,000,000 | | \$204,487 | \$337,980 | \$542,467 | \$421,777 | \$0 | \$47,722 | \$48,259 | \$517,757 |
| 2023 | \$47,558,333 | \$47,558,333 | | \$190,233 | \$535,792 | \$726,026 | \$726,026 | \$0 | \$44,396 | \$44,895 | \$815,316 |
| 2024 | \$44,091,667 | \$44,091,667 | | \$176,367 | \$496,737 | \$673,103 | \$673,103 | \$0 | \$41,160 | \$41,623 | \$755,885 |
| 2025 | \$40,525,000 | \$40,525,000 | | \$162,100 | \$456,555 | \$618,655 | \$618,655 | \$0 | \$37,830 | \$38,256 | \$694,740 |
| 2026 | \$37,055,000 | \$37,055,000 | | \$148,220 | \$417,462 | \$565,682 | \$565,682 | \$0 | \$34,591 | \$34,980 | \$635,252 |
| 2027 | \$33,485,000 | \$33,485,000 | | \$133,940 | \$377,242 | \$511,182 | \$511,182 | \$0 | \$31,258 | \$31,610 | \$574,050 |
| | | | | | | Total | \$8,928,938 | \$0 | \$762,051 | \$770,623 | \$10,461,612 |

Assumes School Value Limitation and Tax Abatement with the County.

Source: CPA, Weatherford Artificial Lift Systems, Inc.

¹Tax Rate per \$100 Valuation

| Year | Estimated Taxable value for I&S | Estimated Taxable value for M&O | Tax Rate ¹ | Katy ISD I&S Levy | Katy ISD M&O Levy | Katy ISD M&O and I&S Tax Levies | Waller County | Brookshire-Katy Drainage District | Waller-Harris Emergency Services District | Estimated Total Property Taxes | |
|------|---------------------------------|---------------------------------|-----------------------|-------------------|-------------------|---------------------------------|---------------|-----------------------------------|---|--------------------------------|--------------|
| | | | | 0.4000 | 1.1266 | | 0.6958 | 0.0934 | 0.0944 | | |
| 2013 | \$53,864,420 | \$53,864,420 | | \$215,458 | \$606,837 | \$822,294 | \$374,802 | \$50,282 | \$50,848 | \$1,298,227 | |
| 2014 | \$81,125,000 | \$81,125,000 | | \$324,500 | \$913,954 | \$1,238,454 | \$564,488 | \$75,730 | \$76,582 | \$1,955,254 | |
| 2015 | \$74,875,000 | \$74,875,000 | | \$299,500 | \$843,542 | \$1,143,042 | \$520,999 | \$69,896 | \$70,682 | \$1,804,619 | |
| 2016 | \$67,721,667 | \$67,721,667 | | \$270,887 | \$762,952 | \$1,033,839 | \$471,224 | \$63,218 | \$63,929 | \$1,632,211 | |
| 2017 | \$62,468,333 | \$62,468,333 | | \$249,873 | \$703,768 | \$953,642 | \$434,670 | \$58,314 | \$58,970 | \$1,505,596 | |
| 2018 | \$66,661,667 | \$66,661,667 | | \$266,647 | \$751,010 | \$1,017,657 | \$463,849 | \$62,229 | \$62,929 | \$1,606,663 | |
| 2019 | \$59,255,000 | \$59,255,000 | | \$237,020 | \$667,567 | \$904,587 | \$412,311 | \$55,315 | \$55,937 | \$1,428,149 | |
| 2020 | \$51,945,000 | \$51,945,000 | | \$207,780 | \$585,212 | \$792,992 | \$361,446 | \$48,491 | \$49,036 | \$1,251,965 | |
| 2021 | \$44,585,000 | \$44,585,000 | | \$178,340 | \$502,295 | \$680,635 | \$310,234 | \$41,620 | \$42,088 | \$1,074,577 | |
| 2022 | \$51,121,667 | \$51,121,667 | | \$204,487 | \$575,937 | \$780,423 | \$355,717 | \$47,722 | \$48,259 | \$1,232,122 | |
| 2023 | \$47,558,333 | \$47,558,333 | | \$190,233 | \$535,792 | \$726,026 | \$330,923 | \$44,396 | \$44,895 | \$1,146,239 | |
| 2024 | \$44,091,667 | \$44,091,667 | | \$176,367 | \$496,737 | \$673,103 | \$306,801 | \$41,160 | \$41,623 | \$1,062,686 | |
| 2025 | \$40,525,000 | \$40,525,000 | | \$162,100 | \$456,555 | \$618,655 | \$281,983 | \$37,830 | \$38,256 | \$976,723 | |
| 2026 | \$37,055,000 | \$37,055,000 | | \$148,220 | \$417,462 | \$565,682 | \$257,838 | \$34,591 | \$34,980 | \$893,090 | |
| 2027 | \$33,485,000 | \$33,485,000 | | \$133,940 | \$377,242 | \$511,182 | \$232,997 | \$31,258 | \$31,610 | \$807,017 | |
| | | | | | | Total | \$12,462,212 | \$5,680,282 | \$762,051 | \$770,623 | \$19,675,168 |

Source: CPA, Weatherford Artificial Lift Systems, Inc.

¹Tax Rate per \$100 Valuation

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

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$9,196,861. The estimated gross 15 year M&O tax benefit, or levy loss, is \$3,533,274.

Attachment 3 is an economic overview of Waller 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.



TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

August 8, 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 Weatherford Artificial Lift Systems Inc. project for the Katy Independent School District (KISD). 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 Weatherford Artificial Lift Systems Inc. project on KISD 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 if you need further information regarding this issue.

Sincerely,

A handwritten signature in black ink that reads 'Belinda Dyer'.

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

Only if you all
can answer it

August 8, 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 Weatherford Artificial Lift Systems Inc. project on the number and size of school facilities in Katy Independent School District (KISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the KISD superintendent, Alton Frailey, the TEA has found that the Weatherford Artificial Lift Systems Inc. project would not have a significant impact on the number or size of school facilities in KISD.

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 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

Waller County

Population

- Total county population in 2010 for Waller County: 37,431 , up 2.0 percent from 2009. State population increased 1.8 percent in the same time period.
- Waller County was the state's 79th largest county in population in 2010 and the 34th fastest growing county from 2009 to 2010.
- Waller County's population in 2009 was 47.2 percent Anglo (above the state average of 46.7 percent), 25.5 percent African-American (above the state average of 11.3 percent) and 25.7 percent Hispanic (below the state average of 36.9 percent).
- 2009 population of the largest cities and places in Waller County:

| | | | |
|--------------|-------|---------------|-------|
| Hempstead: | 7,639 | Prairie View: | 4,514 |
| Brookshire: | 3,967 | Waller: | 2,218 |
| Pine Island: | 859 | Pattison: | 487 |

Economy and Income

Employment

- September 2011 total employment in Waller County: 15,480 , up 1.8 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 Waller County unemployment rate: 9.3 percent, up from 8.7 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

- Waller County's ranking in per capita personal income in 2009: 107th with an average per capita income of \$33,798, down 1.5 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 Waller County averaged \$71.04 million annually from 2007 to 2010. County total agricultural values in 2010 were down 11.9 percent from 2009. Major agriculture related commodities in Waller County during 2010 included:
 - Hay • Rice • Horses • Nursery • Other Beef
- 2011 oil and gas production in Waller County: 257,770.0 barrels of oil and 2.9 million Mcf of gas. In September 2011, there were 191 producing oil wells and 53 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 Waller County during the fourth quarter 2010: \$62.92 million, up 29.1 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

| | |
|---------------|--|
| Hempstead: | \$13.29 million, up 1.9 percent from the same quarter in 2009. |
| Prairie View: | \$1.07 million, down 28.2 percent from the same quarter in 2009. |
| Brookshire: | \$6.31 million, up 11.3 percent from the same quarter in 2009. |
| Waller: | \$9.00 million, up 6.0 percent from the same quarter in 2009. |
| Pattison: | \$272,552.00, up 102.3 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 Waller County through the fourth quarter of 2010: \$236.13 million, up 15.5 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

| | |
|---------------|--|
| Hempstead: | \$50.71 million, down 2.0 percent from the same period in 2009. |
| Prairie View: | \$6.02 million, down 29.2 percent from the same period in 2009. |
| Brookshire: | \$24.43 million, down 11.8 percent from the same period in 2009. |
| Waller: | \$35.07 million, down 2.1 percent from the same period in 2009. |
| Pattison: | \$998,860.00, up 72.1 percent from the same period in 2009. |

Annual (2010)

- Taxable sales in Waller County during 2010: \$236.13 million, up 15.5 percent from 2009.

