

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

STATE OF TEXAS §

COUNTY OF KARNES §

On the 17th day of September, 2012, a public meeting of the Board of Trustees ("Board") of the Kenedy Independent School District ("District") was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board took up and considered the Application ("Application") of ETC Texas Pipeline, LTD. ("Applicant") for a limitation on appraised value on qualified property, pursuant to Chapter 313 of the Texas Tax Code. The Board heard presentations from the District's administrative staff to advise the Board in this matter.

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

1. On June 18, 2012, the District received an application for appraised value limitation on qualified property ("Application") on the form prescribed by the Comptroller from Applicant pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached hereto as Attachment A.
2. The Board acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Tax Code Section 313.025(a)(1).
3. The Board elected to consider the Application.
4. The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code Section 313.025(b).
5. The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code Sections 313.025 and 313.026. After review, the Comptroller's Office, by letter dated August 31, 2012, recommended that the Board approve the Application. A copy of the Comptroller's letter is attached to these findings as Attachment B.

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

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

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

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

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

b. The relationship between the Applicant's industry and the types of qualifying jobs to be created by the Applicant and the long-term economic growth plans of this State as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Texas Government Code, as that section existed before February 1, 1999. Texas Tax Code Section 313.026(a)(5).

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

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

The Board finds that the Application indicates: (i) the Applicant will provide a total of twelve (12) qualifying jobs for the Project, as defined in Texas Tax Code Section 313.021(3), (ii) the anticipated total amount of investment is \$199,870,000, and (iii) the investment per qualifying job is \$16,655,833.

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

The Board finds that the Application indicates the Applicant will provide a total of twelve (12) qualifying jobs.

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

The Board finds that the Application indicates: (i) the qualified jobs provided by the Applicant will pay an average wage of \$1,058 weekly (\$55,016 annually) and (ii) the qualifying jobholders will be offered benefits comparable with similar positions in the industry including health care insurance, retirement savings, paid vacation and job-related training and professional development programs. The Board further finds that the average wage of \$55,016 annually exceeds the regional manufacturing wage for the Alamo Area Council of Governments Region of \$35,952 in 2010.

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

The Board finds that, based on representations in the Application, the Applicant could locate or relocate the project to another state or another region of this state.

g. The impact the Project will have on this state and individual local units of governmental, including: (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the Comptroller; and (B) economic effects of the Project, including the impact on jobs and income during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the Comptroller. Texas Tax Code Section 313.026(a)(10).

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

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

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

i. The number of new facilities built or expanded in the region during the two years preceding the date of the Application that were eligible to apply for a limitation on appraised value under this subchapter B, chapter 313, Texas Tax Code. Texas Tax Code Section 313.026(a)(12).

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

j. The effect of the Applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Texas Education Code. Texas Tax Code Section 313.026(a)(13).

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

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

The Board finds that the projected market value of the qualified property of the Applicant as determined by the Comptroller is \$176,400,000.

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

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

m. The projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated. Texas Tax Code Section 313.026(a)(16).

The Board finds that the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value is shown on Attachment E, based on the assumption that (i) the investment will depreciate at the rate of approximately four percent (4%) per year and (ii) the projected maintenance and operations tax rate of the District will be \$1.04 per one hundred dollars valuation in each year of the agreement.

n. The projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated. Texas Tax Code Section 313.026(a)(17).

The Board finds that the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value is shown on Attachment E, based on the assumption that (i) the investment will depreciate at the rate of approximately three percent (3%) per year and (ii) the projected maintenance and operations tax rate of the District will be \$1.04 per one hundred dollars valuation in each year of the agreement.

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

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

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

The Board finds that the future tax credits are \$1,987,236 based on Applicant's representation of the investment that will be subject to tax in years one and two of the Agreement.

q. The total amount of taxes projected to be lost or gained by the District over the life of the agreement computed by subtracting the projected taxes stated in section 8.n from the projected taxes stated in section 8.m. Texas Tax Code Section 313.026(a)(20).

The Board finds that the total amount of taxes projected to be lost or gained by the District over the life of the agreement computed by subtracting the projected taxes stated in section 8.n from the projected taxes stated in section 8.m are shown on Attachment E.

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

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

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

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

13. The Applicant, ETC Texas Pipeline, LTD. (Tex. Taxpayer ID # 10505324664) is an entity subject to Chapter 171, Texas Tax Code and is certified to be in good standing with the Texas Comptroller of Public Accounts.

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

It is therefore **ORDERED** that:

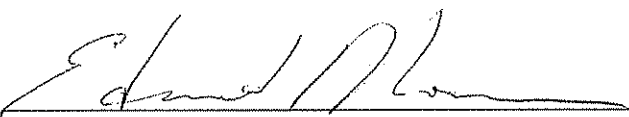
1. The Application of ETC Texas Pipeline, LTD. for a limitation on the appraised value for school district maintenance and operations ad valorem tax purposes of qualified property is approved.

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


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

Dated the 17th day of September, 2012.

KENEDY INDEPENDENT SCHOOL DISTRICT

By: 
Edward Monson, President, Board of Trustees

ATTEST:

By: 
Alma Danmier, Secretary, Board of Trustees

ATTACHMENT A
APPLICATION



Application for Appraised Value Limitation on Qualified Property (Tax Code, Chapter 313, Subchapter B or C)

Form 50-296
(Revised May 2010)

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

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

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

The governing body may, at its discretion, allow the applicant to supplement or amend the application after the filing date, subject to the restrictions in 34 TAC Chapter 9, Subchapter F.

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

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

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

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

SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION

Authorized School District Representative		Date application received by district 6-18-12	
First Name Thomas Brad	Last Name Lane		
Title Superintendent			
School District Name Kenedy Independent School District			
Street Address 401 FM 719			
Mailing Address 401 FM 719			
City Kenedy	State TX	ZIP 78119	
Phone Number (830) 583-4100	Fax Number (830) 583-9950		
Mobile Number (optional)	E-mail Address blane@kenedy.isd.tenet.edu		

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

Will consultant be primary contact? ☐ Yes ☒ No

**SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)****Authorized School District Consultant (If Applicable)**

First Name George		Last Name Grimes	
Title Attorney			
Firm Name Walsh, Anderson, Gallegos, Green and Trevino, P.C.			
Street Address 100 N.E. Loop 410, Suite 900			
Mailing Address P. O. Box 460606, San Antonio, TX, 78246-0606			
City San Antonio		State TX	ZIP 78216
Phone Number (210) 979-6633		Fax Number (210) 979-7024	
Mobile Number (Optional)		E-mail Address ggrimes@wabsa.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)

Thomas Brad Lane

Date

6/18/2012

Has the district determined this application complete? ☒ Yes ☐ No

If yes, date determined complete. 6-18-12

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

SCHOOL DISTRICT CHECKLIST AND REQUESTED ATTACHMENTS

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

APPLICANT INFORMATION - CERTIFICATION OF APPLICATION**Authorized Business Representative (Applicant)**

First Name Gregory		Last Name Maxim	
Title Director, Property Tax			
Organization Duff & Phelps			
Street Address 919 Congress Avenue, Suite 1450			
Mailing Address 919 Congress Avenue, Suite 1450			
City Austin		State TX	ZIP 78701
Phone Number (512) 671-5580		Fax Number (512) 351-7911	
Mobile Number (optional) (512) 484-1779		Business e-mail Address gregory.maxim@duffandphelps.com	

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

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

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

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

Will consultant be primary contact? ☒ Yes ☐ No



APPLICANT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

Authorized Company Consultant (If Applicable)

First Name

Gregory

Last Name

Maxim

Title

Director, Property Tax

Firm Name

Duff & Phelps

Street Address

919 Congress Avenue, Suite 1450

Mailing Address

919 Congress Avenue, Suite 1450

City

Austin

State

TX

ZIP

78701

Phone Number

512-671-5580

Fax Number

Business email Address

gregory.maxim@duffandphelps.com

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

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

Signature (Authorized Business Representative (Applicant))

[Handwritten Signature]

Date

6-18-2012

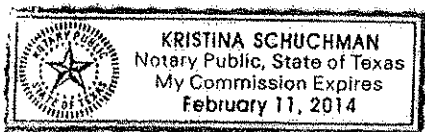
GIVEN under my hand and seal of office this

18

day of

June

2012



(Notary Seal)

[Handwritten Signature]

Notary Public, State of

Texas

My commission expires

2-11-14

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

FEES AND PAYMENTS

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

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

Please answer only either A OR B:

A. Will any "payments to the school district" that you may make in order to receive a property tax value limitation agreement result in payments that are not in compliance with Tax Code, 313.027(i)? ☐ Yes ☒ No

B. If "payments to the school district" will only be determined by a formula or methodology without a specific amount being specified, could such method result in "payments to the school district" that are not in compliance with Tax Code §313.027(i)? . . . ☐ Yes ☒ No

BUSINESS APPLICANT INFORMATION

Legal Name under which application is made

ETC Texas Pipeline, LTC

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

10505324664

NAICS code

325110

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

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

ETC Texas Pipeline, LTC has applied for a Chapter 313 agreement with Ganado ISD for the Jackson County plant

APPLICANT BUSINESS STRUCTURE

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

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

Texas Limited Partnership

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

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

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

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

ELIGIBILITY UNDER TAX CODE CHAPTER 313.024

Are you an entity to which Tax Code, Chapter 171 applies? ☒ 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 Attachment

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

See Attachment

PROJECT CHARACTERISTICS (CHECK ALL THAT APPLY)

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

PROJECTED TIMELINE

Begin Construction May 2012* (Phase I) Oct 2013 (Phase II) Begin Hiring New Employees Jul 2012

Construction Complete Jan 2013 (Phase I) Jun 2014 (Phase II) Fully Operational Jan 2013 (Phase I) Jun 2014 (Phase II)

Purchase Machinery & Equipment Apr 2012**

Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)? ☒ 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? Jan 2013 (Phase I) Jun 2014 (Phase II)

* Engineering and initial site preparation for Phase I

** Some long lead machinery and equipment were ordered for Phase I and stored on site and have not been placed in service

ECONOMIC INCENTIVES

Identify state programs the project will apply for:

State Source

Amount

N/A

Total

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

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

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

THE PROPERTYIdentify county or counties in which the proposed project will be located Karnes CountyCentral Appraisal District (CAD) that will be responsible for appraising the property Karnes County Appraisal DistrictWill this CAD be acting on behalf of another CAD to appraise this property? ☐ Yes ☒ No

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

County: Karnes County - 100%
(Name and percent of project)City: N/A
(Name and percent of project)Hospital District: Karnes County Wide Hospital - 100%
(Name and percent of project)Water District: Evergreen UWCD - 100%
(Name and percent of project)Other (describe): Karnes County Wide Rural Fire - 100%
(Name and percent of project)Other (describe): San Antonio River Authority - 100%
(Name and percent of project)Karnes County Wide Road & Bridge - 100%Kenedy Independent School District - 100%Is the project located entirely within this ISD? ☒ Yes ☐ No

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

INVESTMENT

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

At the time of application, what is the estimated minimum qualified investment required for this school district? \$10,000,000

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

What is your total estimated *qualified* investment? \$176,400,000

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 16, 2012

What is the anticipated date of the beginning of the qualifying time period? November 16, 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? \$199,870,000

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

Attach the following items to this application:

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

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

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

(1) in or on the new building or other new improvement for which you are applying? ☒ Yes ☐ No

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

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

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

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

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

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

QUALIFIED PROPERTY

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

Attach the following items to this application:

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

Land

Is the land on which you propose new construction or improvements currently located in an area designated as a reinvestment zone under Tax Code Chapter 311 or 312 or as an enterprise zone under Government Code Chapter 2303? ☒ Yes ☐ No

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

Will the applicant own the land by the date of agreement execution? ☒ Yes ☐ No

Will the project be on leased land? ☐ Yes ☒ No

QUALIFIED PROPERTY (CONTINUED)

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

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

Attach a map of the reinvestment zone boundaries, certified to be accurate by either the governmental entity creating the zone, the local appraisal district, or a licensed surveyor. (With vicinity map)

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

Miscellaneous

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

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

List current market value of existing property at site as of most recent tax year. \$590,185 2011
(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?
0

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

Total number of new jobs that will have been created when fully operational 15

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? 12

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>)

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

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

WAGE AND EMPLOYMENT INFORMATION (CONTINUED)

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

110% of the county average weekly wage for all jobs (all industries) in the county is \$711
 110% of the county average weekly wage for manufacturing jobs in the county is \$1,147
 110% of the county average weekly wage for manufacturing jobs in the region is \$761

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

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

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

What is the estimated minimum required annual wage you are committing to pay for each of the qualifying jobs you create on the qualified property? \$55,000

Will 80% of all new jobs created by the owner be qualifying jobs as defined by 313.021(3)? ☒ Yes ☐ No

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

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

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

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

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

If yes, what percent? _____

Does the applicant or contractor of the applicant offer to pay at least 80% of the employee's health insurance premium for each qualifying job? ☒ Yes ☐ No

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

See Attachment

ECONOMIC IMPACT

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

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

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

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

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

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

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

CONFIDENTIALITY NOTICE

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

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

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

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

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

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

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

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

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

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

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

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

COMPANY CHECKLIST AND REQUESTED ATTACHMENTS

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

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

ATTACHMENT 2

Proof of Payment of Application Fee

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

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

ATTACHMENT 3

Documentation of Combined Group Membership

TEXAS FRANCHISE TAX AFFILIATE SCHEDULE

■ Tcode 13253 Annual

■ Reporting entity taxpayer number

■ Report year

Reporting entity taxpayer name

10505324730

2011

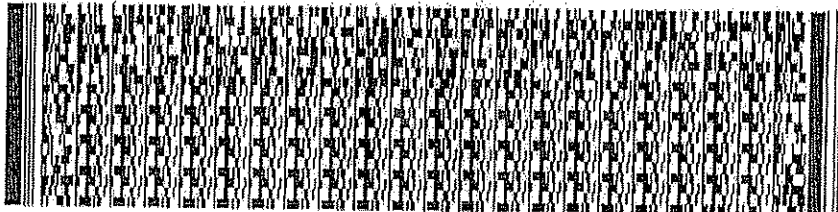
ETC MARKETING, LTD.

Reporting entity must be included on Affiliate Schedule.

1. Legal name of affiliate ETC TEXAS PIPELINE, LTD		2. Affiliate taxpayer number (if none, use FEI number) 10505324664		3. Affiliate NAICS code 211112	
4. Check box if entity is disregarded for franchise tax <input type="checkbox"/>		5. Check box if this affiliate does NOT have NEXUS in Texas <input type="checkbox"/>		6. Affiliate reporting begin date m m d d y y 0 1 0 1 1 0	
7. Affiliate reporting end date m m d d y y 1 2 3 1 1 0		8. Gross receipts subject to throwback in other states (before eliminations) 0.0 0		9. Gross receipts everywhere (before eliminations) 509772829.0 0	
10. Gross receipts in Texas (before eliminations) 502592135.0 0		11. Cost of goods sold or compensation (before eliminations) 450200726.0 0			
Check box if this is a Corporation or Limited Liability Company <input type="checkbox"/>		Check box if this is an Entity other than a Corporation or Limited Liability Company <input checked="" type="checkbox"/>			
1. Legal name of affiliate ETC KATY PIPELINE, LTD		2. Affiliate taxpayer number (if none, use FEI number) 12005806695		3. Affiliate NAICS code 486210	
4. Check box if entity is disregarded for franchise tax <input type="checkbox"/>		5. Check box if this affiliate does NOT have NEXUS in Texas <input type="checkbox"/>		6. Affiliate reporting begin date m m d d y y 0 1 0 1 1 0	
7. Affiliate reporting end date m m d d y y 1 2 3 1 1 0		8. Gross receipts subject to throwback in other states (before eliminations) 0.0 0		9. Gross receipts everywhere (before eliminations) 489588346.0 0	
10. Gross receipts in Texas (before eliminations) 434151358.0 0		11. Cost of goods sold or compensation (before eliminations) 378102255.0 0			
Check box if this is a Corporation or Limited Liability Company <input type="checkbox"/>		Check box if this is an Entity other than a Corporation or Limited Liability Company <input checked="" type="checkbox"/>			
1. Legal name of affiliate ETC NEW MEXICO PIPELINE, LP		2. Affiliate taxpayer number (if none, use FEI number) 208345958		3. Affiliate NAICS code 211112	
4. Check box if entity is disregarded for franchise tax <input type="checkbox"/>		5. Check box if this affiliate does NOT have NEXUS in Texas <input checked="" type="checkbox"/>		6. Affiliate reporting begin date m m d d y y 0 1 0 1 1 0	
7. Affiliate reporting end date m m d d y y 1 2 3 1 1 0		8. Gross receipts subject to throwback in other states (before eliminations) 0.0 0		9. Gross receipts everywhere (before eliminations) 813724.0 0	
10. Gross receipts in Texas (before eliminations) 0.0 0		11. Cost of goods sold or compensation (before eliminations) 0.0 0			
Check box if this is a Corporation or Limited Liability Company <input type="checkbox"/>		Check box if this is an Entity other than a Corporation or Limited Liability Company <input checked="" type="checkbox"/>			

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

Texas Comptroller Official Use Only



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ATTACHMENT 4

Detailed Description of Project

Energy Transfer's subsidiary, ETC Texas Pipeline, is proposing to build a cryogenic gas facility for the manufacture of industrial gases in Karnes County, within the Kenedy Independent School District. The facility will be constructed on a parcel of land consisting of approximately 320 acres and will be called the Kenedy Gas Plant.

