Findings of the Gregory Portland Independent School District Board of Trustees under the Texas Economic Development Act on the Application Submitted by TPCO America Corporation

November 15, 2011

FINDINGS

OF THE

GREGORY-PORTLAND INDEPENDENT

SCHOOL DISTRICT BOARD OF TRUSTEES

UNDER THE

TEXAS ECONOMIC DEVELOPMENT ACT

ON THE APPLICATION SUBMITTED BY

TPCO AMERICA CORPORATION

NOVEMBER 15, 2011

FINDINGS OF THE GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT BOARD OF TRUSTEES UNDER THE TEXAS ECONOMIC DEVELOPMENT ACT ON THE APPLICATION SUBMITTED BY TPCO AMERICA CORPORATION

STATE OF TEXAS §

COUNTY OF SAN PATRICIO §

On the 15th day of November, 2011, a public meeting of the Board of Trustees of the Gregory-Portland Independent School District was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of the TPCO America Corporation (TPCO America) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Gregory-Portland Independent School District makes the following findings with respect to the application of TPCO America, and the economic impact of that application:

On May 11, 2011, the Superintendent of Schools of the Gregory-Portland Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received a completed Application from TPCO America for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached as **Attachment A**.

The Applicant, TPCO America (Texas Taxpayer Id. 32037771832) is an entity subject to Chapter 171, Texas Tax Code and is certified to be in good standing with the Texas Comptroller of Public Accounts. See **Attachment B**.

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

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

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

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a favorable recommendation was issued on June 2, 2011. A copy of the Comptroller's letter is attached to the findings as **Attachment C**.

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

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

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

After receipt of the Application, the District entered into negotiations with TPCO America over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. This form of the Agreement has been submitted to the Comptroller's Office pursuant to 34 Tex. Admin. Code § 9.1055 (e)(1). The proposed Agreement is attached to these findings as **Attachment G**.

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

Board Finding Number 1.

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

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

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

Board Finding Number 2.

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

Based on information provided by the Comptroller's Office, San Patricio County is the 50th largest county in the state in terms of population. Population growth in San Patricio County has been well below the state average. The state population grew by 2.0 percent between 2008 and 2009, while the population of San Patricio County decreased by 0.2 percent over the same period.

April 2011 employment growth for San Patricio County increased by 0.9 percent from April 2010, while the state total employment increased by 1.3 percent during the same period. The unemployment rate in San Patricio County was 9.2 percent in April 2011, higher than the current state average of 8.0 percent.

San Patricio County has a lower per capita personal income than the state as a whole. In terms of per capita income, San Patricio County's $33,068 in 2009 ranked 121st among the 254 counties in Texas, while the Texas average was $38,609 for the same period.

In the third quarter of 2010, taxable sales totaled $105.64 million in San Patricio County. This figure reflects a 7.5 percent increase from the same year-earlier quarter.

San Patricio County will benefit from economic activity like that associated with the TPCO America project. Major capital investments like this project are beneficial to the community on a number of fronts, including direct and indirect employment, expanded opportunities for existing businesses and increased local tax bases.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least $50,564 per year. The review of the application by the State Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs must pay 110 percent of the average manufacturing wage. TPCO America indicates that total employment will be approximately 480 new qualifying jobs.

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

After construction, the project will create up to 600 new jobs when fully operational. 480 of these 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 Coastal Bend Council of Governments Region, where San Patricio County is located was $45,967 in 2009. The annual average manufacturing wage for 2010 for San Patricio County is $70,512. That same year, the county annual average wage for all industries was $38,883. In addition to a salary of $50,564, each qualifying position will receive benefits such as medical insurance coverage, paid holidays, paid vacation, and a 401(k) retirement savings plan.

Board Finding Number 4.

The level of the applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately $1.7 million on the basis of the goal of 480 new qualifying positions for the entire TPCO America project located in Gregory-Portland ISD.

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

The project's total investment is $820.5 million, resulting in a relative level of investment per qualifying job of $1.7 million.

Board Finding Number 5.

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

Table 1 depicts TPCO America' 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.

The statewide average ad valorem tax base for school districts in Texas was $1.6 billion in 2010. Gregory-Portland ISD's ad valorem tax base in 2010 was $1.1 billion. The statewide average wealth per WADA was estimated at $345,067 for fiscal 2010-2011. During that same year, Gregory-Portland ISD's estimated wealth per WADA was $215,905.

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

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2011	100	125	225	$6,500,000	$6,500,000	$13,000,000
2012	1200	2971	4171	$78,000,000	$169,000,000	$247,000,000
2013	1020	1722	2742	$66,011,280	$121,988,720	$188,000,000
2014	100	367	467	$5,056,400	$51,943,600	$57,000,000
2015	400	797	1197	$20,225,600	$80,774,400	$101,000,000
2016	600	1151	1751	$30,338,400	$110,661,600	$141,000,000
2017	600	1185	1785	$30,338,400	$120,661,600	$151,000,000
2018	600	1230	1830	$30,338,400	$131,661,600	$162,000,000
2019	600	1269	1869	$30,338,400	$143,661,600	$174,000,000
2020	600	1307	1907	$30,338,400	$155,661,600	$186,000,000
2021	600	1349	1949	$30,338,400	$167,661,600	$198,000,000
2022	600	1342	1942	$30,338,400	$177,661,600	$208,000,000
2023	600	1358	1958	$30,338,400	$188,661,600	$219,000,000
2024	600	1382	1982	$30,338,400	$200,661,600	$231,000,000
2025	600	1415	2015	$30,338,400	$215,661,600	$246,000,000
2026	600	1451	2051	$30,338,400	$230,661,600	$261,000,000

Source: CPA, REMI, TPCO America Corporation

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, San Patricio County, and San Patricio County Drainage District, with all property tax incentives sought being granted using estimated market value from TPCO America's application. TPCO America has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and drainage district. Table 3 illustrates the estimated tax impact of the TPCO America project on the region if all taxes are assessed.

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

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Gregory-Portland ISD I&S Levy	Gregory-Portland ISD M&O Levy	Gregory-Portland ISD M&O and I&S Tax Levies (Before Credit Credited)	Gregory-Portland ISD M&O and I&S Tax Levies (After Credit Credited)	San Patricio County	San Patricio County Drainage District	Estimated Total Property Taxes
			Tax Rate[1]	0.2000	1.1700			0.5245	0.0764	
2012	$252,580	$252,580		$505	$2,955	$3,460	$3,460	$1,325	$193	$4,978
2013	$264,341,704	$264,341,704		$528,683	$3,092,798	$3,621,481	$3,621,481	$0	$0	$3,621,481
2014	$738,050,080	$20,000,000		$1,476,100	$234,000	$1,710,100	$1,710,100	$0	$0	$1,710,100
2015	$721,160,320	$20,000,000		$1,442,321	$234,000	$1,676,321	$1,267,921	$0	$0	$1,267,921
2016	$704,661,790	$20,000,000		$1,409,324	$234,000	$1,643,324	$1,234,924	$0	$0	$1,234,924
2017	$680,431,540	$20,000,000		$1,360,863	$234,000	$1,594,863	$1,186,463	$0	$0	$1,186,463
2018	$657,142,240	$20,000,000		$1,314,284	$234,000	$1,548,284	$1,139,885	$517,007	$75,312	$1,732,204
2019	$631,885,720	$20,000,000		$1,263,771	$234,000	$1,497,771	$1,089,372	$994,272	$144,836	$2,228,480
2020	$607,636,570	$20,000,000		$1,215,273	$234,000	$1,449,273	$1,040,873	$1,434,174	$208,916	$2,683,964
2021	$584,353,480	$20,000,000		$1,168,707	$234,000	$1,402,707	$994,307	$1,838,960	$267,882	$3,101,149
2022	$561,996,580	$561,996,580		$1,123,993	$6,575,360	$7,699,353	$7,699,353	$2,210,754	$322,041	$10,232,148
2023	$540,527,890	$540,527,890		$1,081,056	$6,324,176	$7,405,232	$7,405,232	$2,835,069	$412,985	$10,653,286
2024	$519,910,960	$519,910,960		$1,039,822	$6,082,958	$7,122,780	$7,122,780	$2,726,933	$397,233	$10,246,946
2025	$500,110,960	$500,110,960		$1,000,222	$5,851,298	$6,851,520	$6,851,520	$2,623,082	$382,105	$9,856,707
2026	$481,094,500	$481,094,500		$962,189	$5,628,806	$6,590,995	$6,590,995	$2,523,341	$367,575	$9,481,911
						Total	$48,958,667	$17,704,917	$2,579,078	$69,242,662

Assumes School Value Limitation and Tax Abatement with the county and drainage district.

Source: CPA, TPCO America Corporation

[1]Tax Rate per $100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Gregory-Portland ISD I&S Levy	Gregory-Portland ISD M&O Levy		Gregory-Portland ISD M&O and I&S Tax Levies	San Patricio County	San Patricio County Drainage District	Estimated Total Property Taxes
			Tax Rate[1]	0.2000	1.1700			0.5245	0.0764	
2012	$252,580	$252,580		$505	$2,955		$3,460	$1,325	$193	$4,978
2013	$264,341,704	$264,341,704		$528,683	$3,092,798		$3,621,481	$1,386,472	$201,968	$5,209,921
2014	$738,050,080	$738,050,080		$1,476,100	$8,635,186		$10,111,286	$3,871,073	$563,900	$14,546,259
2015	$721,160,320	$721,160,320		$1,442,321	$8,437,576		$9,879,896	$3,782,486	$550,995	$14,213,378
2016	$704,661,790	$704,661,790		$1,409,324	$8,244,543		$9,653,867	$3,695,951	$538,390	$13,888,207
2017	$680,431,540	$680,431,540		$1,360,863	$7,961,049		$9,321,912	$3,568,863	$519,877	$13,410,652
2018	$657,142,240	$657,142,240		$1,314,284	$7,688,564		$9,002,849	$3,446,711	$502,083	$12,951,643
2019	$631,885,720	$631,885,720		$1,263,771	$7,393,063		$8,656,834	$3,314,241	$482,786	$12,453,861
2020	$607,636,570	$607,636,570		$1,215,273	$7,109,348		$8,324,621	$3,187,054	$464,259	$11,975,933
2021	$584,353,480	$584,353,480		$1,168,707	$6,836,936		$8,005,643	$3,064,934	$446,469	$11,517,046
2022	$561,996,580	$561,996,580		$1,123,993	$6,575,360		$7,699,353	$2,947,672	$429,388	$11,076,413
2023	$540,527,890	$540,527,890		$1,081,056	$6,324,176		$7,405,232	$2,835,069	$412,985	$10,653,286
2024	$519,910,960	$519,910,960		$1,039,822	$6,082,958		$7,122,780	$2,726,933	$397,233	$10,246,946
2025	$500,110,960	$500,110,960		$1,000,222	$5,851,298		$6,851,520	$2,623,082	$382,105	$9,856,707
2026	$481,094,500	$481,094,500		$962,189	$5,628,806		$6,590,995	$2,523,341	$367,575	$9,481,911
						Total	$112,251,730	$42,975,206	$6,260,205	$161,487,141

Source: CPA, TPCO America Corporation

[1]Tax Rate per $100 Valuation

Board Finding Number 6.

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

The TPCO project remains fully taxable for debt services taxes, with G-PISD currently levying a $0.20 I&S rate. The value of the TPCO project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA that is currently below what is provided for through the state's facilities programs. The additional value is expected to help reduce the District's current $0.20 I&S tax rate to $0.135 per $100 in 2014-15—a reduction of 6.5 cents of tax effort—with the rate reduction diminishing as the project value depreciates.

Board Finding Number 7.

> **The effect of the applicant's proposal, if approved, on the number or size of needed school district instructional facilities could potentially increase the District's facility needs.**

The TPCO project anticipates up to 1,200 construction workers will be on site in 2012 and 1,000 in 2013. When the plant becomes fully operational, 600 employees are anticipated in 2016. The pattern of similar projects appears to be that many of the construction workers commute and do not relocate their families. The Gregory-Portland ISD area is also accessible from much of the greater Corpus Christi metropolitan area, where there are a number of housing options. Currently, G-PISD has capacity for approximately 56 elementary school students and 110 junior and high school students. A large-scale influx of families to the area during construction or, in the longer-term, the operational phase of the project, could create the need for additional school facilities. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Gregory-Portland ISD as stated in **Attachment D.**

Board Finding Number 8.

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

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

> According to TPCO America's application, "TPCO has the ability to locate a new facility in many countries around the world as well as numerous locations in the United States. TPCO selected the Gregory area over 33 Texas, U.S., and international locations. The selection of Gregory was featured in the Comptroller's Texas Rising publication for March/April 2009."

Board Finding Number 9.

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

Board Finding Number 10.

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

Formal notification letters of the completion of due diligence research from the firms of O'Hanlon, McCollom & Demerath and Moak, Casey & Associates have been attached to these Findings.

Board Finding Number 11.

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

According to the Texas Comptroller of Public Accounts' School and Appraisal Districts' Property Value Study 2010 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, shown as Attachment F, the total 2010 industrial value for Gregory-Portland ISD is $176.08 million Given that the value of industrial property in Gregory-Portland ISD is between $90 million and less than $200 million, the district is classified as a Subchapter C, Category 2 district which can offer a minimum value limitation of $20 million. This results because Gregory-Portland ISD is located in what was previously designated as a Strategic Investment Area (SIA), making it eligible for the "Rural" school district classification under Chapter 313, providing an additional incentive for investment in Gregory-Portland ISD.

Board Finding Number 12.

The Applicant (Taxpayer Id. 32037771832) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its "good standing" certification as a franchise-tax paying entity.

Board Finding Number 13.

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

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

Board Finding Number 14.

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

It is therefore ORDERED that the Agreement attached hereto as **Attachment G** is approved and herby authorized to be executed and delivered by and on behalf of the Gregory-Portland Independent School District. It is further ORDERED that these findings and the Attachments referred to herein be attached to the Official Minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the Gregory-Portland Independent School District.

Dated the 15th day of November 2011.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

By: Rey Rojas
Rey Rojas, President Board of Trustees

ATTEST:

By: Becky Macha
Becky Macha, Secretary Board of Trustees

MOAK, CASEY
& ASSOCIATES
SCHOOL FINANCE & ACCOUNTABILITY EXPERTS

LYNN M. MOAK, PARTNER DANIEL T. CASEY, PARTNER

November 7, 2011

President and Members
Board of Trustees
Gregory-Portland Independent School District
608 College Street
Portland, TX 78374

Re: Recommendations and Findings of the firm Concerning the Application of TPCO America Corporation. for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President Rojas and Members of the Board of Trustees:

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

1. All statements of current fact contained in the Application are true and correct.

2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.

3. The Applicant has the current means and ability to complete the proposed project.

4. All applicable school finance implications arising from the contemplated Agreement have been explored.

5. The proposed Agreement contains adequate revenue protection provisions to protect the interests of the District.

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

Sincerely,

Daniel T. Casey

Daniel T. Casey

www.moakcasey.com

Phone 512-485-7878 400 W. 15th Street★Suite 1410★Austin, TX 78701-1648 Fax 512-485-7888

O'HANLON, MCCOLLOM & DEMERATH

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AUSTIN, TEXAS 78701
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KEVIN O'HANLON
CERTIFIED, CIVIL APPELLATE
CERTIFIED, CIVIL TRIAL

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

JUSTIN DEMERATH

November 4, 2011

President and Members
Board of Trustees
Gregory-Portland Independent School District
608 College St.
Portland, Texas 78374

Re: Recommendations and Findings of the Firm Concerning Application of TPCO America Corporation for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President Rojas and Members of the Board of Trustees:

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

1. All statements of current fact contained in the Application are true and correct.

2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.

3. The Applicant has the current means and ability to complete the proposed project.

4. All applicable school finance implications arising from the contemplated Agreement have been explored.

5. The proposed Agreement contains adequate legal provisions so as to protect the interests of the District.

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

Sincerely,

Kevin O'Hanlon
For the Firm

Attachment A

Application

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

Form 50-296
(Revised May 2010)

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

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

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

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

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

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

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

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

SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION

Authorized School District Representative

Date application received by district
April 19, 2011

First Name
Paul

Last Name
Clore

Title
Superintendent

School District Name
Gregory-Portland ISD

Street Address
608 College Street

Mailing Address
608 College Street

City
Portland

State
TX

ZIP
78374

Phone Number
361-777-1091

Fax Number
361-777-1093

Mobile Number (optional)

E-mail Address
pclore@g-pisd.org

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

Will consultant be primary contact? ☑ Yes ☐ No

Comptroller | Application for Appraised Value Limitation on Qualified Property

SCHOOL DISTRICT INFORMATION: CERTIFICATION OF APPLICATION (continued)

Authorized School District Consultant (If Applicable)

First Name: Daniel T. Last Name: Casey

Title: Partner

Firm Name: Moak, Casey & Associates LLP

Street Address: 400 W. 15th Street, Suite 1410

Mailing Address: 400 W. 15th Street, Suite 1410

City: Austin State: TX ZIP: 78701-1648

Phone Number: 512-485-7878 Fax Number: 512-485-7888

Mobile Number (Optional): E-mail Address: dcasey@moakcasey.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): Paul Close Date: 5-4-11

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

If yes, date determined complete. **April 28, 2011**

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

SCHOOL DISTRICT CHECKLIST AND REQUIRED ATTACHMENTS

	Checklist	Page X of 16	Check Completed
1	Date application received by the ISD	1 of 16	X
2	Certification page signed and dated by authorized school district representative	2 of 16	X
3	Date application deemed complete by ISD	2 of 16	X
4	Certification pages signed and dated by applicant or authorized business representative of applicant	4 of 16	✓
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	will supplement

APPLICANT INFORMATION - CERTIFICATION OF APPLICATION

Authorized Business Representative (Applicant)

First Name
C.C.

Last Name
Lam

Title
Director

Organization
TPCO America Corporation

Street Address
10700 Richmond Avenue, Suite 302

Mailing Address
10700 Richmond Avenue, Suite 302

City
Houston

State
TX

ZIP
77042

Phone Number
(713) 266-2699

Fax Number
(713) 266-2697

Mobile Number (optional)

Business e-mail Address
cclam@tianjinpipe.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
D. Dale

Last Name
Cummings

Title
Partner

Firm Name
Cummings Westlake LLC

Street Address
12837 Louetta Road, Suite 201

Mailing Address
12837 Louetta Road, Suite 201

City
Cypress

State
TX

ZIP
77429

Phone Number
713-266-4456

Fax Number
713-266-2333

Business email Address
dcummings@cwlp.net

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

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

Signature *(Authorized Business Representative (Applicant))*

Date
4/18/2011

GIVEN under my hand and seal of office this 18 day of April, 2011

MATTHEW ALEXANDER EVANS
Notary Public, State of Texas
My Commission Expires
November 25, 2013

Notary Public, State of TX

(Notary Seal)

My commission expires 11/25/2013

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

TPCO America Corporation

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

32037771832

NAICS code

331210

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

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

APPLICANT BUSINESS STRUCTURE

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

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

Corporation

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

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

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

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

ELIGIBILTY 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 4

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

See Attachment 4A

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 October 2011

Begin Hiring New Employees 2013

Construction Complete December 2013

Fully Operational First Quarter 2014

Purchase Machinery & Equipment 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? First Quarter 2014

ECONOMIC INCENTIVES

Identify state programs the project will apply for:

State Source	Amount
Texas Enterprise Zone	$3,750,000
Texas Skills Development Fund	$ 600,000
Texas Capital Fund	$1,000,000
Total	$5,350,000

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.)

Chapter 312 tax abatements have been requested from San Patricio County and San Patricio County Drainage District. Tax abatement agreements have not been executed at the time this application is submitted.