- Waller County sent an estimated \$14.76 million (or 0.09 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

| | |
|---------------|---|
| Hempstead: | \$50.71 million, down 2.0 percent from 2009. |
| Prairie View: | \$6.02 million, down 29.2 percent from 2009. |
| Brookshire: | \$24.43 million, down 11.8 percent from 2009. |
| Waller: | \$35.07 million, down 2.1 percent from 2009. |
| Pattison: | \$998,860.00, up 72.1 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 Waller County based on the sales activity month of August 2011: \$275,065.68, up 6.7 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

| | |
|----------------|---|
| Hempstead: | \$89,523.84, down 3.9 percent from August 2010. |
| Prairie View*: | \$22,026.33, up 48.0 percent from August 2010. |
| Brookshire: | \$72,477.51, up 7.7 percent from August 2010. |
| Waller: | \$88,277.01, up 9.8 percent from August 2010. |
| Pattison: | \$2,760.99, up 44.5 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 Waller County based on sales activity months from September 2010 through August 2011: \$3.47 million, up 3.8 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

| | |
|----------------|---|
| Hempstead: | \$1.20 million, up 4.4 percent from fiscal 2010. |
| Prairie View*: | \$307,445.86, up 1.5 percent from fiscal 2010. |
| Brookshire: | \$875,259.48, down 3.5 percent from fiscal 2010. |
| Waller: | \$1.06 million, up 10.2 percent from fiscal 2010. |
| Pattison: | \$26,479.07, up 19.0 percent from fiscal 2010. |

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

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Waller County based on sales activity months through August 2011: \$2.22 million, up 2.5 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

| | |
|----------------|--|
| Hempstead: | \$764,505.79, up 2.6 percent from the same period in 2010. |
| Prairie View*: | \$168,644.22, down 3.5 percent from the same period in 2010. |
| Brookshire: | \$583,424.87, down 0.4 percent from the same period in 2010. |
| Waller: | \$683,512.48, up 6.4 percent from the same period in 2010. |
| Pattison: | \$17,532.31, up 22.7 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 Waller County based on sales activity in the 12 months ending in August 2011: \$3.47 million, up 3.8 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

| | |
|----------------|--|
| Hempstead: | \$1.20 million, up 4.4 percent from the previous 12-month period. |
| Prairie View*: | \$307,445.86, up 1.5 percent from the previous 12-month period. |
| Brookshire: | \$875,259.48, down 3.5 percent from the previous 12-month period. |
| Waller: | \$1.06 million, up 10.2 percent from the previous 12-month period. |
| Pattison: | \$26,479.07, up 19.0 percent from the previous 12-month period. |

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

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

| | |
|----------------|--|
| Hempstead: | \$988,247.08, up 3.8 percent from the same period in 2010. |
| Prairie View*: | \$188,609.11, down 9.2 percent from the same period in 2010. |
| Brookshire: | \$726,028.74, down 6.6 percent from the same period in 2010. |
| Waller: | \$886,533.25, up 9.0 percent from the same period in 2010. |
| Pattison: | \$21,810.60, up 16.4 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 Waller County based on sales activity months in 2010: \$3.41 million, down 1.1 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

| | |
|----------------|---|
| Hempstead: | \$1.18 million, up 1.7 percent from 2009. |
| Prairie View*: | \$313,474.61, up 10.1 percent from 2009. |
| Brookshire: | \$877,696.58, down 8.0 percent from 2009. |
| Waller: | \$1.02 million, down 1.0 percent from 2009. |
| Pattison: | \$23,230.01, up 3.7 percent from 2009. |

*On 10/1/2009, the city of Prairie View's local sales tax rate increased by 0.00 from 1.750 percent to 1.750 percent.

Property Tax

- As of January 2009, property values in Waller County: \$4.36 billion, up 10.0 percent from January 2008 values. The property tax base per person in Waller County is \$119,423, above the statewide average of \$85,809. About 3.3 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Waller County's ranking in state expenditures by county in fiscal year 2010: 79th. State expenditures in the county for FY2010: \$144.82 million, up 0.2 percent from FY2009.
- In Waller County, 17 state agencies provide a total of 2,375 jobs and \$19.03 million in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
 - Prairie View A&M University
 - Department of Transportation
 - Engineering Experiment Station
 - Department of Public Safety

Higher Education

- Community colleges in Waller County fall 2010 enrollment:
 - None.
- Waller County is in the service area of the following:
 - Blinn College with a fall 2010 enrollment of 17,755 . Counties in the service area include:
 - Austin County
 - Bastrop County
 - Brazos County
 - Burleson County
 - Fayette County
 - Grimes County
 - Lee County
 - Madison County
 - Milam County
 - Montgomery County
 - Robertson County
 - Walker County
 - Waller County
 - Washington County
 - Williamson County
 - Houston Community College with a fall 2010 enrollment of 49,717 . Counties in the service area include:
 - Fort Bend County
 - Harris County
 - Waller County

- Institutions of higher education in Waller County fall 2010 enrollment:

- Prairie View A&M University, a Public University (part of Texas A&M University System), had 8,781 students.

School Districts

- Waller County had 3 school districts with 17 schools and 8,932 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.)

- Hempstead ISD had 1,500 students in the 2009-10 school year. The average teacher salary was \$47,153. The percentage of students meeting the 2010 TAKS passing standard for all tests was 70 percent.
- Royal ISD had 2,055 students in the 2009-10 school year. The average teacher salary was \$44,787. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.
- Waller ISD had 5,377 students in the 2009-10 school year. The average teacher salary was \$47,409. The percentage of students meeting the 2010 TAKS passing standard for all tests was 78 percent.

Attachment E

Summary of Financial Impact

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED
WEATHERFORD ARTIFICIAL LIFT SYSTEMS, INC. PROJECT ON
THE FINANCES OF THE KATY INDEPENDENT SCHOOL DISTRICT
UNDER A REQUESTED CHAPTER 313 PROPERTY VALUE
LIMITATION**

June 26, 2012

Final Report

PREPARED BY



Estimated Impact of the Proposed Weatherford Artificial Lift Systems, Inc. Project on the Finances of the Katy Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Weatherford Artificial Lift Systems, Inc. (Weatherford) has requested that the Katy Independent School District (KISD) 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 KISD on June 18, 2012, Weatherford proposes to invest \$124 million to construct a new manufacturing facility for oil field service equipment in KISD.

The Weatherford 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, KISD may offer a minimum value limitation of \$30 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 the 2015-16 school year, the project would go on the local tax roll at \$30 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 throughout the limitation period, with KISD currently levying a \$0.40 per \$100 I&S tax rate. The full taxable value of the investment is expected to reach \$81 million in the 2014-15 school year, with depreciation expected to reduce the value of the project most of the years when the value limitation is in effect.