Kenedy Gas Plant

The Kenedy Gas Plant will consist of a single train with a total capacity of 200 million cubic feet of natural gas per day (MMCFD) in Phase I. The plant will produce industrial gases such as ethane, butane and propane from liquid rich natural gas that has been collected by upstream gas gathering systems in the Eagle Ford Shale play and transported to the plant. A second processing train is planned for Phase II, which would install an additional 200 million cubic feet per day of production capacity with construction starting at the end of 2013 depending on the performance of Phase I and market conditions.

The first step in the manufacturing process is to separate the pipeline condensate liquids from the pipeline gas. Once separated, the condensate liquids are processed in a condensate stabilizer system in order to sell the hydrocarbon condensates to the NGL sales pipeline. Gas from the inlet separators is then treated in the amine treating system for removal of CO₂ from the inlet gas. The removal is required to prevent CO₂ freezing in the cryogenic NGL recovery plant and to meet the sales gas pipeline's and NGL pipeline's specifications. The CO₂ removed by the amine system is routed to an incinerator system to destroy incidental hydrocarbon vapors contained in the CO₂ stream. From the amine system, the sweet gas is then sent to the cryogenic plant for natural gas liquid recovery. The gas is refrigerated by mechanical refrigeration and by expansion through a turbo expander. The NGL liquids condensed by the refrigeration system are then pumped to the NGL sales pipeline. Gas from the cryogenic plant, now stripped of NGL liquids, is compressed and delivered to the sales gas pipeline.

The Kenedy Gas Plant consists of the following main processing units and utility systems which are classified as "Qualified Investment"

- Slug Catcher
- Stabilizer Plant
- (2) 200 MMCFD Cryogenic Gas Processing Units – each consisting of:
 - Inlet Facilities
 - Dehydration
 - Regeneration
 - Amine Treater and Thermal Oxidizer
 - Sulfur Guard unit
 - NGL Recovery Train

- NGL Product Delivery Facilities
 - Residue Recompression & Cooling
 - Waste Heat Recovery
 - Heat Medium
 - Fuel Gas
 - Drains & Flare
- Instrument & Utility Air

Some preliminary site work has been completed including leveling, access road improvements and installation of a fence. Additionally the office/shop building has been erected, foundation work has started and some of the components of the cryogenic processing unit for Phase I are stored in a laydown yard at the site (listed in Attachment 12). The cost of these improvements and equipment is estimated at \$20,133,000 and will not be included as Qualified Investment or Qualified Property.

Ability to Relocate

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

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

ATTACHMENT 6

Description of Qualified Investment

The Kenedy Gas Plant consists of the following main processing units and utility systems which are classified as "Qualified Investment"

- Slug Catcher
- Stabilizer Plant
- (2) 200 MMCFD Cryogenic Gas Processing Units – each consisting of:
 - Inlet Facilities
 - Dehydration
 - Regeneration
 - Amine Treater and Thermal Oxidizer
 - Sulfur Guard unit
 - NGL Recovery Train
 - NGL Product Delivery Facilities
 - Residue Recompression & Cooling
 - Waste Heat Recovery
 - Heat Medium
 - Fuel Gas
 - Drains & Flare
- Instrument & Utility Air

Some preliminary site work has been completed including leveling, access road improvements and installation of a fence. Additionally the office/shop building has been erected, foundation work has started and some of components of the cryogenic processing unit for Phase I are stored in a laydown yard at the site (listed in Attachment 12). The cost of these improvements and equipment is estimated at \$20,133,000 and will not be included as Qualified Investment or Qualified Property.

ATTACHMENT 7

Maps of Qualified Investment



KARNES COUNTY

Project Site
Laydown Yard

Highway Road 173, TX 78118, USA

Google Earth

Eye alt: 1424 m

© 2012 Google

Texas OrthoImagery Program

28° 47' 01" 04" N 97° 56' 31" 33" W elev 476 ft

Imagery Date: 2/20/2012

ENERGY TRANSFER - KENEDY PLANT



County Road 173, TX 78148, USA

© 2012 Google

28°45'25" N 98°00'42" W elev. 417 ft

Imagery Date: 4/20/2012 05:19:55

Google earth

Eye alt: 15006 ft



320 ACRE SITE/
REINVESTMENT
ZONE

Project Site

Laydown Yard

Google Earth

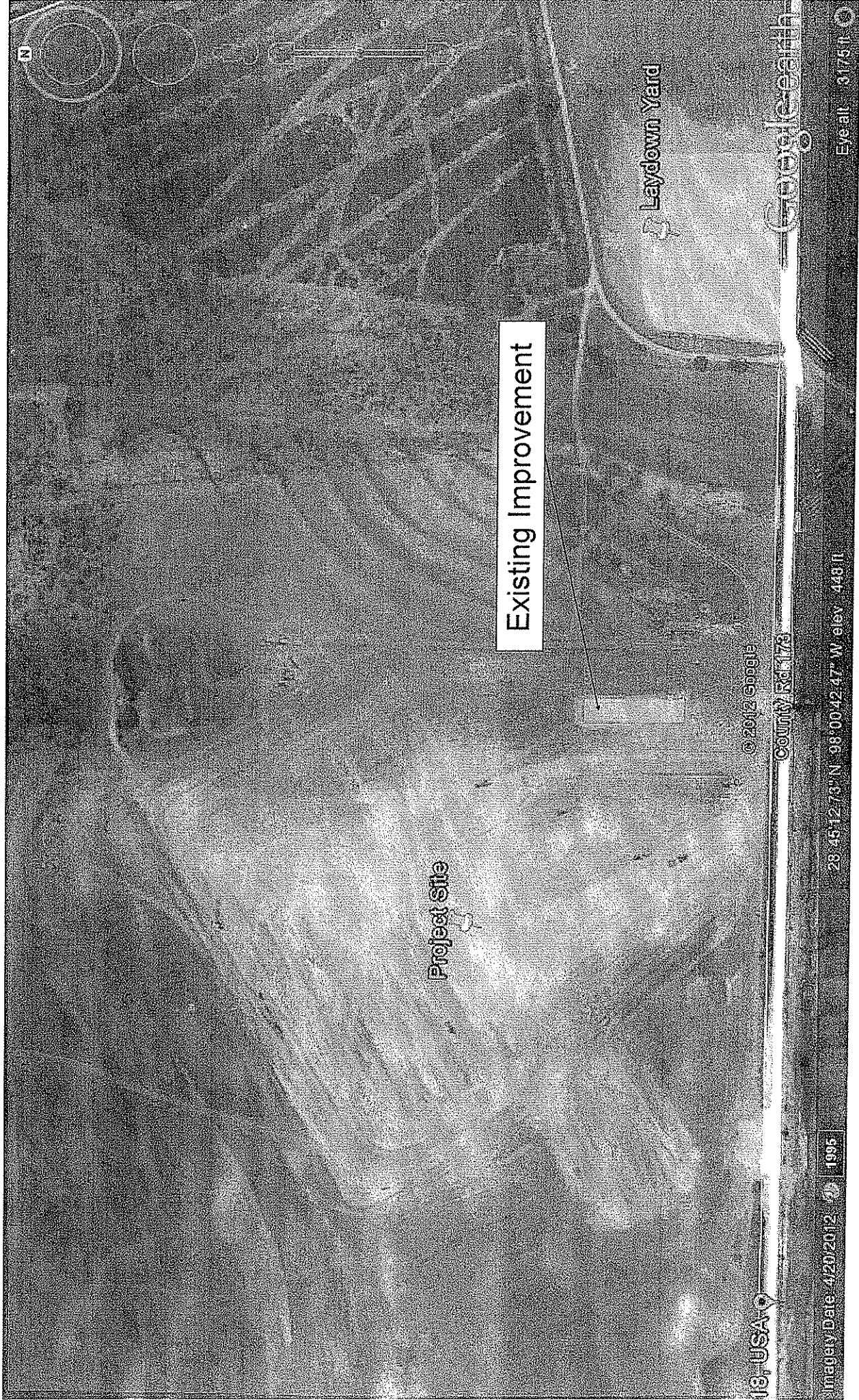
County Road 173 TX 78148, USA

County Rd 173

28°45'23.63" N 98°00'42.70" W elev 419 ft

Imagery Date: 4/20/2012 1995

Eye alt: 6976 ft



Existing Improvement

Project site

Laydown Yard

© 2012 Google

County Rd 173

28°45'12.73" N 98°00'42.47" W elev. 448 ft

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Imagery Date: 4/20/2012

USA

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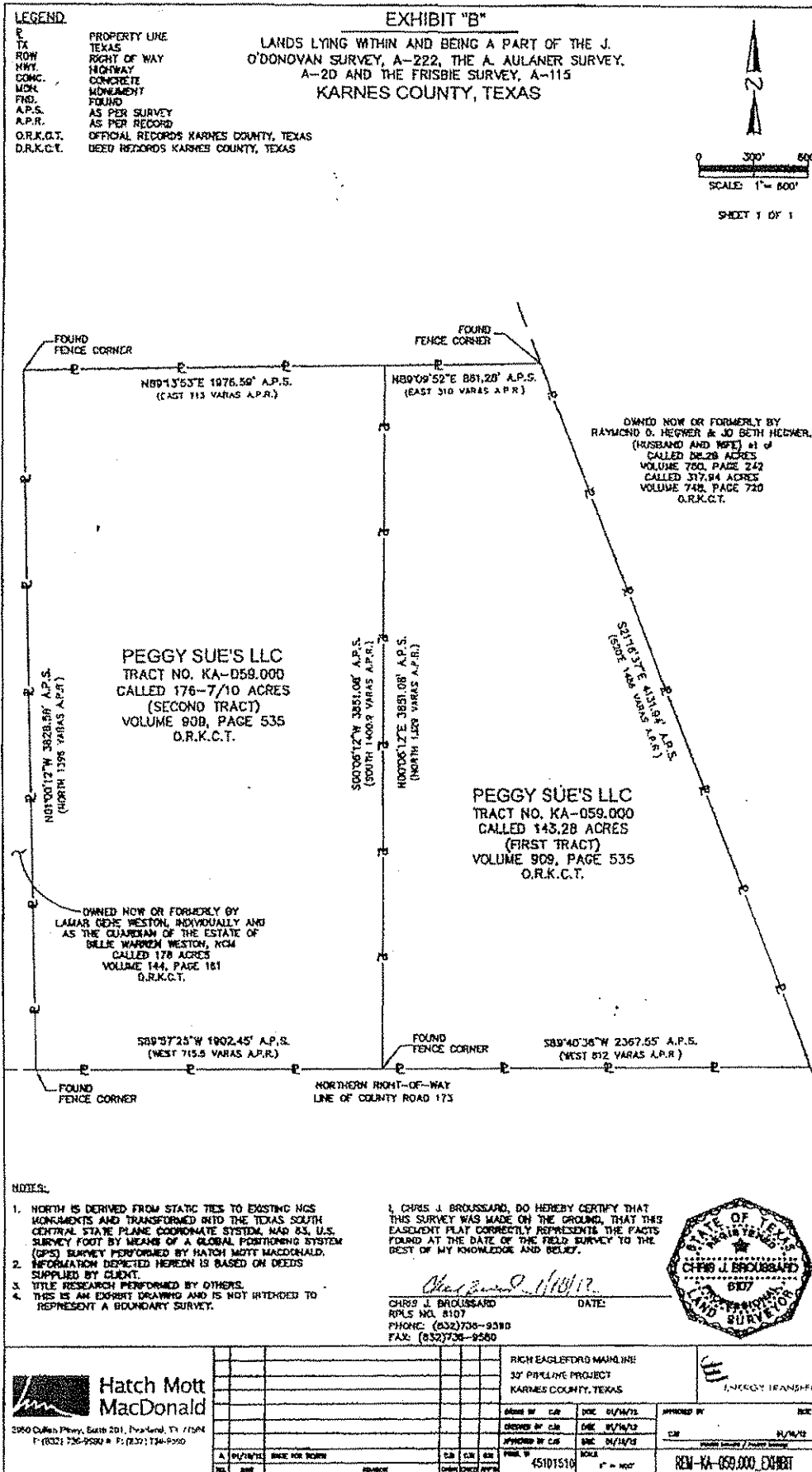
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Initials:
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ATTACHMENT 8

Description of Qualified Property

The Kenedy Gas Plant consists of the following main processing units and utility systems which are classified as "Qualified Investment"

- Slug Catcher
- Stabilizer Plant
- (2) 200 MMCFD Cryogenic Gas Processing Units – each consisting of:
 - Inlet Facilities
 - Dehydration
 - Regeneration
 - Amine Treater and Thermal Oxidizer
 - Sulfur Guard unit
 - NGL Recovery Train
 - NGL Product Delivery Facilities
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 - Waste Heat Recovery
 - Heat Medium
 - Fuel Gas
 - Drains & Flare
- Instrument & Utility Air

Some preliminary site work has been completed including leveling, access road improvements and installation of a fence. Additionally the office/shop building has been erected, foundation work has started and some of components of the cryogenic processing unit for Phase I are stored in a laydown yard at the site (listed in Attachment 12). The cost of these improvements and equipment is estimated at \$20,133,000 and will not be included as Qualified Investment or Qualified Property.

ATTACHMENT 9

Map of Qualified Property

See Attachment 7

ATTACHMENT 10

Description of Land

GENERAL WARRANTY DEED

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORD: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

DATE: January 20, 2012

GRANTOR: **PEGGY SUE'S LLC,**
a Texas limited liability company

GRANTOR'S MAILING ADDRESSES:
5825 Tammy Drive
Manvel, Brazoria County, Texas 77578

GRANTEE: **ETC TEXAS PIPELINE, LTD.,**
a Texas limited partnership

GRANTEE'S MAILING ADDRESS:
Attention: Land & ROW Department
711 Louisiana, Suite 900
Houston, Harris County, Texas 77002

CONSIDERATION: Ten dollars cash and other good and valuable considerations (\$10.00 & OVC), the receipt and sufficiency of which are hereby acknowledged.

PROPERTY (including all improvements): All of those certain tracts or parcels of land containing 319.98 acres, more or less, the First Tract being 143.28 acres situated in the J. O'Donovan Survey, A-222, together with the Second Tract of 176.7 acres, being 93.7 acres situated in the A. Aulander Survey, A-20, and 83 acres situated in the Frisbie Survey, A-115, Karnes County, Texas, and being the same lands described in that certain Correction Special Warranty Deed dated October 28, 2009, from Michele M. Becker, individually and as Administratrix, to Peggy Sue's LLC, a Texas limited liability company, filed for record on November 6, 2009, and recorded in Volume 909, at Page 535, Official Public Records, Karnes County, Texas, the same also being more particularly described by metes and bounds within EXHIBIT "A", and depicted upon the Survey Plat identified as EXHIBIT "B", both attached hereto and made a part hereof for all purposes.

Initials: 

Said lands may be further identified collectively by Karnes County Tax Property ID Numbers 67160, 67161 and 67162 (Property ID Numbers for information only).

RESERVATIONS FROM CONVEYANCE: None.

EXCEPTIONS TO CONVEYANCE AND WARRANTY:

1. standby fees, taxes and assessments by any taxing authority for the year 2012 and subsequent years, and subsequent taxes and assessments for that and prior years due to change in land usage, the payment of all of which Grantee assumes;
2. validly existing easements and rights-of-way manifested among the public records in the office of the County Clerk of Karnes County, Texas; and
3. recorded reservations, transfers or leases of oil, gas and/or other minerals.

GRANT: GRANTOR, for the Consideration and subject to the Reservations from Conveyance and the Exceptions to Conveyance and Warranty, grants, sells, and conveys to GRANTEE the PROPERTY, together with all and singular the rights and appurtenances thereto in any way belonging to Grantee, its successors and assigns forever, to have and to hold the Property to Grantee and Grantee's successors and assigns forever. Grantor binds Grantor and Grantor's successors and assigns to warrant and forever defend all and singular the PROPERTY to Grantee and Grantee's successors and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof, except as to the Reservations from Conveyance and the Exceptions to Conveyance and Warranty set forth above.