THE PROPERTY

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

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

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

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

County: San Patricio (100%) (Name and percent of project)

City: n/a (Name and percent of project)

Hospital District: n/a (Name and percent of project)

Water District: n/a (Name and percent of project)

Other (describe): Drainage District (100%) (Name and percent of project)

Other (describe): (Name and percent of project)

Is the project located entirely within this ISD? ☑ Yes ☐ No

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

INVESTMENT

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

At the time of application, what is the estimated minimum qualified investment required for this school district? $20,000,000

What is the amount of appraised value limitation for which you are applying? $20,000,000

What is your total estimated *qualified* investment? $819,775,000

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? July 15, 2011

What is the anticipated date of the beginning of the qualifying time period? July 15, 2011

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? **$820,575,000**

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. None (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)? None

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

☐ First Quarter ☐ Second Quarter ☐ Third Quarter ☑ Fourth Quarter of 2010 (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?

None

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.

Not applicable

Total number of new jobs that will have been created when fully operational 400 **when fully operational. May increase to 600 after fully operational**

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? 480 in 2016

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 $823

110% of the county average weekly wage for manufacturing jobs in the county is $1,492

110% of the county average weekly wage for manufacturing jobs in the region is $972

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? $50,564

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? $50,564

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 15

ECONOMIC IMPACT

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

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

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

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

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

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

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

CONFIDENTIALITY NOTICE

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

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

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

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

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

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

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

Other information in the custody of a school district or the comptroller submitted in connection with the application, including information related to the economic impact of a project or the essential elements of eligibility under Texas Tax Code, Chapter 313, such as the nature and amount of the projected investment, employment, wages, and benefits, will not be considered confidential business information and will be posted on the internet.

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

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

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

COMPANY CHECKLIST AND REQUESTED ATTACHMENTS

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

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

 For more information, visit our Web site: www.window.state.tx.us/taxinfo/proptax/hb1200/index.html

Schedule A (Rev. Jan. 2010): Investment

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)								
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)								
	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)								
	Complete tax years of qualifying time period	1							
		2							
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	3							
		4							
		5							
		6							
		7							
		8							
		9							
		10							
Credit Settle-Up Period	Continue to Maintain Viable Presence	11							
		12							
		13							
Post- Settle-Up Period		14							
Post- Settle-up Period		15							

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

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

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 new buildings or nonremovable components of buildings.

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

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

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

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

Schedule B (Rev. Jan. 2010): Estimated Market and Taxable Value

Applicant Name

ISD Name

					Qualified Property			Reductions From Market Value	Estimated Taxable Value	
		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	Exempted Value	Final taxable value for I&S - after all reductions	Final taxable value for M&O – after all reductions
		pre- year 1								
	Complete tax years of qualifying time period	1								
		2								
	Value Limitation Period	3								
Tax Credit Period (with 50% cap on credit)		4								
		5								
		6								
		7								
		8								
		9								
		10								
Credit Settle-Up period	Continue to Maintain Viable Presence	11								
		12								
		13								
Post- Settle-Up Period		14								
Post- Settle-Up Period		15								

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

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

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

Schedule C - Application: Employment Information

Applicant Name **ISD Name**

					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								
	Complete tax years of qualifying time period	1								
		2								
	Value Limitation Period	3								
Tax Credit Period (with 50% cap on credit)		4								
		5								
		6								
		7								
		8								
		9								
		10								
Credit Settle-Up period	Continue to Maintain Viable Presence	11								
		12								
		13								
Post- Settle-Up Period		14								
Post- Settle-Up Period		15								

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 **DATE**

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

Applicant Name

ISD Name

		Year	School Year (YYYY)	Tax/Calendar Year (YYYY)	Sales Tax Information		Franchise Tax	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	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
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)											
	Complete tax years of qualifying time period	1									
		2									
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	3									
		4									
		5									
		6									
		7									
		8									
		9									
		10									
Credit Settle-Up period	Continue to Maintain Viable Presence	11									
		12									
		13									
Post- Settle-Up Period		14									
Post- Settle-Up Period		15									

*For planning, construction and operation of the facility.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

ATTACHMENT 1

See application

ATTACHMENT 2

Copy of check attached. Please note that TPCO America Corporation filed an Application for Appraised Value Limitation on Qualified Property with Gregory-Portland ISD in 2009. The application was never acted upon. Gregory-Portland ISD has advised TPCO America Corporation that the application fee paid in 2009 will be used for this application.

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

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

ATTACHMENT 3

TPCO America Corporation is not a combined group for franchise tax reporting purposes. No documentation of combined group membership and contact information is applicable.

ATTACHMENT 4

TPCO America Corporation plans to build and operate a 750,000 tons per year seamless steel pipe manufacturing mill. A process description is attached. The project will install property and equipment including but not limited to the following:

Buildings	Improvements	Machinery & Equipment	Machinery & Equipment	Machinery & Equipment	Machinery & Equipment
Alloy warehouse	Scrap yard	Electric arc furnace and baghouse	Direct evacuation (DEC) system	Non-destructive testing machine	Sinter plate filter
Alloy warehouse baghouse	Billet storage yard	Air cooling system	Dust absorbing unit and baghouse	Oil skimmers	Sizing mill
Chemical feeding room	Bulk storage bin	Argon blowing system	Dust collector system & silo	Overhead cranes	Sludge scrapers
Filtering building	Canopy hood	Billet cutting saw	Extracting mill and conveyor	Paint collection system	Straightening machine
Hot pipe rolling building	Concrete-lined slag pits	Condenser	Furnace electrodes	Pipe layer saw	Tempering furnaces and stacks
Office building	Paved parking areas	Borax spray and collection system	Hot sizing mill	Pipe threading machine	Spare parts
Slag building	Rail spurs	Chain conveyor system	Ingoing skids	Pressurized air system	Vacuum degassing unit
Steel making building	Slag yard	Charging buckets (scrap baskets)	High pressure water descaling system	Quench furnace and stack	Vacuum system
Welding/repair shop building	Scrap charging bay	Cooling water recirculation system	Hydrostatic testing machine	Radical sedimentation tank	Vacuum tank and lid
	Underground bulk storage area	Cone type piercing mill	Jet printing machine	Refractory lined ladle	Waste emulsion tank
		Continuous casting machine	Ladle dryers and pre-heaters	Refractory lined tundish	Waste water treatment system
		Continuous conveyor	Ladle metallurgy furnace & baghouse	Reheat furnaces	Water descaling system
		Conveyor belts	Ladle metallurgy station	Retained mandrel pipe mill	Water quenching system
		Cooling beds	Lime storage silos	Rotary hearth furnaces	Water spray system
		Coupling screw-on machine	Mandrel preheat furnace	Sealed slag crusher	Water treatment system
		Coating devices	Natural gas fired heaters	Steam boiler	Water cooling towers
		Delivery tables	Natural gas oxygen torch system	Sedimentation tanks	

The proposed TPCO Texas Mill will function as a "mini" steel mill. In a minimill, steel products are manufactured from scrap steel. Iron ore will not be processed at the minimill. Minimills do not utilize coke ovens or blast furnaces, which have historically been used to manufacture steel at conventional steel mills, but instead use electric arc furnaces (EAFs) to melt scrap. The following sections contain a detailed description of the processes proposed at the TPCO Texas Mill. The proposed TPCO Texas Mill is expected to produce up to 750,000 metric tons of pipes per year.

MINIMILL OPERATIONS

SCRAP MATERIAL STORAGE AND PREPARATION

Scrap steel for the TPCO Texas Mill will be purchased from outside suppliers and transported to the facility by truck or railcar. Scrap material will arrive in a pre-processed (i.e., pre-shredded) form that can be used directly in the steelmaking process. The scrap will be stored in the scrap yard, while the scrap charging bay will serve as intermediate storage between the scrap yard and the feedstock system.

RAW MATERIAL STORAGE AND HANDLING

Various raw materials will be purchased from outside vendors, then stored and handled at the facility prior to use in the steelmaking process. These materials include the following:

- Fluxing agents (e.g. lime, carbon powder, light burned dolomite)
- Alloy aggregate

Lime will be transported to the TPCO Texas Mill in trucks and stored in lime storage silos. The storage silos will be equipped with fabric filter baghouse vents to reduce PM emissions. Lime will be transferred to the EAF elevated bunker and subsequently fed to the EAF by conveyor belt. The EAF elevated bunker is connected to a baghouse to reduce PM emissions. Lime to be transferred to the ladle metallurgy furnace (LF) will be loaded to charging buckets in the lime warehouse and transported by truck to the raw material bay. In the raw material bay, lime will be transferred from the charging bucket to the LF elevated bunker by overhead crane and will subsequently be fed to the LF by conveyor belt.

Light burned dolomite and carbon powder will be transported to the plant in sealed bags by truck and directly loaded to the alloy warehouse. Overhead cranes will bring the bags into position over underground bulk storage where they will be unloaded. The fluxing agents will be transferred to the EAF elevated bunker in the meltshop and subsequently fed to the EAF by conveyor belt. PM emissions generated during the unloading of fluxing agents will be controlled by a canopy hood above the bulk storage bin, which will be vented to the alloy warehouse baghouse. PM emissions resulting from the transfer of the materials to the EAF will be controlled by dedicated bin vent baghouses.

Alloys are used in both the EAF and LF for refining steel metallurgy. Alloys in sealed bags will be transported by truck to the plant in aggregate form and unloaded in bulk storage bins. The alloy aggregate will be transferred to charging buckets in the alloy warehouse and transported by truck to the raw material bay. In the raw material bay, alloy aggregate will be transferred from charging buckets to the LF elevated bunker by overhead crane and subsequently fed to the EAF and LF by conveyor belt.

EAFMELTING AND REFINING OPERATIONS

To initiate the steelmaking process, pre-shredded scrap material will be placed in an electric arc furnace (EAF). During a "cold" startup of the EAF operation, loading of scrap will be accomplished using charge buckets (i.e., scrap baskets), which are transported into position over the EAF using overhead cranes. Once the scrap basket is in position, the furnace roof will pivot to the side, and the scrap will be charged to the furnace. Approximately two or three charges of scrap will be required to produce one batch ("heat") of molten steel. Once charging is complete, the furnace roof will be re-positioned, and the furnace electrodes will be lowered. Electrical power will then be provided to increase the temperature of the entire charge of scrap to beyond the steel melting point of approximately 2,700 degrees Fahrenheit (°F).

After the first batch ("heat") of steel is melted, scrap for subsequent heats will be fed to the EAF using a continuous conveyer ("Consteel" conveyer). The conveyer system will allow the continuous feeding of scrap material to the EAF without opening the roof of the furnace, which is expected to result in considerable energy savings. In addition, the section of the Consteel conveyer closest to the EAF will be enclosed to allow for pre-heating of the scrap using the off-gas from the EAF. In the preheating section the carbon monoxide in the exhaust gas is oxidized by an automatically controlled injection of air, allowing more energy to be recovered by the system. From this point, the EAF off-gas will be routed to a baghouse stack. A dynamic seal system will ensure that off-gas routed through the Consteel conveyer will not escape into the steel making workshop building or outside environment. The dynamic seal will also prevent the EAF baghouse from losing capacity by keeping clean air from being captured at the scrap feeding point.

During the melting process, fluxing agents (e.g., lime, light burned dolomite) will be used to remove impurities from the steel through the formation of "slag." Oxygen and reducing agents (carbon powder) will be injected to make the slag foam. Foamy slag provides insulation to reduce energy losses, protects the furnace panels from arcing, lowers refractory wear by shielding radiation, and improves heat transfer to the cooler scrap zones near the furnace walls. The floating slag rises as it foams. It is poured through the slag door into a pit below the furnace.

Once melting and refining within the EAF is complete, the contents of the furnace will be poured ("tapped") into a refractory-lined chamber ("ladle"), which will transport the molten steel to the ladle metallurgy furnace (LF) for further refining. A 36- to 46-ton "heel" of molten steel is typically left in the furnace after the furnace has been tapped in order to assist in the melting of the subsequent heat's scrap charges. Once or twice per day, the molten heel is tapped out of the furnace so that the refractory can be inspected and repaired if needed. After tapping the molten heel, a "cold" startup is required in which the scrap baskets are used to charge scrap to the furnace.

EAF emissions are generated during charging, melting, refining, and tapping. In general, when the furnace roof is closed, emissions will be controlled by a direct evacuation control (DEC) system, which is vented through a large diameter air-cooled duct to the EAF baghouse. When the furnace roof is open, emissions will be captured by the canopy hood above the EAF, which is also vented to the EAF baghouse. Emissions that are not captured by the DEC system or the canopy hood may be released as fugitives through the steelmaking workshop vent. Based on experience from other minimills currently in operation throughout the United States, approximately 99.9% of the gaseous emissions generated in the EAF are captured by either the DEC system or the canopy hood.

During charging, PM and VOC emissions will be generated by the partial combustion of grease, oil, plastics and paper attached to the scrap. Some PM emissions will be generated from the release of loose iron oxide (rust) particles on the scrap. CO emissions will be generated during charging of the furnace due to partial combustion of the carbon containing materials being charged. Charging of scrap will only be performed once or twice per day, during the "cold" startup of the EAF. Emissions generated during charging will be controlled by a canopy hood above the EAF, which is vented to the EAF baghouse.

Melting and refining emissions will include PM, CO, NOx, SO2, and small quantities of VOC. PM will be generated from the release of loose iron oxide (rust) particles on the scrap, condensation of volatilized lower-boiling point metals, and incomplete combustion of carbon-containing materials charged to the furnace. CO will also be emitted as a result of incomplete combustion of carbon-bearing materials charged to the furnace and incomplete combustion of carbon in the furnace electrodes. NOx emissions will be formed within the EAF during melting as a result of the elevated temperatures within the EAF. During melting, SO2 will be generated within the furnace due to oxidation of sulfur contained in the combustibles. VOCs not oxidized during charging of the furnace will be oxidized during melting. During melting and refining, the furnace roof is closed, and emissions will be controlled by the DEC system, which is vented to the EAF baghouse.
Any emissions that may escape as fugitives will be captured by the canopy hood above the EAF, which also is vented to the EAF baghouse.

Emissions during tapping operations may include small quantities of PM, CO, and SO2. PM emissions will result from the fumes generated by the molten steel. CO and SO2 will form as a result of oxidation of a portion of the residual carbon and sulfur in the molten steel. Emissions from tapping will be controlled by the canopy hood above the EAF, which is vented to the EAF baghouse.

EAF dust will be collected in the EAF baghouse and transferred directly from the baghouse into sealed trucks to be transported offsite. A sealed pipe will be connected to the bottom of the baghouse on one end and an open buffering bag on the other end. Periodically, dust will be collected by loading the bag into the trucks and transferring the dust from the pipe and bag into the trucks. The transfer operation will take place in an enclosed attachment of the baghouse. Since the enclosure will be under negative pressure, no air emissions are expected to result from the handling of EAF dust. The trucks will transport the dust offsite without any intermediate storage within the facility.

LADLE METALLURGY STATION REFINING OPERATIONS

While some rough refining will be performed within the EAF, the EAF will be used primarily for melting scrap material. Once the steel reaches the desired conditions, the steel will be tapped into a refractory-lined chamber ("ladle") to be transported to the ladle metallurgy station (LMS). The LMS consists of a ladle furnace (LF) and a vacuum degassing unit (VD). At the LF, the ladle will be connected to a ladle furnace roof, which contains electrodes for further electrical heating. The injection of additional raw materials will also be accomplished in the LF. During the course of steel refining in the LF, argon is continuously injected to stir the liquid steel to a uniform composition and to adjust the temperature.

When producing some high quality steel, degassing treatment by VD is necessary after refinement in the LF. A VD is used to reduce the concentrations of dissolved gases (H2, N2, O2) in the liquid steel, remove oxide inclusion materials from the liquid steel, and provide the means and technical conditions that are favorable for final desulfurization. In the VD vessel, impure materials are facilitated to float on the surface of liquid steel and the purity of liquid steel is highly improved by blowing argon into liquid steel under vacuum condition.

The VD system is composed of a vacuum tank, vacuum tank lid, argon blowing system on the bottom of the ladle, and vacuum system. From the LF, the ladle will be transported to the VD vessel by overhead crane. When the ladle is in position, argon blowing from the bottom of the ladle will be started to stir the liquid steel and homogenize the liquid steel composition and bath temperature. The vacuum tank will then be covered by a lid and vacuum processing will begin. Vacuum processing occurs for approximately 8 to 15 minutes, and argon continuously stirs the liquid steel with low air flow. Air will be blown into the tank to break the vacuum conditions. When the lid opens, wire feeding will be conducted with argon blowing. When the temperature and composition of the liquid steel meet the requirements, the argon blowing system will be turned off and ladle cover agents will be added into the steel bath to preserve heat. The ladle will then be transported to the caster by overhead crane. During the VD process, no material will be charged into the ladle except wire feeding.

Exhausted gas and PM from the vacuum tank will be pumped to an air cooling and dust collector system. When exhausted gas is cooled on the vertical air cooling device, some large-diameter PM will deposit by gravity. A sealed silo will be installed below the air cooling and dust collector system, where dust will be collected and cleaned regularly. Exhausted gas from the cooling and dust collector system will enter the vacuum pump system, and then enter condensers with steam. After the last condenser, the gas and steam
will be exhausted from the VD steam stack (EPN VDSS). PM entrained in the cooling water will be treated in the water treatment system.

The ladle is lined with refractory and preheated before being used. The ladle preparation area will consist of dryers and preheaters. Both the dryers and preheaters will be natural gas fired. Combustion emissions will be released during preheating and drying of the ladle. The refractory lining of the ladle will also require occasional repair and replacement. This may involve the use of organic binding agents, which may generate small quantities of VOC emissions. In addition, some PM emissions may be generated from the removal of spent refractory.

LF emissions are expected to be similar to emissions generated during melting operations within the EAF, but much smaller in magnitude. Contaminants which may be emitted include PM, CO, NOx, SO2, and VOC. PM emissions will be generated primarily from iron oxide in steel and metal fumes. PM emissions from the LF are expected to be lower than PM emissions from the EAF because the steel will already be in molten form and the low-vapor point metals will have already been volatilized. Additionally, some reduction of PM generation, especially metal fumes, will result from the filtering effect of the slag layer, which will float on the molten steel bath. Small quantities of CO emissions from the LF may also result from the oxidation of carbon containing materials such as the LF's electrodes. Small amounts of NOx may be emitted as air comes in contact with any exposed molten metal surfaces. Very small quantities of SO2 may also be emitted due to oxidation of carbon materials and residual sulfur in the bath.

An air-cooled duct connected to the ladle furnace roof will vent emissions from the LF to the LF baghouse (EPN LSTBS). Some emissions will also be captured by the canopy hood above the LF, which also is vented to the LF baghouse. In addition, emissions from raw material transfer to the elevated bunker will also be captured and vented to the LF baghouse. Approximately 99.9% of emissions generated by the LF will be routed to the LF baghouse. The remaining emissions may be released from the building as fugitives through the steel making workshop vent (EPN SMWV). Emissions from the dryers, preheaters, and ladle relining activities are all conservatively assumed to be released from the building as fugitives through the steel making workshop vent.

SLAG HANDLING AND CRUSHING

Slag is formed in both the EAF and LF. The slag formed in the EAF tends to be larger in diameter and requires processing prior to resale as a usable aggregate product.

The slag formed in the EAF will be emptied into concrete-lined pits beneath the furnace for cooling. Cooling slag is subsequently removed by front-end loaders and transferred to a water quenching area in the slag yard. After 24 hours of water quenching, most of the slag will be in powder form. Only a small portion of the slag will be in lump form and will be transferred to a building in the corner of the slag yard. In the building, a sealed crusher will process the slag into small pieces. Since the slag is processed in an enclosed building with high moisture, the crushing emissions are expected to be minimal. The processed slag is subsequently loaded into dump trucks and transferred offsite.

The slag formed in the LF will be emptied from the ladle after the LF refining operation is complete. After cooling, the LF slag will be transported to the slag yard and processed in the same manner as EAF slag.

CONTINUOUS CASTING OPERATIONS

Once the molten steel reaches the desired properties in the LF or VD, the ladle will be removed and transported by overhead crane to a continuous casting machine. In the caster, steel will be tapped from the ladle into another refractory-lined chamber ("tundish"). From the tundish, the molten steel will flow from four outlets of the tundish into four molds lubricated with mold fluxes (crystallizer covering slag). As the steel travels through the mold, it will be cooled and formed into steel billets with a liquid core. As the partially cooled steel continues out of the mold, it is further cooled by water sprays. After leaving the spray chamber, curved billets are straightened by the straightening machine. The billets are then cut into individual pieces with fixed lengths by an automatic natural gasoxygen torch system. Billets then continue on to the cooling bed and are picked up by an overhead crane and placed into storage bays.