In the case of the Weatherford 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. KISD would experience a revenue loss as a result of the implementation of the value limitation in the 2015-16 school year (-\$524,925), with smaller revenue losses anticipated for the 2018-19 and 2023-24 school years.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$2.8 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 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 revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

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 786 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 241 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 result in a reduction to 403 target revenue or ASATR districts, compared with 624 formula districts in that year.

For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the General Appropriations Act. 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.

Based on the estimates presented below, KISD is classified as a formula district under all the scenarios presented. ASATR does not appear to be an issue for KISD with or without the proposed value limitation in place.

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 Weatherford 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.

In this case, KISD provided recent estimates for enrollment growth and property value increases that are used to establish the base model. In the case of the out-years, enrollment and property values are projected on the basis of the underlying growth trends. The current SB 1 reductions are reflected in the underlying models and maintained beyond the 2012-13 school year. The projected taxable values of the Weatherford project are then factored into the base model used here. The impact of the limitation value for the proposed Weatherford project is isolated separately and the focus of this analysis.

Student enrollment counts begin at 60,693 students in average daily attendance in the 2012-13 school year. The District's local tax base is expected to reach \$20.8 billion for the 2012 tax year. Both the enrollment and taxable value estimates show increases over the forecast period. An M&O tax rate of \$1.13 is used throughout this analysis. (As a Harris County district operating under a different tax authorization statute, KISD is allowed to levy this M&O rate without seeking voter approval.) KISD has estimated state property wealth per weighted ADA or WADA of approximately \$277,595 for the 2012-13 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 KISD under the assumptions outlined above through the 2027-28 school year. Beyond the 2012-13 school year, no attempt was made to forecast the 88th 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 Weatherford 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 Weatherford 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.

Under these assumptions, KISD would experience a revenue loss as a result of the implementation of the value limitation in the 2015-16 school year (-\$524,925). The revenue reduction results largely from the one-year lag in the state property value study, which results in no offsetting state aid for a formula district like KISD. Smaller revenue losses are expected in the 2018-19 and 2023-24 school years in response to increased taxable values in each of those years prior to the application of the \$30 million limitation.

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 \$1.13 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 \$2.7 million over the life of the agreement. In addition, Weatherford would be eligible for a tax credit for M&O and I&S 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 \$0.8 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key KISD revenue losses are expected to total approximately -\$689,124 over the course of the agreement. The potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to total \$2.8 million over the life of the agreement.

Facilities Funding Impact

The Weatherford project remains fully taxable for debt services taxes, with KISD currently levying a \$0.40 I&S rate. The value of the Weatherford project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value is expected to enhance KISD's ability to meet its debt service obligations.

The Weatherford project is not expected to affect KISD 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 Weatherford manufacturing facility for oil field service equipment project enhances the tax base of KISD. 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 \$2.8 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of KISD in meeting its future debt service needs.

Table 1 – Base District Information with Weatherford Artificial Lift Systems, Inc 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 | 60,693.25 | 73,747.67 | \$1.1266 | \$0.4000 | \$21,789,976,221 | \$21,789,976,221 | \$20,472,019,339 | \$20,472,019,339 | \$277,595 | \$277,595 |
| 1 | 2013-14 | 62,617.30 | 75,747.61 | \$1.1266 | \$0.3475 | \$22,843,840,641 | \$22,843,840,641 | \$21,469,909,887 | \$21,469,909,887 | \$283,440 | \$283,440 |
| 2 | 2014-15 | 64,263.02 | 77,738.02 | \$1.1266 | \$0.3400 | \$23,871,101,221 | \$23,871,101,221 | \$22,509,085,611 | \$22,509,085,611 | \$289,551 | \$289,551 |
| 3 | 2015-16 | 65,952.01 | 81,110.00 | \$1.1266 | \$0.3270 | \$24,908,730,161 | \$24,863,855,161 | \$23,362,557,384 | \$23,362,557,384 | \$288,035 | \$288,035 |
| 4 | 2016-17 | 67,685.38 | 83,241.35 | \$1.1266 | \$0.3270 | \$25,992,260,069 | \$25,953,538,402 | \$24,384,853,104 | \$24,339,978,104 | \$292,942 | \$292,402 |
| 5 | 2017-18 | 69,464.31 | 85,428.71 | \$1.1266 | \$0.3270 | \$27,123,504,123 | \$27,091,035,790 | \$25,452,376,987 | \$25,413,655,320 | \$297,937 | \$297,484 |
| 6 | 2018-19 | 71,289.99 | 87,673.57 | \$1.1266 | \$0.3270 | \$28,315,107,023 | \$28,278,445,356 | \$26,566,912,686 | \$26,534,444,353 | \$303,021 | \$302,650 |
| 7 | 2019-20 | 73,163.66 | 89,977.42 | \$1.1266 | \$0.3270 | \$29,547,212,196 | \$29,517,957,196 | \$27,741,074,089 | \$27,704,412,422 | \$308,312 | \$307,904 |
| 8 | 2020-21 | 75,086.57 | 92,341.82 | \$1.1266 | \$0.3270 | \$30,833,802,502 | \$30,811,857,502 | \$28,954,972,449 | \$28,925,717,449 | \$313,563 | \$313,246 |
| 9 | 2021-22 | 77,060.02 | 94,768.37 | \$1.1266 | \$0.3270 | \$32,177,117,781 | \$32,162,532,781 | \$30,222,557,047 | \$30,200,612,047 | \$318,910 | \$318,678 |
| 10 | 2022-23 | 79,085.33 | 97,258.69 | \$1.1266 | \$0.3270 | \$33,593,595,927 | \$33,572,474,260 | \$31,546,032,668 | \$31,531,447,668 | \$324,352 | \$324,202 |
| 11 | 2023-24 | 81,163.88 | 99,814.46 | \$1.1266 | \$0.3270 | \$35,061,840,810 | \$35,061,840,810 | \$32,941,800,612 | \$32,920,678,945 | \$330,030 | \$329,819 |
| 12 | 2024-25 | 83,297.05 | 102,437.41 | \$1.1266 | \$0.3270 | \$36,594,769,745 | \$36,594,769,745 | \$34,388,426,552 | \$34,388,426,552 | \$335,702 | \$335,702 |
| 13 | 2025-26 | 85,486.29 | 105,129.29 | \$1.1266 | \$0.3270 | \$38,195,001,826 | \$38,195,001,826 | \$35,898,787,927 | \$35,898,787,927 | \$341,473 | \$341,473 |
| 14 | 2026-27 | 87,733.07 | 107,891.92 | \$1.1266 | \$0.3270 | \$39,865,709,827 | \$39,865,709,827 | \$37,475,462,209 | \$37,475,462,209 | \$347,343 | \$347,343 |
| 15 | 2027-28 | 90,038.90 | 110,727.16 | \$1.1266 | \$0.3270 | \$41,609,778,984 | \$41,609,778,984 | \$39,121,578,718 | \$39,121,578,718 | \$353,315 | \$353,315 |