GRANTOR:

PEGGY SUE'S LLC,
a Texas limited liability company

BY:



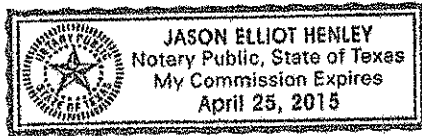
MICHELE M. BECKER
PRESIDENT & SOLE MEMBER

STATE OF TEXAS)

COUNTY OF Harris)

The foregoing Warranty Deed was acknowledged before me on this, the 20th day of January, 2012, by MICHELE M. BECKER, as President and Sole Member and for and on behalf of PEGGY SUE'S LLC, a Texas limited liability company.

Jason Elliot Henley
NOTARY PUBLIC
In and for the State of Texas



After recording, return to:
ETC TEXAS PIPELINE, LTD.
Attention: Land & ROW Dept.
711 Louisiana, Suite 900
Houston, TX 77002

EXHIBIT "A"

*Attached to and made a part of that certain Warranty Deed from
PEGGY SUE'S LLC to ETC TEXAS PIPELINE, LTD.*

FIRST TRACT:

All that certain tract or parcel of land lying and being situated in the County of Karnes, State of Texas, and being a part of the J. O'Donovan Grant or Survey, being Lot No. One (1), Block A, of the Subdivision of the S. C. Butler Ranch lands, and described by metes and bounds as follows, to-wit:

BEGINNING at a stake standing in the Southwest boundary of the James Priest League of land;

THENCE North 20 degrees West with Southwest line of said James Priest Survey 1486 varas to a stake for a corner;

THENCE West across said J. O'Donovan Survey 310 varas to a stake for corner in the East boundary line of the A. Aulander Survey;

THENCE South with the East line of said A. Aulander Survey and C. Frisbie Survey 1329 varas to a stake for corner standing in the North margin of a 30 foot road;

THENCE East with the North margin of said road 812 varas to the place of BEGINNING; CONTAINING 143.28 acres of land.

Being the same land conveyed by G. N. Lynch and wife, to J. W. Tompkins by Deed dated November 22, 1923, and recorded in Volume 70, Page 600, of the Deed Records of Karnes County, Texas, to which reference is hereby made for all purposes.

SECOND TRACT:

All that certain tract or parcel of land lying and being situated in Karnes County, Texas, and described as follows, to-wit:

BEGINNING at a stake standing West 310 varas from the Northeast corner of a 5700 acres of land allotted to S. C. Butler out of the W. G. Butler Estate.

THENCE South with the division line of the J. O'Donovan and A. Aulander Surveys and the O'Donovan and Frisbie Surveys 1400.9 varas to a stake for the Southeast corner of this tract set in North margin of a road;

THENCE North 89 degrees West with the North margin of said road, 715.5 varas, to a stake for Southwest corner of this tract;

THENCE North at 575 varas the North line of the Chas. Frisbie Survey in all 1396 varas, to a stake for Northwest corner of this tract;

THENCE East 713 varas to the place of BEGINNING; CONTAINING 176-7/10 acres of land. 93-7/10 acres out of the Aulander Survey and 83 acres out of the Frisbie Survey, situated in Karnes County, Texas, about 12 miles Southwest from Karnes City, and same being Lot 2, Block A of the Subdivision of the S. C. Butler Ranch.

Initials: NS

UNANIMOUS WRITTEN CONSENT OF MEMBERS
OF
PEGGY SUE'S LLC

Pursuant to the Texas Business Organization Codes, the undersigned, being the sole member of Peggy Sue's LLC (the "Company"), authorizes, by her signature below, the following resolutions:

Sale of Karnes County Property

WHEREAS, the Company is the owner and shall sell its two tracts of land in Karnes County, Texas; First Tract being 143.28 acres of land, more or less, being a part of the J. O'Donovan Grant or Survey, and Second Tract being 176.7 acres of land, being comprised of 93.7 acres out of the Aulander Survey and 83.0 acres out of the Frisbie Survey (the "Property") to ETC Texas Pipeline, Ltd. pursuant to the contract dated January 9, 2012; and

WHEREAS, sole Member Michele M. Becker is authorized to execute all contracts, closing documents and any other documents necessary to conclude the sale of the Property.

Resolutions

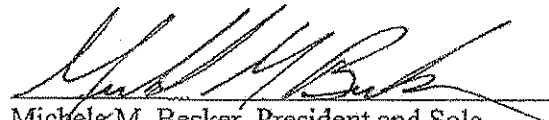
NOW, THEREFORE, be it:

RESOLVED, that the sale of the Company's Property in Karnes County, Texas to ETC Texas Pipeline, Ltd., is hereby ratified and approved; and

RESOLVED FURTHER, that Michele M. Becker is hereby authorized and directed to execute all documents, including, but not limited to, contracts, deeds, closing statements, and all other documents that are necessary to conclude the sale of the Property.

This consent may be executed in one or more parts, all of which together shall constitute the same instrument.

Dated: January 20th 2012


Michele M. Becker, President and Sole
Member

ATTACHMENT 11

Detailed Map Showing Location of the Land with Vicinity Map

See Attachment 7 and above.

ATTACHMENT 12

Description of All Existing Improvements

Preliminary site work has been completed including leveling, access road improvements and installation of a fence. The office/shop building has been erected and foundation work has started. Additionally some components of the cryogenic processing unit for Phase I are stored in a laydown yard at the site. The following components and improvements are on site:

- Office/shop Building
- Perimeter Fence
- Caliche Pad
- Components of one Cryogenic unit including:
 - Demethanizer
 - Mole sieve bed
 - Hot oil heater and pump
 - Regeneration gas heater
 - Propane chiller
 - Exchanger and fin fan units
 - Propane refrigeration compressor and expander skid
 - Associated interconnect piping

The cost of current equipment and improvements on site is \$20,133,000.

Working with the Karnes County Appraisal District, separate appraisal accounts for the pre-application period costs and the post-application period costs of the processing plant will be set up. The value of the pre-application portion cost of the facility, which will not be part of the limitation of value agreement, will be tracked in future years as a percentage of the total project value.

ATTACHMENT 14

Calculation of Three Possible Wage Requirements

ALL INDUSTRIES:

Quarterly Employment and Wages (QCEW)

Page 1 of 1 (40 results/page)

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

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

MANUFACTURING:

Quarterly Employment and Wages (QCEW)

Page 1 of 1 (40 results/page)

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

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

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

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

Source: Texas Occupational Employment and Wages

Data published: June 2011

Data published annually, next update will be June 2012.

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

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

Data intended for TAC 313 purposes only.

ALAMO AREA COUNCIL OF GOVERNMENTS

ANNUAL $\$35,952 \times 110\% = \$39,547$

WEEKLY $\$35,952 / 52 = \$691.38 \times 110\% = \$760.52$

ATTACHMENT 15

Description of Benefits

Energy Transfer offers its employees the following benefits:

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

ATTACHMENT 17 - 20

Schedules A - D

Schedule A (Rev. May 2010): Investment

Form 50-296

Applicant Name ETC Texas Pipeline, LTD
 ISD Name Kenney ISD

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 investment affecting economic impact and total value	Column E: Total Investment (A+B+D)	
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)	2012-2013	2012	\$ 20,130,000	\$		\$	\$ 20,130,000	
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)	2012-2013	2012	\$ 23,470,000	\$		\$	\$ 23,470,000	
	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2012-2013	2012	\$ 70,400,000	\$	\$ 70,400,000	\$	\$ 70,400,000	
	Complete tax years of qualifying time period	1	2013-2014	2013	\$ 36,000,000	\$	\$ 36,000,000	\$	\$ 36,000,000
		2	2014-2015	2014	\$ 70,000,000	\$	\$ 70,000,000	\$	\$ 70,000,000
3		2015-2016	2015						
4		2016-2017	2016						
5		2017-2018	2017						
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	6	2018-2019	2018					
		7	2019-2020	2019					
		8	2020-2021	2020					
		9	2021-2022	2021					
		10	2022-2023	2022					
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2023-2024	2023					
		12	2024-2025	2024					
		13	2025-2026	2025					
		14	2026-2027	2026					
		15	2027-2028	2027					
	Post-Settle-Up Period								
	Post-Settle-Up Period								

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.
 Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D).
 For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: 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 tangible personal property.
 Include estimates of investment for "replacement" property that is part of original agreement but scheduled for probable replacement during limitation period.

Column D: 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.

Signed _____
 AUTHORIZED COMPANY REPRESENTATIVE

6-18-2012

DATE

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

Form 50-296

Applicant Name ETC Texas Pipeline, LTD
ISD Name Kennedy ISD

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax-year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"		Final taxable value for ISD - after all reductions	Final taxable value for M&O - after all reductions
	pre-year 1	2012-2013	2012	590,185				590,185	590,185
Tax Credit Period (with 50% cap on credit)	1	2013-2014	2013	590,185	-	93,900,000	4,700,000	89,790,185	89,790,185
	2	2014-2015	2014	590,185	-	127,100,000	6,400,000	121,290,185	121,290,185
	3	2015-2016	2015	590,185	-	193,200,000	9,700,000	184,090,185	10,000,000
	4	2016-2017	2016	590,185	-	187,400,000	9,400,000	178,590,185	10,000,000
	5	2017-2018	2017	590,185	-	181,800,000	9,100,000	173,290,185	10,000,000
	6	2018-2019	2018	590,185	-	176,300,000	8,800,000	168,090,185	10,000,000
	7	2019-2020	2019	590,185	-	171,000,000	8,600,000	162,990,185	10,000,000
	8	2020-2021	2020	590,185	-	165,900,000	8,300,000	158,190,185	10,000,000
	9	2021-2022	2021	590,185	-	160,900,000	8,000,000	153,490,185	10,000,000
	10	2022-2023	2022	590,185	-	156,100,000	7,800,000	148,890,185	10,000,000
	11	2023-2024	2023	590,185	-	151,400,000	7,600,000	144,390,185	144,390,185
	12	2024-2025	2024	590,185	-	146,900,000	7,300,000	140,190,185	140,190,185
	13	2025-2026	2025	590,185	-	142,500,000	7,100,000	135,990,185	135,990,185
	14	2026-2027	2026	590,185	-	138,200,000	6,900,000	131,890,185	131,890,185
	15	2027-2028	2027	590,185	-	134,100,000	6,700,000	127,990,185	127,990,185
Credit Settle-Up Period	Continue to Maintain Viable Presence								
Post-Settle-Up Period									
Post-Settle-Up Period									

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

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



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

6-18-2012

DATE

Schedule C- Application: Employment Information

Applicant Name ETC Texas Pipeline, LTD
 ISD Name Kenedy ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2012-2013	2012	140 FTE	60,000				
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period	1	2013-2014	70 FTE	60,000	10	51,000	8	55,000
		2	2014-2015	140 FTE	60,000	15	51,000	12	55,000
		3	2015-2016			15	51,000	12	55,000
		4	2016-2017			15	51,000	12	55,000
		5	2017-2018			15	51,000	12	55,000
		6	2018-2019			15	51,000	12	55,000
		7	2019-2020			15	51,000	12	55,000
		8	2020-2021			15	51,000	12	55,000
		9	2021-2022			15	51,000	12	55,000
		10	2022-2023			15	51,000	12	55,000
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2023-2024			15	51,000	12	55,000
		12	2024-2025			15	51,000	12	55,000
		13	2025-2026			15	51,000	12	55,000
		14	2026-2027			15	51,000	12	55,000
		15	2027-2028			15	51,000	12	55,000
Post-Settle-Up Period									
Post-Settle-Up Period									

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

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

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

6-18-2012
 DATE

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

Applicant Name

EIC Texas Pipeline, LTD

ISD Name

Kenedy ISD

Form 50-296

Sales Tax Information					Other Property Tax Abatements Sought				
Sales Taxable Expenditures					Franchise Tax	County	City	Hospital	Other
					Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement
Year	School Year (YYYY-YYYY)	Tax/ Calendar Year YYYY							
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	2012-2013	2012			7,980,000	106,020,000	0%	0%	
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period	1	2013-2014	2013	2,520,000	33,480,000	30,000	90%	
		2	2014-2015	2014	4,900,000	65,100,000	95,000	90%	
	3	2015-2016	2015	150,000	300,000	201,000	80%		
	4	2016-2017	2016	200,000	400,000	212,000	80%		
	5	2017-2018	2017	200,000	400,000	215,000	70%		
	6	2018-2019	2018	200,000	400,000	217,000	70%		
	7	2019-2020	2019	200,000	400,000	219,000	60%		
	8	2020-2021	2020	200,000	400,000	221,000	60%		
	9	2021-2022	2021	200,000	400,000	224,000	50%		
	10	2022-2023	2022	200,000	400,000	226,000	50%		
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2023-2024	2023	200,000	400,000	228,000		
		12	2024-2025	2024	200,000	400,000	228,000		
		13	2025-2026	2025	200,000	400,000	228,000		
Post-Settle-Up Period		14	2026-2027	2026	200,000	400,000	228,000		
Post-Settle-Up Period		15	2027-2028	2027	200,000	400,000	228,000		


 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE
 DATE 6-18-2012

ATTACHMENT 21

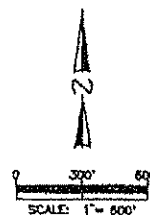
Map of Reinvestment Zone

EXHIBIT "B"

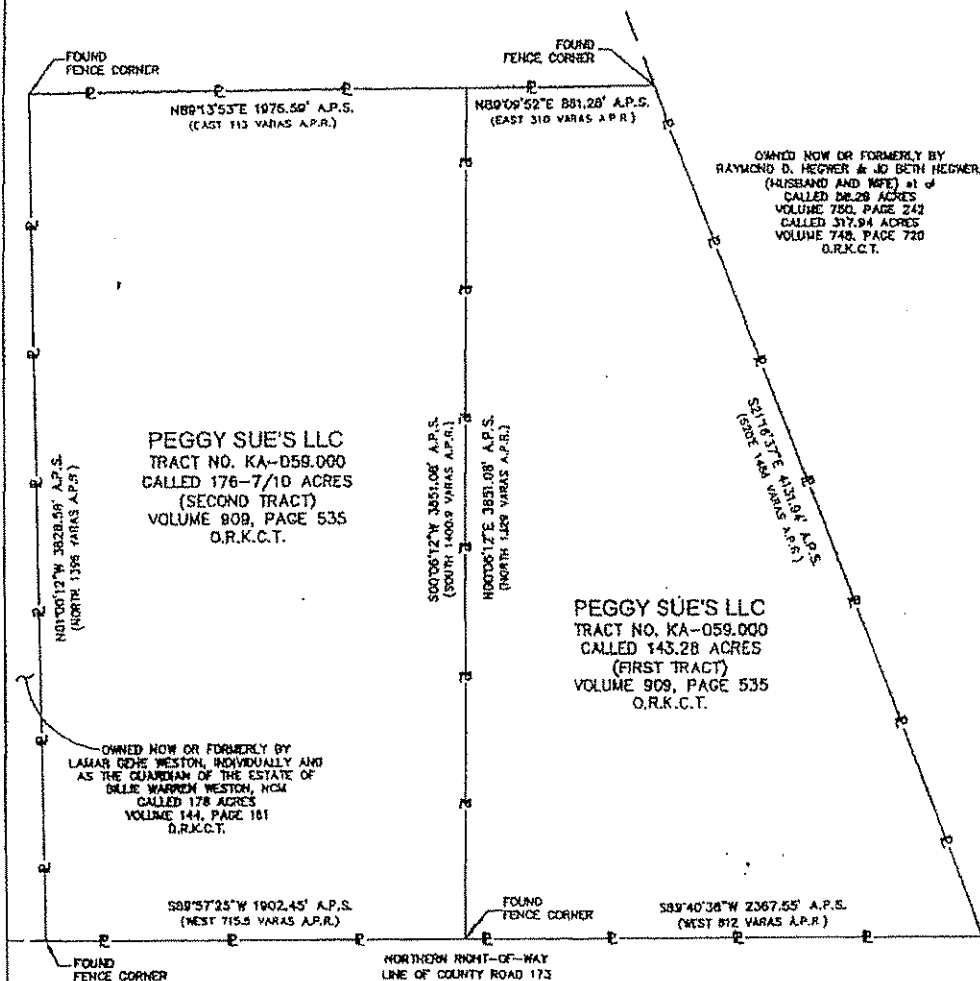
LANDS LYING WITHIN AND BEING A PART OF THE J.
O'DONOVAN SURVEY, A-222, THE A. AULANER SURVEY,
A-20 AND THE FRISBIE SURVEY, A-115
KARNES COUNTY, TEXAS

LEGEND:

R	PROPERTY LINE	LANDS I
TX	TEXAS	
ROW	RIGHT OF WAY	O'DONOVAN
Hwy.	HIGHWAY	A-
CONC.	CONCRETE	
MON.	MONUMENT	
FIND.	FOUND	
A.P.S.	AS PER SURVEY	
A.P.R.	AS PER RECORD	
D.R.K.C.T.	OFFICIAL RECORDS KARNES COUNTY, TEXAS	
D.R.K.C.T.	DEED RECORDS KARNES COUNTY, TEXAS	



SHEET 1 OF 1

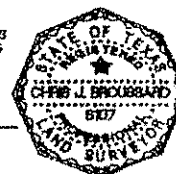


NOTES:

1. NORTH IS DERIVED FROM STATIC TIES TO EXISTING NGS MONUMENTS AND TRANSFORMED INTO THE TEXAS SOUTH CENTRAL STATE PLANE COORDINATE SYSTEM, NAD 83, U.S. SURVEY FOOT BY MEANS OF A GLOBAL POSITIONING SYSTEM (GPS) SURVEY PERFORMED BY HATTON M. WAGDONALD.
2. SURVEY DESCRIBED HEREON IS BASED ON DEEDS SUPPLIED BY CLIENT.
3. TITLE RESEARCH PERFORMED BY OTHERS.
4. THIS IS AN EXISTING DRAWING AND IS NOT INTENDED TO REPRESENT A BOUNDARY SURVEY.