The relatively low level of emissions occurring during casting primarily results from the combustion of natural gas from the tundish preheater and the cutting torch system. Small quantities of emissions also may result from the molten steel. The caster-related emissions primarily leave the steel making workshop building via the steel making workshop vent. Steam from the spray cooling chamber exhausts through two stacks located on the outside wall of the steel making workshop building.

The tundish will be preheated using a natural gas-fired heater. Combustion emissions will be released during tundish preheating. In addition, the refractory lining of the tundish must be repaired occasionally. This may involve the use of organic binding agents, which may generate small quantities of VOC emissions. In addition, some PM emissions may be generated from the removal of spent refractory. Emissions from the tundish preheating and tundish refractory repair are assumed to be released from the building as fugitives through the steel making workshop vent.

PIPE MILL

BILLET STORAGE AND PREPARATION

Steel billets with fixed length and diameter will be transported from the steel making workshop to the hot pipe rolling workshop by overhead crane and stored in the billet storage yard. A portion of the billets will be transferred to the billet preparation area by delivery table and ingoing skid as needed. Billets will be cut into required lengths by the billet cutting saw and weighed in the preparation area.

After weighing, billets will be charged into the rotary hearth furnace (RHF), in which the billets will be heated to a proper temperature for the next piercing process. Emissions from the combustion of natural gas in the rotary hearth furnace are exhausted through a roof-top stack.

When producing some high-alloy steel pipes and thin wall pipes, billets will need to be centered by the cold centering machine before being charged into the RHF.

During the course of billet storage, transportation, and preparation, PM emissions will be generated primarily from iron oxides.

HOT ROLLING

Heated billets from the RHF will be transported by delivery table to the cone type piercing mill, by which they will be pierced into hollow thick wall pipes ("hollow billets"). Subsequently, hollow billets will pass through a borax spraying and collection system, where steel scale inside the hollow billets can be blown off by nitrogen and borax.

After being descaled, hollow billets will be conveyed through the PQF retained mandrel pipe mill which reduces the diameters and uniforms wall thickness of hollow billets. The hot formed billet is called a "pierced billet". During pipe hot rolling, the external surfaces of pierced billets will be cleaned by a high pressure water descaling system.

PM emissions generated during hot rolling will be controlled by canopy hoods above the cone type piercing mill, the borax spraying and collection system, the entrance and exit of the PQF pipe mill and the extracting mill, which will be vented to the sinter plate filter in the hot rolling workshop.

Before hot rolling, mandrels lubricated with graphite will be preheated in the mandrel preheat furnace and then pulled through the hollow billets. After hot rolling, mandrels will be extracted from the pierced billets in the extracting mill. Then the mandrels will be cooled and lubricated with graphite for reuse. Emissions from the combustion of natural gas in the mandrel preheat furnace will be exhausted through a roof-top stack above the mandrel bar workshop.

PM emissions will be generated primarily from iron oxide. Small amounts of NOx may be emitted as air comes in contact with exposed hot pipes.

SIZING

The extracting mill outlet conveyor mainly consists of a run-out roller way adjustable on height, consisting of driven rolls, mounted on a suitable support frame, and the fixed shock-absorbing tube stopper. A shell-guiding device will assure a proper shell centering for the measuring system. A support frame for installation of measuring device is installed. In the area of the wall thickness measuring system protection measures have to be undertaken, to assure personal safety.

A rotary arm system, with electromechanical drive, will transfer the shell from the extracting mill outlet conveyor to the following chain type transfer. Inlet conveyor of the Sizing Mill. Sizing Mill inlet roller table, with individually driven rolls (complete of tube inspection bench equipped with rotating and kick-out device), is provided for feeding the tubes to the Sizing Mill.

After sizing, pipes will be cooled on the cooling bed and then transported to the pipe layer saw for head and tail end cutting and fixed length cutting. Emissions from pipe cutting will be captured by the canopy hood above the sizing mill, which will be connected to the sinter plate filter.

Subsequently, pipes will pass through the straightening machine and non-destructive testing (NDT) machine in turn. There will be a dust absorbing unit (i.e., iron boxes) between the straightening process and the non-destructive testing process, in which the iron scale on pipes can be removed by pressurized air from one side of the unit into a dust collector on the other side of the unit. The dust absorbing unit will be equipped with a baghouse to control PM emissions, which will then be routed to the hot rolling and pipe processing workshop vent.

After NDT, weighing, and length measuring, hot rolled pipe will be stored in the intermediate storage.

HEAT TREATMENT

For some types of seamless steel pipe, heat treatment is required. First, hot rolled pipes from the intermediate storage will be transported to the quench furnace and will be heated to different required temperatures. A high pressure water descaling system will be equipped at the exit of the quenching furnace for pipe surface descaling. After descaling, there will be three different subsequent heat treatment processes, according to different requirements.

- **QUENCHING AND TEMPERING PROCESS**

From the quench furnace and water descaling system, pipes will be cooled quickly by cooling water when passing through the quenching unit. Pipes will then be transported to the tempering furnace for temper treatment.

- **NORMALIZING AND TEMPERING PROCESS**

From the quench furnace and water descaling system, pipes will be cooled slowly on the cooling bed, and will then be transported to the tempering furnace for temper treatment.

From the above two processes, pipes from the tempering furnace will be transported to the hot sizing mill, hot straightening machine and cooling bed in turn to complete the entire heat treatment process. Emissions from the combustion of natural gas in the quenching furnace and tempering furnace are exhausted through the quenching furnace stack and the tempering furnace stack, respectively.

- **NORMALIZING PROCESS**

From the quench furnace and water descaling system, pipes will be transported directly to the cooling bed.

Cooled pipes treated in the above three processes will then go through straightness and hardness inspection. The pipes that cannot meet the hardness requirements will be sent back to repeat their respective heat treatment process.

Before going through NDT, pipes will pass through a dust absorbing unit (i.e., iron boxes), in which the iron scale on pipes is removed by pressurized air from one side of the unit into a dust collector on the other side of the unit. The dust absorbing unit is equipped with a baghouse to control PM emissions, which will then be routed to the hot rolling and pipe processing workshop vent.

After NDT, the qualified pipes will return to intermediate storage for further processing.

PREMIUM CONNECTING PIPE FINISHING

Semi-manufactured pipes for the premium connecting pipe finishing line will be produced on site or purchased from outside suppliers. Seventy-five percent of the semi manufactured pipes will be heat-treated pipes.

Semi-manufactured pipes from outside suppliers that have passed hydrostatic testing will be transported by overhead crane to the pipe threading machine in the premium connecting pipe line for pipe end threading. Those pipes that have not passed hydrostatic testing will go through hydrostatic testing before pipe end threading.

After threading, the pipes will go through screw thread testing. Unqualified pipes will be transported off-line to the sawing machine to be cut and then transported back to the premium connecting line. After applied lubricating grease onto pipe threads, qualified pipes will then be transferred to a coupling screw-on machine to screw a pipe connector on one of the pipe ends.

Subsequently, the pipes will be transported to another pipe threading machine, the other end of qualified pipes will be threaded, followed by screw thread testing. Pipes that pass screw thread testing will then be lubricated with lubricating grease and pin and box protectors will be screwed on the end.

After weighing, length measuring, and marking/printing on jet printing machine, pipes will be transferred to UV coating devices where UV paint will be solidified on the surface of pipes. UV paint does not contain any solvents, so there will be very little VOC emissions during the painting process. Finished pipes will be transported to finished pipe storage by overhead crane.

During the threading and hydrostatic testing process, emulsion will be used. Waste emulsion will be collected and stored in waste emulsion tank in the workshop, which may emit a small amount of VOCs.

CASING PIPE FINISHING

Heat treated and hot rolled pipes from intermediate storage will be transported to the pipe threading machine in the casing pipe line for pipe end threading. After threading, the pipes will go through pipe end inspection.

Unqualified pipes will be transported off-line to the sawing machine to be cut and then transported back to the casing pipe line. Qualified pipes will be directly transferred to a coupling screw-on machine to screw a pipe connector on one of the pipe ends.

Subsequently, the screwed pipes will go through the hydrostatic test and drift diameter inspection. After inspection, the other end of qualified pipes will be threaded, followed by end pipe inspection. Pipes that pass end pipe inspection will be lubricated with lubricating grease, and pin and box protectors will be screwed on the end.

After weighing, length measuring, and marking and printing, pipes will be transferred to coating devices and waterborne antirust paint will be sprayed on the pipes. The coating devices will be equipped with a paint collection system to control VOC emissions, where the paint mist will be collected by water washing with over 96% control efficiency and the exhausted gas will be absorbed by active carbon with 60% control efficiency.

Painted pipes will dry on the chain stripper. To shorten the drying time, a non-contact steam drying system will be installed on the chain stripper. Steam will be supplied by a boiler which is heated by the exhaust heat from the rotary hearth furnace. This boiler shares an exhaust stack with the rotary hearth furnace. Dry casing pipes will be transported to finished pipe storage by overhead crane.

During the threading and hydrostatic testing process, emulsion will be used. Waste emulsion will be collected and stored in waste emulsion tank in the workshop, which may emit a small amount of VOCs. During coating and drying processes, paint will be used, which also may emit VOCs.

PLAIN END PIPE FINISHING

The process of plain end pipe finishing is similar to the process of casing pipe finishing, except that the threading process is not included. The plain end pipe finishing line is a separate production line from the casing pipe finishing line.

WATER TREATMENT

There will be one closed cooling water recycling system and one wastewater treatment and recycling system for the proposed steel making workshop and the pipe mill, respectively. Minimal air emissions are expected to result from the water treatment system.

CLOSED COOLING WATER RECYCLING SYSTEM IN THE STEEL MAKING WORKSHOP

A water pump station near the steel making workshop will provide cooling water for melting, refining, and casting processes. This cooling water recycle system will consist of three closed water cycles; thus, cooling water will not contact air and machines within the steel making workshop. Anti-incrustation corrosion agent will be added regularly into cooling water, and water in this system will be supplemented regularly. No wastewater will be generated from this system.

OPEN COOLING WATER RECYCLING SYSTEM AND WASTEWATER TREATMENT IN THE STEEL MAKING WORKSHOP

There will be two outside cooling water towers, one outdoor hot water well and one indoor hot water well in the open water recycling system. Hot water wells will be covered by lids.

Wastewater with iron scale from the steel making workshop will pass through one first sedimentation tank. Iron scale deposited at the bottom of the tank will be transported by overhead crane to the paved ground beside the tank for natural dehydration. The first sedimentation tank will be equipped with an oil skimmer, by which oil on the surface of the wastewater will be collected.

Wastewater from the first sedimentation tank will pass through a radical sedimentation tank and a sludge thicken tank in turn, where flocculating agent (poly aluminum chloride) will be added to the wastewater and produced sludge will be collected by sludge scrapers. A chemical feeding room will be located near the radical sedimentation tank for chemical mixing and one adjusting tank for adjusting the wastewater's flow rate, temperature, and pH before wastewater treatment.

Oil collected by the oil skimmer will be transported in a sealed box to off-site reclamation facilities. Sludge collected by sludge scrapers will be transported to a sludge dewatering room equipped with two plate and frame filter presses. After sludge dehydration, sludge cake will be transported to off-site reclamation facilities. All treated wastewater will be reused in the steelmaking process.

The tanks mentioned above will be located outside of the steel making workshop, except the first sedimentation tank.

The steel making wastewater treatment process will emit a small amount of VOCs and the cooling towers may emit a small amount of PM.

CLOSED COOLING WATER RECYCLING SYSTEM IN THE PIPE MILL

The closed cooling water recycling system in the pipe mill is similar to that in the steel making workshop. There will be a pump station near the pipe hot rolling and finishing workshop. The system will consist of two closed water cycles: one cycle for the pipe hot rolling process and the other for the pipe finishing process.

OPEN COOLING WATER RECYCLING SYSTEM AND WASTEWATER TREATMENT IN THE PIPE MILL

There will be seven cooling water towers and one hot water well for the pipe hot rolling process and the pipe finishing process, respectively. The cooling water tower flow rates for each the pipe hot rolling process and the pipe finishing process are combined for emission calculation purposes, as discussed in Section 8 of this application.

There also will be separate wastewater treatment systems for the pipe hot rolling process and the pipe finishing process. The pipe hot rolling wastewater treatment system will consist of one first sedimentation tank, three secondary horizontal flow sedimentation tanks, three adjusting tanks, and three sludge thicken tanks. The pipe finishing wastewater treatment system will consist of one first sedimentation tank, two secondary horizontal flow sedimentation tanks, three adjusting tanks, and three sludge thicken tanks. The two wastewater treatment systems will share one chemical feeding room and one sludge dewatering room. The tanks will be located outside of the hot rolling and finishing workshop.

There will be a separate graphite wastewater treatment system to handle wastewater from the mandrel bar workshop where graphite on the mandrel is washed out into water. This system will consist of one adjusting tank, two sludge thicken tanks, and two plate and frame filter presses, which will be located in one room. Chemical feeding with polymer flocculating agents also will be conducted in this room.

Dehydrated sludge cake will be transported to off-site reclamation facilities, and the treated wastewater will be recycled in the pipe hot rolling and finishing processes.

The entire wastewater treatment process (EPN RSWTF) will emit a small amount of VOCs and the cooling towers (EPN RSCCT and PPCCT) may emit a small amount of PM.

MISCELLANEOUS OPERATIONS

In addition to the above mentioned facilities, TPCO America Corporation proposes to include the following miscellaneous activities:

- Miscellaneous painting operations within the steel making workshop and hot rolling mill. Paint will be applied manually with a brush.
- Solvent usage.
- Lubricating oil for equipment maintenance purposes.
- Miscellaneous welding operations for maintenance purposes.

ATTACHMENT 4A

TPCO America Corporation is a subsidiary of China-based Tianjin Pipe (Group) Corp.

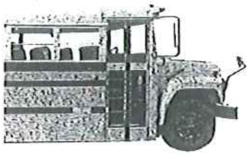
TPCO has the ability to locate a new facility in many countries around the world as well as numerous locations in the United States. TPCO selected the Gregory area over 33 Texas, U.S., and international locations. The selection of Gregory was featured in the Comptroller's *Texas Rising* publication for March/April 2009.

March/April 2009

Texas Rising

Susan Combs Texas Comptroller of Public Accounts • Partnering with local governments to solve important issues

3 Candy maker sweetens Grand Prairie



4 School district takes on transparency

5 Teamwork pays off for Mount Pleasant

7 Boost your sales tax collections

8 Texas housing among strongest in nation

Pipeline to the World

Texas coast wins largest single manufacturing investment by a Chinese company in the U.S.

by Clint Shields

A skilled work force and strategic location helped a Texas coastal city win a $1 billion pipe manufacturing facility.

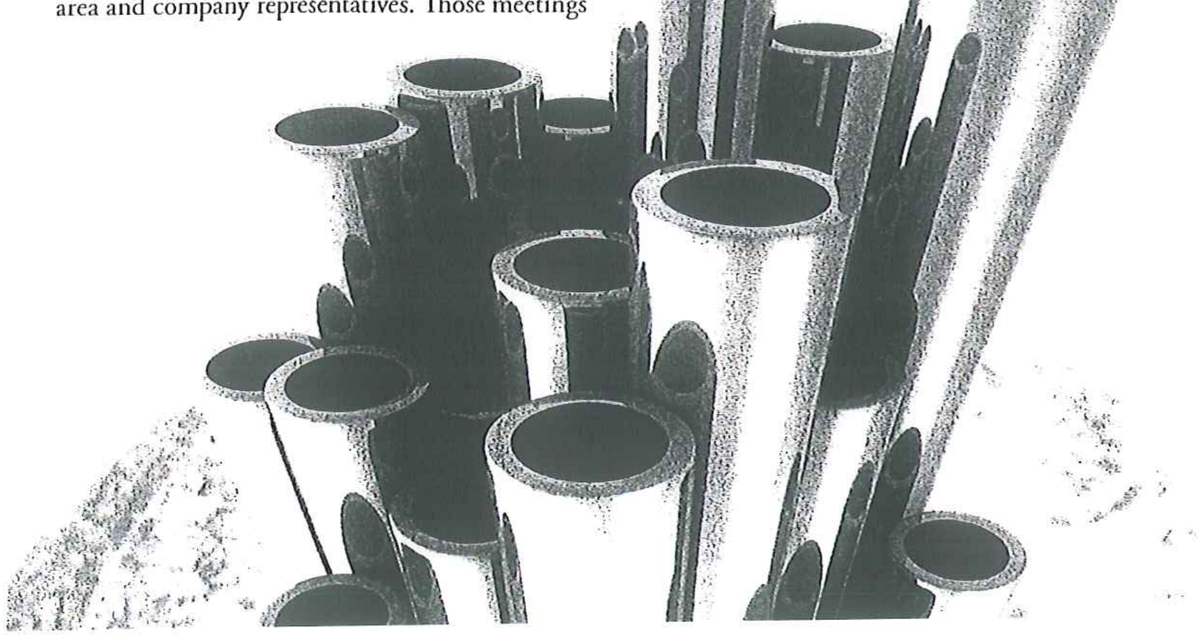
TPCO America Corp. (TPCO), a subsidiary of China-based Tianjin Pipe (Group) Corp., will build the plant near Gregory in San Patricio County. This will be the largest single manufacturing investment made by a Chinese company in the United States. The facility could create as many as 600 jobs and have an estimated $2.7 billion economic impact in 10 years.

Representatives of TPCO selected the Gregory area over 33 Texas, U.S. and international locations. TPCO officials first visited the area in fall 2007, and the visit opened a dialogue and spawned numerous meetings in Texas and China between area and company representatives. Those meetings helped foster the relationship between TPCO and its new Texas home.

"Thanks to the excellent job done by our friends at the Corpus Christi Regional Economic Development Corp. (EDC) and the San Patricio EDC, and the enthusiastic support of local government entities, the Gregory-Portland Independent School District and the state of Texas, San Patricio County topped the other candidates as the winning site for our project," says Zhang Wenfeng, vice president of TPCO.

The Gregory facility is expected to manufacture up to 500,000 metric tons of seamless pipe for the oil and gas extraction and production industry annually and employ hundreds of local workers.

continued on page 6



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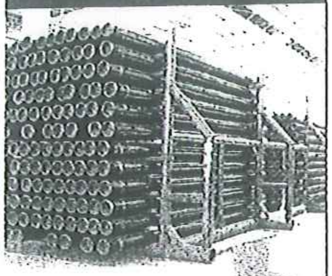
Local Government Tools that Made the Difference
San Patricio County



Landing a $1 billion pipe facility does not happen every day, nor is it easy. In the case of Gregory's planned TPCO America Corp. facility, the task included meetings, trips to China and multiple civic and local government groups working together.

"One of the things we did well was assembling the team, from industry to community to education to government," says J.J. Johnston, executive vice president for business attraction and external marketing for the Corpus Christi Regional EDC. "That collaboration and co-ordination of efforts helped cut the red tape and helped the company understand our region."

TPCO and area representatives are working on a variety of state and local incentives, including employment-based incentives, tax abatement, job training and infrastructure. With about 600 jobs expected and an estimated $18 million in annual salaries at peak production, the local area is the big winner.

"It means 600 families are going to have high-paying jobs," says Johnston. "This is a true definition of new money coming into an area."

"We're looking at 300 jobs in the first two years, and double that in the fourth or fifth year," says J.J. Johnston, Corpus Christi Regional EDC's executive vice president for business attraction and external marketing. "And those are direct jobs, not construction jobs, of which I think hundreds will also be created."

The area's strategic geographical location, convenient access for incoming raw materials and outgoing products, availability of power and other utilities and work force were all factors in the final decision, TPCO's Wenfeng says.