*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 | \$232,313,897 | \$172,590,651 | \$0 | \$0 | \$0 | \$8,417,002 | \$9,766,567 | \$0 | \$423,088,117 |
| 1 | 2013-14 | \$243,315,758 | \$172,802,386 | \$0 | \$0 | \$0 | \$8,820,733 | \$9,842,095 | \$0 | \$434,780,973 |
| 2 | 2014-15 | \$253,732,905 | \$172,532,604 | \$0 | \$0 | \$0 | \$9,203,008 | \$9,857,720 | \$0 | \$445,326,236 |
| 3 | 2015-16 | \$264,742,946 | \$181,059,983 | \$0 | \$0 | \$0 | \$9,607,039 | \$10,395,155 | \$0 | \$465,805,123 |
| 4 | 2016-17 | \$276,131,929 | \$181,672,686 | \$0 | \$0 | \$0 | \$10,024,976 | \$10,497,812 | \$0 | \$478,327,403 |
| 5 | 2017-18 | \$288,022,495 | \$182,117,801 | \$0 | \$0 | \$0 | \$10,461,320 | \$10,595,659 | \$0 | \$491,197,274 |
| 6 | 2018-19 | \$300,551,315 | \$182,384,971 | \$0 | \$0 | \$0 | \$10,921,086 | \$10,692,531 | \$0 | \$504,549,902 |
| 7 | 2019-20 | \$313,501,826 | \$182,355,679 | \$0 | \$0 | \$0 | \$11,396,326 | \$10,770,789 | \$0 | \$518,024,620 |
| 8 | 2020-21 | \$327,025,175 | \$182,236,802 | \$0 | \$0 | \$0 | \$11,892,587 | \$10,852,399 | \$0 | \$532,006,964 |
| 9 | 2021-22 | \$341,144,856 | \$181,896,872 | \$0 | \$0 | \$0 | \$12,410,732 | \$10,927,269 | \$0 | \$546,379,728 |
| 10 | 2022-23 | \$356,038,622 | \$181,322,131 | \$0 | \$0 | \$0 | \$12,957,283 | \$10,999,675 | \$0 | \$561,317,710 |
| 11 | 2023-24 | \$371,469,218 | \$180,357,018 | \$0 | \$0 | \$0 | \$13,523,534 | \$11,050,157 | \$0 | \$576,399,927 |
| 12 | 2024-25 | \$387,584,443 | \$179,224,725 | \$0 | \$0 | \$0 | \$14,114,908 | \$11,100,058 | \$0 | \$592,024,134 |
| 13 | 2025-26 | \$404,407,211 | \$177,805,399 | \$0 | \$0 | \$0 | \$14,732,247 | \$11,140,765 | \$0 | \$608,085,622 |
| 14 | 2026-27 | \$421,970,908 | \$176,082,465 | \$0 | \$0 | \$0 | \$15,376,776 | \$11,171,802 | \$0 | \$624,601,951 |
| 15 | 2027-28 | \$440,305,838 | \$174,034,073 | \$0 | \$0 | \$0 | \$16,049,606 | \$11,192,220 | \$0 | \$641,581,736 |

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 | \$232,313,897 | \$172,590,651 | \$0 | \$0 | \$0 | \$8,417,002 | \$9,766,567 | \$0 | \$423,088,117 |
| 1 | 2013-14 | \$243,315,758 | \$172,802,386 | \$0 | \$0 | \$0 | \$8,820,733 | \$9,842,095 | \$0 | \$434,780,973 |
| 2 | 2014-15 | \$253,732,905 | \$172,532,604 | \$0 | \$0 | \$0 | \$9,203,008 | \$9,857,720 | \$0 | \$445,326,236 |
| 3 | 2015-16 | \$264,255,280 | \$181,059,983 | \$0 | \$0 | \$0 | \$9,589,143 | \$10,375,791 | \$0 | \$465,280,198 |
| 4 | 2016-17 | \$275,711,132 | \$182,121,660 | \$0 | \$0 | \$0 | \$10,009,535 | \$10,519,421 | \$0 | \$478,361,747 |
| 5 | 2017-18 | \$287,669,654 | \$182,505,212 | \$0 | \$0 | \$0 | \$10,448,372 | \$10,614,588 | \$0 | \$491,237,826 |
| 6 | 2018-19 | \$300,152,904 | \$182,709,816 | \$0 | \$0 | \$0 | \$10,906,465 | \$10,704,628 | \$0 | \$504,473,814 |
| 7 | 2019-20 | \$313,183,906 | \$182,722,479 | \$0 | \$0 | \$0 | \$11,384,659 | \$10,789,067 | \$0 | \$518,080,111 |
| 8 | 2020-21 | \$326,786,694 | \$182,529,498 | \$0 | \$0 | \$0 | \$11,883,836 | \$10,867,400 | \$0 | \$532,067,428 |
| 9 | 2021-22 | \$340,986,358 | \$182,116,431 | \$0 | \$0 | \$0 | \$12,404,915 | \$10,939,098 | \$0 | \$546,446,802 |
| 10 | 2022-23 | \$355,809,088 | \$181,468,054 | \$0 | \$0 | \$0 | \$12,948,860 | \$11,003,598 | \$0 | \$561,229,601 |
| 11 | 2023-24 | \$371,469,218 | \$180,568,340 | \$0 | \$0 | \$0 | \$13,523,534 | \$11,065,923 | \$0 | \$576,627,015 |
| 12 | 2024-25 | \$387,584,443 | \$179,224,725 | \$0 | \$0 | \$0 | \$14,114,908 | \$11,100,058 | \$0 | \$592,024,134 |
| 13 | 2025-26 | \$404,407,211 | \$177,805,399 | \$0 | \$0 | \$0 | \$14,732,247 | \$11,140,765 | \$0 | \$608,085,622 |
| 14 | 2026-27 | \$421,970,908 | \$176,082,465 | \$0 | \$0 | \$0 | \$15,376,776 | \$11,171,802 | \$0 | \$624,601,951 |
| 15 | 2027-28 | \$440,305,838 | \$174,034,073 | \$0 | \$0 | \$0 | \$16,049,606 | \$11,192,220 | \$0 | \$641,581,736 |

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 | -\$487,666 | \$0 | \$0 | \$0 | \$0 | -\$17,896 | -\$19,364 | \$0 | -\$524,925 |
| 4 | 2016-17 | -\$420,797 | \$448,974 | \$0 | \$0 | \$0 | -\$15,442 | \$21,609 | \$0 | \$34,344 |
| 5 | 2017-18 | -\$352,840 | \$387,411 | \$0 | \$0 | \$0 | -\$12,948 | \$18,930 | \$0 | \$40,552 |
| 6 | 2018-19 | -\$398,410 | \$324,845 | \$0 | \$0 | \$0 | -\$14,620 | \$12,097 | \$0 | -\$76,088 |
| 7 | 2019-20 | -\$317,920 | \$366,800 | \$0 | \$0 | \$0 | -\$11,667 | \$18,278 | \$0 | \$55,491 |
| 8 | 2020-21 | -\$238,481 | \$292,696 | \$0 | \$0 | \$0 | -\$8,751 | \$15,001 | \$0 | \$60,464 |
| 9 | 2021-22 | -\$158,498 | \$219,559 | \$0 | \$0 | \$0 | -\$5,816 | \$11,829 | \$0 | \$67,074 |
| 10 | 2022-23 | -\$229,533 | \$145,923 | \$0 | \$0 | \$0 | -\$8,423 | \$3,924 | \$0 | -\$88,110 |
| 11 | 2023-24 | \$0 | \$211,322 | \$0 | \$0 | \$0 | \$0 | \$15,766 | \$0 | \$227,088 |
| 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 |