I, CHRIS J. BROUSSARD, DO HEREBY CERTIFY THAT THIS SURVEY WAS MADE ON THE GROUND, THAT THIS EASEMENT PLAT CORRECTLY REPRESENTS THE FACTS FOUND AT THE DATE OF THE FIELD SURVEY TO THE BEST OF MY KNOWLEDGE AND BELIEF.

CHRIS J. BROUSSARD
RPLS NO. #107
PHONE: (832)736-9590
FAX: (832)736-9580



Hatch Mott
MacDonald

3240 Cullen Pkwy, Suite 201, Houston, TX 77004
T: (713) 756-9500 • F: (713) 756-9500

[illegible]

RICH EAGLEFORD MAINLINE
35' PIPELINE PROJECT
KARNES COUNTY, TEXAS

DATE OF BIRTH: 01/14/73

checked by CAA	date 8/14/12
----------------	--------------

APPROVED BY C.A.	DATE 01/12/71
SIGNATURE	NAME

45101510 r = nqr

ENERGY TRANSFER

APPROVED BY _____

CME 12/15/12

Probability of Success	Probability of Success
------------------------	------------------------

824-KA-059,000-D0787

Initials:

17

ATTACHMENT 22

Order, Resolution, or Ordinance Establishing the Zone

COUNTY OF KARNES

STATE OF TEXAS

AN ORDER DESIGNATING AN APPROXIMATE 320 ACRE TRACT OF LAND, OWNED BY ETC TEXAS PIPELINE, LTD. & DESCRIBED AS 319.98 ACRES, MORE OR LESS, THE FIRST TRACT BEING 143.28 ACRES SITUATED IN THE J. O'DONOVAN SURVEY, A-222, TOGETHER WITH THE SECOND TRACT, 176.7 ACRES, BEING 93.7 ACRES SITUATED IN THE A. AULANDER SURVEY, A-20, AND 83 ACRES SITUATED IN THE FRISBIE SURVEY, A-115, KARNES COUNTY, TEXAS AS A REINVESTMENT ZONE PURSUANT TO CHAPTER 312 OF THE TEXAS TAX CODE; MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH; PROVIDING AN EFFECTIVE DATE; AND PROVIDING A SEVERABILITY CLAUSE

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

WHEREAS, the Commissioners Court finds that the 320 acre tract indicated on Exhibit "A" and Exhibit "B" ("the property"), which are incorporated herein for all purposes, is within the County of Karnes; and

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

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

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

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

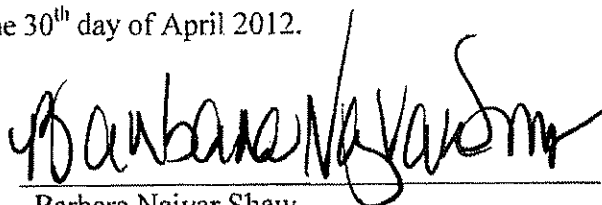
NOW, THEREFORE BE IT ORDERED BY THE COMMISSIONERS COURT OF THE COUNTY OF KARNES, TEXAS:

Section 1. That the County hereby designates the 319.98-acre tract of real property located in Karnes County and described in the metes and bounds description and survey map attached hereto as Exhibit "A" and Exhibit "B" respectively, and legally described as: Approximately 320 acres, more or less, the first tract being 143.28 acres situated in the J. O'Donovan

Survey, A-222, together with the second tract, 176.7 acres, being 93.7 acres situated in the A. Aulander Survey, A-20, and 83 acres situated in the Frisbie Survey, A-115, Karnes County, Texas, and being that certain tract of land described in a general warranty deed from Peggy Sue's LLC to ETC Pipeline, Ltd, Dated January 20, 2012, and recorded in Volume 1026, Page 548 of the Official Public Records of Karnes County, Texas, as a reinvestment zone.

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

PASSED AND APPROVED on the 30th day of April 2012.



Barbara Najvar Shaw
County Judge, Karnes County

ATTEST:



Carol Swize, County Clerk

ATTACHMENT 23

Legal Description of Reinvestment Zone

EXHIBIT "A"

*Attached to and made a part of that certain Warranty Deed from
PEGGY SUE'S LLC to ETC TEXAS PIPELINE, LTD.*

FIRST TRACT:

All that certain tract or parcel of land lying and being situated in the County of Karnes, State of Texas, and being a part of the J. O'Donovan Grant or Survey, being Lot No. One (1), Block A, of the Subdivision of the S. C. Butler Ranch lands, and described by metes and bounds as follows, to-wit:

BEGINNING at a stake standing in the Southwest boundary of the James Priest League of land;

THENCE North 20 degrees West with Southwest line of said James Priest Survey 1486 varas to a stake for a corner;

THENCE West across said J. O'Donovan Survey 310 varas to a stake for corner in the East boundary line of the A. Aulander Survey;

THENCE South with the East line of said A. Aulander Survey and C. Frisbie Survey 1329 varas to a stake for corner standing in the North margin of a 30 foot road;

THENCE East with the North margin of said road 812 varas to the place of BEGINNING; CONTAINING 143.28 acres of land.

Being the same land conveyed by G. N. Lynch and wife, to J. W. Tompkins by Deed dated November 22, 1923, and recorded in Volume 70, Page 600, of the Deed Records of Karnes County, Texas, to which reference is hereby made for all purposes.

SECOND TRACT:

All that certain tract or parcel of land lying and being situated in Karnes County, Texas, and described as follows, to-wit:

BEGINNING at a stake standing West 310 varas from the Northeast corner of a 5700 acres of land allotted to S. C. Butler out of the W. G. Butler Estate.

THENCE South with the division line of the J. O'Donovan and A. Aulander Surveys and the O'Donovan and Frisbie Surveys 1400.9 varas to a stake for the Southeast corner of this tract set in North margin of a road;

THENCE North 89 degrees West with the North margin of said road, 715.5 varas, to a stake for Southwest corner of this tract;

THENCE North at 575 varas the North line of the Chas. Frisbie Survey in all 1396 varas, to a stake for Northwest corner of this tract;

THENCE East 713 varas to the place of BEGINNING; CONTAINING 176-7/10 acres of land. 93-7/10 acres out of the Aulander Survey and 83 acres out of the Frisbie Survey, situated in Karnes County, Texas, about 12 miles Southwest from Karnes City, and same being Lot 2, Block A of the Subdivision of the S. C. Butler Ranch.

Initials: MS

ATTACHMENT 24

Guidelines and Criteria for Reinvestment Zone

Tax Abatement Guidelines and Criteria For Karnes County

Modified on 2/12/10 by:

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Section 1 - Definitions

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

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

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

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

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

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

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

CITY means City of XXXX.

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

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

COUNTY means Karnes County.

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

DISTRIBUTION CENTER is the same term as DISTRIBUTION CENTER FACILITY.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OFFICE BUILDING means office building.

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

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

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

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

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

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

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

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

SCHOOL DISTRICT means XXXX Independent School District.

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

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

Section 2 - Abatements Authorized

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

5.

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

B. Effect of Commencement of Construction: A reinvestment zone or a tax abatement agreement shall not be established if it is found that the application for designation of a reinvestment zone and/or the abatement was filed after the commencement of construction, alteration, or installation of improvements related to a proposed modernization, expansion or new facility.

C. Abatement of New Value: Abatement may only be granted for the additional value of eligible property improvements made subsequent to an application for tax abatement. Eligible property improvements must be in the abatement application and must be included in the tax abatement agreement between the governmental entity and the property owner and lessee, subject to such limitation as the governmental entity may require.

D. New and Existing Facilities: Abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.

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

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

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

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

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

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

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

- I. Abatement Considerations: Abatement may be granted for up to 100% of the value of eligible property. The following factors will be considered in determining the percentage of the abatement:

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

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

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

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

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

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

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

and supplemental performance requirements (if any) of the proposed Abatement to the appropriate governmental entities for approval.

- L. Term of Abatement: Abatement shall be granted for a term of up to ten (10) consecutive years, effective with January 1 valuation date immediately following the date of execution of the Abatement Agreement.
- M. Abatement Guidelines: KCE & CDC's Executive Committee in determining the recommended Abatement will use the following guidelines:

Number of New Jobs or New Capital Investment		Abatement Amounts Per Year					
		1	2	3	4	5	6-10
5* to 10	\$75,000 to \$150,000	100	75	50	30	15	0
11 to 25	\$150,001 to \$300,000	100	80	60	40	20	0
26 to 50	\$300,001 to \$600,000	100	90	70	50	25	15
51 & Above	\$600,001 & Above	100	100	75	50	50	25

* 200 & Above; \$6,000,000 & Above 95(1) 90(2) 85(3) 80(4) 75(5)
70(6) 65(7) 60(8) 55(9) 50(10)

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

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

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

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

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

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

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

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

Section 3 - Application

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

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

the financial capacity and other relevant factors of the applicant.

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

Section 4 - Agreement

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

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

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

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

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

Section 5. Recapture

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

Section 6 - Administration

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

Section 7- Assignment

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

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

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

Section 8 - Sunset Provision

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

Section 9 - Severability and Limitations

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

Signed and Approved This

ATTACHMENT B
COMPTROLLER'S LETTER

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



August 31, 2012

Thomas Brad Lane
Superintendent
Kenedy Independent School District
401 FM 719
Kenedy, Texas 78119

Dear Superintendent Lane:

On June 27, 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 Kenedy Independent School District (Kenedy ISD) by ETC Texas Pipeline, LTD. 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.

Kenedy ISD is currently classified as a rural school district in Category 3 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$176.4 million) is consistent with the proposed appraised value limitation sought (\$10 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement. ETC Texas Pipeline, LTD is proposing the construction of a manufacturing facility in Karnes County. ETC Texas Pipeline, LTD 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 ETC Texas Pipeline, LTD, the Comptroller's recommendation is that ETC Texas Pipeline, LTD'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.

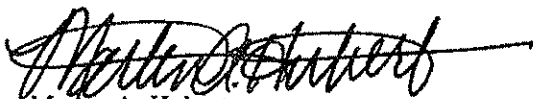
Note that any new building or other improvement existing as of the application review start date of June 27, 2012, or any tangible personal property placed in service prior to that date may not be considered "Qualified Property" as defined by 313.021(2).

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 limitation agreement must contain a provision that requires the applicant to provide sufficient information to the Central Appraisal District to distinguish between and separately appraise qualified property (as defined by 313.021(2)) from any property that is not qualified, the district to confirm with the CAD that the applicant has provided such information, and that this office is provided with the CAD approved information not later than the first annual reporting period following the execution of the agreement.
3. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
4. 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
5. 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 C
ECONOMIC IMPACT EVALUATION

Economic Impact for Chapter 313 Project

Applicant	ETC Texas Pipeline, LTD
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Kenedy
2010-11 Enrollment in School District	663
County	Karnes
Total Investment in District	\$199,870,000
Qualified Investment	\$176,400,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	15
Number of qualifying jobs committed to by applicant	12
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,058
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$761
Minimum Annual Wage committed to by applicant for qualified jobs	\$55,000
Investment per Qualifying Job	\$16,655,833
Estimated 15 year M&O levy without any limit or credit:	\$23,079,188
Estimated gross 15 year M&O tax benefit	\$14,962,498
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):	\$13,892,563
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$1,987,236
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$9,186,625
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	60.2%
Percentage of tax benefit due to the limitation	86.7%
Percentage of tax benefit due to the credit.	13.3%

This presents the Comptroller's economic impact evaluation of ETC Texas Pipeline, LTD (the project) applying to Kenedy 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 15 new jobs when fully operational. Twelve jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Alamo Area Council of Governments Region, where Karnes County is located was \$35,952 in 2010. The annual average manufacturing wage for 2011 for Karnes County is \$54,236. That same year, the county annual average wage for all industries was \$33,592. In addition to a salary of \$55,000, each qualifying position will receive the following benefits: 401(k) plan; medical; dental, vision; Rx Plan; flex spending account; life and AD&D insurance; paid vacation, sick and holidays; wellness programs; employee assistance programs; and extended sick leave. The project's total investment is \$199.9 million, resulting in a relative level of investment per qualifying job of \$16.7 million.

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

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

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

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

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

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

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the ETC Texas Pipeline, LTD 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 ETC Texas Pipeline, LTD'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 ETC Texas Pipeline, LTD

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	140	133	273	\$8,400,000	\$7,600,000	\$16,000,000
2013	80	108	188	\$4,710,000	\$7,290,000	\$12,000,000
2014	155	191	346	\$9,165,000	\$13,835,000	\$23,000,000
2015	15	68	83	\$765,000	\$7,235,000	\$8,000,000
2016	15	73	88	\$765,000	\$8,235,000	\$9,000,000
2017	15	72	87	\$765,000	\$8,235,000	\$9,000,000
2018	15	74	89	\$765,000	\$8,235,000	\$9,000,000
2019	15	75	90	\$765,000	\$9,235,000	\$10,000,000
2020	15	77	92	\$765,000	\$9,235,000	\$10,000,000
2021	15	83	98	\$765,000	\$9,235,000	\$10,000,000
2022	15	84	99	\$765,000	\$10,235,000	\$11,000,000
2023	15	85	100	\$765,000	\$10,235,000	\$11,000,000
2024	15	79	94	\$765,000	\$10,235,000	\$11,000,000
2025	15	77	92	\$765,000	\$10,235,000	\$11,000,000
2026	15	77	92	\$765,000	\$11,235,000	\$12,000,000
2027	15	79	94	\$765,000	\$11,235,000	\$12,000,000