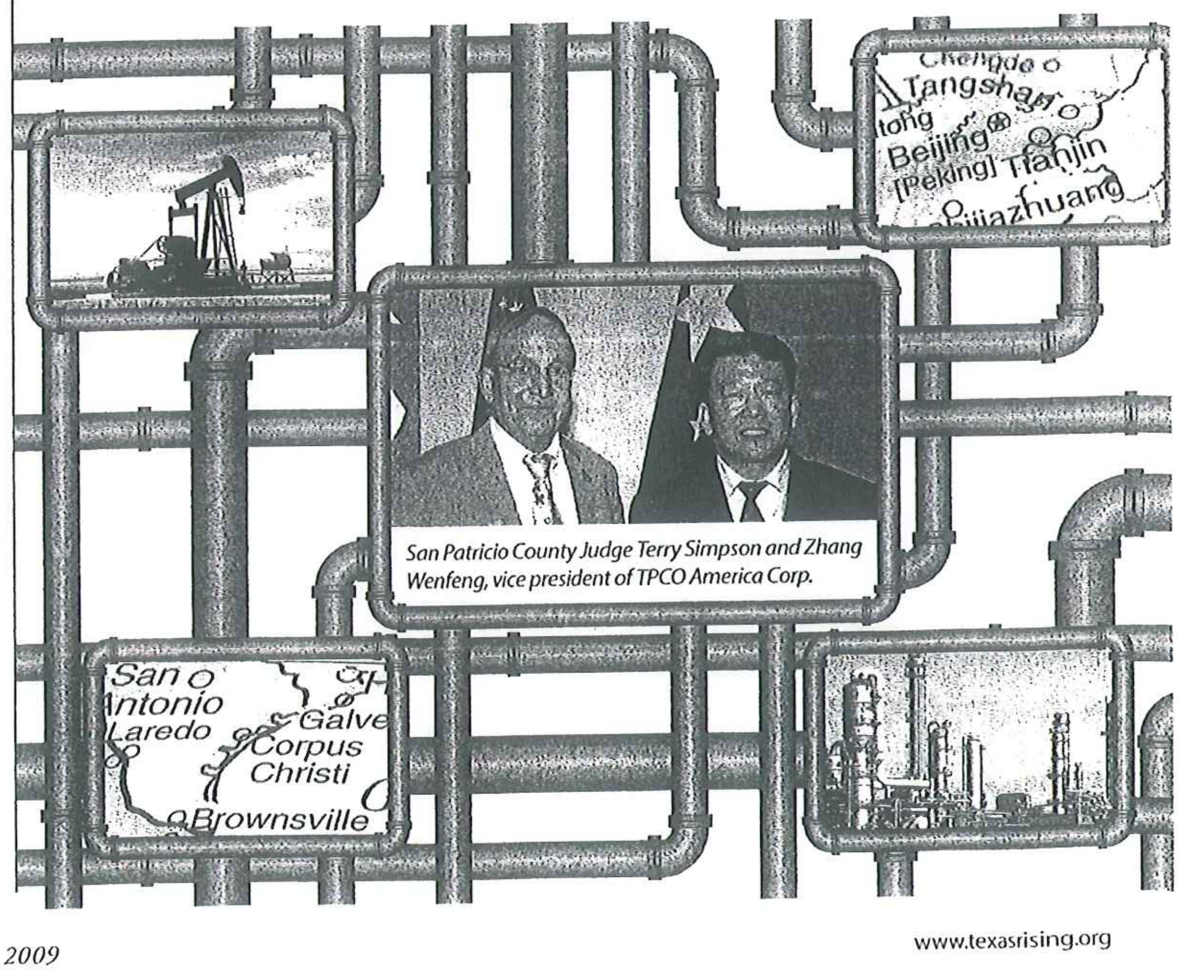
"We have a work force skilled in metal handling and welding, with great port assets, rail and pipelines for the facility," says Johnston. "While we tend to build things here rather than invent them, our region is becoming better equipped to receive new knowledge and technology. The TPCO project will bring both and will utilize the ever-increasing amount of recent computer science, engineering and technical graduates."

TPCO's Chinese-manufactured products are known throughout the oil and gas industry and are used in more than 90 countries. Having TPCO's U.S. home in Texas places it close to major customers such as Shell, Chevron and others. About 25 percent of the company's product already goes into the United States, and the Gregory facility will serve about 70 percent of that need.

The facility is probably two-and-a-half years away from producing pipe, but crude oil's lowered price, hovering at about $50 a barrel, is not slowing TPCO's expansion enthusiasm. The company does not expect the price to remain that low.

"It's a tough industry to be in," Johnston says. "As prices went down, we asked them if they were still coming in. They assured us that they need this expansion."

For more information on the area's business climate and potential business incentives, visit the Corpus Christi Regional EDC's Web site at *www.ccredc.com*, or the San Patricio EDC's Web site at *www.sanpatricioedc.com*. TR



San Patricio County Judge Terry Simpson and Zhang Wenfeng, vice president of TPCO America Corp.

ATTACHMENT 5

The project is located in the following taxing jurisdictions:

- San Patricio County (100%)
- Gregory-Portland ISD (100%)
- San Patricio County Drainage District (100%)

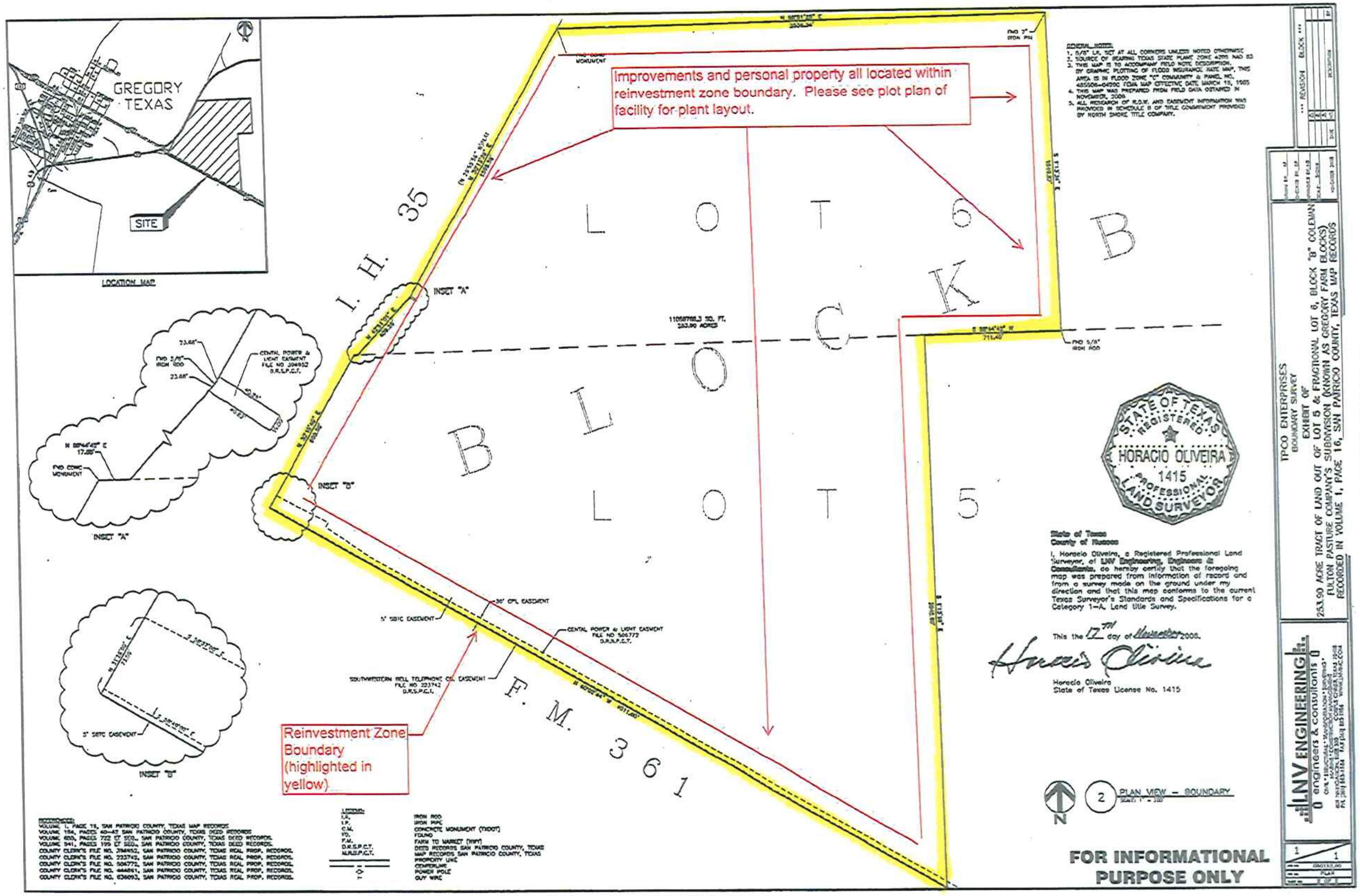
ATTACHMENT 6

TPCO America Corporation plans to build and operate a 750,000 tons per year seamless steel pipe manufacturing mill. The project will install property and equipment including but not limited to the following:

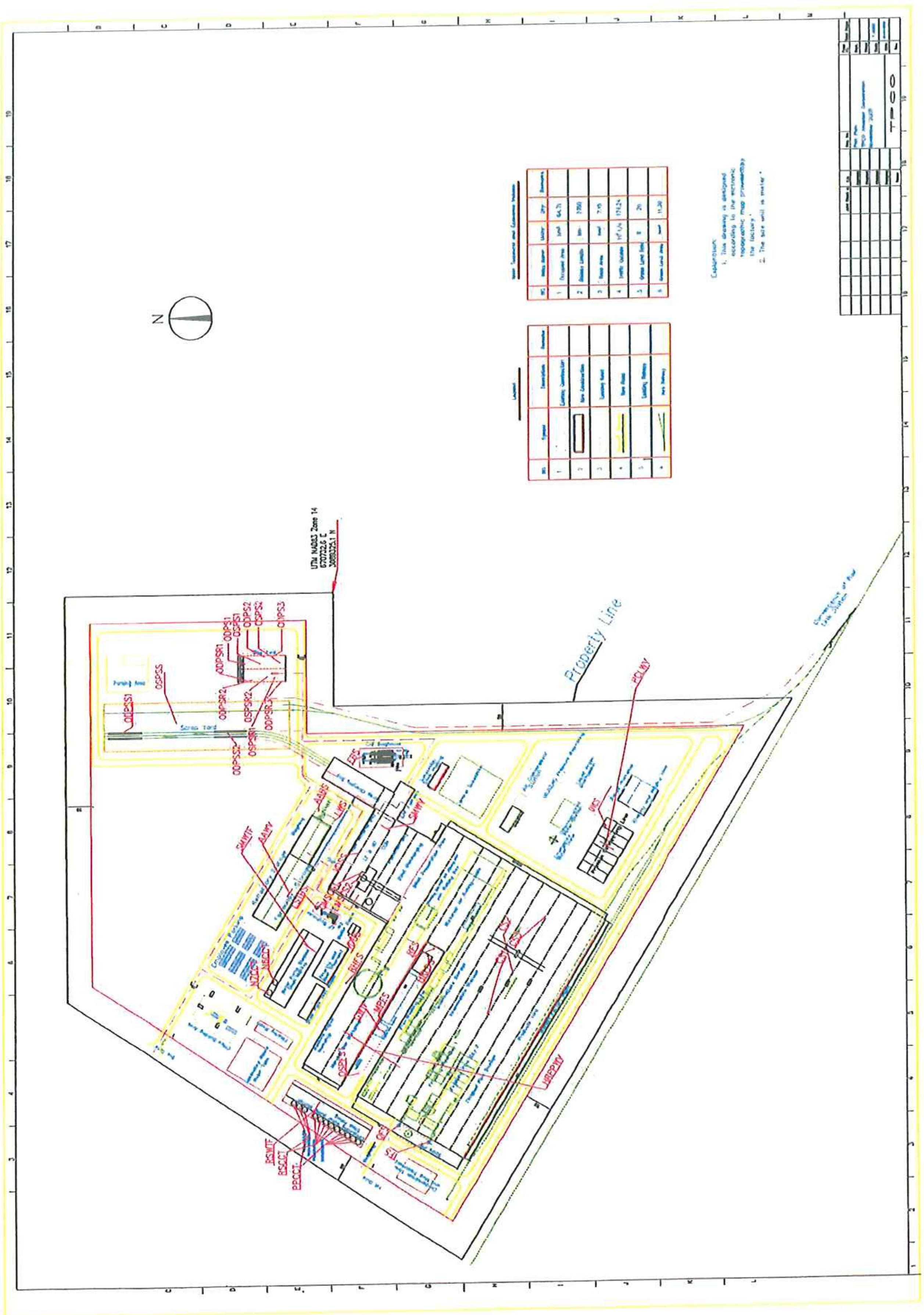
Buildings	Improvements	Machinery & Equipment	Machinery & Equipment	Machinery & Equipment	Machinery & Equipment
Alloy warehouse	Scrap yard	Electric arc furnace and baghouse	Direct evacuation (DEC) system	Non-destructive testing machine	Sinter plate filter
Alloy warehouse baghouse	Billet storage yard	Air cooling system	Dust absorbing unit and baghouse	Oil skimmers	Sizing mill
Chemical feeding room	Bulk storage bin	Argon blowing system	Dust collector system & silo	Overhead cranes	Sludge scrapers
Filtering building	Canopy hood	Billet cutting saw	Extracting mill and conveyor	Paint collection system	Straightening machine
Hot pipe rolling building	Concrete-lined slag pits	Condenser	Furnace electrodes	Pipe layer saw	Tempering furnaces and stacks
Office building	Paved parking areas	Borax spray and collection system	Hot sizing mill	Pipe threading machine	Spare parts
Slag building	Rail spurs	Chain conveyor system	Ingoing skids	Pressurized air system	Vacuum degassing unit
Steel making building	Slag yard	Charging buckets (scrap baskets)	High pressure water descaling system	Quench furnace and stack	Vacuum system
Welding/repair shop building	Scrap charging bay	Cooling water recirculation system	Hydrostatic testing machine	Radical sedimentation tank	Vacuum tank and lid
	Underground bulk storage area	Cone type piercing mill	Jet printing machine	Refractory lined ladle	Waste emulsion tank
		Continuous casting machine	Ladle dryers and pre-heaters	Refractory lined tundish	Waste water treatment system
		Continuous conveyor	Ladle metallurgy furnace & baghouse	Reheat furnaces	Water descaling system
		Conveyor belts	Ladle metallurgy station	Retained mandrel pipe mill	Water quenching system
		Cooling beds	Lime storage silos	Rotary hearth furnaces	Water spray system
		Coupling screw-on machine	Mandrel preheat furnace	Sealed slag crusher	Water treatment system
		Coating devices	Natural gas fired heaters	Steam boiler	Water cooling towers
		Delivery tables	Natural gas oxygen torch system	Sedimentation tanks	

ATTACHMENT 7

See attached maps



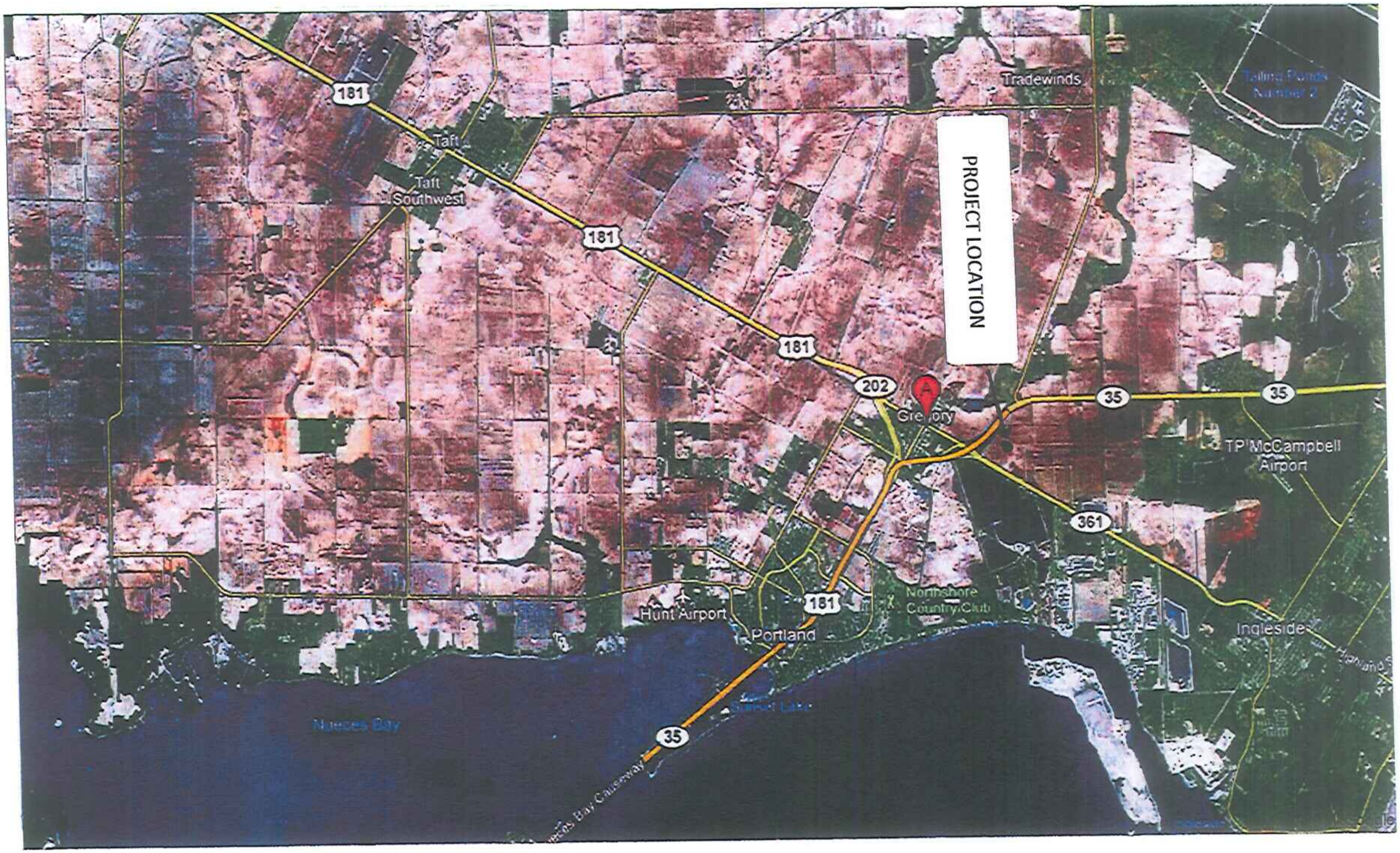
ATTACHMENT 7



ATTACHMENT 7
PLOT PLAN

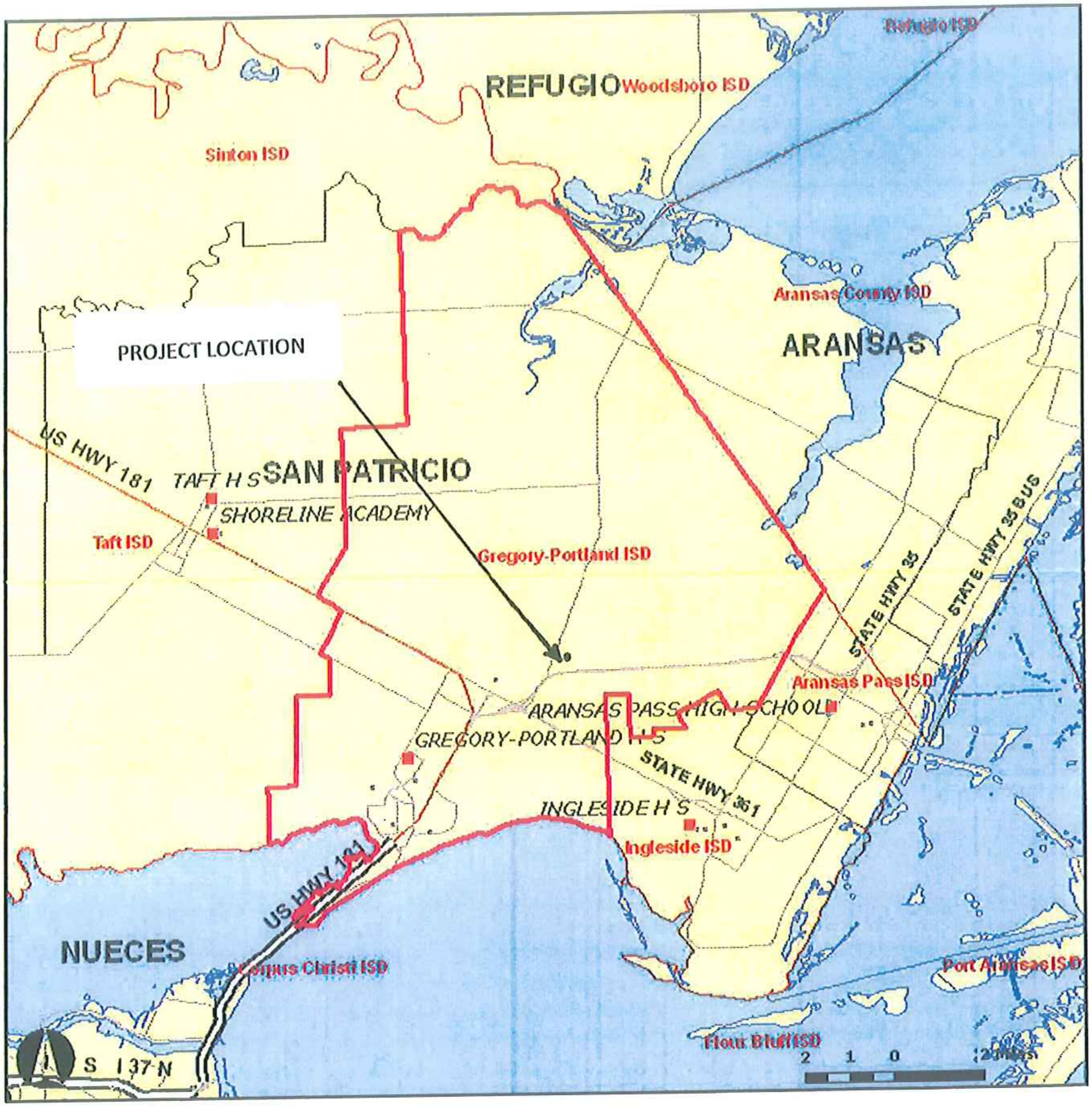
Google maps

To see all the details that are visible on the screen, use the "Print" link next to the map.