Table 5 - Estimated Financial impact of the Weatherford Artificial Lift Systems, Inc Project Property Value Limitation Request Submitted to KISD at \$1.13 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 | \$0 | \$0 | \$0 | \$1.127 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1 | 2013-14 | \$53,864,420 | \$53,864,420 | \$0 | \$1.127 | \$606,837 | \$606,837 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | 2014-15 | \$81,125,000 | \$81,125,000 | \$0 | \$1.127 | \$913,954 | \$913,954 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | 2015-16 | \$74,875,000 | \$30,000,000 | \$44,875,000 | \$1.127 | \$843,542 | \$337,980 | \$505,562 | \$0 | \$505,562 | -\$524,925 | -\$19,364 |
| 4 | 2016-17 | \$67,721,667 | \$30,000,000 | \$37,721,667 | \$1.127 | \$762,952 | \$337,980 | \$424,972 | \$120,690 | \$545,662 | \$0 | \$545,662 |
| 5 | 2017-18 | \$62,468,333 | \$30,000,000 | \$32,468,333 | \$1.127 | \$703,768 | \$337,980 | \$365,788 | \$120,690 | \$486,478 | \$0 | \$486,478 |
| 6 | 2018-19 | \$66,661,667 | \$30,000,000 | \$36,661,667 | \$1.127 | \$751,010 | \$337,980 | \$413,030 | \$120,690 | \$533,720 | -\$76,088 | \$457,632 |
| 7 | 2019-20 | \$59,255,000 | \$30,000,000 | \$29,255,000 | \$1.127 | \$667,567 | \$337,980 | \$329,587 | \$120,690 | \$450,277 | \$0 | \$450,277 |
| 8 | 2020-21 | \$51,945,000 | \$30,000,000 | \$21,945,000 | \$1.127 | \$585,212 | \$337,980 | \$247,232 | \$120,690 | \$367,922 | \$0 | \$367,922 |
| 9 | 2021-22 | \$44,585,000 | \$30,000,000 | \$14,585,000 | \$1.127 | \$502,295 | \$337,980 | \$164,315 | \$120,690 | \$285,005 | \$0 | \$285,005 |
| 10 | 2022-23 | \$51,121,667 | \$30,000,000 | \$21,121,667 | \$1.127 | \$575,937 | \$337,980 | \$237,957 | \$120,690 | \$358,647 | -\$88,110 | \$270,537 |
| 11 | 2023-24 | \$47,558,333 | \$47,558,333 | \$0 | \$1.127 | \$535,792 | \$535,792 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 12 | 2024-25 | \$44,091,667 | \$44,091,667 | \$0 | \$1.127 | \$496,737 | \$496,737 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 13 | 2025-26 | \$40,525,000 | \$40,525,000 | \$0 | \$1.127 | \$456,555 | \$456,555 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2026-27 | \$37,055,000 | \$37,055,000 | \$0 | \$1.127 | \$417,462 | \$417,462 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2027-28 | \$33,485,000 | \$33,485,000 | \$0 | \$1.127 | \$377,242 | \$377,242 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Totals | | | | | | \$9,196,861 | \$6,508,418 | \$2,688,443 | \$844,831 | \$3,533,274 | -\$689,124 | \$2,844,150 |
| Tax Credit for Value Over Limit in First 2 Years | | | | | | | | Year 1 | Year 2 | Max Credits | | |
| | | | | | | | | \$268,857 | \$575,974 | \$844,831 | | |
| | | | | | | | | Credits Earned | | \$844,831 | | |
| | | | | | | | | Credits Paid | | <u>\$844,831</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: 10:24:11

COMPTROLLER OF PUBLIC ACCOUNTS - PROPERTY TAX ASSISTANCE DIVISION
 2011 ISD SUMMARY WORKSHEET
 101-914/Katy ISD
 SCHOOL DISTRICT TOTALS

PAGE: 007
 REPT: PTS265
 VRSN: F

| CATEGORY | LOCAL TAX ROLL VALUE | 2011 WTD MEAN RATIO | 2011 PTAD VALUE ESTIMATE | 2011 VALUE ASSIGNED |
|-----------------------------|----------------------|---------------------|--------------------------|---------------------|
| A. SINGLE-FAMILY RESIDENCES | 14,326,538,549 | .9758 | 14,681,114,805 | 14,326,538,549 |
| B. MULTIFAMILY RESIDENCES | 827,344,774 | .9907 | 835,109,772 | 827,344,774 |
| C. VACANT LOTS | 390,381,549 | 1.0137 | 385,109,675 | 390,381,549 |
| D. RURAL REAL (TAXABLE) | 339,467,333 | 1.0001 | 339,418,052 | 339,467,333 |
| F1. COMMERCIAL REAL | 3,953,274,498 | .9462 | 4,178,046,314 | 3,953,274,498 |
| F2. INDUSTRIAL REAL | 75,910,710 | N/A | 75,910,710 | 75,910,710 |
| G. OIL, GAS, MINERALS | 25,676,325 | N/A | 25,676,325 | 25,676,325 |
| J. UTILITIES | 220,165,051 | N/A | 220,165,051 | 220,165,051 |
| L1. COMMERCIAL PERSONAL | 1,190,266,988 | .9819 | 1,212,222,562 | 1,190,266,988 |
| L2. INDUSTRIAL PERSONAL | 193,171,179 | N/A | 193,171,179 | 193,171,179 |
| M. MOBILE HOMES | 18,343,284 | N/A | 18,343,284 | 18,343,284 |
| N. INTANGIBLE PERS/UNCERT | 0 | N/A | 0 | 0 |
| O. RESIDENTIAL INVENTORY | 285,278,576 | N/A | 285,278,576 | 285,278,576 |
| S. SPECIAL INVENTORY | 101,654,985 | N/A | 101,654,985 | 101,654,985 |
| SUBTOTAL | 21,947,473,801 | | 22,551,221,290 | 21,947,473,801 |
| LESS TOTAL DEDUCTIONS | 1,491,029,063 | | 1,537,986,314 | 1,491,029,063 |
| TOTAL TAXABLE VALUE | 20,456,444,738 | | 21,013,234,976 | 20,456,444,738 T2 |

| CATEGORY D DETAIL | LOCAL TAX ROLL | RATIO | PTAD VALUE |
|----------------------------|----------------|--------|-------------|
| MARKET VALUE NON-QUALIFIED | | | |
| ACRES & FARM/RANCH IMP | 333,616,291 | N/A | 333,616,291 |
| PROD VALUE QUALIFIED ACRES | 5,851,042 | 1.0085 | 5,801,761 |
| TAXABLE VALUE | 339,467,333 | | 339,418,052 |

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

KATY INDEPENDENT SCHOOL DISTRICT

and

WEATHERFORD ARTIFICIAL LIFT SYSTEMS, INC.
(Texas Taxpayer ID # 17522042500)

Dated

December 17, 2012

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

STATE OF TEXAS §

COUNTY OF WALLER §

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 **KATY 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 **WEATHERFORD ARTIFICIAL LIFT SYSTEMS, INC.**, (*Texas Taxpayer ID #17522042500*), 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 18, 2012, the Superintendent of Schools (hereinafter referred to as "Superintendent") of the Katy 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 18, 2012, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from Weatherford Artificial Lift Systems, Inc., and on June 18, 2012, the Superintendent 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 22, 2012 as the completed Application date; and,

WHEREAS, pursuant to 34 Texas Administrative Code §9.1054, the Application was delivered for review to the Waller County Appraisal District established in Waller 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 August 15, 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 August 15, 2012 that the Application be approved; and,

WHEREAS, on December 10, 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 December 17, 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, pursuant to Texas Tax Code to §313.051(b), in Schedule C of the Application, the Applicant has committed to create and maintain two hundred and forty five (245) New Jobs when the project becomes fully operational, eighty percent (80%) of which will be Qualifying Jobs, until the Final Termination Date; and,

WHEREAS, on December 17, 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, §and 313.052, as such Tax Limitation Amount was computed for the effective date of this Agreement; and,