Source: CPA, REMI, ETC Texas Pipeline, LTD

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Kenedy ISD's ad valorem tax base in 2010 was \$147 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Kenedy ISD's estimated wealth per WADA was \$140,144. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Karnes County, Karnes County Wide Hospital District, Karnes County Wide Rural Fire District, Evergreen UWCD, Karnes County Wide Road & Bridge District, and San Antonio River Authority, with all property tax incentives sought being granted using estimated market value from ETC Texas Pipeline, LTD's application. ETC Texas Pipeline, LTD has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and hospital district. Table 3 illustrates the estimated tax impact of the ETC Texas Pipeline, LTD 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	Kenedy ISD I&S Levy	Kenedy ISD M&O Levy	Kenedy ISD M&O and I&S Tax Levies (Before Credit Credited)	Kenedy ISD M&O and I&S Tax Levies (After Credit Credited)	Karnes County Tax Levy	Karnes County Wide Hospital District Tax Levy	Karnes County Wide Rural Fire District Tax Levy	Evergreen UWCD Tax Levy	Karnes County Wide Road & Bridge District Tax Levy	San Antonio River Authority Tax Levy	Estimated Total Property Taxes
				0.0709	1.0400			0.4269	0.1872	0.0295	0.0119	0.0523	0.0167	
2013	\$89,790,185	\$89,790,185		\$63,661	\$933,818	\$997,479	\$997,479	\$38,311	\$16,809	\$26,488	\$10,685	\$46,960	\$14,950	\$1,151,703
2014	\$121,290,185	\$121,290,185		\$85,995	\$1,261,418	\$1,347,413	\$1,347,413	\$51,779	\$22,706	\$35,781	\$14,434	\$63,435	\$20,195	\$1,555,741
2015	\$184,090,185	\$184,090,185		\$130,520	\$184,000	\$234,520	\$234,520	\$157,176	\$68,923	\$54,307	\$21,907	\$96,279	\$30,651	\$663,763
2016	\$178,590,185	\$178,590,185		\$126,620	\$184,000	\$230,620	\$151,832	\$152,480	\$66,864	\$52,684	\$21,252	\$93,403	\$29,735	\$568,251
2017	\$173,290,185	\$173,290,185		\$122,863	\$184,000	\$226,863	\$147,829	\$221,933	\$97,320	\$51,121	\$20,622	\$90,631	\$28,853	\$658,308
2018	\$168,090,185	\$168,090,185		\$119,176	\$184,000	\$223,176	\$145,122	\$215,273	\$94,399	\$49,587	\$20,003	\$87,911	\$27,987	\$640,282
2019	\$162,990,185	\$162,990,185		\$115,560	\$184,000	\$219,560	\$142,134	\$278,323	\$122,447	\$48,082	\$19,396	\$85,244	\$27,138	\$722,362
2020	\$158,190,185	\$158,190,185		\$112,157	\$184,000	\$216,157	\$138,688	\$270,125	\$118,453	\$46,666	\$18,825	\$82,733	\$26,339	\$701,829
2021	\$153,490,185	\$153,490,185		\$108,825	\$184,000	\$212,825	\$136,113	\$277,625	\$113,667	\$45,280	\$18,265	\$80,275	\$25,556	\$776,781
2022	\$148,890,185	\$148,890,185		\$105,563	\$184,000	\$209,563	\$133,592	\$317,806	\$139,361	\$43,923	\$17,718	\$77,871	\$24,790	\$755,059
2023	\$144,390,185	\$144,390,185		\$102,373	\$1,501,658	\$1,604,031	\$160,249	\$616,402	\$270,298	\$42,595	\$17,182	\$75,516	\$24,041	\$1,206,283
2024	\$140,190,185	\$140,190,185		\$99,395	\$1,457,978	\$1,557,373	\$1,557,373	\$598,472	\$262,436	\$41,356	\$16,683	\$73,319	\$23,342	\$2,572,981
2025	\$135,990,185	\$135,990,185		\$96,417	\$1,414,298	\$1,510,715	\$1,510,715	\$580,542	\$254,574	\$40,117	\$16,183	\$71,123	\$22,642	\$2,495,896
2026	\$131,890,185	\$131,890,185		\$93,510	\$1,371,658	\$1,465,168	\$1,465,168	\$563,039	\$246,898	\$38,908	\$15,695	\$68,979	\$21,960	\$2,420,647
2027	\$127,990,185	\$127,990,185		\$90,745	\$1,331,098	\$1,421,843	\$1,421,843	\$546,390	\$239,598	\$37,757	\$15,231	\$66,939	\$21,310	\$2,349,068
						Total	\$9,690,069	\$4,935,696	\$2,164,353	\$654,650	\$264,079	\$1,160,617	\$369,489	\$19,238,953

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

Source: CPA, ETC Texas Pipeline, LTD

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Kenedy ISD I&S Levy	Kenedy ISD M&O Levy	Kenedy ISD M&O and I&S Tax Levies	Karnes County Tax Levy	Karnes County Wide Hospital District Tax Levy	Karnes County Wide Rural Fire District Tax Levy	Evergreen UWCD Tax Levy	Karnes County Wide Road & Bridge District Tax Levy	San Antonio River Authority Tax Levy	Estimated Total Property Taxes	
				0.0709	1.0400		0.4269	0.1872	0.0295	0.0119	0.0523	0.0167		
2013	\$89,790,185	\$89,790,185		\$63,661	\$933,818	\$997,479	\$383,314	\$168,087	\$26,488	\$10,685	\$46,960	\$14,950	\$1,647,964	
2014	\$121,290,185	\$121,290,185		\$85,995	\$1,261,418	\$1,347,413	\$517,788	\$227,055	\$35,781	\$14,434	\$63,435	\$20,195	\$2,226,099	
2015	\$184,090,185	\$184,090,185		\$130,520	\$1,914,538	\$2,045,058	\$785,881	\$344,617	\$54,307	\$21,907	\$96,279	\$30,651	\$3,378,699	
2016	\$178,590,185	\$178,590,185		\$126,620	\$1,857,338	\$1,983,958	\$762,401	\$334,321	\$52,684	\$21,252	\$93,403	\$29,735	\$3,277,755	
2017	\$173,290,185	\$173,290,185		\$122,863	\$1,802,218	\$1,925,081	\$739,776	\$324,399	\$51,121	\$20,622	\$90,631	\$28,853	\$3,180,481	
2018	\$168,090,185	\$168,090,185		\$119,176	\$1,748,138	\$1,867,314	\$717,577	\$314,665	\$49,587	\$20,003	\$87,911	\$27,987	\$3,085,043	
2019	\$162,990,185	\$162,990,185		\$115,560	\$1,695,098	\$1,810,658	\$695,805	\$305,118	\$48,082	\$19,396	\$85,244	\$27,138	\$2,991,440	
2020	\$158,190,185	\$158,190,185		\$112,157	\$1,645,177	\$1,757,334	\$675,313	\$296,132	\$46,666	\$18,825	\$82,733	\$26,339	\$2,903,342	
2021	\$153,490,185	\$153,490,185		\$108,825	\$1,596,298	\$1,705,123	\$655,250	\$287,334	\$45,280	\$18,265	\$80,275	\$25,556	\$2,817,082	
2022	\$148,890,185	\$148,890,185		\$105,563	\$1,548,458	\$1,654,021	\$635,612	\$278,722	\$43,923	\$17,718	\$77,871	\$24,790	\$2,732,656	
2023	\$144,390,185	\$144,390,185		\$102,373	\$1,501,658	\$1,604,031	\$616,402	\$270,298	\$42,595	\$17,182	\$75,516	\$24,041	\$2,650,065	
2024	\$140,190,185	\$140,190,185		\$99,395	\$1,457,978	\$1,557,373	\$598,472	\$262,436	\$41,356	\$16,683	\$73,319	\$23,342	\$2,572,981	
2025	\$135,990,185	\$135,990,185		\$96,417	\$1,414,298	\$1,510,715	\$580,542	\$254,574	\$40,117	\$16,183	\$71,123	\$22,642	\$2,495,896	
2026	\$131,890,185	\$131,890,185		\$93,510	\$1,371,658	\$1,465,168	\$563,039	\$246,898	\$38,908	\$15,695	\$68,979	\$21,960	\$2,420,647	
2027	\$127,990,185	\$127,990,185		\$90,745	\$1,331,098	\$1,421,843	\$546,390	\$239,598	\$37,757	\$15,231	\$66,939	\$21,310	\$2,349,068	
						Total	\$24,652,567	\$9,473,563	\$4,154,254	\$654,650	\$264,079	\$1,160,617	\$369,489	\$40,729,219

Source: CPA, ETC Texas Pipeline, LTD

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. This attachment shows the estimated M&O tax levy without the value limitation agreement would be \$20,382,570. The estimated gross M&O tax benefit, or levy loss, is \$14,962,498.

Attachment 3 is an economic overview of Karnes County.

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

Attachments

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

Attachment 1

Schedule A (Rev. May 2010): Investment

Applicant Name: **ETC Texas Pipeline, LTD**
 USD Name: **Kensley ISO**

Form 50-256

PROPERTY INVESTMENT AMOUNTS									
(Estimated investment in each year. Do not put cumulative totals.)									
		School Year (YYYY-YYYY)	Tax Year (fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sums of A and B Qualifying investment(s) (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total investment (A+B+D)	
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (whether qualified property not eligible to become qualified investment)	2012-2013	2012	\$ 20,130,000	\$ -		\$ -	\$ 20,130,000	
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)	2012-2013	2012	\$ 20,470,000	\$ -		\$ -	\$ 20,470,000	
	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2012-2013	2012	\$ 70,400,000	\$ -	\$ 70,400,000	\$ -	\$ 70,400,000	
	Complete tax years of qualifying time period	1	2013-2014	2013	\$ 36,000,000	\$ -	\$ 36,000,000	\$ -	\$ 36,000,000
		2	2014-2015	\$ 70,000,000	\$ -	\$ 70,000,000	\$ -	\$ 70,000,000	
		3	2015-2016						
		4	2016-2017						
		5	2017-2018						
		6	2018-2019						
		7	2019-2020						
		8	2020-2021						
		9	2021-2022						
		10	2022-2023						
		11	2023-2024						
		12	2024-2025						
		13	2025-2026						
		14	2026-2027						
		15	2027-2028						
Tax Credit Period (with 50% cap on credit)	Value Limitation Period								
Credit Set-As-Up Period	Continue to Maintain Viable Presence								
	Post-Set-As-Up Period								
	Post-Set-As-Up Period								

[Signature]

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

6-18-2012

DATE

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

Applicant Name ETC Texas Pipeline, LTD
ISD Name Kennedy ISD

Form 50-296

Form 50-296											
							Qualified Property		Reductions from Market Value	Estimated Taxable Value	
								Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"		
		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY			Estimated Market Value of Land			Final taxable value for I&S - after all reductions	Final taxable value for M&O - after all reductions
		pre- year 1	2012-2013	2012			590,185			590,185	590,185
		1	2013-2014	2013			590,185	-	93,900,000	4,700,000	89,790,185
		2	2014-2015	2014			590,185	-	127,100,000	6,400,000	121,290,185
		3	2015-2016	2015			590,185	-	193,200,000	9,700,000	184,090,185
		4	2016-2017	2016			590,185	-	187,400,000	9,400,000	178,590,185
		5	2017-2018	2017			590,185	-	181,800,000	9,100,000	173,290,185
		6	2018-2019	2018			590,185	-	178,300,000	8,800,000	168,090,185
		7	2019-2020	2019			590,185	-	171,000,000	8,600,000	162,990,185
		8	2020-2021	2020			590,185	-	165,900,000	8,300,000	158,190,185
		9	2021-2022	2021			590,185	-	160,900,000	8,000,000	153,490,185
		10	2022-2023	2022			590,185	-	156,100,000	7,800,000	148,890,185
		11	2023-2024	2023			590,185	-	151,400,000	7,600,000	144,390,185
		12	2024-2025	2024			590,185	-	146,900,000	7,300,000	140,190,185
		13	2025-2026	2025			590,185	-	142,500,000	7,100,000	135,990,185
		14	2026-2027	2026			590,185	-	138,200,000	6,900,000	131,890,185
		15	2027-2028	2027			590,185	-	134,100,000	6,700,000	127,990,185

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

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

[Signature]

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

6-18-2012

DATE

Schedule C- Application: Employment Information

Applicant Name ETC Texas Pipeline, LTD
 ISD Name Kenedy ISD

Form 50-298

Form 30-230

				Construction		New Jobs		Qualifying Jobs	
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	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	140 FTE	60,000				
	1	2013-2014	2013	70 FTE	60,000	10	51,000	8	55,000
	2	2014-2015	2014	140 FTE	60,000	15	51,000	12	55,000
	3	2015-2016	2015			15	51,000	12	55,000
	4	2016-2017	2016			15	51,000	12	55,000
	5	2017-2018	2017			15	51,000	12	55,000
	6	2018-2019	2018			15	51,000	12	55,000
	7	2019-2020	2019			15	51,000	12	55,000
	8	2020-2021	2020			15	51,000	12	55,000
	9	2021-2022	2021			15	51,000	12	55,000
	10	2022-2023	2022			15	51,000	12	55,000
	11	2023-2024	2023			15	51,000	12	55,000
	12	2024-2025	2024			15	51,000	12	55,000
	13	2025-2026	2025			15	51,000	12	55,000
	14	2026-2027	2026			15	51,000	12	55,000
	15	2027-2028	2027			15	51,000	12	55,000
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period								
	Value Limitation Period								
	Continue to Maintain Viable Presence								
Credit Settle-Up Period									
Post-Settle-Up Period									
Post-Settle-Up Period									

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

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



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

6-18-2022

DATE

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

Applicant Name

ETC Texas Pipeline, LTD

ISD Name

Kenedy ISD

Form 50-296

Sales Tax Information					Other Property Tax Abatements Sought				
Sales Taxable Expenditures					Franchise Tax	County	City	Hospital	Other
					Franchise Tax	County	City	Hospital	Other
					Franchise Tax	County	City	Hospital	Other
					Franchise Tax	County	City	Hospital	Other
					Franchise Tax	County	City	Hospital	Other
					Franchise Tax	County	City	Hospital	Other
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					Franchise Tax	County	City	Hospital	Other
					Franchise Tax	County	City	Hospital	Other
					Franchise Tax	County	City	Hospital	Other
					Franchise Tax	County	City	Hospital	Other

*For planning, construction and operation of the facility.

6-18-2012

DATE



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Attachment 2



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

Robert Scott
Commissioner

August 28, 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 ETC Texas Pipeline project for the Kenedy Independent School District (KISD). Projections prepared by our Office of School Finance confirm the analysis that was prepared by Dr. Douglas L. Karr and provided to us by your division. We believe his assumptions regarding the potential revenue gain are valid, and his estimates of the impact of the ETC Texas Pipeline 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". The signature is fluid and cursive, with the first name "Belinda" being more prominent than the last name "Dyer".

Belinda Dyer
Division Manager
Office of School Finance

BD/bd



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

Robert Wood
Comptroller of Public Accounts

August 28, 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 ETC Texas Pipeline project on the number and size of school facilities in Kenedy Independent School District (KISD). Based on our analysis of the project and a conversation with the KISD superintendent, Mr. Brad Lane, the TEA has found that the ETC Texas Pipeline 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

FINAL REPORT

Summary of the Financial Impact of the Proposed ETC Texas Pipeline, LTD Gas Processing Plant on the Kenedy ISD Under a Requested Chapter 313 Property Value Limitation

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

August 15, 2012

Introduction

ETC Texas Pipeline, LTD (ETC) has requested that the Kenedy ISD (KISD) grant a property value limitation under Chapter 313 of the Texas Tax Code for the construction and operation of a gas processing plant. An application has been submitted by ETC to KISD and the KISD Board of Trustees approved that application on June 18, 2012. ETC proposes a minimum qualified investment of \$10 million in this project with a total estimated qualified investment of \$176,400,000 as set forth in the application. This project is consistent with the state's goal for economic development, the expanded intent of House Bill 1200 as passed by the Texas Legislature in 2001, and Chapter 313 of the Texas Tax Code.

Background

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

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

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

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

future legislative sessions will determine the course of school finance beginning in school year 2013-14 and beyond.

Assumptions

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

1. The current school funding system and formulas as set forth in Senate Bill 1 were used to project state aid; although, no guarantee exists that this system or these formulas will remain in effect after the 2012-13 school year.
2. This system and its formulas are driven by student data, property values, and tax collections. As a result, certain assumptions were made concerning each of these details.
3. The student counts were held constant across the 15 years.
4. The certified CAD taxable value for school year 2012-13 as released on or about July 25, 2012 was used as the base value to which the estimated project values for each year as set forth in schedule B of the application were added. These projected CAD values were then used for the CPTD values in each of the following years based on the lag between these two values as heretofore explained.
5. Tax collections each year were based on the district's 2012-13 projected M&O rate of \$1.04, projected I&S rates each year ranging from \$0.041 to \$0.340, and an assumed collection rate of 100 percent each year.

These assumptions allow for the isolation of the effects of the property value limitation on the district's finances. The detail of these assumptions are summarized and depicted in Table 1.

School Finance Impact on the District

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

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

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

A summary of the differences is depicted in separate spreadsheet entitled "Exhibit B." Losses to the district are noted in years 3 - 8 resulting from the agreement due to the inverted value lag between the CPTD and CAD values during the first year of the value

limitation and due to recapture in the following years. Gains are noted in years 9-11. The larger gain noted in year 11 is due primarily to another value lag between the CPTD and CAD values, the inverse of that observed in year 3. ASATR funding is not a factor for KISD as the district's revenue is completely formula driven in all years of the agreement, except for year 3 which is again attributable to the aforementioned inverted value lag. It should be noted, however, that this source of funding will come under future legislative review as early as the 2013 legislative session. **NOTE:** Because ASATR funding has the effect of offsetting school district revenue losses arising from limitations on the value of a qualified investment, any reduction of ASATR funding after the 2012-13 school year, if applicable, may result in significant increases in the amount of estimated revenue protection payable by the applicant to the district pursuant to the tax limitation agreement.

Impact on the Taxpayer (ETC)

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

Under the assumptions used herein, the potential tax savings resulting from the value limitation total \$12,975,263. In addition, ETC is eligible for a tax credit on taxes paid on value in excess of the value limitation in each of the first two years. The cumulative tax credits are projected to be approximately \$1,987,236; although, the Texas Education Agency (TEA) issues the reminder that these estimates will be recalculated based on current data prior to any issuance of the tax credits. The school district is to be reimbursed by the state for tax credit payments.

A separate spreadsheet entitled "Kenedy ISD & ETC Texas Pipeline (Comptroller's Beta Spreadsheet)" illustrates both the projected tax savings and tax credits.