ATTACHMENT 7
VICINITY MAP

Gregory-Portland ISD



ATTACHMENT 7
GPISD MAP

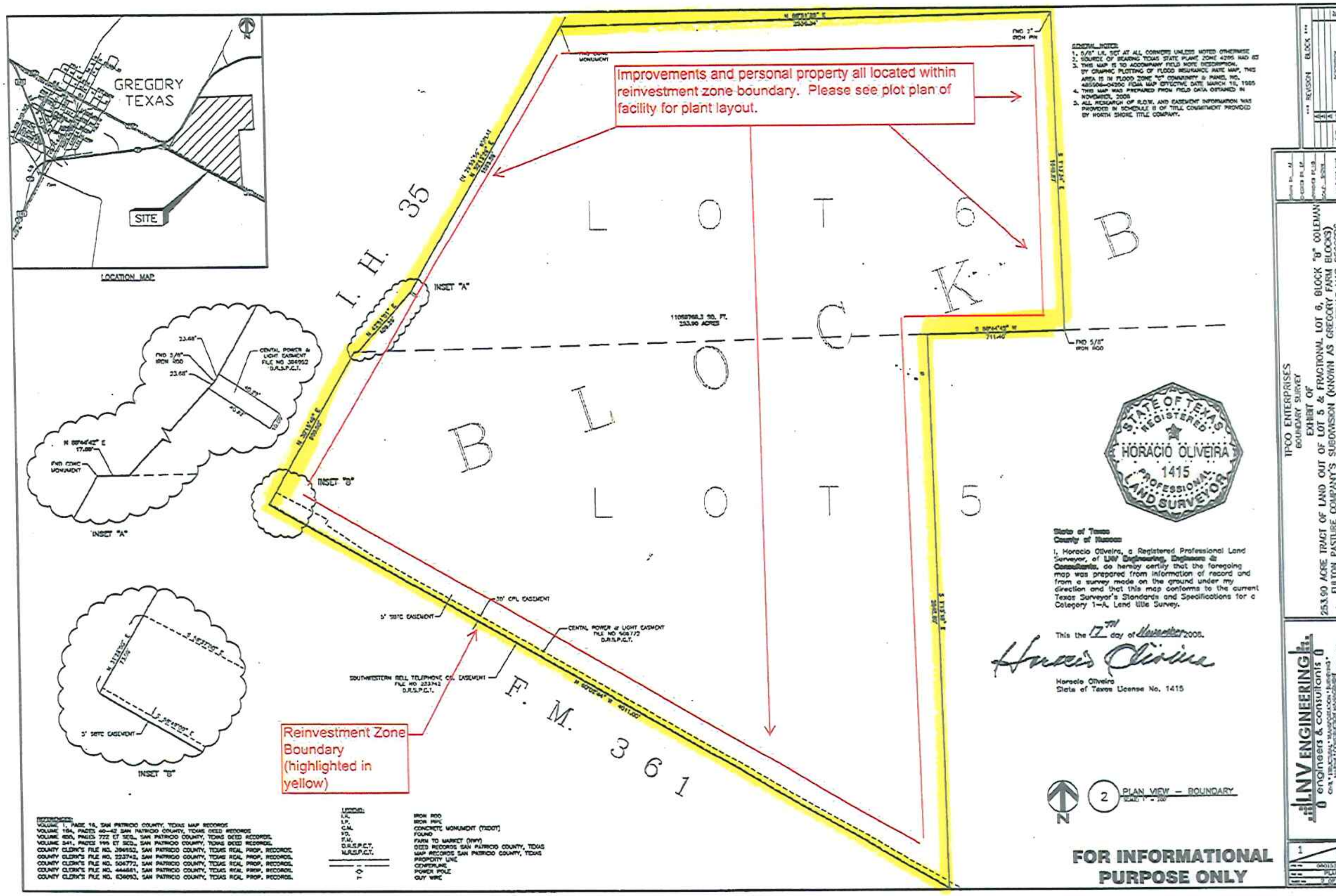
ATTACHMENT 8

TPCO America Corporation plans to build and operate a 750,000 tons per year seamless steel pipe manufacturing mill. The project will install property and equipment including but not limited to the following:

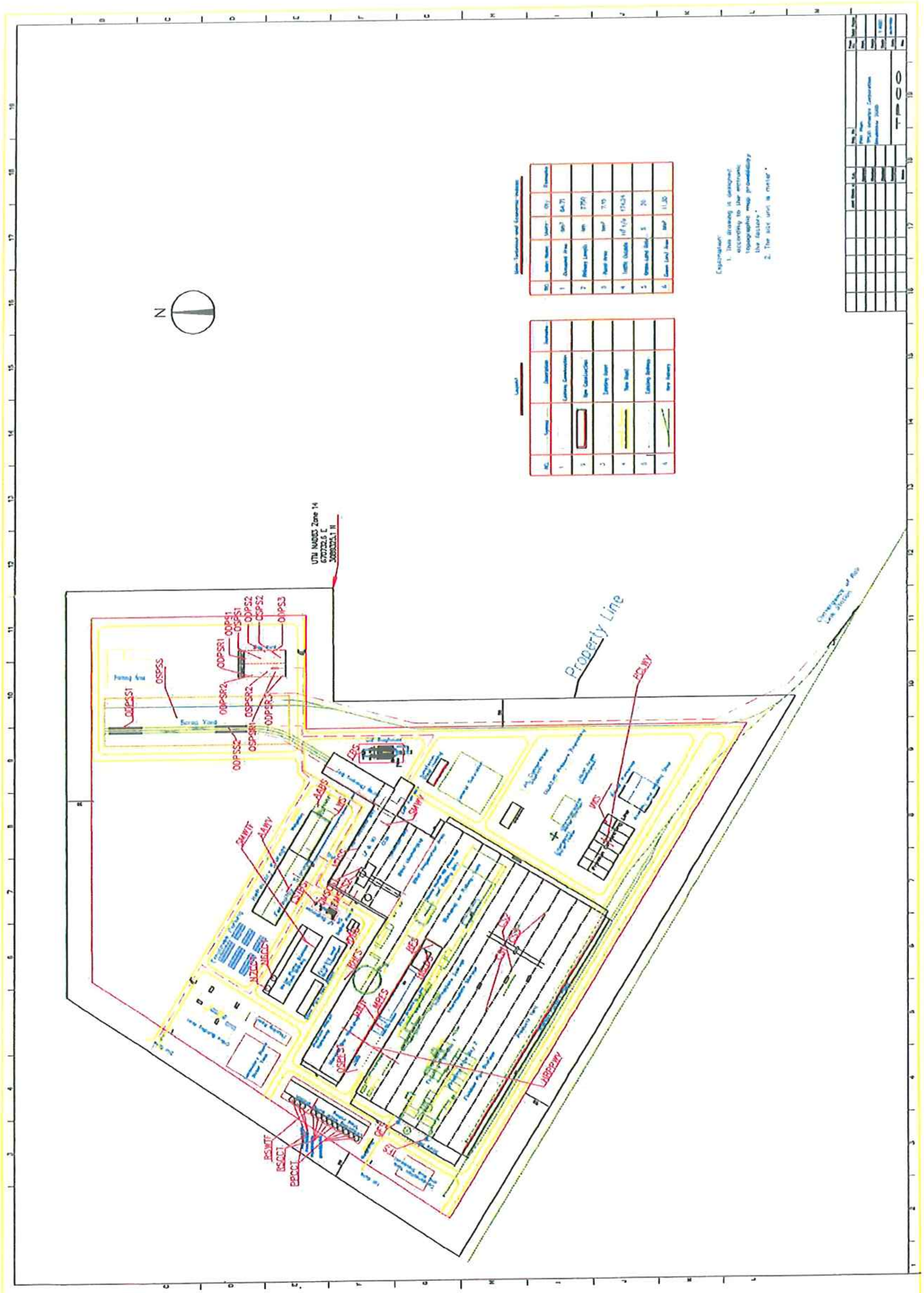
Buildings	Improvements	Machinery & Equipment	Machinery & Equipment	Machinery & Equipment	Machinery & Equipment
Alloy warehouse	Scrap yard	Electric arc furnace and baghouse	Direct evacuation (DEC) system	Non-contact steam drying machine	Sedimentation tanks
Alloy warehouse baghouse	Billet storage yard	Air cooling system	Dust absorbing unit and baghouse	Non-destructive testing machine	Sinter plate filter
Chemical feeding room	Bulk storage bin	Billet cold centering machine	Dust collector system & silo	Oil skimmers	Sizing mill
Alloy storage building	Canopy hood	Caster	Extracting mill and conveyor	Outdoor and indoor hot water wells	Sludge scrapers
Filtering building	Concrete-lined slag pits	Billet cutting saw	Fabric filter baghouse vents	Overhead cranes	Straightening machine
Hot pipe rolling building	Paved parking areas	Billet straightening machines	Furnace electrodes	Paint collection system	Tempering furnaces and stacks
Mandrel bar building	Rail spurs	Chain stripper	Graphite wastewater treatment system	Pipe layer saw	Spare parts
Office building	Slag yard	Condenser	Hot sizing mill	Pipe threading machine	UV coating devices
Slag building	Scrap charging bay	Borax spray and collection system	Ingoing skids	Plate and frame filter presses	Vacuum degassing unit
Sludge dewatering building	Underground bulk storage area	Chain conveyor system	High pressure water descaling system	Pressurized air system	Vacuum system
Steel making building		Charging buckets (scrap baskets)	Hydrostatic testing machine	Quench furnace and stack	Vacuum tank and lid
Welding/repair shop building		Cooling water recirculation system	Jet printing machine	Radical sedimentation tank	Waste emulsion tank
		Cone type piercing mill	Ladle dryers and pre-heaters	Refractory lined ladle	Waste water treatment system
		Continuous casting machine	Ladle metallurgy furnace & baghouse	Refractory lined tundish	Water descaling system
		Continuous conveyor	Ladle metallurgy station	Reheat furnaces	Water quenching system
		Conveyor belts	Lime storage silos	Retained mandrel pipe mill	Water spray system
		Cooling beds	Mandrel preheat furnace	Rotary arm system	Water treatment system
		Coupling screw-on machine	Molds	Rotary hearth furnaces	Argon blowing system
		Cold centering machine	Natural gas fired heaters	Screw thread testing machine	Water cooling towers
		Delivery tables	Natural gas oxygen torch system	Sealed slag crusher	
		Coating devices		Steam boiler	

ATTACHMENT 9

See attached maps



ATTACHMENT 9



ATTACHMENT 9

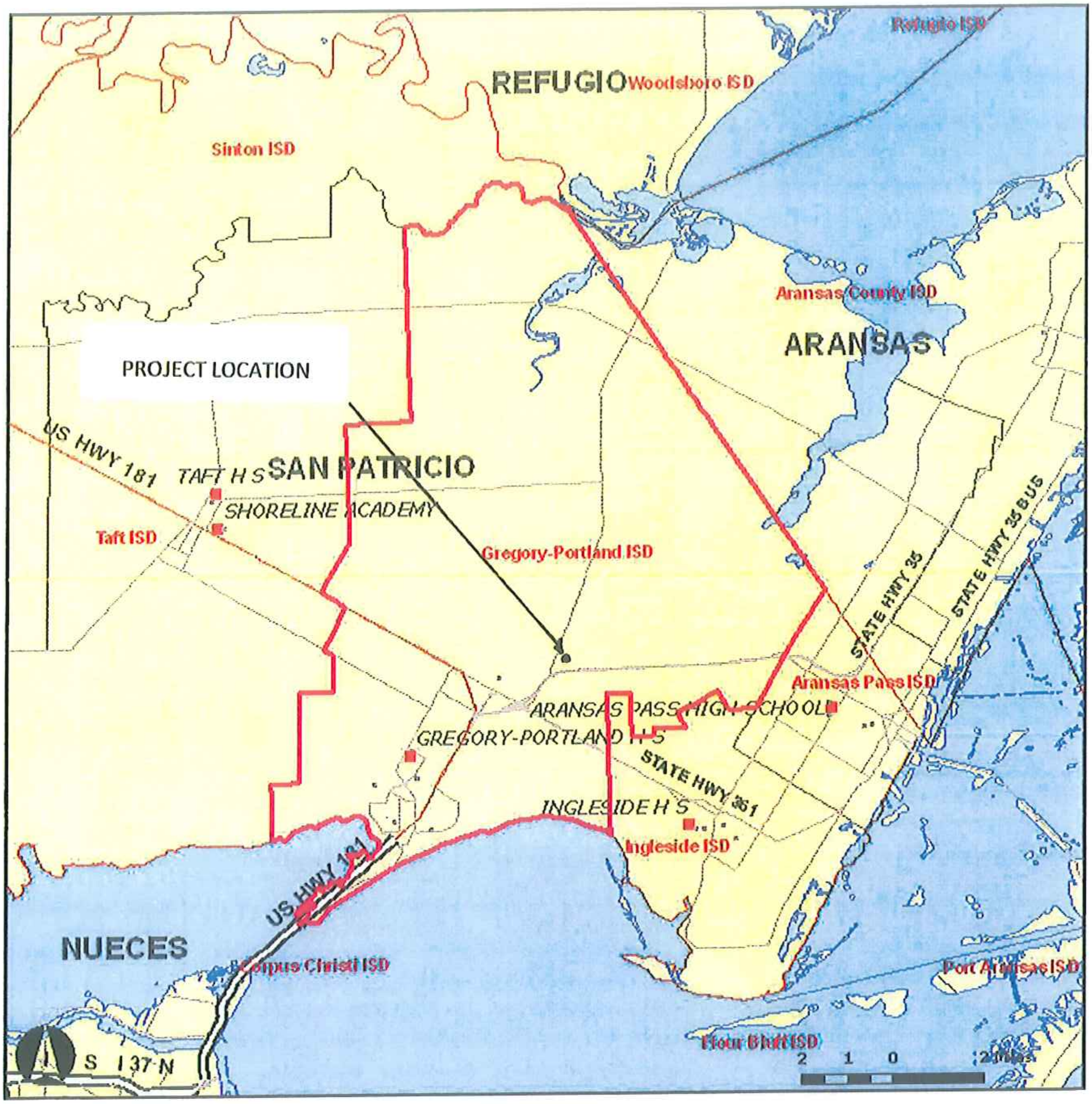
PLOT PLAN

Google maps

To see all the details that are visible on the screen, use the "Print" link next to the map.

ATTACHMENT 9
VICINITY MAP

Gregory-Portland ISD



ATTACHMENT 9
GPISD MAP

ATTACHMENT 10

See attached land description.

San Patricio County Appraisal District assesses the land on accounts 0336-2000-0005-100 and 0336-2000-0006-000 and valued the land at $252,580 in 2010.

Land Description

Parcel No. 1

115.38 acres of land more or less in San Patricio County, Texas, being a part of the G. Valdez Original Grant Patented to John McMullen, assignee by Patent No. 552, Volume 15, Abstract No. 269, more particularly known as Fractional Farm Lot No. 6 in Block No. "B" of the Coleman Fulton Pasture Companies Subdivision near Gregory, Texas.

Parcel No. 2

137.20 acres of land, more or less, out of the most Westerly part of the Lot or Tract No. 5 in Block 'B' of the Gregory Farm Blocks (Coleman-Fulton Pasture Company) Subdivision of Farm Lots near and East of the City of Gregory in San Patricio County, Texas and being the same property described in deed from W. N. Purcell and wife, Mattie Lee Purcell, to Willie F. Mauch, dated November 3, 1947, and recorded in Volume 154 at pages 40-42 of the Deed Records of San Patricio County, Texas.

Issue Date : 2/26/2011

Statement Of Account

Dalia Sanchez, Tax Assessor-Collector

San Patricio County Tax Office
400 W. Sinton St.
Sinton, TX 78387
Ph: (361)-364-6150 Fax: (361)-364-6154

This is a statement of taxes paid and due as of 2/26/2011 based upon the tax records of the Dalia Sanchez, Tax Assessor-Collector.

This document is not a tax certificate and does not absolve a taxpayer from tax liability in any way. Should this document be found to be in error, it may be corrected by the collections office. Responsibility to pay taxes remains with the taxpayer as outlined in the Texas Property Tax Code.