WHEREAS, on December 17, 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 December 17, 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):

| Full Tax Year of Agreement | Date of Appraisal | School Year | Tax Year | Summary Description of Provisions |
|---------------------------------------|------------------------------|------------------------|-----------------|--|
|---------------------------------------|------------------------------|------------------------|-----------------|--|

| Full Tax Year of Agreement | Date of Appraisal | School Year | Tax Year | Summary Description of Provisions |
|--|--------------------------|--------------------|-----------------|--|
| Partial Year Commencing on date of Board approval (12/17/12) | January 1, 2012 | 2012-13 | 2012 | Start of Qualifying Time Period beginning with Commencement Date (12/17/12). 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 | \$ 30 million property value limitation. |
| 4 | January 1, 2016 | 2016-17 | 2016 | \$ 30 million property value limitation. Possible Tax Credit due to Applicant. |
| 5 | January 1, 2017 | 2017-18 | 2017 | \$ 30 million property value limitation. Possible Tax Credit due to Applicant. |
| 6 | January 1, 2018 | 2018-19 | 2018 | \$ 30 million property value limitation. Possible Tax Credit due to Applicant. |
| 7 | January 1, 2019 | 2019-20 | 2019 | \$30 million property value limitation. Possible Tax Credit due to Applicant. |
| 8 | January 1, 2020 | 2020-21 | 2020 | \$ 30 million property value limitation. Possible Tax Credit due to Applicant. |
| 9 | January 1, 2021 | 2021-22 | 2021 | \$30 million property value limitation. Possible Tax Credit due to Applicant. |
| 10 | January 1, 2022 | 2022-23 | 2022 | \$30 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 2012-13 average daily attendance of no less than 61,850, 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 Weatherford Artificial Lift Systems, Inc., *Texas Taxpayer Identification Number 17522042500*, the company listed in the Preamble of this Agreement who, on June 18, 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 18, 2012 which has been certified by the Comptroller's office to constitute a complete final Application as of the date of June 22, 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 Waller County Appraisal District.

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

"Commencement Date" means December 17, 2012, the date upon which this Agreement was approved by the District's Board of Trustees.

"Completed Application Date" means June 22, 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 Waller 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 Katy 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 two hundred and forty five (245) New Jobs, from the time they are created until the Final Termination Date and (iii) the maintenance of at least one hundred and ninety six (196) New 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 two hundred and forty five (245) "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 one hundred and ninety six (196) 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 December 17, 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) Thirty Million Dollars (\$30,000,000.00).

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 and the land described in **EXHIBIT 2**, which (1) is owned by the Applicant; (2) is first placed in service after June 22, 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 **EXHIBITS 2** or **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 in **EXHIBITS 2** or **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)(1) as a manufacturing facility.

Section 2.6. LIMITATION ON APPRAISED VALUE

So long as the Applicant makes a Qualified Investment in the amount of Thirty Million Dollars (\$30,000,000.00), 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) Thirty Million Dollars (\$30,000,000.00).

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, as applicable.

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.
- 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 or the fee paid by the Applicant to the Third Party pursuant to Section 3.7, if such fee is timely paid.

Section 3.7. PAYMENT BY APPLICANT

The Applicant shall pay any amount determined to be due and owing to the District under this Agreement on or before the January 31 next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Third Party 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 ten percent (10%) 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 0.1;

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 forty-eight (48) hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant 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 two hundred and forty five (245) New Jobs.
- (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 Waller 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.

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, or (ii) sent by facsimile transmission, with "answer back" or other "advice of receipt" obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid; provided that, notice received by facsimile transmission after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first business day following the date of such electronic receipt.

Notices to the District shall be addressed as follows:

Alton Frailey, Superintendent
KATY INDEPENDENT SCHOOL DISTRICT
6301 South Stadium Lane
Katy, TX 77494
Fax: (281) 644-1800
E-mail: altonfrailey@katyisd.org

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:

Joseph Henry
Weatherford International, Inc.
200 St. James Place
Houston, TX 77056
Fax: (713) 836-5019
Email: Joseph.henry@weatherford.com

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 Thirty Million Dollars (\$30,000,000.00), 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 **EXHIBITS 2 and 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 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 Waller 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).

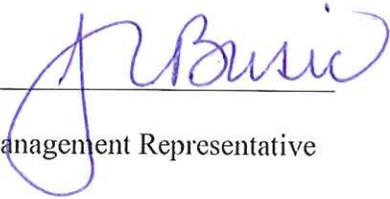
Section 8.14. PUBLICATION OF DOCUMENTS

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 ____ day of _____ 2012.

**WEATHERFORD ARTIFICIAL LIFT SYSTEMS, KATY INDEPENDENT SCHOOL DISTRICT
INC.**

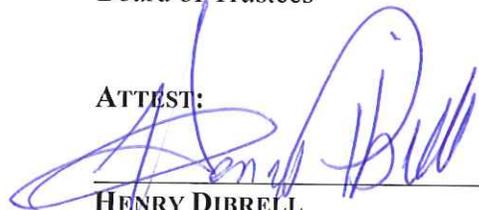
JA


Management Representative

7/12

By: 

REBECCA FOX
President
Board of Trustees

ATTEST:


HENRY DIBRELL
Secretary
Board of Trustees

EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

The *Weatherford Artificial Lift Systems, Inc. Reinvestment Zone* was originally created on June 13, 2012 by action of the Waller County Commissioner's Court. As a result of the action of the Waller County Commissioner's Court, all real property within Waller County, Texas is located within the boundaries of the *Weatherford Artificial Lift Systems, Inc. Reinvestment Zone*. A map of the *Weatherford Artificial Lift Systems, Inc. Reinvestment Zone* is attached as the next page of this **EXHIBIT 1**.

SCHEDULE A
(continued)

4. Legal description of land:

FIELD NOTES FOR A 176.149 ACRE TRACT OF LAND IN THE T. S. REESE SURVEY, ABSTRACT 334, AND THE H. & T. C. RAILROAD COMPANY SURVEY SECTION 107, ABSTRACT 170, WALLER COUNTY, TEXAS, SAID 176.149 ACRE TRACT BEING THE RESIDUE OF THAT CERTAIN CALLED 198 ACRE TRACT DESCRIBED IN DEED RECORDED IN VOLUME 412, PAGE 44, DEED RECORDS, WALLER COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1-inch iron pipe found in the north right-of-way line of the adjoining M. K. & T. Railroad right-of-way for the southeast corner of an adjoining called 1.9921 acre tract described in deed recorded in Volume 349, Page 491, Deed Records, Waller County, Texas, for the lower southwest corner and Place of Beginning of the herein described 176.149 acre tract of land, from which point a 5/8 inch iron rod found for the southwest corner of said called 198 acre tract and the southwest corner of said adjoining called 1.9921 acre tract bears South 88 degrees 42 minutes 26 seconds West, 209.14 feet;

THENCE North 01 degree 14 minutes 00 seconds West (adjoiner called North 00 degrees 01 minute 04 seconds West) along the common line of the herein described tract and said adjoining called 1.9921 acre tract, 415.06 feet (adjoiner called 414.69 feet) to a 1/2 inch iron rod found for a reentry corner to the herein described tract, same being the northeast corner of said adjoining called 1.9921 acre tract;

THENCE South 88 degrees 29 minutes 13 seconds West (adjoiner called South 89 degrees 44 minutes 09 seconds West) continuing along said common line, at 209.40 feet (adjoiner called 209.37 feet) pass a 1/2 inch iron rod found on said line for the called northwest corner of said adjoining called 1.9921 acre tract, and continuing for a total distance of 212.89 feet to a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" set in the west line of said T. S. Reese Survey, Abstract 334, same being the east line of the adjoining E. B. Couch Survey, Abstract 295, for the upper southwest corner of the herein described tract, said point also being in the west line of said called 198 acre tract, same being the east line of an adjoining called 19.36 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, described in Volume 0514, Page 926, Official Records, Waller County, Texas;