Facilities Funding Impact

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

KISD is currently not eligible for facilities assistance from the state in the form of either existing debt allotment (EDA) and/or instructional facilities allotment (IFA). Increasing CPTD values resulting from taxable value added by the project will, therefore, not obliterate future EDA and IFA state share payments through school year 2026-27, the final year of the current debt service obligation for the district. As modeled, the increase in taxable value net of depreciation resulting from the project and the fact that the full value of this project remains fully taxable for I&S purposes will effectively decrease the I&S tax rate on a trend of escalating annual debt service payments beginning in year 1 ranging from \$0.041 at the highest to \$0.031 at the lowest.

Summary

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

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

Table I - Data Assumptions for KISD & ETC Texas Pipeline, LTD Chapter 313 Project

Year of Agreement	School Year	Tax Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value With Limitation	CAD Value Without Limitation	CPTD Value With Limitation	CPTD Value Without Limitation
0	2012-13	2012	609.362	1014.343	\$1.04	\$0.041	\$477,474,200	\$477,474,200	\$238,263,216	\$238,263,216
1	2013-14	2013	609.362	1014.343	\$1.04	\$0.034	\$566,674,200	\$566,674,200	\$477,474,200	\$477,474,200
2	2014-15	2014	609.362	1014.343	\$1.04	\$0.033	\$598,174,200	\$598,174,200	\$566,674,200	\$566,674,200
3	2015-16	2015	609.362	1014.343	\$1.04	\$0.030	\$486,884,015	\$600,974,200	\$598,174,200	\$598,174,200
4	2016-17	2016	609.362	1014.343	\$1.04	\$0.030	\$486,884,015	\$655,474,200	\$486,884,015	\$660,974,200
5	2017-18	2017	609.362	1014.343	\$1.04	\$0.031	\$486,884,015	\$650,174,200	\$486,884,015	\$655,474,200
6	2018-19	2018	609.362	1014.343	\$1.04	\$0.031	\$486,884,015	\$644,974,200	\$486,884,015	\$650,174,200
7	2019-20	2019	609.362	1014.343	\$1.04	\$0.032	\$486,884,015	\$639,874,200	\$486,884,015	\$644,974,200
8	2020-21	2020	609.362	1014.343	\$1.04	\$0.032	\$486,884,015	\$635,074,200	\$486,884,015	\$639,874,200
9	2021-22	2021	609.362	1014.343	\$1.04	\$0.032	\$486,884,015	\$630,374,200	\$486,884,015	\$635,074,200
10	2022-23	2022	609.362	1014.343	\$1.04	\$0.032	\$486,884,015	\$625,774,200	\$486,884,015	\$630,374,200
11	2023-24	2023	609.362	1014.343	\$1.04	\$0.033	\$621,274,200	\$621,274,200	\$486,884,015	\$625,774,200
12	2024-25	2024	609.362	1014.343	\$1.04	\$0.034	\$617,074,200	\$617,074,200	\$621,274,200	\$621,274,200
13	2025-26	2025	609.362	1014.343	\$1.04	\$0.034	\$612,874,200	\$612,874,200	\$617,074,200	\$617,074,200
14	2026-27	2026	609.362	1014.343	\$1.04	\$0.034	\$608,774,200	\$608,774,200	\$612,874,200	\$612,874,200
15	2027-28	2027	609.362	1014.343	\$1.04	\$0.0	\$604,874,200	\$604,874,200	\$608,774,200	\$608,774,200

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1															
2	Kenedy ISD - M&O Revenue ETC Texas Pipeline (ETC) LTD Agreement														
3	Revenue with Agreement														
4	Line	Column	Column	Column	Column	Column	Column	Column	Column	Column	Column	Column	Column	Column	Column
5	6	B	C	D	E	F	G	H	I	J	K	L	M	N	O
6	7	Agreement	School	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
7	8	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
8	9	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
9	10	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
10	11	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
11	12	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
12	13	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
13	14	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
14	15	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
15	16	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
16	17	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
17	18	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
18	19	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
19	20	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
20	21	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
21	22	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
22	23	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
23	24	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
24	25	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
25	26	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
26	27	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
27	28	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
28	29	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
29	30	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
30	31	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
31	32	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
32	33	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
33	34	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
34	35	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
35	36	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
36	37	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
37	38	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
38	39	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
39	40	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
40	41	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
41	42	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
42	43	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
43	44	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
44	45	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
45	46	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
46	47	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
47	48	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
48	49	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
49	50	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
50	51	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
51	52	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
52	53	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
53	54	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
54	55	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
55	56	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year

Note:

ADA growth is shown at 0% and the Base District Taxable Value growth is shown at 0%.

Year of Project	Year of Tax Credit	Year of Tax Credit Settle-Up	School Year	Year of Tax Credit	Year of Tax Credit	Estimated Market Value with no Exemptions	Exemptions (Not Including Ch. 313 Value Limitation)(Est.)	185 Taxable Value of Investment (Est.)	Difference from previous year's value	Annual Depreciation Rate	M&O Property Value Limitation Amount	M&O Exempt Value of Property	M&O Tax Base Years 1-13	M&O Tax Rate	M&O Tax Levy without Limitation	M&O Tax Levy with Limitation
School District: Project: County: Eligibility Category: • From Application; enter #1 - 10 in cell D to activate					Renewal/ISO ETC Texas Pipeline/LTD Mines Manufacturing	From schedule B of application under heading "exempted columns under value" "Qualified Property" Limitation Amount:	From schedule B of application under heading "exempted columns under value" "Qualified Property" Limitation Amount:									
0			2012-13	2012		\$590,185	\$0	\$590,185	\$0	35.08%	\$0	\$0	\$590,185	\$1.0400	\$6,138	\$6,138
1			2013-14	2013		\$594,490,185	\$4,700,000	\$589,790,185	\$0	35.08%	\$0	\$0	\$589,790,185	\$1.0400	\$933,818	\$933,818
2			2014-15	2014		\$127,690,185	\$6,400,000	\$121,290,185	\$31,500,000	35.08%	\$0	\$0	\$121,290,185	\$1.0400	\$1,261,418	\$1,261,418
3			2015-16	2015	1	\$187,590,185	\$9,400,000	\$178,190,185	\$67,800,000	35.08%	\$10,000,000	\$174,090,185	\$10,000,000	\$1.0400	\$1,914,538	\$1,914,538
4	1		2016-17	2016	2	\$187,590,185	\$9,400,000	\$178,190,185	\$5,500,000	2.98%	\$10,000,000	\$168,590,185	\$10,000,000	\$1.0400	\$1,857,338	\$1,857,338
5	2		2017-18	2017	3	\$182,390,185	\$9,100,000	\$173,290,185	\$5,300,000	2.97%	\$10,000,000	\$163,290,185	\$10,000,000	\$1.0400	\$1,802,218	\$1,802,218
6	3		2018-19	2018	4	\$176,890,185	\$8,800,000	\$168,090,185	\$5,200,000	3.00%	\$10,000,000	\$158,090,185	\$10,000,000	\$1.0400	\$1,748,138	\$1,748,138
7	4		2019-20	2019	5	\$171,590,185	\$8,600,000	\$162,990,185	\$5,100,000	3.03%	\$10,000,000	\$152,990,185	\$10,000,000	\$1.0400	\$1,695,098	\$1,695,098
8	5		2020-21	2020	6	\$166,090,185	\$8,300,000	\$157,790,185	\$4,900,000	2.94%	\$10,000,000	\$148,190,185	\$10,000,000	\$1.0400	\$1,645,178	\$1,645,178
9	6		2021-22	2021	7	\$161,490,185	\$8,000,000	\$153,490,185	\$4,700,000	2.97%	\$10,000,000	\$143,490,185	\$10,000,000	\$1.0400	\$1,596,298	\$1,596,298
10	7		2022-23	2022	8	\$156,990,185	\$7,800,000	\$149,190,185	\$4,600,000	3.00%	\$10,000,000	\$138,890,185	\$10,000,000	\$1.0400	\$1,548,458	\$1,548,458
11	1		2023-24	2023	1	\$151,990,185	\$7,600,000	\$144,390,185	\$0		\$0	\$0	\$144,390,185	\$1.0400	\$1,501,658	\$1,501,658
12	2		2024-25	2024	2	\$147,490,185	\$7,300,000	\$140,190,185	\$0		\$0	\$0	\$140,190,185	\$1.0400	\$1,457,978	\$1,457,978
13	3		2025-26	2025	3	\$143,090,185	\$7,100,000	\$135,990,185	\$0		\$0	\$0	\$135,990,185	\$1.0400	\$1,414,298	\$1,414,298

Column I should equal the final taxable value for 185 after all reductions on Schedule B of the application

I&S Tax Rate	I&S Tax Levy	Sum of M&O and I&S Tax Levies BEFORE CREDIT CREDITED	Sum of M&O and I&S Tax Levies AFTER CREDIT CREDITED	Tax Savings Due to Limitation	Value upon which tax credits are based	M&O Tax amount applicant is eligible to receive as credits in years 4-13	Tax Credits possible to be received by company each year based on taxes paid and 50% cap	Total Levy Loss from Tax credit amount per year	Cumulative Tax Credit Applied to Company's Total Taxes	Gross Tax Savings (Limitation Savings + Credit Savings)	Protection of Future District Revenues ("Revenue Protection") (from school finance model)	Educational Expenses	Net Tax Savings	PILT/PILOT

with a first complete tax year of the 'values, Non-Chapter 313 exemptions and I&S tax rates. VALUES HERE ARE reductions due to payments to the er negotiated supplemental

NOT INCL. HERE NOT INCL. HERE NOT INCL. HERE

\$0.0410	\$242	\$6,380	\$6,380	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.0342	\$30,708	\$964,526	\$964,526	\$0	\$79,790,185	\$829,818	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.0328	\$39,783	\$1,301,201	\$1,301,201	\$0	\$111,290,185	\$1,157,418	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.0300	\$53,227	\$1,592,227	\$1,592,227	\$1,810,538	\$0	\$0	\$0	\$0	\$0	\$1,810,538	\$0	\$0	\$1,810,538	\$0
\$0.0300	\$63,577	\$1,575,777	\$1,575,777	\$1,793,838	\$0	\$0	\$0	\$0	\$0	\$1,793,838	\$0	\$0	\$1,793,838	\$0
\$0.0312	\$54,067	\$1,580,667	\$1,580,667	\$1,698,218	\$0	\$0	\$0	\$0	\$0	\$1,698,218	\$0	\$0	\$1,698,218	\$0
\$0.0310	\$52,108	\$1,566,108	\$1,566,108	\$1,644,138	\$0	\$0	\$0	\$0	\$0	\$1,644,138	\$0	\$0	\$1,644,138	\$0
\$0.0312	\$50,853	\$1,544,853	\$1,544,853	\$1,591,098	\$0	\$0	\$0	\$0	\$0	\$1,591,098	\$0	\$0	\$1,591,098	\$0
\$0.0322	\$50,937	\$1,549,937	\$1,549,937	\$1,543,078	\$0	\$0	\$0	\$0	\$0	\$1,543,078	\$0	\$0	\$1,543,078	\$0
\$0.0322	\$49,424	\$1,534,424	\$1,534,424	\$1,492,238	\$0	\$0	\$0	\$0	\$0	\$1,492,238	\$0	\$0	\$1,492,238	\$0
\$0.0312	\$47,843	\$1,511,843	\$1,511,843	\$1,444,458	\$0	\$0	\$0	\$0	\$0	\$1,444,458	\$0	\$0	\$1,444,458	\$0
\$0.0330	\$47,649	\$1,549,307	\$1,549,307	\$1,505,525	\$0	\$0	\$0	\$0	\$0	\$1,505,525	\$0	\$0	\$1,505,525	\$0
\$0.0340	\$47,665	\$1,505,643	\$1,505,643	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.0340	\$46,237	\$1,460,535	\$1,460,535	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bonded debt payment less EDA &/or IFA state share(s) divided by the combined use & project I&S taxable value														
Limitation Tax Savings: \$12,975,263										Accrued Credits: \$1,987,236				
										Credits/7: \$283,891				
										Credits Savings: \$1,987,236				
										Sum of taxes paid in first two years on base > limit: \$1,987,236				
										Amount of tax credits "lost": \$0				

Totals: \$14,962,499 \$0 \$0 \$14,962,499 \$0

M&O tax levy for the two years before tax benefits result in levy loss: \$2,195,236
 13 year total levy without any limit or credit: \$20,376,433
 13 year total tax savings/Levy Loss: \$14,962,499
 Taxes actually paid: \$5,413,934
 Is the percentage of taxes applicant pays with 313 agreement compared to what they would have paid without 313 agreement: 26.57%
 Is the percentage of the total savings due to the limitation: 86.72%
 Is the percentage of the total savings due to the credit: 13.28%

Other Supplemental Payments to District	Net Net Tax Savings (Savings for Company)
	\$0
	\$0
	\$1810.558
	\$1832.136
	\$1777.251
	\$1772.192
	\$1668.524
	\$1618.647
	\$1469.010
	\$1530.423
	\$1,443,782
	\$0
	\$0
	\$0
	\$14,962,499

Attachment 3

Karnes County

Population

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

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

Economy and Income

Employment

- September 2011 total employment in Karnes County: 4,939 , down 1.3 percent from September 2010. State total employment increased 0.9 percent during the same period.
(October 2011 employment data will be available November 18, 2011).
- September 2011 Karnes County unemployment rate: 9.2 percent, up from 9.0 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

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

Income

- Karnes County's ranking in per capita personal income in 2009: 242nd with an average per capita income of \$23,631, up 0.8 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

- Agricultural cash values in Karnes County averaged \$28.32 million annually from 2007 to 2010. County total agricultural values in 2010 were up 168.0 percent from 2009. Major agriculture related commodities in Karnes County during 2010 included:
 - Sorghum • Horses • Hay • Hunting • Other Beef
- 2011 oil and gas production in Karnes County: 2.5 million barrels of oil and 22.4 million Mcf of gas. In September 2011, there were 144 producing oil wells and 144 producing gas wells.

Taxes

Sales Tax - Taxable Sales

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

Quarterly (September 2010 through December 2010)

- Taxable sales in Karnes County during the fourth quarter 2010: \$21.12 million, up 42.4 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Karnes City:	\$2.00 million, up 20.6 percent from the same quarter in 2009.
Kenedy:	\$13.28 million, up 42.0 percent from the same quarter in 2009.
Runge:	\$450,370.00, up 32.0 percent from the same quarter in 2009.
Falls City:	\$500,329.00, up 20.5 percent from the same quarter in 2009.

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

- Taxable sales in Karnes County through the fourth quarter of 2010: \$69.22 million, up 23.3 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

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

Annual (2010)

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

Karnes City:	\$7.18 million, up 11.3 percent from 2009.
Kenedy:	\$42.59 million, up 19.9 percent from 2009.
Runge:	\$1.48 million, up 13.3 percent from 2009.
Falls City:	\$1.75 million, up 11.9 percent from 2009.

Sales Tax – Local Sales Tax Allocations

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

Monthly

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Karnes County based on the sales activity month of August 2011: \$215,203.13, up 146.8 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Karnes City:	\$57,058.24, up 216.8 percent from August 2010.
Kenedy:	\$147,136.08, up 133.1 percent from August 2010.
Runge:	\$7,903.25, up 110.6 percent from August 2010.
Falls City:	\$3,105.56, up 35.3 percent from August 2010.

Fiscal Year

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Karnes County based on sales activity months from September 2010 through August 2011: \$1.60 million, up 60.8 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Karnes City:	\$369,990.67, up 85.1 percent from fiscal 2010.
Kenedy:	\$1.12 million, up 54.2 percent from fiscal 2010.
Runge:	\$72,113.41, up 82.4 percent from fiscal 2010.
Falls City:	\$39,265.81, up 29.7 percent from fiscal 2010.

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

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
 - Payments to all cities in Karnes County based on sales activity months through August 2011: \$1.17 million, up 73.2 percent from the same period in 2010.
 - Payments based on sales activity months through August 2011 to the city of:
- | | |
|--------------|--|
| Karnes City: | \$286,854.91, up 115.4 percent from the same period in 2010. |
| Kenedy: | \$801,072.93, up 61.8 percent from the same period in 2010. |
| Runge: | \$52,898.95, up 92.6 percent from the same period in 2010. |
| Falls City: | \$27,707.48, up 45.8 percent from the same period in 2010. |

12 months ending in August 2011

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Karnes County based on sales activity in the 12 months ending in August 2011: \$1.60 million, up 60.8 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

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

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

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

Karnes City:	\$330,558.79, up 100.3 percent from the same period in 2010.
Kenedy:	\$979,781.79, up 58.9 percent from the same period in 2010.
Runge:	\$64,477.03, up 95.7 percent from the same period in 2010.
Falls City:	\$32,364.64, up 33.3 percent from the same period in 2010.

Annual (2010)

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.