Property Information

Property ID : 0336-2000-0006-000
Quick-Ref ID : R33916

HWY 35

LT 6 BLK B GREGORY S/D
CFP CO, 115.38 ACRES

Value Information

Land HS	:	$0.00
Land NHS	:	$115,380.00
Imp HS	:	$0.00
Imp NHS	:	$0.00
Ag Mkt	:	$0.00
Ag Use	:	$0.00
Tim Mkt	:	$0.00
Tim Use	:	$0.00
HS Cap Adj	:	$0.00
Assessed	:	$115,380.00

Owner Information

Owner ID : O0068367

TPCO AMERICA CORP
10700 RICHMOND AVE STE 302
HOUSTON, TX 77042

Ownership: 100.00%

Entity	Year	Tax	Discount	P&I	Atty Fee	TOTAL
DCS	2010	337.65	0.00	0.00	0.00	0.00
GSP	2010	2,348.76	0.00	0.00	0.00	0.00
MUD	2010	427.51	0.00	0.00	0.00	0.00
SGP	2010	7,434.48	0.00	0.00	0.00	0.00

Total for current bills if paid by 2/28/2011 : $0.00
Total due on all bills 2/28/2011 : $0.00
2010 taxes paid for entity DCS $337.65
2010 taxes paid for entity GSP $2,348.76
2010 taxes paid for entity MUD $427.51
2010 taxes paid for entity SGP $7,434.48
2010 Total Taxes Paid : $10,548.40
Date of Last Payment : 01/24/11

Issue Date : 2/26/2011

Statement Of Account

Dalia Sanchez, Tax Assessor-Collector

San Patricio County Tax Office
400 W. Sinton St.
Sinton, TX 78387
Ph: (361)-364-6150 Fax: (361)-364-6154

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Property Information

Property ID : 0336-2000-0005-100
Quick-Ref ID : R33910

HWY 35 & FM 361

W/PT TR 5, BLK B
GREGORY S/D CFP CO.,
137.2 ACRES

Value Information

Land HS	:	$0.00
Land NHS	:	$137,200.00
Imp HS	:	$0.00
Imp NHS	:	$0.00
Ag Mkt	:	$0.00
Ag Use	:	$0.00
Tim Mkt	:	$0.00
Tim Use	:	$0.00
HS Cap Adj	:	$0.00
Assessed	:	$137,200.00

Owner Information

Owner ID : O0068367

TPCO AMERICA CORP
10700 RICHMOND AVE STE 302
HOUSTON, TX 77042

Ownership: 100.00%

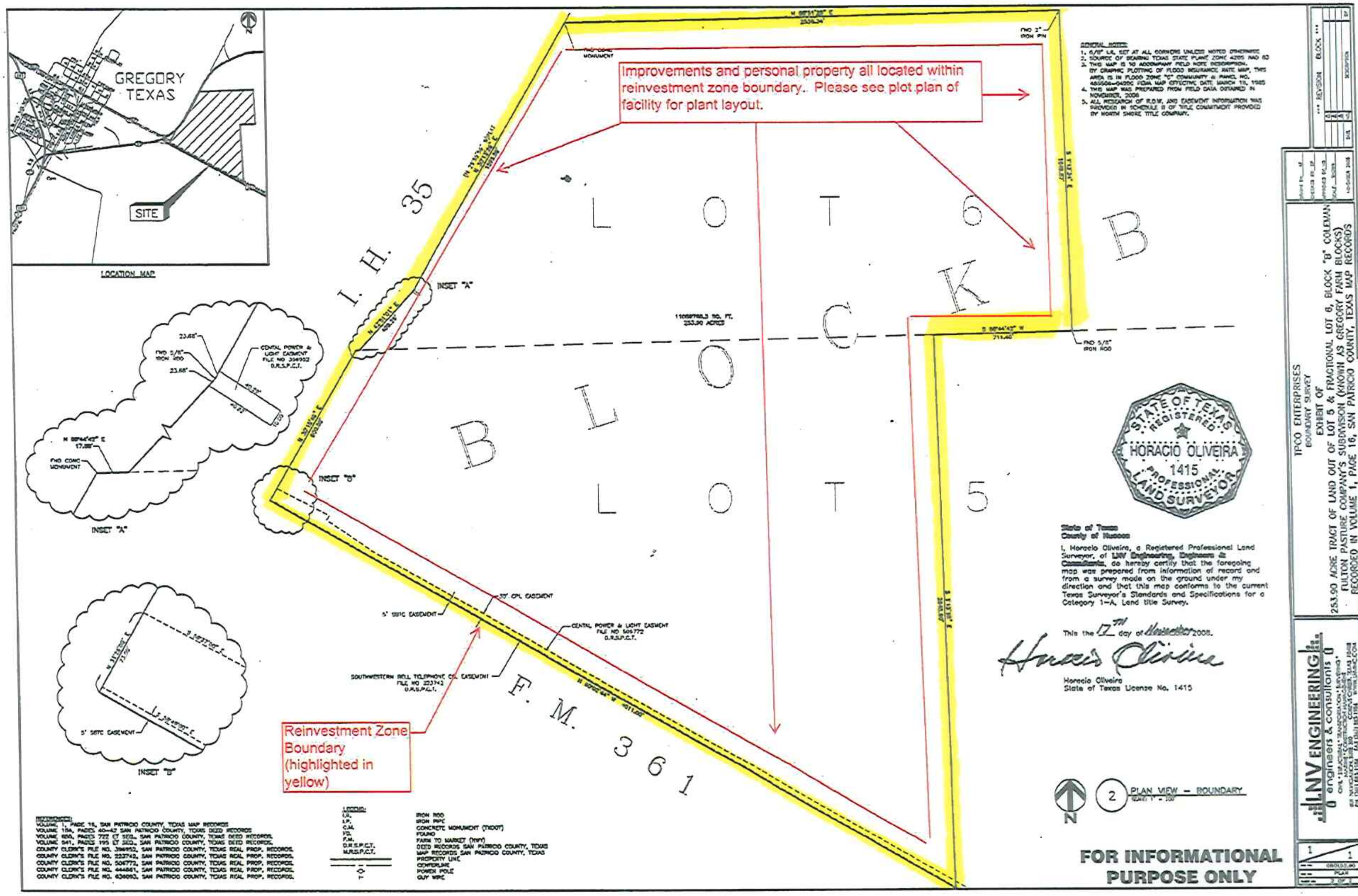
Entity	Year	Tax	Discount	P&I	Atty Fee	TOTAL
DCS	2010	401.50	0.00	0.00	0.00	0.00
GSP	2010	2,792.95	0.00	0.00	0.00	0.00
MUD	2010	508.33	0.00	0.00	0.00	0.00
SGP	2010	8,840.43	0.00	0.00	0.00	0.00

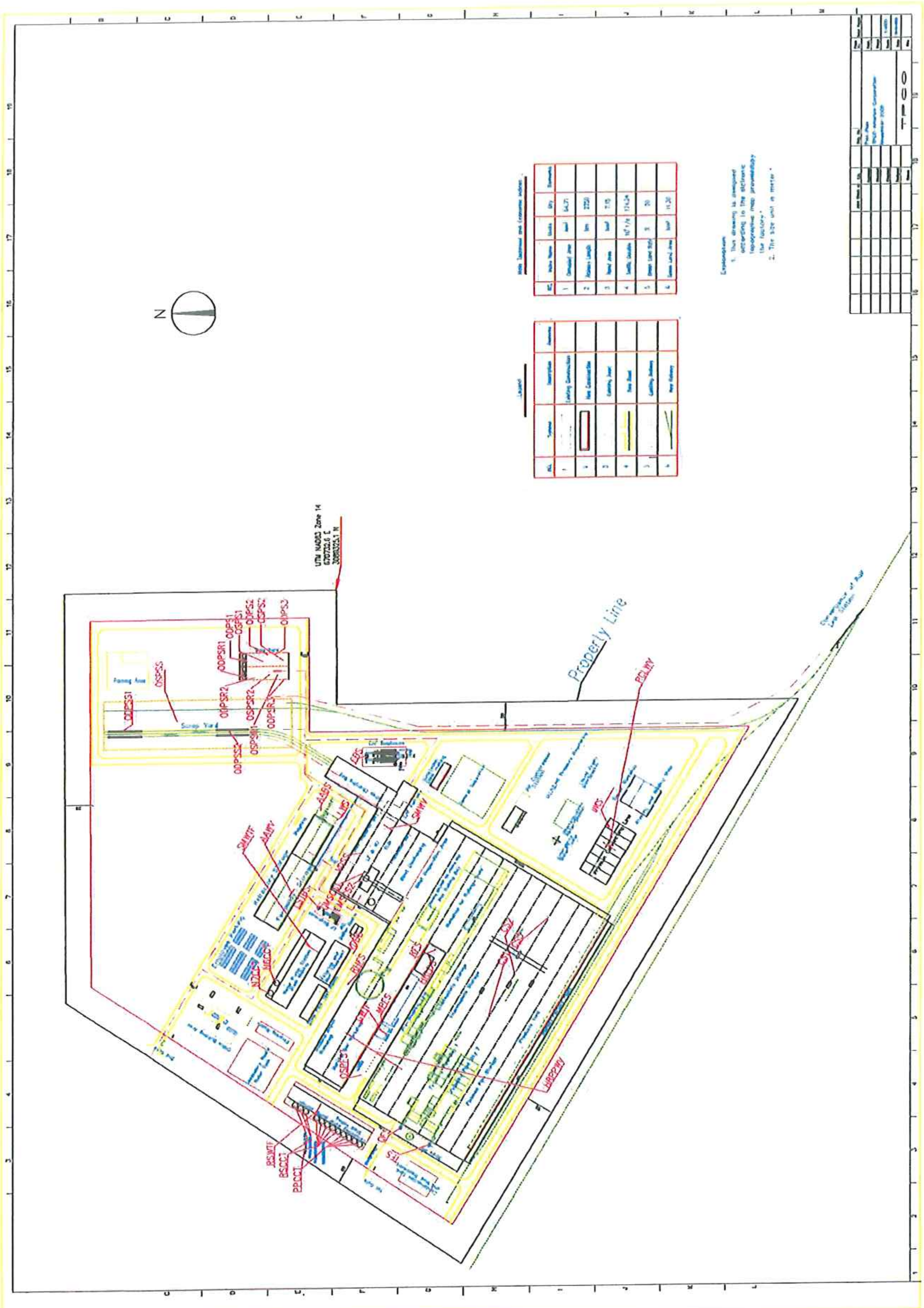
Total for current bills if paid by 2/28/2011 : $0.00
Total due on all bills 2/28/2011 : $0.00
2010 taxes paid for entity DCS $401.50
2010 taxes paid for entity GSP $2,792.95
2010 taxes paid for entity MUD $508.33
2010 taxes paid for entity SGP $8,840.43
2010 Total Taxes Paid : $12,543.21
Date of Last Payment : 01/24/11

ATTACHMENT 11

Please see attached maps

ATTACHMENT 11





ATTACHMENT 11
PLOT PLAN

Google maps

ATTACHMENT 11
VICINITY MAP

Gregory-Portland ISD

ATTACHMENT 11
GPISD MAP

ATTACHMENT 12

There are no existing assets (improvements or personal property) at the site as of January 1, 2011.

ATTACHMENT 13

TPCO is not requesting a waiver of the job creation requirement.

ATTACHMENT 14

The calculation of the three possible wage requirements with TWC documentation is attached.

TPCO America Corporation
ATTACHMENT TO CHAPTER 313 APPLICATION

CHAPTER 313 WAGE CALCULATION - ALL JOBS - ALL INDUSTRIES

QUARTER	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
THIRD	2010	$ 751	$ 39,052
SECOND	2010	$ 725	$ 37,700
FIRST	2010	$ 737	$ 38,324
FOURTH	2009	$ 778	$ 40,456
	AVERAGE	$ 748	$ 38,883
	X	110%	110%
		$ 823	$ 42,771

CHAPTER 313 WAGE CALCULATION - MANUFACTURING JOBS

QUARTER	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
THIRD	2010	$ 1,399	$ 72,748
SECOND	2010	$ 1,316	$ 68,432
FIRST	2010	$ 1,313	$ 68,276
FOURTH	2009	$ 1,396	$ 72,592
	AVERAGE	$ 1,356	$ 70,512
	X	110%	110%
		$ 1,492	$ 77,563

CHAPTER 313 WAGE CALCULATION - REGIONAL WAGE RATE

QUARTER	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
	2009	$ 884	$ 45,967
	X	110%	110%
		$ 972	$ 50,564

** SEE ATTACHED TWC DOCUMENTATION*

Quarterly Employment and Wages (QCEW)

Back

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2010	3rd Qtr	San Patricio County	Total All	00	0	10	Total, All Industries	$751

Quarterly Employment and Wages (QCEW)

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Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2010	2nd Qtr	San Patricio County	Total All	00	0	10	Total, All Industries	$725

Quarterly Employment and Wages (QCEW)

Back

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2010	1st Qtr	San Patricio County	Total All	00	0	10	Total, All Industries	$737

Quarterly Employment and Wages (QCEW)

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Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2009	4th Qtr	San Patricio County	Total All	00	0	10	Total, All Industries	$778

Quarterly Employment and Wages (QCEW)

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Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2010	3rd Qtr	San Patricio County	Total All	31	2	31-33	Manufacturing	$1,399

Quarterly Employment and Wages (QCEW)

Back

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2010	2nd Qtr	San Patricio County	Total All	31	2	31-33	Manufacturing	$1,316

Quarterly Employment and Wages (QCEW)

Back

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2010	1st Qtr	San Patricio County	Total All	31	2	31-33	Manufacturing	$1,313

Quarterly Employment and Wages (QCEW)

Back

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2009	4th Qtr	San Patricio County	Total All	31	2	31-33	Manufacturing	$1,396

2009 Manufacturing Wages by Council of Government Region
Wages for All Occupations

COG	Wages Hourly	Wages Annual
Texas	**$21.43**	**$44,583**
1. Panhandle Regional Planning Commission	$18.38	$38,227
2. South Plains Association of Governments	$15.67	$32,596
3. NORTEX Regional Planning Commission	$19.60	$40,768
4. North Central Texas Council of Governments	$23.44	$48,754
5. Ark-Tex Council of Governments	$15.14	$31,489
6. East Texas Council of Governments	$16.87	$35,091
7. West Central Texas Council of Governments	$17.27	$35,916
8. Rio Grande Council of Governments	$15.26	$31,732
9. Permian Basin Regional Planning Commission	$19.11	$39,757
10. Concho Valley Council of Governments	$14.80	$30,784
11. Heart of Texas Council of Governments	$17.41	$36,206
12. Capital Area Council of Governments	$25.60	$53,244
13. Brazos Valley Council of Governments	$15.33	$31,893
14. Deep East Texas Council of Governments	$15.46	$32,151
15. South East Texas Regional Planning Commission	$25.53	$53,095
16. Houston-Galveston Area Council	$22.90	$47,629
17. Golden Crescent Regional Planning Commission	$19.84	$41,273
18. Alamo Area Council of Governments	$16.82	$34,984
19. South Texas Development Council	$13.68	$28,445
20. Coastal Bend Council of Governments San Patricio County	$22.10	$45,967
21. Lower Rio Grande Valley Development Council	$13.52	$28,114
22. Texoma Council of Governments	$18.42	$38,305
23. Central Texas Council of Governments	$16.58	$34,484
24. Middle Rio Grande Development Council	$13.66	$28,416

Source: Texas Occupational Employment and Wages
Data published: July 2010
Data published annually, next update will be June 2011.

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.

ATTACHMENT 15

TPCO will provide its employees with benefits including but not limited to the following:

- Medical Insurance Coverage
- Paid Holidays
- Paid Vacation
- 401(k) Retirement Savings Plan

ATTACHMENT 16

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

ATTACHMENT 17

See attached

Schedule A (Rev. May 2010): Investment

Applicant Name TPCO America Corporation

ISD Name Gregory-Portland ISD

Form 50-296

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)		2011-2012	2011	$ -	$ -		$ -	$ -
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)				$ -	$ -		$ -	$ -
	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)				$ -	$ -	$ -	$ -	$ -
	Complete tax years of qualifying time period	1	2012-2013	2012	$ 283,395,280	$ 303,469,440	$ 586,864,720		$ 586,864,720
		2	2013-2014	2013	$ 62,208,720	$ 170,701,560	$ 232,910,280		$ 232,910,280
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	3	2014-2015	2014	$ 100,000	$ -			$ 100,000
		4	2015-2016	2015	$ 100,000	$ -			$ 100,000
		5	2016-2017	2016	$ 100,000	$ -			$ 100,000
		6	2017-2018	2017	$ 100,000	$ -			$ 100,000
		7	2018-2019	2018	$ 100,000	$ -			$ 100,000
		8	2019-2020	2019	$ 100,000	$ -			$ 100,000
		9	2020-2021	2020	$ 100,000	$ -			$ 100,000
		10	2021-2022	2021	$ 100,000	$ -			$ 100,000
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2022-2023	2022	$ 100,000	$ -			$ 100,000
		12	2023-2024	2023	$ 100,000	$ -			$ 100,000
		13	2024-2025	2024	$ 100,000	$ -			$ 100,000
Post- Settle-Up Period		14	2025-2026	2025	$ 100,000	$ -			$ 100,000
Post- Settle-Up Period		15	2026-2027	2026	$ 100,000	$ -			$ 100,000

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

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

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 new buildings or nonremovable components of buildings.

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

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

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

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

4/18/2011

DATE

ATTACHMENT 18

See attached

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

Applicant Name: TPCO America Corporation

ISD Name: Gregory-Portland ISD

Form 50-296

		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property: Estimated Market Value of Land	Qualified Property: Estimated Total Market Value of new buildings or other new improvements	Qualified Property: Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	Reductions from Market Value: Exempted Value	Estimated Taxable Value: Final taxable value for I&S - after all reductions	Estimated Taxable Value: Final taxable value for M&O--after all reductions
		pre- year 1	2011-2012	2011	$ 252,580	$ -	$ -	$ -	$ 252,580	$ 252,580
	Complete tax years of qualifying time period	1	2012-2013	2012	$ 252,580	$ -	$ -	$ -	$ 252,580	$ 252,580
		2	2013-2014	2013	$ 252,580	$ 141,697,640	$ 151,734,720	$ 29,343,236	$ 264,341,704	$ 264,341,704
	Value Limitation Period	3	2014-2015	2014	$ 252,580	$ 345,604,000	$ 474,171,000	$ 81,977,500	$ 738,050,080	$ 20,000,000
Tax Credit Period (with 50% cap on credit)		4	2015-2016	2015	$ 252,580	$ 338,691,900	$ 462,316,700	$ 80,100,860	$ 721,160,320	$ 20,000,000
		5	2016-2017	2016	$ 252,580	$ 331,918,100	$ 450,758,800	$ 78,267,690	$ 704,661,790	$ 20,000,000
		6	2017-2018	2017	$ 252,580	$ 325,279,700	$ 430,474,700	$ 75,575,440	$ 680,431,540	$ 20,000,000
		7	2018-2019	2018	$ 252,580	$ 318,774,100	$ 411,103,300	$ 72,987,740	$ 657,142,240	$ 20,000,000
		8	2019-2020	2019	$ 252,580	$ 309,210,900	$ 392,603,700	$ 70,181,460	$ 631,885,720	$ 20,000,000
		9	2020-2021	2020	$ 252,580	$ 299,934,600	$ 374,936,500	$ 67,487,110	$ 607,636,570	$ 20,000,000
		10	2021-2022	2021	$ 252,580	$ 290,936,600	$ 358,064,400	$ 64,900,100	$ 584,353,480	$ 20,000,000
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2022-2023	2022	$ 252,580	$ 282,208,500	$ 341,951,500	$ 62,416,000	$ 561,996,580	$ 561,996,580
		12	2023-2024	2023	$ 252,580	$ 273,742,200	$ 326,563,700	$ 60,030,590	$ 540,527,890	$ 540,527,890
		13	2024-2025	2024	$ 252,580	$ 265,529,900	$ 311,868,300	$ 57,739,820	$ 519,910,960	$ 519,910,960
Post- Settle-Up Period		14	2025-2026	2025	$ 252,580	$ 257,564,000	$ 297,834,200	$ 55,539,820	$ 500,110,960	$ 500,110,960
Post- Settle-Up Period		15	2026-2027	2026	$ 252,580	$ 249,837,100	$ 284,431,700	$ 53,426,880	$ 481,094,500	$ 481,094,500

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

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

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

4/18/2011

DATE

ATTACHMENT 19

See attached

Schedule C- Application: Employment Information

Applicant Name TPCO America Corporation
ISD Name Gregory-Portland ISD

Form 50-296

					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) [FTE]	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	2011-2012	2011	100	$ 65,000	0	$ -	0	$ -
	Complete tax years of qualifying time period	1	2012-2013	2012	1,200	$ 65,000	0	$ -	0	$ -
		2	2013-2014	2013	1,000	$ 65,000	20	$ 50,564	16	$ 50,564
	Value Limitation Period	3	2014-2015	2014	0		100	$ 50,564	80	$ 50,564
Tax Credit Period (with 50% cap on credit)		4	2015-2016	2015	0		400	$ 50,564	320	$ 50,564
		5	2016-2017	2016	0		600	$ 50,564	480	$ 50,564
		6	2017-2018	2017	0		600	$ 50,564	480	$ 50,564
		7	2018-2019	2018	0		600	$ 50,564	480	$ 50,564
		8	2019-2020	2019	0		600	$ 50,564	480	$ 50,564
		9	2020-2021	2020	0		600	$ 50,564	480	$ 50,564
		10	2021-2022	2021	0		600	$ 50,564	480	$ 50,564
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2022-2023	2022	0		600	$ 50,564	480	$ 50,564
		12	2023-2024	2023	0		600	$ 50,564	480	$ 50,564
		13	2024-2025	2024	0		600	$ 50,564	480	$ 50,564
Post- Settle-Up Period		14	2025-2026	2025	0		600	$ 50,564	480	$ 50,564
Post- Settle-Up Period		15	2026-2027	2026	0		600	$ 50,564	480	$ 50,564

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

4/18/2011
DATE

ATTACHMENT 20

See attached

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

Applicant Name: TPCO America Corporation | ISD Name: Gregory-Portland ISD | Form 50-296

					Sales Tax Information		Franchise Tax	Other Property Tax Abatements Sought			
					Sales Taxable Expenditures		Franchise Tax	County	City	Hospital	Other
		Year	School Year (YYYY-YYYY)	Tax/ Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	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	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
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)			2011-2012	2011	$ -	$ -	$ -	0%	n/a	n/a	0%
	Complete tax years of qualifying time period	1	2012-2013	2012	$ 367,739,248	$ 219,125,472	$ -	0%	n/a	n/a	0%
		2	2013-2014	2013	$ 184,025,145	$ 48,885,135	$ -	100%	n/a	n/a	100%
	Value Limitation Period	3	2014-2015	2014	$ 100,000	$ -	$ -	100%	n/a	n/a	100%
Tax Credit Period (with 50% cap on credit)		4	2015-2016	2015	$ 100,000	$ -	$ 287,000	100%	n/a	n/a	100%
		5	2016-2017	2016	$ 100,000	$ -	$ 772,000	100%	n/a	n/a	100%
		6	2017-2018	2017	$ 100,000	$ -	$ 899,000	100%	n/a	n/a	100%
		7	2018-2019	2018	$ 100,000	$ -	$ 911,000	85%	n/a	n/a	85%
		8	2019-2020	2019	$ 100,000	$ -	$ 923,000	70%	n/a	n/a	70%
		9	2020-2021	2020	$ 100,000	$ -	$ 931,000	55%	n/a	n/a	55%
		10	2021-2022	2021	$ 100,000	$ -	$ 1,012,000	40%	n/a	n/a	40%
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2022-2023	2022	$ 100,000	$ -	$ 1,092,000	25%	n/a	n/a	25%
		12	2023-2024	2023	$ 100,000	$ -	$ 1,101,000	n/a	n/a	n/a	n/a
		13	2024-2025	2024	$ 100,000	$ -	$ 1,101,000	n/a	n/a	n/a	n/a
Post- Settle-Up Period		14	2025-2026	2025	$ 100,000	$ -	$ 1,101,000	n/a	n/a	n/a	n/a
Post- Settle-Up Period		15	2026-2027	2026	$ 100,000	$ -	$ 1,101,000	n/a	n/a	n/a	n/a

*For planning, construction and operation of the facility.