THENCE North 01 degree 45 minutes 05 seconds West along the west line of the herein described tract, the west line of said called 198 acre tract, and the west line of said T. S. Reese Survey, Abstract 334, same being the east line of said adjoining E. B. Couch Survey, Abstract 295, the east line of said adjoining called 19.36 acre tract, the east line of an adjoining called 11.2461 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, and the east line of an adjoining called 1.0655 acre tract recorded in Volume 0893, Page 781, Official Records, Waller County, Texas, at 2,454.68 feet pass a 1/2 inch iron pipe with cap marked "Kalkomey Surveying" found on said line for the northeast corner of said adjoining called 1.0655 acre tract, same being the southeast corner of an adjoining called 18.895 acre tract recorded in Volume 0603, Page 750, Official Records, Waller County, Texas, described in Volume 0560, Page 393, Official Records, Waller County, Texas, and continuing for a total distance of 2,462.65 feet to a 1/2 inch iron pipe with cap marked "Kalkomey Surveying" set on said line for the northwest corner of the herein described tract and the northwest corner of said called 198 acre tract;

THENCE North 88 degrees 04 minutes 39 seconds East along the north line of the herein described tract and the north line of said called 198 acre tract, at 10.39 feet pass a 1-inch iron pipe found on said line for the called southwest corner of an adjoining called 200 acre tract recorded in Volume 0553, Page 096, Official Records, Waller County, Texas, at 28.87 feet pass a 1-inch iron pipe found 0.40 feet north of said

SCHEDULE A
(continued)

line, and continuing for a total distance of 2,789.83 feet to a ½ inch iron rod found for the northeast corner of the herein described tract, same being the northwest corner of an adjoining called 21.713 acre tract described in deed recorded in Volume 0553, Page 101, Official Records, Waller County, Texas, from which point a 1-inch iron pipe found for the northeast corner of said called 198 acre tract and the northeast corner of said adjoining called 21.713 acre tract, same being the southeast corner of said adjoining called 200 acre tract bears North 88 degrees 04 minutes 39 seconds East, 368.30 feet (adjoiner called South 89 degrees 49 minutes East, 368.21 feet);

THENCE South 01 degree 47 minutes 53 seconds East (adjoiner called South 01 degree 17 minutes 46 seconds East) along the east line of the herein described tract, same being the west line of said adjoining called 21.713 acre tract, 2,567.39 feet (adjoiner called 2,566.43 feet) to a ½ inch iron rod found for the upper southeast corner of the herein described tract, same being the southwest corner of said adjoining called 21.713 acre tract, and being in the south line of said T. S. Reese Survey, Abstract 334, same being the north line of the adjoining W. W. Bains Survey, Abstract 385, and the north line of an adjoining tract of land in deed to R. & Y. Interests, Ltd. recorded in Volume 0575, Page 029, Official Records, Waller County, Texas, from which point a ½ inch iron rod found for the upper southeast corner of said called 198 acre tract and the southeast corner of said adjoining called 21.713 acre tract bears North 88 degrees 29 minutes 33 seconds East, 368.56 feet (adjoiner called South 89 degrees 24 minutes 28 seconds East, 368.21 feet);

THENCE South 88 degrees 29 minutes 33 seconds West along the upper south line of the herein described tract, the upper south line of said called 198 acre tract, and the south line of said T. S. Reese Survey, Abstract 334, same being the north line of said adjoining W. W. Bains Survey, Abstract 385, and the north line of said adjoining R. & Y. Interests, Ltd. tract, 925.08 feet to a 1-inch iron pipe found for a reentry corner to the herein described tract and a reentry corner to said called 198 acre tract, same being the northwest corner of said adjoining W. W. Bains Survey, Abstract 385, and the northwest corner of said adjoining R. & Y. Interest, Ltd. tract, said point also being the northeast corner of the aforementioned H & T. C. Railroad Company Survey Section 107, Abstract 170;

THENCE South 02 degrees 08 minutes 14 seconds East along the lower east line of the herein described tract, the lower east line of said called 198 acre tract, and the east line of said H. & T. C. Railroad Company Survey Section 107, Abstract 170, same being the west line of said adjoining W. W. Bains Survey, Abstract 385, and the west line of said adjoining R. & Y. Interests, Ltd. tract, 338.02 feet to a ½ inch iron pipe found for the lower southeast corner of the herein described tract and the lower southeast corner of said called 198 acre tract, same being the southwest corner of said adjoining R. & Y. Interests, Ltd. tract, and being in the north line of the aforementioned adjoining M. K. & T. Railroad right-of-way;

THENCE South 88 degrees 45 minutes 03 seconds West along the lower south line of the herein described tract and the lower south line of said called 198 acre tract, same being the north right-of-way line of said adjoining M. K. & T. Railroad right-of-way, 1,660.05 feet to the Place of Beginning and containing 176.149 acres of land, more or less.

NOTE: THIS COMPANY DOES NOT REPRESENT THE ABOVE ACREAGE AND/OR SQUARE FOOTAGE ARE CORRECT.

END OF SCHEDULE A



DRILL SITE

TENNESSEE GAS

500' FIDELINE TO BE RELOCATED

FUTURE RAIL SPUR (NOT INCLUDED)

DETENTION POND SITE 219 ACRES

CONCRETE PAVEMENT

GRAVEL PAVEMENT

DRILL SITE

ROADWAY

FUTURE TRUCK PARKING (15 SPACES)



EXHIBIT 2

LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property owned by the Applicant and located within the boundaries of both the Waller County Independent School District and the *Weatherford Artificial Lift Systems, Inc. Reinvestment Zone* will be included in and subject to this Agreement. Specifically, all Qualified Property of the Applicant located in the following sections of land is included, to wit:

SCHEDULE A
(continued)

4. Legal description of land:

FIELD NOTES FOR A 176.149 ACRE TRACT OF LAND IN THE T. S. REESE SURVEY, ABSTRACT 334, AND THE H. & T. C. RAILROAD COMPANY SURVEY SECTION 107, ABSTRACT 170, WALLER COUNTY, TEXAS, SAID 176.149 ACRE TRACT BEING THE RESIDUE OF THAT CERTAIN CALLED 198 ACRE TRACT DESCRIBED IN DEED RECORDED IN VOLUME 412, PAGE 44, DEED RECORDS, WALLER COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1-inch iron pipe found in the north right-of-way line of the adjoining M. K. & T. Railroad right-of-way for the southeast corner of an adjoining called 1.9921 acre tract described in deed recorded in Volume 349, Page 491, Deed Records, Waller County, Texas, for the lower southwest corner and Place of Beginning of the herein described 176.149 acre tract of land, from which point a 5/8 inch iron rod found for the southwest corner of said called 198 acre tract and the southwest corner of said adjoining called 1.9921 acre tract bears South 88 degrees 42 minutes 26 seconds West, 209.14 feet;

THENCE North 01 degree 14 minutes 00 seconds West (adjoiner called North 00 degrees 01 minute 04 seconds West) along the common line of the herein described tract and said adjoining called 1.9921 acre tract, 415.06 feet (adjoiner called 414.69 feet) to a 1/2 inch iron rod found for a reentry corner to the herein described tract, same being the northeast corner of said adjoining called 1.9921 acre tract;