- Payments to all cities in Karnes County based on sales activity months in 2010: \$1.11 million, up 15.6 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

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

Property Tax

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

State Expenditures

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

Higher Education

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

School Districts

- Karnes County had 4 school districts with 16 schools and 2,265 students in the 2009-10 school year.
(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)
 - Falls City ISD had 329 students in the 2009-10 school year. The average teacher salary was \$44,363. The percentage of students meeting the 2010 TAKS passing standard for all tests was 96 percent.
 - Karnes City ISD had 953 students in the 2009-10 school year. The average teacher salary was \$46,325. The percentage of students meeting the 2010 TAKS passing standard for all tests was 85 percent.
 - Kenedy ISD had 683 students in the 2009-10 school year. The average teacher salary was \$42,591. The percentage of students meeting the 2010 TAKS passing standard for all tests was 68 percent.
 - Runge ISD had 300 students in the 2009-10 school year. The average teacher salary was \$40,149. The percentage of students meeting the 2010 TAKS passing standard for all tests was 74 percent.

ATTACHMENT D
AGREEMENT

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

by and between

KENEDY INDEPENDENT SCHOOL DISTRICT

and

ETC TEXAS PIPELINE, LTD
(Texas Taxpayer ID # 10505324664)

Dated

September 17, 2012

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

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

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

WHEREAS, on September 17, 2012, the Board of Trustees held a meeting on the Application; and,

WHEREAS, the Board of Trustees made factual findings pursuant to Texas Tax Code § 313.025(f), including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the Limitation on Appraised Value of the Applicant's Qualified Property; and (iv) each criterion listed in Texas Tax Code § 313.026 has been met; and,

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

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

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

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

ARTICLE I

AUTHORITY, TERM, DEFINITIONS, AND GENERAL PROVISIONS

Section 1.1. AUTHORITY

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

Section 1.2. TERM OF THE AGREEMENT

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

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

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

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

Section 1.3. DEFINITIONS.

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

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

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

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

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

"Agreement" means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented from time to time in accordance with Section 8.3.

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

"Applicant" means ETC Texas Pipeline, LTD, (Texas Taxpayer ID # 10505324664), the company listed in the Preamble of this Agreement who filed the Application with the District for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The term "Applicant" shall also include the Applicant's assigns and successors-in-interest.

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

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

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

"Appraisal District" means the Karnes County Appraisal District.

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

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

"Comptroller" means the Texas Comptroller of Public Accounts.

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

"County" means Karnes County, Texas.

"District" or "School District" means the Kenedy 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.

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

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

"Maintain Viable Presence" means after the development and construction of the Project described in the Application and in the description of the Applicant's Qualified

Investment/Qualified Property as set forth in Section 2.3, below, (i) the operation over the term of this Agreement of the facility or facilities for which the tax limitation is granted, as the same may from time to time be expanded, upgraded, improved, modified, changed, remodeled, repaired, restored, reconstructed, reconfigured, and/or reengineered and (ii) the retention over the term of this Agreement of not fewer than ten (10) Qualifying Jobs to be located and performed within Applicant's entire Project that includes, but is not limited to, Applicant's Qualified Property, as set forth in the Application, with the minimum salaries required by Texas Tax Code § 313.021(3)(E).

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

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

"Net Tax Benefit" means, (i) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for all Tax Years if this Agreement had not been entered into by the Parties, (ii) adding the amount determined under clause (i) all Tax Credits received by the Applicant under Chapter 313, Tax Code, and (iii) subtracting from the sum of the amounts determined under clauses (i) and (ii) the sum of (A) all maintenance and operations ad valorem school taxes actually due to the District or any other governmental entity, including the State of Texas, for all Tax Years of this Agreement, plus (B) any payments due to the District under Article III under this Agreement.

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

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

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

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

"Qualifying Time Period" means the period that begins on the date of approval of this Agreement by the District's Board of Trustees and ends on December 31, 2014, the second full Tax Year that begins after such date of approval, as is defined in Texas Tax Code § 313.021(4)(A).

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

"State" means the State of Texas.

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

"Tax Credit" means the tax credit, either to be paid by the District to Applicant, or to be applied against any taxes that the District imposes on Applicant's Qualified Investment and/or Qualified Property, as computed under the provisions of Subchapter D of the Act, and rules adopted by the Comptroller and/or the Texas Education Agency, provided that Applicant complies with the requirements under such provisions, including the timely filing of a completed application under Texas Tax Code § 313.103 and the duly adopted administrative rules.

"Tax Limitation Amount" means the maximum amount which may be placed as the Appraised Value on Qualified Property/Qualified Investment for years three (3) through ten (10) of this Agreement pursuant to Texas Tax Code § 313.054. That is, for each of the eight (8) Tax Years 2015, 2016, 2017, 2018, 2019, 2020 2021 and 2022 the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed, and the Tax Limitation Amount shall be, the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Ten Million Dollars (\$10,000,000.00).

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Tax Code, § 313.052 and § 313.053.

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

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

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

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

ARTICLE II

PROPERTY DESCRIPTION

Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE

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

Section 2.2. LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

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

Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT AND QUALIFIED PROPERTY

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

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

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

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

At the end of the Qualifying Time Period, or at any other time when there is a material change in the Applicant's Qualified Investment or Qualified Property located on the Land described in **EXHIBIT 2**; or, upon a reasonable request by the District, the Comptroller, or the Appraisal District, the Applicant shall provide to the District, the Comptroller, and the Appraisal District a specific and detailed description of the tangible personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Qualified Property to which the Tax Limitation Amount applies including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property which is subject to this Agreement.

Section 2.5. QUALIFYING USE

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

Section 2.6. APPRAISED VALUE LIMITATION

So long as Applicant makes a Qualified Investment in the amount Ten Million Dollars (\$10,000,000.00), or greater, during the Qualifying Time Period; and unless this Agreement has been terminated as provided herein before such Tax Year, for each of the eight (8) Tax Years 2015, 2016, 2017, 2018, 2019, 2020 2021 and 2022 the Appraised Value of the Applicant's Qualified Investment and Qualified Property for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Ten Million Dollars (\$10,000,000.00).

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Tax Code § 313.052 and §313.053.

ARTICLE III

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 3.1. INTENT OF THE PARTIES

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in addition to the receipt of payments in accordance with the provisions of Texas Tax Code § 313.027(f)(1) as set forth below in Article IV of this Agreement, be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue as a result of entering into this Agreement, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to such other payments as set forth in Article IV. Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the risk of any negative financial consequence to the District in making the decision to enter into this Agreement will be borne by the Applicant and not by the District.

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

Subject to the provisions of Sections 5.1 and 5.2, the amount to be paid by the Applicant to compensate the District for loss of Maintenance and Operations Revenue resulting from this Agreement for each year during the term of this Agreement (the "M&O Amount") shall be

determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

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

Where:

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

In making the calculations required by this Section 3.2:

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

Section 3.3. COMPENSATION FOR LOSS OF OTHER REVENUES

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

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

Section 3.4. CALCULATIONS TO BE MADE BY THIRD PARTY

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") jointly approved each year by the District and the Applicant. If the Parties cannot agree on the Third Party, then the Third Party shall be selected by the mediator provided in Section 7.10 of this Agreement.

Section 3.5. DATA USED FOR CALCULATIONS

The calculations for payments under this Agreement shall be initially based upon the valuations placed upon the Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Tax Code § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 3.4. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party

shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

Section 3.6. DELIVERY OF CALCULATIONS

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 3.4 of this Agreement shall forward to the Parties a certification containing the calculations required under Sections 3.2 and/or 3.3, Article IV and Section 5.1 of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation and fee for a period of three (3) years after payment. The Applicant shall not be liable for any of Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement or the fee paid by the Applicant to the Third Party pursuant to Section 3.7, if such fee is timely paid.

Section 3.7. PAYMENT BY APPLICANT

The Applicant shall pay any amount determined to be due and owing to the District under this Agreement on or before the January 31 next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Third Party for all calculations under this Agreement under Section 3.6, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, tax credits or other reimbursement applications filed with or sent to the State of Texas which are, or may be required under the terms of or because of the execution of this Agreement. In no year shall the Applicant be responsible for the payment any expenses under this Section 3.7 and Section 3.6, above, to the Third Party in excess of Five Thousand Dollars (\$5,000.00).

Section 3.8. RESOLUTION OF DISPUTES

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

Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT

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

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

Section 3.10. EFFECT OF STATUTORY CHANGES

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

ARTICLE IV

SUPPLEMENTAL PAYMENTS

Section 4.1. AMOUNTS EXCLUSIVE OF INDEMNITY AMOUNTS

(a) In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the Supplemental Payments set forth in this Article IV (the "Supplemental Payments"). Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Texas Tax Code, unless it is

explicitly set forth in this Agreement. It is the express intent of the Parties that the obligation for Supplemental Payments under this Article IV are separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that payments under Article III and IV are, in all respects, subject to the limitations contained in Section 5.1, and that all payments made under Article IV are subject to the separate limitations contained in Section 4.4.

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

Section 4.2. CALCULATION OF AMOUNT OF SUPPLEMENTAL PAYMENTS

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

ARTICLE V

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 5.1. ANNUAL LIMITATION AFTER FIRST THREE YEARS

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year during the term of this Agreement after the 2014 Tax Year, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Articles III and IV with respect to such Tax Year exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District

for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Sections 3.4 and 3.6, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Articles III and IV shall be reduced until such excess is eliminated.

Section 5.2. OPTION TO CANCEL AGREEMENT

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

ARTICLE VI

TAX CREDITS

Section 6.1. APPLICANT'S ENTITLEMENT TO TAX CREDITS

The Applicant shall be entitled to Tax Credits from the District under and in accordance with the provisions of Subchapter D of the Act and Comptroller Rules, provided that the Applicant complies with the requirements under such provisions, including the filing of a completed application under Section 313.103 of the Texas Tax Code and Comptroller Rules.

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

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

Section 6.3. COMPENSATION FOR LOSS OF TAX CREDIT PROTECTION REVENUES

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

ARTICLE VII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 7.1. DATA REQUESTS

During the term of this Agreement, and upon the written request of one Party or by the Comptroller (the "Requesting Party"), the other Party shall provide the Requesting Party with all information reasonably necessary for the Requesting Party to determine whether the other Party is in compliance with its obligations, including any employment obligations, under this Agreement. The Applicant shall allow authorized employees of the District, the Comptroller and/or the Appraisal District to have access to the Applicant's Qualified Property and/or business records in accordance with Texas Tax Code Section 22.07 during the term of this Agreement, in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property and any other tangible property on the premises. All inspections will be made at a mutually agreeable time after the giving of not less than forty-eight (48) hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide the District, the Comptroller or the Appraisal District with any technical or business information that is private personnel data, proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party.

Section 7.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES

Applicant shall timely make any and all reports that are or may be required under the provisions of law or administrative regulation, including but not limited to the annual report or

certifications that may be required to be submitted by the Applicant to the Texas Comptroller of Public Accounts under the provisions of Texas Tax Code § 313.032. Applicant shall forward a copy of all such required reports or certifications to the District contemporaneously with the filing thereof. The obligation to make all such required filings shall be a material obligation under this Agreement.

Section 7.3 SUPPORT FOR DISTRICT TECHNICAL TRAINING PROGRAM

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

- (a) Conferring with the District for the purpose of identifying opportunities for employees of Applicant to participate in technical training programs operated by the District for the benefit of its students, and programs sponsored by the District; and
- (b) Considering qualified graduates of the District's technical training program and/or graduates of programs sponsored by the District for available positions with Applicant.

Section 7.4. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE

By entering into this Agreement, the Applicant warrants that:

- (a) it will abide by all of the terms of the Agreement;
- (b) it will Maintain Viable Presence in the District through the Final Termination Date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure (as hereinafter defined), provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure; and,
- (c) it will meet minimum eligibility requirements under Tax Code, Chapter 313 throughout the value limitation and tax-credit settle-up periods.

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

(a) In the event that the Applicant terminates this Agreement without the consent of the District, except as provided in Section 5.2, or in the event that the Applicant or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, after the notice and cure period provided by Section 7.9, then the District shall be entitled to the recapture of all ad valorem tax revenue lost

as a result of this Agreement together with the payment of penalty and interest, as calculated in accordance with Section 7.6, on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV.

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

Section 7.6. CALCULATION OF PENALTY AND INTEREST

In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 7.5 for each Tax Year during the term of this Agreement since the Commencement Date. The District shall calculate penalty or interest for each Tax Year during the term of this Agreement since the Commencement Date in accordance with the methodology set forth in Chapter 33 of the Texas Tax Code, as if the base amount calculated for such Tax Year less all credits under Section 7.5 had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute.

Section 7.7 MATERIAL BREACH OF AGREEMENT

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

- (a) Applicant is determined to have failed to meet its obligations to have made accurate representations of any material fact in the submission of its Application as is required by Section 8.13, below.
- (b) Applicant fails to Maintain Viable Presence in the District, as required by Section 7.4 of this Agreement, through the Final Termination Date of this Agreement.

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

Section 7.8 LIMITED STATUTORY CURE OF MATERIAL BREACH

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

Section 7.9. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT

(a) Prior to making a determination under Sections 7.5 or 7.7 that the Applicant has committed a Material Breach of this Agreement, such as making a material misrepresentation in the Application, failing to Maintain Viable Presence in the District as required by Section 7.4 of this Agreement, failing to make any payment required under this Agreement when due, or has otherwise committed a Material Breach of this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the Material Breach of this Agreement, and if cure is possible, the cure proposed by the District. In the case of a notice of payment default, Applicant shall have thirty (30) days in which to tender payment, unless it notifies the District within fifteen (15) days after receipt of such notice that it disputes the

District's determination of payment default, in which case the dispute shall be settled in the manner set out in Sections 7.9(b) and 7.10. For a Material Breach other than payment default, after receipt of the notice, Applicant shall be given sixty (60) days to present any facts or arguments to the Board of Trustees showing that it is not in Material Breach of its obligations under the Agreement, or that it has cured or undertaken to cure any such Material Breach.

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

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

Section 7.10. DISPUTE RESOLUTION

(a) After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Agreement Termination under Section 7.9, the Applicant shall have thirty (30) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within sixty (60) days after the Applicant's receipt of notice of the Board of Trustee's Determination of Breach and Notice of Agreement Termination under Section 7.9, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then residing in Karnes County, Texas. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator's fees and expenses and the Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

(b) In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such sixty (60) days, the District shall have the remedies for the collection of the amounts determined under Section 7.9 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall

also be responsible for the payment of attorney's fees and a tax lien on the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Texas Tax Code § 33.07 to the attorneys representing the District pursuant to Texas Tax Code § 6.30.

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

Section 7.11. LIMITATION OF OTHER DAMAGES

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

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

Section 7.12. BINDING ON SUCCESSORS

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

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. INFORMATION AND NOTICES

Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (e.g., by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, or (ii) sent by facsimile transmission, with "answer back" or other "advice of receipt" obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on

receipt by the addressee as aforesaid; provided that, notice received by facsimile transmission after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first business day following the date of such electronic receipt.

Notices to the District shall be addressed as follows:

Superintendent of Schools
Kenedy Independent School District
401 Highway 719
Kenedy, Texas 78119-2034
Fax: 830-583-9950

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

Notices to the Applicant shall be addressed to:

Megan McKavanagh
ETC Texas Pipeline, LTD.
800 East Sonterra Blvd., Suite 400
San Antonio, Texas 78258-3941
Fax: 210-403-6664

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

Section 8.2. EFFECTIVE DATE, TERMINATION OF AGREEMENT

- (a) This Agreement shall be and become effective on the date of final approval of this Agreement by the District's Board of Trustees.
- (b) The obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the Final Termination Date established in Section 1.2 of this Agreement.
- (c) In the event that Applicant fails to make a Qualified Investment in the amount of Ten Million Dollars (\$10,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 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. Pursuant to

Comptroller's Rule 9.1055, and subject to Section 2.3, by official action of the Board of Trustees, this Agreement may be amended to include, in the Applicant's Qualified Investment, additional or replacement Qualified Property not specified in **EXHIBIT 3**, provided that the Applicant reports to the District, the Comptroller, and the Appraisal District, in the same format, style, and presentation as the Application, all relevant investment, value, and employment information that is related to the additional property. Any amendment of the Agreement adding additional or replacement Qualified Property pursuant to this Section 8.3 shall, pursuant to Comptroller's Rule 9.1055, (1) require that all property added by amendment be eligible property as defined by Tax Code, §313.024; (2) clearly distinguish the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and (3) define minimum eligibility requirements for the recipient of limited value. This Agreement may not be amended to extend the value limitation time period.