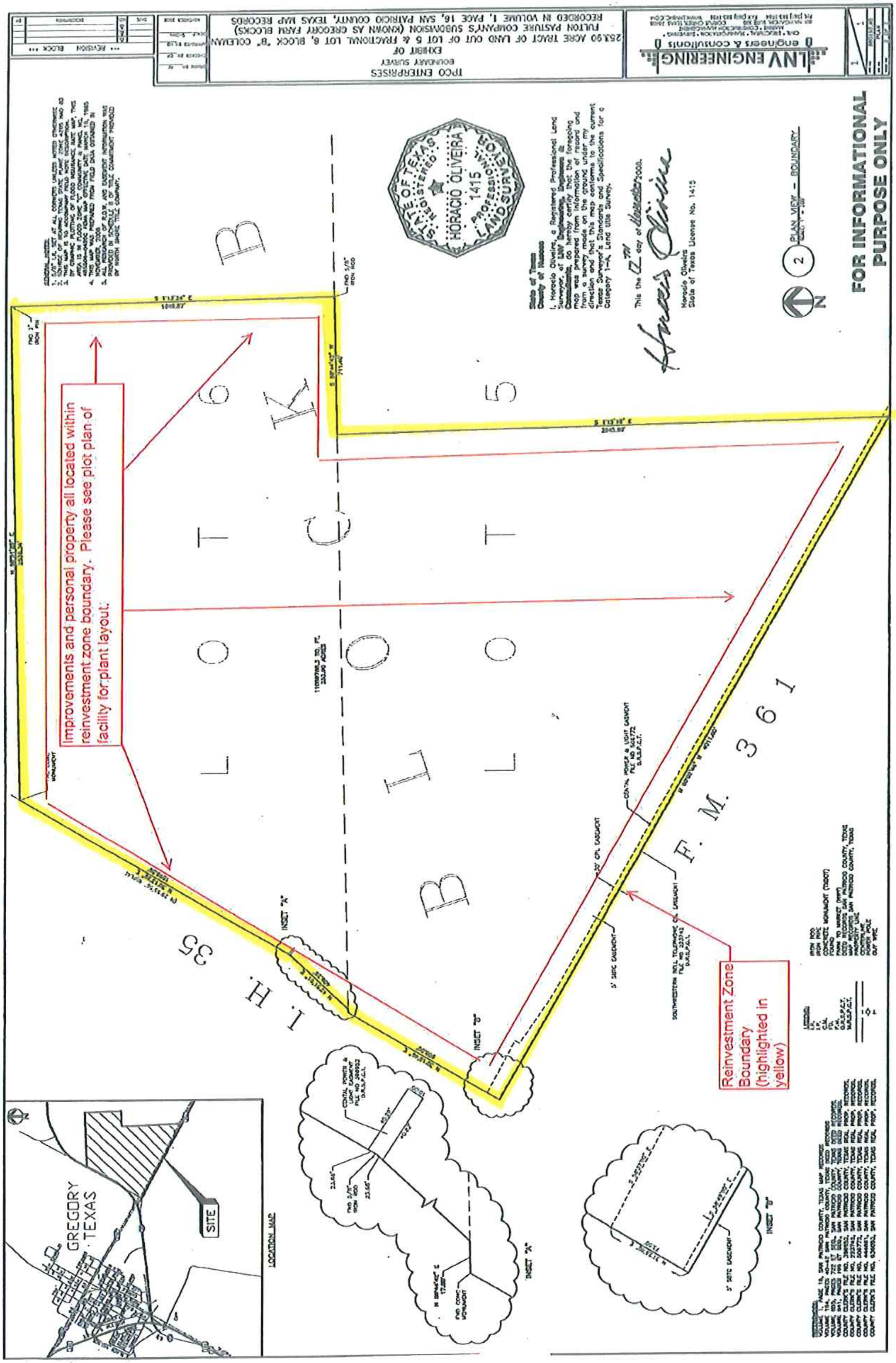
SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

4/18/2011

DATE

ATTACHMENT 21

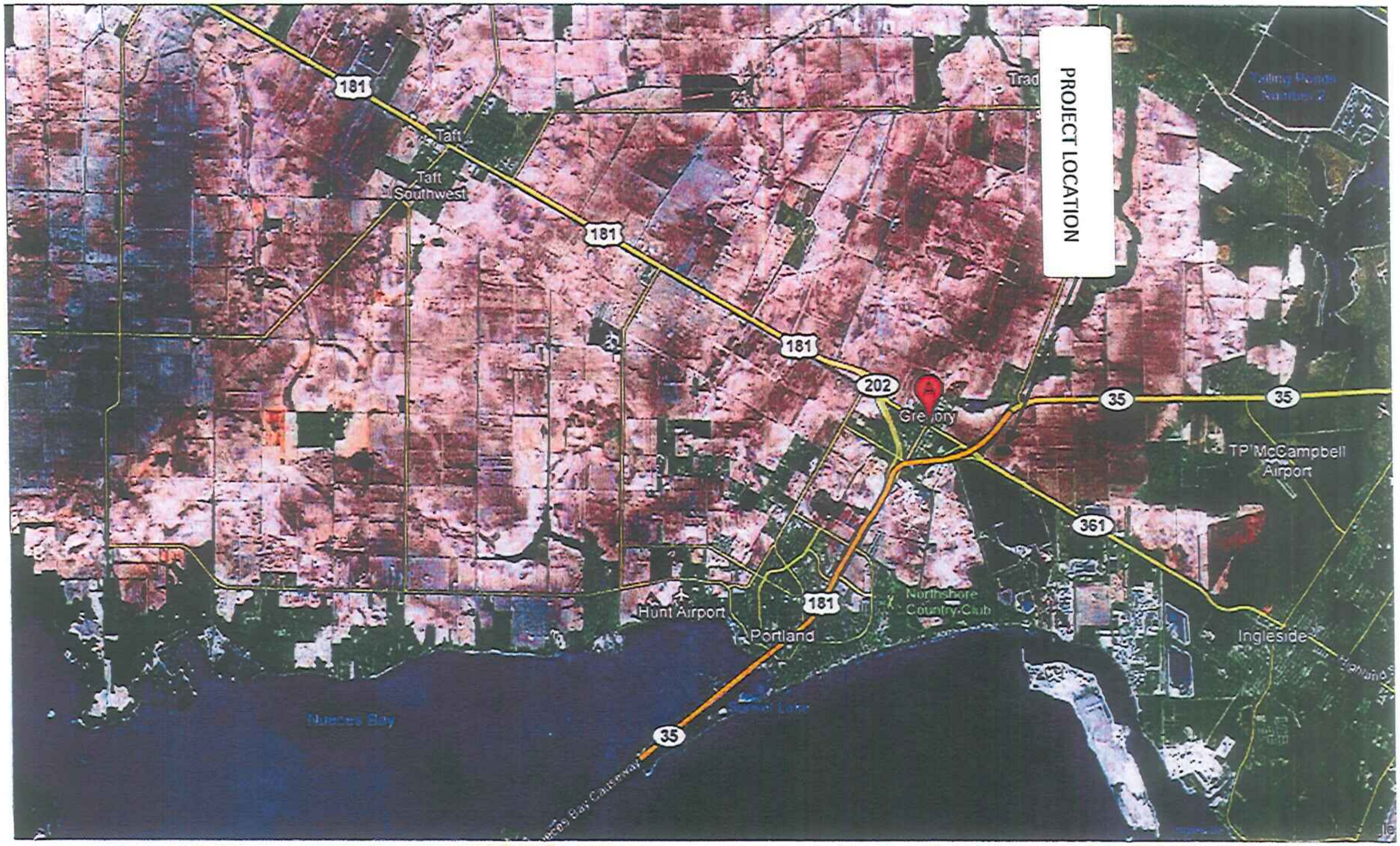
A map of the reinvestment zone is attached as is a vicinity map.



ATTACHMENT 21

Google maps

To see all the details that are visible on the screen, use the "Print" link next to the map.



ATTACHMENT 21
VICINITY MAP

ATTACHMENT 22

The resolution of the San Patricio County Commissioners Court establishing the reinvestment zone is attached.

THE STATE OF TEXAS

COMMISSIONERS' COURT

COUNTY OF SAN PATRICIO

RESOLUTION ______________________

ORDER FOR DESIGNATION OF REINVESTMENT ZONE

WHEREAS, the San Patricio County Commissioners' Court has determined that the economic well being of San Patricio County is of primary concern to the Commissioners' Court, and;

WHEREAS, Chapter 312, Texas Tax Code, known as the Texas Property Redevelopment and Tax Abatement Act Provides that San Patricio County has the authority to create reinvestment zones within the County for the purpose of economic development, and;

WHEREAS, on October 6, 1997, the San Patricio County Commissioners' Court, by resolution, established certain guidelines and criteria governing tax abatement agreements and indicated the desire of San Patricio County to become eligible to participate in tax abatement agreements, and;

WHEREAS, on December 17, 2007, the San Patricio county Commissioners' Court, by resolution, amended the guidelines and criteria governing tax abatement agreements; and,

WHEREAS, on May 26, 2009, the San Patricio County Commissioners' Court, by resolution, approved a variance from said guidelines and criteria for granting tax abatement and a proposed reinvestment zone to be established by TPCO.

WHEREAS, TPCO COMPANY has requested the designation of a reinvestment zone for purposes of tax abatement of real property for the purposes of economic development as defined under the Texas Property Redevelopment and Tax Abatement Act, and;

WHEREAS, on the 21st day of May, 2009, proper notice was posted, stating that a public hearing would be conducted by the San Patricio County Commissioners' Court on the 26th day of May, 2009, to consider the request by TPCO COMPANY to have property herein described in Exhibit "A" designated as a reinvestment zone, and;

WHEREAS, it is the finding of the Commissioners' Court of San Patricio County that the creation of a reinvestment zone for the above stated property would be a benefit to the said property and the development anticipated to occur in the proposed zone would contribute to the economic development of San Patricio County; and,

WHEREAS, it is the finding of the Commissioner's Court of San Patricio County that the terms of the agreement and the property subject to the agreement as presented to San Patricio County by TPCO COMPANY meet the applicable amended guidelines and criteria adopted by the Commissioners' Court on December 17, 2007; and, WHEREAS, it is the finding of the Commissioners' Court of San Patricio County that the designation of the reinvestment zone would contribute to the retention or expansion of primary employment within San Patricio County; and,

WHEREAS, it is the finding of the Commissioner's Court of San Patricio County that the designation of the reinvestment zone would attract major investment in the zone; and,

WHEREAS, the above stated property is not in the taxing jurisdiction of an incorporated municipality;

BE IT THEREFORE ORDERED that the Commissioners' Court of San Patricio County designates as a reinvestment zone, property herein described in Exhibit "A", pursuant to the authority contained in Section 312.401 of the Texas Property Redevelopment and Tax Abatement Act.

Passed in open court this 26th day of May, 2009.

Terry Simpson, County Judge
San Patricio County, Texas

Commissioner, Precinct 1

Commissioner, Precinct 2

Commissioner, Precinct 3

Commissioner, Precinct 4

Attest:

Gracie Alaniz-Gonzales
County Clerk
San Patricio County, Texas

EXHIBIT A

LEGAL DESCRIPTION

Parcel No. 1

115.38 acres of land more or less in San Patricio County, Texas, being a part of the G. Valdez Original Grant Patented to John McMullen, assignee by Patent No. 552, Volume 15, Abstract No. 269, more particularly known as Fractional Farm Lot No. 6 in Block No. "B" of the Coleman Fulton Pasture Companies Subdivision near Gregory, Texas.

Parcel No. 2

137.20 acres of land, more or less, out of the most Westerly part of the Lot or Tract No. 5 in Block 'B' of the Gregory Farm Blocks (Coleman-Fulton Pasture Company) Subdivision of Farm Lots near and East of the City of Gregory in San Patricio County, Texas and being the same property described in deed from W. N. Purcell and wife, Mattie Lee Purcell, to Willie F. Mauch, dated November 3, 1947, and recorded in Volume 154 at pages 40-42 of the Deed Records of San Patricio County, Texas.

ATTACHMENT 23

The legal description of the reinvestment zone is attached.

EXHIBIT A

LEGAL DESCRIPTION

Parcel No. 1

115.38 acres of land more or less in San Patricio County, Texas, being a part of the G. Valdez Original Grant Patented to John McMullen, assignee by Patent No. 552, Volume 15, Abstract No. 269, more particularly known as Fractional Farm Lot No. 6 in Block No. "B" of the Coleman Fulton Pasture Companies Subdivision near Gregory, Texas.

Parcel No. 2

137.20 acres of land, more or less, out of the most Westerly part of the Lot or Tract No. 5 in Block 'B' of the Gregory Farm Blocks (Coleman-Fulton Pasture Company) Subdivision of Farm Lots near and East of the City of Gregory in San Patricio County, Texas and being the same property described in deed from W. N. Purcell and wife, Mattie Lee Purcell, to Willie F. Mauch, dated November 3, 1947, and recorded in Volume 154 at pages 40-42 of the Deed Records of San Patricio County, Texas.

ATTACHMENT 24

The guidelines and criteria for San Patricio County are attached.

REGULAR **DECEMBER 17, 2007** **MEETING**

THE STATE OF TEXAS }
}
COUNTY OF SAN PATRICIO }

BE IT REMEMBERED THAT, notice had been duly filed and posted by the County Clerk on the 13th day of December, 2007 at 10:10 A.M. at a regular meeting of the Commissioners' Court on MONDAY, December 17, 2007 at 9:00 A. M. in the San Patricio County Courthouse Commissioners Courtroom # 230 second Floor, Sinton, Texas. At which time the following subjects will be discussed, concerned, passed, or adopted. In accordance with the notice, the meeting was called to order at 9:01 A. M.

The following members were present, to-wit:

Terry Simpson	County Judge
Nina G. Trevino	Commissioner, Precinct 1
Fred P. Nardini	Commissioner, Precinct 2
Jim Price, Jr.	Commissioner, Precinct 4
Gracie Alaniz-Gonzales	County Clerk, and
David Wendel	County Auditor

Commissioner Moreno was not present for meeting

The following proceedings were had, to-wit:

1.2 PLEDGES OF ALLEGIANCE

The Court opened the regular meeting with the Pledges of Allegiance to the flag of the United States and to the flag of the State of Texas

* * * * * *

1.6 HEALTH DEPARTMENT

Mr. Touchstone presented certificates to the following food establishments: Ingleside-Whataburger; Aransas Pass-Head Start Kitchen (This item will be brought back up later on the agenda)

* * * * * *

1.9 AWARD RFP RECEIVED FOR PROPERTY/CASUALTY INSURANCE COUNTY WIDE INSURANCE

Bill Preston, County Insurance Consultant gave the Court a brief report on the RFP's that were received for property/casualty insurance. He stated that his recommendation would be that the County accept the proposal submitted by TAC. Judge Simpson made the motion seconded by Commissioner Nardini to accept Mr. Preston's recommendation and accept the lower bid presented by TAC. Motion Carried 3-1 with Commissioner Trevino voting "Against" Trevino See Commissioners' Court Exhibits Vol. 143 Pages 248-255

* * * * * *

1.11 PUBLIC HEARING –9:30 A.M. –ALLOWING PUBLIC IN PUT ON GOODS IN TRANSIT EXEMPTION AS AUTHORIZED BY SECTION 11.253 (B) OF THE TEXAS TAX CODE

At 9:37 a.m. Judge Simpson declared the public hearing open for public comment on input on goods in transit exemption as authorized by Section 11.253(b) of the Texas Tax Code. After no comment from the public Judge Simpson declared the public hearing closed at 9:38 a.m.

1.12 ADOPT RESOLUTION OPPOSING THE GOODS-IN-TRANSIT-EXEMPTION AS AUTHORIZED BY SECTION 11.253(B) F THE TEXAS TAX CODE

Judge Simpson made the motion seconded by Commissioner Trevino to adopt resolution opposing the goods-in-transit exemption as authorized by Section 11.253(b) of the Texas Tax Code Motion Carried 4-0 See Commissioners' Court Exhibits Vol. 143 Pages 256-258

* * * * * *

1.5 CONSIDERATION AND ACTION

Commissioner Trevino made the motion seconded by Commissioner Nardini to approve the following:

a. District Judges' appointment of County Auditor and Assistant Auditor
b. District Judges' Court Order regarding 2008 County Auditor's office salaries
c. Authorizing interlocal agreements between Road & Bridge Precinct #3 and the following cities: San Patricio, Mathis, Lakeside and LakeCity for the period of January 1, 2008 through December 31, 2008
d. Authorizing contract between Road & Bridge Precinct #3 and Rosendo Gonzales for the purpose of brush disposal at $600.00 per month for the period of January 1, 2008 through December 31, 2008.
e. Adult Probation's caseload and collections summary report for the month of November 2007.

Motion Carried 4-0 See Commissioners' Court Exhibits Vol. 143 Pages 260-281

* * * * * *

1.3 MINUTES

Commissioner Nardini made the motion seconded by Commissioner Trevino to approve minutes for December 3, 2007 as submitted by County Clerk. Motion Carried 4-0

* * * * * *

1.4 CITIZENS TO BE HEARD

David Wendel informed the Court that he had made each one of them a copy of the new 2008 Standard Mileage Rates.