THENCE South 88 degrees 29 minutes 13 seconds West (adjoiner called South 89 degrees 44 minutes 09 seconds West) continuing along said common line, at 209.40 feet (adjoiner called 209.37 feet) pass a 1/2 inch iron rod found on said line for the called northwest corner of said adjoining called 1.9921 acre tract, and continuing for a total distance of 212.89 feet to a 1/4 inch iron pipe with cap marked "Kalkomey Surveying" set in the west line of said T. S. Reese Survey, Abstract 334, same being the east line of the adjoining E. B. Couch Survey, Abstract 295, for the upper southwest corner of the herein described tract, said point also being in the west line of said called 198 acre tract, same being the east line of an adjoining called 19.36 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, described in Volume 0514, Page 926, Official Records, Waller County, Texas;

THENCE North 01 degree 45 minutes 05 seconds West along the west line of the herein described tract, the west line of said called 198 acre tract, and the west line of said T. S. Reese Survey, Abstract 334, same being the east line of said adjoining E. B. Couch Survey, Abstract 295, the east line of said adjoining called 19.36 acre tract, the east line of an adjoining called 11.2461 acre tract recorded in Volume 0610, Page 049, Official Records, Waller County, Texas, and the east line of an adjoining called 1.0655 acre tract recorded in Volume 0893, Page 781, Official Records, Waller County, Texas, at 2,454.68 feet pass a 1/2 inch iron pipe with cap marked "Kalkomey Surveying" found on said line for the northeast corner of said adjoining called 1.0655 acre tract, same being the southeast corner of an adjoining called 18.895 acre tract recorded in Volume 0603, Page 750, Official Records, Waller County, Texas, described in Volume 0560, Page 393, Official Records, Waller County, Texas, and continuing for a total distance of 2,462.65 feet to a 1/2 inch iron pipe with cap marked "Kalkomey Surveying" set on said line for the northwest corner of the herein described tract and the northwest corner of said called 198 acre tract;

THENCE North 88 degrees 04 minutes 39 seconds East along the north line of the herein described tract and the north line of said called 198 acre tract, at 10.39 feet pass a 1-inch iron pipe found on said line for the called southwest corner of an adjoining called 200 acre tract recorded in Volume 0553, Page 096, Official Records, Waller County, Texas, at 28.87 feet pass a 1-inch iron pipe found 0.40 feet north of said

SCHEDULE A
(continued)

line, and continuing for a total distance of 2,789.83 feet to a ½ inch iron rod found for the northeast corner of the herein described tract, same being the northwest corner of an adjoining called 21.713 acre tract described in deed recorded in Volume 0553, Page 101, Official Records, Waller County, Texas, from which point a 1-inch iron pipe found for the northeast corner of said called 198 acre tract and the northeast corner of said adjoining called 21.713 acre tract, same being the southeast corner of said adjoining called 200 acre tract bears North 88 degrees 04 minutes 39 seconds East, 368.30 feet (adjoiner called South 89 degrees 49 minutes East, 368.21 feet);

THENCE South 01 degree 47 minutes 53 seconds East (adjoiner called South 01 degree 17 minutes 46 seconds East) along the east line of the herein described tract, same being the west line of said adjoining called 21.713 acre tract, 2,567.39 feet (adjoiner called 2,566.43 feet) to a ½ inch iron rod found for the upper southeast corner of the herein described tract, same being the southwest corner of said adjoining called 21.713 acre tract, and being in the south line of said T. S. Reese Survey, Abstract 334, same being the north line of the adjoining W. W. Bains Survey, Abstract 385, and the north line of an adjoining tract of land in deed to R. & Y. Interests, Ltd. recorded in Volume 0575, Page 029, Official Records, Waller County, Texas, from which point a ½ inch iron rod found for the upper southeast corner of said called 198 acre tract and the southeast corner of said adjoining called 21.713 acre tract bears North 88 degrees 29 minutes 33 seconds East, 368.56 feet (adjoiner called South 89 degrees 24 minutes 28 seconds East, 368.21 feet);

THENCE South 88 degrees 29 minutes 33 seconds West along the upper south line of the herein described tract, the upper south line of said called 198 acre tract, and the south line of said T. S. Reese Survey, Abstract 334, same being the north line of said adjoining W. W. Bains Survey, Abstract 385, and the north line of said adjoining R. & Y. Interests, Ltd. tract, 925.08 feet to a 1-inch iron pipe found for a reentry corner to the herein described tract and a reentry corner to said called 198 acre tract, same being the northwest corner of said adjoining W. W. Bains Survey, Abstract 385, and the northwest corner of said adjoining R. & Y. Interest, Ltd. tract, said point also being the northeast corner of the aforementioned H. & T. C. Railroad Company Survey Section 107, Abstract 170;

THENCE South 02 degrees 08 minutes 14 seconds East along the lower east line of the herein described tract, the lower east line of said called 198 acre tract, and the east line of said H. & T. C. Railroad Company Survey Section 107, Abstract 170, same being the west line of said adjoining W. W. Bains Survey, Abstract 385, and the west line of said adjoining R. & Y. Interests, Ltd. tract, 338.02 feet to a ½ inch iron pipe found for the lower southeast corner of the herein described tract and the lower southeast corner of said called 198 acre tract, same being the southwest corner of said adjoining R. & Y. Interests, Ltd. tract, and being in the north line of the aforementioned adjoining M. K. & T. Railroad right-of-way;

THENCE South 88 degrees 45 minutes 03 seconds West along the lower south line of the herein described tract and the lower south line of said called 198 acre tract, same being the north right-of-way line of said adjoining M. K. & T. Railroad right-of-way, 1,660.05 feet to the Place of Beginning and containing 176.149 acres of land, more or less.

NOTE: THIS COMPANY DOES NOT REPRESENT THE ABOVE ACREAGE AND/OR SQUARE FOOTAGE ARE CORRECT.

END OF SCHEDULE A

EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

The proposed project will consist of a manufacturing facility for oil field service equipment, specifically pumping units with the following:

The facility will consist of 4 buildings - an office building which will be approximately 40,000 square feet and three manufacturing buildings that are \pm 524,000 square feet. The products to be manufactured are pumping units for oil/gas.

- Office Building "A"
- Manufacturing Building "B"
- Manufacturing Building "C"
- Manufacturing Building "D"
- Site Work
- Lay Down/Storage

The facility will also consist of the following Fixed Equipment:

- Machine Shop
 - Milling
 - Key seating
 - Turning (Lathe)
 - Vertical Lathe (Integrex Type)
 - Drilling
 - Boring
 - Drilling Press
 - Radial Drill
 - Machining Tools
 - Machining Fixtures
 - CNC Lathe
 - Jib Cranes
 - Face & Center Drill (Endomatic-Shafts/Pinions)

- Mach Center (Gantry Type-Gearcase/Crank)
- Machining Center (Pre Rough Gears)
- Machine Foundations
- Coordinate Measuring Machine (Zeiss)
- Overhead Crane
- Sykes
- Hobbing Machine
- Resharpener Machine
- Grinding Machine
- Jigs and Fixtures
- Operators Platform
- 400 Ton Horizontal Press
- Assembly Carts
- Tools and Fixtures
- Assembly Line
- Fab Shop
 - Beam Cutting
 - Beam Saw Mitre
 - Grit Blasting Booth for Welded Structures
 - Grit Blasting Burning Table
 - Grit Blasting Heavy Beams Stage 2
 - Painting & Drying Booths System
 - Fitting (Welding Machines)
 - Welding Robotic System
 - Burning Table
 - Main Beam Turning Fixture Peddinghaus
 - Horsehead Bending Machine
 - Saw
 - Shearing
 - Press
 - Fitting/Welding Cells Jib Cranes