Section 8.4. ASSIGNMENT

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

Section 8.5. MERGER

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

Section 8.6. MAINTENANCE OF COUNTY APPRAISAL DISTRICT RECORDS

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

Section 8.7. GOVERNING LAW

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

Section 8.8. AUTHORITY TO EXECUTE AGREEMENT

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

Section 8.9. SEVERABILITY

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 8.9, the term "Law" shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 8.10. PAYMENT OF EXPENSES

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

Section 8.11. INTERPRETATION

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

Section 8.12. EXECUTION OF COUNTERPARTS

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

Section 8.13. ACCURACY OF REPRESENTATIONS CONTAINED IN APPLICATION

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

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

Section 8.14. PUBLICATION OF DOCUMENTS

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

- a. Within seven (7) days of such document, the District shall submit a copy to the Comptroller for publication on the Comptroller's Internet website.
- b. District shall provide on its website a link to the location of those documents posted on the Comptroller's website.

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

(Signature page follows.)

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 17th day of September, 2012.

ETC TEXAS PIPELINE, LTD

KENEDY INDEPENDENT SCHOOL DISTRICT

By: _____

Printed Name: _____

Title: _____

By: _____

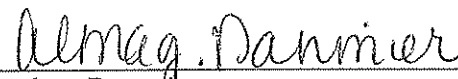


Edward Monson

President

Board of Trustees

ATTEST:



Alma Danmeyer

Secretary

Board of Trustees

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 17th day of September, 2012.

ETC TEXAS PIPELINE, LTD

By: _____

Printed Name: GREG MAXIM

Title: DIRECTOR (DEPUTY)

KENEDY INDEPENDENT SCHOOL DISTRICT

By: _____

Edward Monson

President

Board of Trustees

ATTEST:

Alma Dammier

Alma Dammier

Secretary

Board of Trustees

EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

The Reinvestment Zone was created on April 30, 2012 by action of the Karnes County Commissioner's Court. As a result of the action of the Karnes County Commissioner's Court, the Reinvestment Zone, a map of which is attached as the last page of this **EXHIBIT 1**, includes real property within Karnes County, Texas, more specifically the following property:

An approximate 320 acre tract of land, owned by ETC Texas Pipeline, LTD and described as 319.98 acres, more or less, the first tract being 143.28 acres situated in the J. O'Donovan Survey, A-222, together with the second tract, 176.7 acres, being 93.7 acres situated in the A. Aulander Survey, A-20, and 83 acres situated in the Frisbie Survey, A-115, Karnes County, Texas, said tract being more particularly described by metes and bounds in Exhibit 1.1 attached.

EXHIBIT 1.1

00107188 Bk Vol Pg
 OR 1026 551

EXHIBIT "A"

*Attached to and made a part of that certain Warranty Deed from
PEGGY SUE'S LLC to ETC TEXAS PIPELINE, LTD.*

FIRST TRACT:

All that certain tract or parcel of land lying and being situated in the County of Karnes, State of Texas, and being a part of the J. O'Donovan Grant or Survey, being Lot No. One (1), Block A, of the Subdivision of the S. C. Butler Ranch lands, and described by metes and bounds as follows, to-wit:

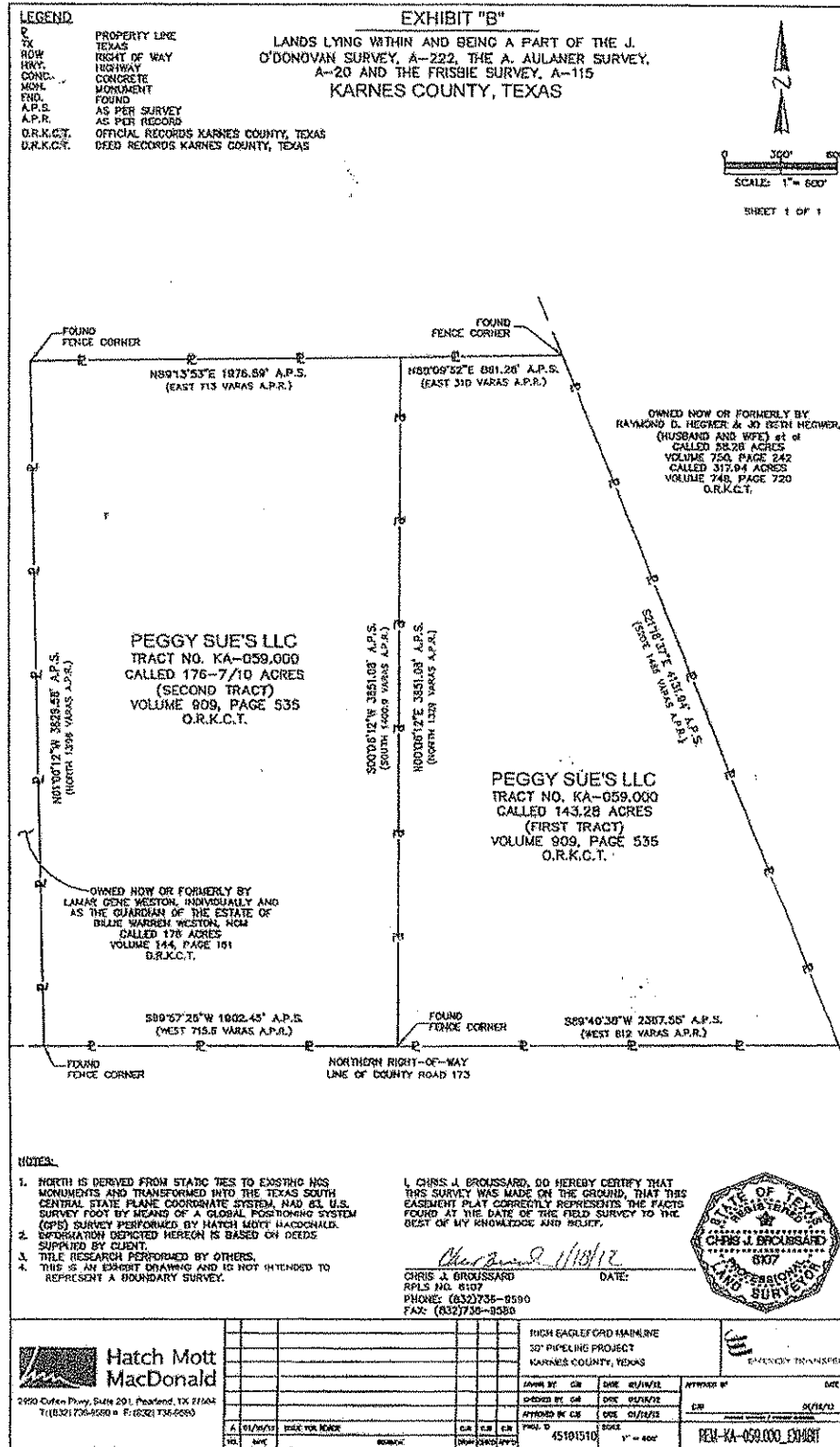
BEGINNING at a stake standing in the Southwest boundary of the James Priest League of land;
THENCE North 20 degrees West with Southwest line of said James Priest Survey 1486 varas to a stake for a corner;
THENCE West across said J. O'Donovan Survey 310 varas to a stake for corner in the East boundary line of the A. Aulander Survey;
THENCE South with the East line of said A. Aulander Survey and C. Frisbie Survey 1329 varas to a stake for corner standing in the North margin of a 30 foot road;
THENCE East with the North margin of said road 812 varas to the place of BEGINNING; CONTAINING 143.28 acres of land.
Being the same land conveyed by G. N. Lynch and wife, to J. W. Tompkins by Deed dated November 22, 1923, and recorded in Volume 70, Page 600, of the Deed Records of Karnes County, Texas, to which reference is hereby made for all purposes.

SECOND TRACT:

All that certain tract or parcel of land lying and being situated in Karnes County, Texas, and described as follows, to-wit:

BEGINNING at a stake standing West 310 varas from the Northeast corner of a 5700 acres of land allotted to S. C. Butler out of the W. G. Butler Estate.
THENCE South with the division line of the J. O'Donovan and A. Aulander Surveys and the O'Donovan and Frisbie Surveys 1400.9 varas to a stake for the Southeast corner of this tract set in North margin of a road;
THENCE North 89 degrees West with the North margin of said road, 715.5 varas, to a stake for Southwest corner of this tract;
THENCE North at 575 varas the North line of the Chas. Frisbie Survey in all 1396 varas, to a stake for Northwest corner of this tract;
THENCE East 713 varas to the place of BEGINNING; CONTAINING 176-7/10 acres of land, 93-7/10 acres out of the Aulander Survey and 83 acres out of the Frisbie Survey, situated in Karnes County, Texas, about 12 miles Southwest from Karnes City, and same being Lot 2, Block A of the Subdivision of the S. C. Butler Ranch.

Initials: MS



Initials:
MB

EXHIBIT 2

LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property owned by Applicant and located within the boundaries of both the Kenedy Independent School District and Karnes County Reinvestment Zone, except "existing improvements" described in Exhibit 3 attached (Attachment 4 and Attachment 12 of Application), will be included in and subject to this Agreement. Specifically, all Qualified Property of Applicant located in the following tracts of land is included:

An approximate 320 acre tract of land, owned by ETC Texas Pipeline, LTD and described as 319.98 acres, more or less, the first tract being 143.28 acres situated in the J. O'Donovan Survey, A-222, together with the second tract, 176.7 acres, being 93.7 acres situated in the A. Aulander Survey, A-20, and 83 acres situated in the Frisbie Survey, A-115, Karnes County, Texas, said tract being more particularly described by metes and bounds in Exhibit 1.1 attached.

EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT (ATTACHMENT 4)

AND

DESCRIPTION OF APPLICANT'S EXISTING IMPROVEMENTS (ATTACHMENT 12)

ATTACHMENT 4

Detailed Description of Project

Energy Transfer's subsidiary, ETC Texas Pipeline, is proposing to build a cryogenic gas facility for the manufacture of industrial gases in Karnes County, within the Kenedy Independent School District. The facility will be constructed on a parcel of land consisting of approximately 320 acres and will be called the Kenedy Gas Plant.

Kenedy Gas Plant

The Kenedy Gas Plant will consist of a single train with a total capacity of 200 million cubic feet of natural gas per day (MMCFD) in Phase I. The plant will produce industrial gases such as ethane, butane and propane from liquid rich natural gas that has been collected by upstream gas gathering systems in the Eagle Ford Shale play and transported to the plant. A second processing train is planned for Phase II, which would install an additional 200 million cubic feet per day of production capacity with construction starting at the end of 2013 depending on the performance of Phase I and market conditions.

The first step in the manufacturing process is to separate the pipeline condensate liquids from the pipeline gas. Once separated, the condensate liquids are processed in a condensate stabilizer system in order to sell the hydrocarbon condensates to the NGL sales pipeline. Gas from the inlet separators is then treated in the amine treating system for removal of CO₂ from the inlet gas. The removal is required to prevent CO₂ freezing in the cryogenic NGL recovery plant and to meet the sales gas pipeline's and NGL pipeline's specifications. The CO₂ removed by the amine system is routed to an incinerator system to destroy incidental hydrocarbon vapors contained in the CO₂ stream. From the amine system, the sweet gas is then sent to the cryogenic plant for natural gas liquid recovery. The gas is refrigerated by mechanical refrigeration and by expansion through a turbo expander. The NGL liquids condensed by the refrigeration system are then pumped to the NGL sales pipeline. Gas from the cryogenic plant, now stripped of NGL liquids, is compressed and delivered to the sales gas pipeline.

The Kenedy Gas Plant consists of the following main processing units and utility systems which are classified as "Qualified Investment"

- Slug Catcher
- Stabilizer Plant
- (2) 200 MMCFD Cryogenic Gas Processing Units – each consisting of:
 - Inlet Facilities
 - Dehydration
 - Regeneration
 - Amine Treater and Thermal Oxidizer
 - Sulfur Guard unit
 - NGL Recovery Train

- NGL Product Delivery Facilities
- Residue Recompression & Cooling
- Waste Heat Recovery
- Heat Medium
- Fuel Gas
- Drains & Flare
- Instrument & Utility Air

Some preliminary site work has been completed including leveling, access road improvements and installation of a fence. Additionally the office/shop building has been erected, foundation work has started and some of the components of the cryogenic processing unit for Phase I are stored in a laydown yard at the site (listed in Attachment 12). The cost of these improvements and equipment is estimated at \$20,133,000 and will not be included as Qualified Investment or Qualified Property.

Ability to Relocate

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

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

ATTACHMENT 12

Description of All Existing Improvements

Preliminary site work has been completed including leveling, access road improvements and installation of a fence. The office/shop building has been erected and foundation work has started. Additionally some components of the cryogenic processing unit for Phase I are stored in a laydown yard at the site. The following components and improvements are on site:

- Office/shop Building
- Perimeter Fence
- Caliche Pad
- Components of one Cryogenic unit including:
 - Demethanizer
 - Mole sieve bed
 - Hot oil heater and pump
 - Regeneration gas heater
 - Propane chiller
 - Exchanger and fin fan units
 - Propane refrigeration compressor and expander skid
 - Associated interconnect piping

The cost of current equipment and improvements on site is \$20,133,000.

Working with the Karnes County Appraisal District, separate appraisal accounts for the pre-application period costs and the post-application period costs of the processing plant will be set up. The value of the pre-application portion cost of the facility, which will not be part of the limitation of value agreement, will be tracked in future years as a percentage of the total project value.

ATTACHMENT E

Kenedy ISD - ETC Texas Pipeline, LTD. Tax Limitation Agreement Findings of Fact

9/17/2012

Agreement Year	School Year	Project Value without Limitation	Finding 8.m M&O Tax without Limitation	Project Value with Limitation	Finding 8.n M&O Tax with Limitation	Finding 8.o Foundation School Program	Finding 8.q Total (Lost) or Gained Taxes
0	2012-13	\$590,185	\$6,138	\$590,165	\$6,138	\$0	\$0
1	2013-14	\$89,790,185	\$933,818	\$89,790,185	\$933,818	\$0	\$0
2	2014-15	\$121,290,185	\$1,261,418	\$121,290,185	\$1,261,418	\$0	\$0
3	2015-16	\$184,090,185	\$1,914,538	\$10,000,000	\$104,000	(\$424,748)	(\$1,385,790)
4	2016-17	\$178,590,185	\$1,857,338	\$10,000,000	\$104,000	(\$48,567)	(\$1,704,771)
5	2017-18	\$173,290,185	\$1,802,218	\$10,000,000	\$104,000	(\$48,567)	(\$1,649,651)
6	2018-19	\$168,090,185	\$1,748,138	\$10,000,000	\$104,000	(\$48,567)	(\$1,595,571)
7	2019-20	\$162,990,185	\$1,695,098	\$10,000,000	\$104,000	(\$48,567)	(\$1,542,531)
8	2020-21	\$158,190,185	\$1,645,178	\$10,000,000	\$104,000	(\$48,567)	(\$1,492,611)
9	2021-22	\$153,490,185	\$1,596,298	\$10,000,000	\$104,000	(\$48,567)	(\$1,443,731)
10	2022-23	\$148,890,185	\$1,548,458	\$10,000,000	\$104,000	(\$48,567)	(\$1,395,891)
11	2023-24	\$144,390,185	\$1,501,658	\$144,390,185	\$1,501,658	(\$61,973)	\$61,973
12	2024-25	\$140,190,185	\$1,457,978	\$140,190,185	\$1,457,978	\$0	\$0
13	2025-26	\$135,990,185	\$1,414,298	\$135,990,185	\$1,414,298	\$0	\$0
14	2026-27	\$131,890,185	\$1,371,658	\$131,890,185	\$1,371,658	\$0	\$0
15	2027-28	\$127,990,185	\$1,331,098	\$127,990,185			
TOTAL							(\$12,148,574)

Agreement Year	School Year	Project Value without Limitation	I&S Tax Rate	I&S Tax
0	2012-13	\$590,185	0.0410	\$242
1	2013-14	\$89,790,185	0.0342	\$30,708
2	2014-15	\$121,290,185	0.0328	\$39,783
3	2015-16	\$184,090,185	0.0300	\$55,227
4	2016-17	\$178,590,185	0.0300	\$53,577
5	2017-18	\$173,290,185	0.0312	\$54,067
6	2018-19	\$168,090,185	0.0310	\$52,108
7	2019-20	\$162,990,185	0.0312	\$50,853
8	2020-21	\$158,190,185	0.0322	\$50,937
9	2021-22	\$153,490,185	0.0322	\$49,424
10	2022-23	\$148,890,185	0.0322	\$47,943
11	2023-24	\$144,390,185	0.0330	\$47,649
12	2024-25	\$140,190,185	0.0340	\$47,665
13	2025-26	\$135,990,185	0.0340	\$46,237
14	2026-27	\$131,890,185	0.0340	\$44,843
15	2027-28	\$127,990,185	0.0000	\$0
TOTAL				\$671,261