* * * * * *

1.6 HEALTH DEPARTMENT

Judge Simpson made the motion second by Commissioner Price to approve the following and to supplement the budget in the amount of $13,000.00 to accommodate the shortage.

a. CPS-Bioterrorism Preparedness—amendment #001 A effective September 1, 2007

Motion Carried 4-0 See Commissioners' Court Exhibits Vol. 143 Pages 282-364
Mr. Touchstone gave the Court a new schedule for the food handler's classes. See Commissioners' Court Exhibits Vol. 143 Page 365

* * * * * *

1.7 COUNTY FAIRGROUNDS CONSTRUCTION PROJECT

John Michael gave the Court a brief report he stated that thing were going well. The A& H show is in about 3 weeks the buildings needed for the show will be finished. He stated that the show will go on.

* * * * * *

1.8 INCREASING CRIMINAL AND CIVIL COST AS DIRECTED BY STATE STATUTES

Commissioner Trevino made the motion seconded by Commissioner Nardini to increase criminal and civil court cost as directed by State Statues. Motion Carried 4-0 See Commissioners' Court Exhibits Vol. 143 Pages 36370

1.10 REQUEST FROM MR. TROY TURNER FOR EXEMPTION ALLOW CHANGE TO LOT 10 BLOCK 1 SAN PATRCIO RIVER ESTATES

Judge Simpson made the motion seconded by Commissioner Price to grant request from Mr. Troy Turner for exemption allow change to Lot 10 Block 1 San Patricio River Estates due to neighbor's fence encroaching on Lot 10. Motion Carried 4-0 See Commissioners' Court Exhibits Vol. 143 Pages 371-378

* * * * * *

2.1 EXAMINATION OF ALL CLAIMS AGAINST SAN PATRICIO COUNTY

Judge Simpson made the motion seconded by Commissioner Trevino to pay all claims against San Patricio County dated December 14& 17, 2007. Motion Carried 4-0 See Commissioners' Court Exhibits Vol. 143 Pages 379-408

* * * * * *

2.2 BUDGET LINE ITEM TRANSFERS

Commissioner Nardini made the motion seconded by Commissioner Price to approve budget line items as follows:

Department	To	From	Amount
Personnel Dept.	Misc. Service	Other Professional	+/-$ 6,000.00
Personnel Dept.	Travel	Other Professional	+/-$ 1,600.00
Personnel Dept.	Equip/Repair/Maint.	Other Professional	+/-$ 200.00
JP #5	Equipment Repairs	Postage	+/-$ 550.00
JP #8	Telephone	General Supplies	+/-$ 200.00
County Auditor	Conference Dues	Travel	+/-$ 365.00
Tax Assessor/Collector	Other Professional	Equip/Repair/Maint.	+/-$ 3,500.00
Tax Assessor/Collector	Telephone	Equip/Repair/Maint	+/-$ 800.00
Tax Assessor/Collector	General Supplies	Equip/Repair/Maint	+/-$ 700.00
Tax Assessor/Collector	Travel	Equip/Repair/Maint	+/-$ 500.00
Tax Assessor/Collector	Telephone	Equip/Repair/Maint	+/-$ 1,000.00
Road & Bridge #2	Fuel, Oil & Lube	Machinery/Equip	+/-$10,000.00
Road & Bridge #3	Misc. Service	Furn/Vehicle/Equip	+/-$ 2,000.00
Road & Bridge #3	Signage	Furn/Vehicle/Equip	+/-$ 1,000.00
Road & Bridge #3	Automotive Supplies	Furn/Vehicle/Equip	+/-$ 2,000.00
Road & Bridge #3	NCO Furniture	Furn/Vehicle/Equip	+/-$ 5,000.00
Building & Yards	**(See Exhibits)**		
Juvenile Detention	**(See Exhibits)**		

Motion Carried 4-0 See Commissioners' Court Exhibits Vol. 143 Pages 409-437

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2.3 BANK RECONCILATION AND INVESTMENT REPORTS

Judge Simpson made the motion seconded by Commissioner Nardini to accept and record General Payroll reconciliation report and Adult Probation payroll for October, 2007 as submitted by County Treasurer. Motion Carried 4-0 See Commissioners' Court Exhibits Vol. 143 Pages 438-439

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3.1 EMPLOYMENT

Nardini made the motion seconded by Judge Simspon to record the following employees' status changes implemented by the following departments of San Patricio County in accordance with current personnel policies, county budget, and state law and notification of such changes to the payroll division of the County Treasurer's Office.

a. Danyale Duhart—Employment—Secretary/Bldg. & Yards full time regular at $1,247.00 per month grade 24 effective December 17, 2007

Motion Carried 4-0 See Commissioners' Court Exhibits Vol. 143 Page 440

1.13 ADOPT REVISED GUIDELINES FOR GRANTING TAX ABATEMENT
Judge Simpson made the motion seconded by Commissioner Nardini to approve the revised guidelines for granting Tax Abatements. Motion Carried 4-0 See Commissioners' Court Exhibits Vol. 143 Pages 441-452

* * * * * *

4. EXECUTIVE SESSION
Public Notice is given that the San Patricio Commissioners' Court may elect to go into Executive Session anytime during the meeting to discuss matters listed on the agenda. When authorized by the provisions of the Open Meeting Act chapter 551 of the Texas Government Code. ***In the event the Commissioners' Court elects to go into Executive Session regarding an agenda item, the section or sections of the Open Meeting Act authorizing the Executive Session will be publicly announced by the presiding officer.*** In accordance with the authority of the Government Code Vernon's Texas Codes, Section 551.071, 551.072, 551.073, 551.074, 551.076, & 551.086 the Commissioners' Court will hold an Executive Session to consult with attorney(s) including matters related to litigation; deliberation regarding real property; prospective gift(s); personnel matters; including termination; security devices, and/or economic development negotiation and other matters that may be discussed in Executive Session. Upon completion of the Executive Session, the Commissioners' Court may in open session take such action as appropriated on item discussed in an Executive Session

At 10:19 the Court took a 10 minute recess
At 10:39 the Court reconvened into Executive Session with its attorney

a. Closed Session in accordance with Section 551.087 the Texas Government Code Chapter 551—regarding Economic Development

At 11:39 a.m. the Court reconvened into regular session

b. Judge Simpson made the motion seconded by Commissioner Trevino to allow all employees that have not enrolled for insurance coverage for next year one last chance to enroll.

Motion Carried 4-0

* * * * * *

5 ADJOURN
Judge Simpson made the motion seconded by Commissioner Nardini that with no further business before the Court meeting adjourn. Motion Carried 4-0 Meeting was adjourned at 11:40 a.m.

TERRY SIMPSON, County Judge

Nina Trevino
NINA TREVINO, County Commissioner, Precinct 1

Fred P. Nardini
FRED P. NARDINI, County Commissioner, Precinct 2

Alma V. Moreno
ALMA V. MORENO, County Commissioner, Precinct 3

JIM PRICE, JR., County Commissioner, Precinct 4

ATTEST: Gracie Alaniz-Gonzales
GRACIE ALANIZ-GONZALES, County Clerk, Ex Officio

GUIDELINES AND CRITERIA FOR GRANTING TAX ABATEMENT

WHEREAS, the attraction of long-term investment and the establishment of new jobs in the area would enhance the economic base of area taxing entities; and

WHEREAS, San Patricio County must compete with other counties across the nation currently offering tax inducements to attract new plant and modernization projects, and studies have shown that a favorable local tax climate and start-up tax concessions rank second on the list of priorities for new plant installations or expansions; and

WHEREAS, tax abatement is one of the principal means by which the public sector and the private sector can forge a partnership to promote real economic growth within a community; and

WHEREAS, any tax incentives offered must be strictly limited in application to those new and existing industries that bring new wealth to the community in order to avoid reducing the needed tax revenues of area taxing entities; and

WHEREAS, the Property Redevelopment and Tax Abatement Act (the "Act"), Chapter 312 of the Texas Tax Code authorizes counties, cities and school districts to provide property tax abatement for limited periods of time as an inducement for the development or redevelopment of a property; and

WHEREAS, the Act requires eligible taxing jurisdictions to establish Guidelines and Criteria as to eligibility for tax abatement agreements prior to granting any future tax abatement, said Guidelines and Criteria to be unchanged for a two-year period unless amended by a three-fourths vote; and

WHEREAS, to assure a common, coordinated effort to promote economic development, these Guidelines and Criteria have been circulated among San Patricio County and other governmental entities for consideration as a common policy for all jurisdictions which choose to participate in tax abatement agreements;

NOW, THEREFORE, BE IT RESOLVED by the County of San Patricio that these Guidelines and Criteria for granting tax abatement be adopted:

Section 1. **Definitions.**

(a) "Abatement" means the temporary, full or partial exemption from ad valorem taxes of certain added value to real and personal property in a zone designated for economic development purposes pursuant to the Act.

(b) "Added Value" means the increase in the assessed value of an eligible property as a result of "expansion" or "modernization" of an existing facility or construction of a "new facility." It does not mean or include "deferred maintenance."

(c) "Agreement" means a contract between a property owner and/or lessee and an Eligible jurisdiction for the purposes of temporary tax abatement.

(d) "Base Year Value" means the assessed value of eligible property as of the January 1 preceding the execution of an Agreement plus the agreed upon value of eligible property improvements made after January 1 but before the execution of the Agreement.

(e) "Basic Industrial, Manufacturing or Service Facility" 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 derive a majority of revenue from points beyond a 50-mile radius of San Patricio County.

(f) "Deferred Maintenance" means improvements necessary for continued operations which do not improve productivity or alter the process technology.

(g) "Economic Life" means the number of years a property improvement is expected to be in service in a Facility.

(h) "Eligible Jurisdiction" means San Patricio County and any municipality or school district, the majority of which is located in San Patricio County, that levies ad valorem taxes upon and provides services to property located within the proposed or existing zone designated pursuant to the Act.

(i) "Expansion" means the addition of buildings, structures, fixed machinery or equipment for the purposes of increasing capacity.

(j) "Facility" means property improvements completed or in the process of construction which together compromise an integral whole.

(k) "Modernization" means the replacement and upgrading of existing facilities which increase the productive input or output, updates the technology or substantially lowers the unit cost of the operation, and extends the economic life of the facilities. 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, repairing or completion of deferred maintenance.

(l) "New Facility" means a property previously undeveloped which is placed into service by means other than or in conjunction with an Expansion or Modernization.

(m) "Owner" means the owner of a Facility subject to abatement. If the Facility is constructed on a leased property, the owner shall be the party which owns the property subject to tax abatement. The other party to the lease shall join in the execution of Agreement but shall not be obligated to assure performance of the party receiving abatement.

Section 2. **Abatement Authorized.**

(a) Authorized Facilities. A Facility may be eligible for abatement if it is a Basic Industrial, Manufacturing or Service Facility. Abatement may be granted for new facilities and improvements to existing facilities for the purpose of Modernization or Expansion.

(b) Creation of New Value. Abatement may only be granted for the additional value of eligible property improvements made subject to and listed in an abatement Agreement between the Eligible jurisdiction and the property owner and lessee (if required), subject to such limitations as said jurisdiction may require. The economic life of the improvements must exceed the term of the abatement Agreement.

(c) Eligible Property. Abatement may be extended to the value of the improvements to real property, including buildings, structures, fixed machinery and equipment, and site improvements, plus that office space and related fixed improvements necessary to the operation and administration of the Facility.

(d) Period of Abatement. Abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the Agreement. Abatement shall be allowed for a period of ten years.

(e) Abatement Percentage. Temporary property tax abatement shall be authorized for the development of a Facility that meets either a qualification criteria of capital investment or a qualification criteria based upon a combination of the number of new jobs created plus salary.

(1) The capital investment qualification criteria is as follows:

Capital Investment	Abatement Level
$2,000,000 to $10,000,000	Level 1
$10,000,001 to $50,000,000	Level 2
$50,000,001 to $150,000,000	Level 3
$150,000,001 to $500,000,000	Level 4
Over $500,000,000	Level 5

(2) The combination of new jobs and salary criteria is as follows:

	Salary $35,000 to $50,000	Salary $50,001 to $70,000	Salary Over $70,000
20 to 99 New Jobs	Level 1	Level 2	Level 3
100 to 199 New Jobs	Level 2	Level 3	Level 4
200 or more New Jobs	Level 3	Level 4	Level 5

(3) Upon compliance with the above criteria, the percentage of tax abated shall be in accordance with the following schedule:

Year	Level 1	Level 2	Level 3	Level 4	Level 5
Year 1	60%	70%	80%	90%	100%
Year 2	50%	60%	70%	80%	90%
Year 3	40%	50%	60%	70%	80%
Year 4	30%	40%	50%	60%	70%
Year 5	20%	30%	40%	50%	60%
Year 6	10%	20%	30%	40%	50%
Year 7		10%	20%	30%	40%
Year 8			10%	20%	30%
Year 9				10%	20%
Year 10					10%

(4) In order to be counted as a permanent job under these Guidelines, the job must be a full-time position providing regular work schedules of at least 35 hours per week and the employer must cover over 51% of the employee's health insurance costs. The percentage of abatement provided each year under the Agreement shall be based upon the employment information as of January 1 of such year. As a result, the actual amount of abatement may vary from year to year based upon employment levels and property valuations.

(5) During the period of construction of the Facility, the Owner shall receive an abatement percentage based upon the criteria set forth in the Owner's application for abatement approved by the governing body of the Eligible jurisdiction. The construction period may last up to two years.

(6) For example, Company A has an abatement Agreement entered 5/1/2008 and projects to create 250 permanent jobs at a $50,000 to $55,000 salary average. If the actual experience of Company A involves fluctuating job and salary levels, the actual abatement under the Agreement could follow the following pattern:

Year	New Jobs	Salary Level	Abatement Percentage	Abatement Level
1/1/09*	0	$ 0	90%	Level 4
1/1/10*	0	$ 0	80%	Level 4
1/1/11	150	$55,000	60%	Level 3
1/1/12	250	$60,000	60%	Level 4
1/1/13	300	$65,000	50%	Level 4
1/1/14	150	$45,000	20%	Level 2
1/1/15	250	$55,000	30%	Level 4
1/1/16	300	$65,000	20%	Level 4
1/1/17	350	$75,000	20%	Level 5
1/1/18	400	$80,000	10%	Level 5

*Construction Underway

(f) Estimated Added Value Requirement. At the time of execution of the tax abatement Agreement, the Owner shall reasonably estimate the Added Value upon completion of construction of any improvements to real property in connection with the Project. This "Estimated Added Value" shall be stated in the Agreement. In the event that upon completion of construction of the improvements, the Added Value, as determined by the San Patricio County Appraisal District, shall at any time thereafter during the term of the abatement Agreement be less than eight-five percent (85%) of the Estimated Added Value, not due to circumstances beyond the control of Owner, the Owner agrees to pay an amount equal to the then current tax rate of each Eligible jurisdiction providing abatement applied to the difference between the actual Added Value from eighty-five percent (85%) of the Estimated Added Value, multiplied by 100% minus the net percentage of Abatement provided under the Agreement. For the purposes of this provision, the term "circumstances beyond the control of Owner" shall include casualty losses, national economic factors, shutdowns due to governmental regulations, strikes, acts of war, and the like. The formula for calculating such additional tax is outlined as follows:

[Tax Rate] x [(85% of Est. Added Value - Actual AV) x (100% - Abatement%)] = Additional Tax

(g) Properties in Industrial Districts. For eligible property to be constructed in an area which is covered by an executed industrial district agreement with the City of Corpus Christi, the method of calculating payments in lieu of property taxes for such eligible property shall be as set forth in the industrial district agreement. As an alternative to an industrial district agreement, an eligible property may be covered by a tax abatement agreement, but such shall constitute an election by the Owner that the land and improvements shall not be included within any type of industrial district arrangement following the expiration of the tax abatement agreement.

(h) Economic Qualification. In order to be eligible for tax abatement, the planned improvement:

(1) must create no later than the January 1 following the completion of construction and maintain throughout the remainder of the term of the Agreement the minimum number of 20 permanent jobs in San Patricio County;

(2) must not adversely affect competition in the local market with established local businesses.

(i) Taxability. From the execution of the Agreement to the end of the abatement period, taxes shall be payable as follows:

(1) The value of any property other than Eligible Property shall be fully taxable (except for personal property added in connection with a Rehabilitation Project);

(2) The Base Year Value of existing Eligible Property as determined each year shall be fully taxable; and

(3) The Added Value of new Eligible Property (and certain personal property added in connection with a Rehabilitation Project) shall be taxable in the manner described in Section 2(e) above.

Section 3. **Application.**

(a) Written Application. Any present or potential owner of taxable property may request tax abatement by filing a written application with: (i) the City Manager of the City, if such property is within the city limits, or (ii) the County Judge of San Patricio County, if such property is in the unincorporated areas of San Patricio County.

(b) Contents of Application. The application shall consist of a completed application form accompanied by: a general description of the new improvements to be undertaken; a descriptive list of the improvements for which abatement is requested; a list of the kind, number and location of all proposed improvements of the property; a map and property description; and 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 County or other Eligible jurisdiction, as applicable, deems appropriate for evaluating the financial capacity and other relevant factors of the applicant.

(c) Written Notification to Governing Bodies. Upon receipt of a completed application, the City Manager or County Judge, as the case may be, shall forward a copy of the application to the presiding officer of the governing body of each Eligible jurisdiction having jurisdiction of the property covered by the application.

(d) Feasibility. After receipt of an application for abatement, the City or the County, as applicable, shall consider the feasibility and the impact of the proposed tax abatement. The study 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 Eligible jurisdiction and the property to be covered by such abatement.

(e) No Abatement if Construction has Commenced. No tax abatement Agreement shall be approved if the application for the abatement was filed after the commencement of construction, alteration or installation of improvements related to the proposed Modernization, Expansion or New Facility.

(f) Variance. Requests for variance from the provisions of Section 2 may be made in written form, provided, however, that no variance may extend the term of abatement beyond five years after completion of construction. Such requests shall include a complete description of the circumstances explaining why the applicant should be granted a variance. Approval of a request for variance requires a three-fourths (3/4) vote of the governing body of each Eligible jurisdiction providing abatement.

Section 4. **Public Hearing and Approval.**

(a) Designation of Zone. A resolution designating a zone for tax abatement under the Act may not be adopted by the City or the County until a public hearing has been held at which interested persons are entitled to speak and present evidence for or against the designation. Notice of the hearing shall be provided to each Eligible jurisdiction and to the public in the manner required by the Act.

(b) Required Findings. In order to enter into a tax abatement Agreement, the County, the City and any school district must find that the terms of the proposed Agreement meet these Guidelines and Criteria.

(c) Reservation of Rights. Nothing herein shall be construed to limit the authority of the City, the County or any other jurisdiction to examine each application for tax abatement before it on a case-by-case basis and determine in its sole and absolute discretion whether or not the proposed project should be granted temporary tax abatement and whether or not it complies with these Guidelines and Criteria, is feasible, and whether or not the proposed temporary abatement of taxes will inure to the long-term benefit of such Eligible jurisdiction.

Section 5. **Agreement.**

(a) Contents of Tax Abatement Agreement. The tax abatement Agreement with the Owner of the Facility shall include:

(1) the estimated value to be subject to abatement and the Base Year Value;

(2) the percentage of value to be abated each year as provided in Section 2(e);

(3) the commencement date and termination date of abatement;

(4) a provision that the term of the Agreement shall extend until five (5) years after the expiration of the period of tax abatement;

(5) the proposed use of the Facility, nature of construction, time schedule, map, property description and improvements list as provided in the application as required;

(6) the contractual obligations in the event of default, delinquent taxes, recapture, administration and assignment as provided in these Guidelines or other provisions that may be required for uniformity or by state law; and

(7) the amount of Added Value and required number of permanent jobs.

(b) Time of Execution. The tax abatement Agreement shall normally be executed within 60 days after the applicant has provided all necessary information and documentation.

(c) Attorney's Fees. In the event any attorney's fees are incurred by the Eligible jurisdiction in the preparation of a tax abatement Agreement, said fees shall be paid by the applicant upon execution of the Agreement.

Section 6. **Recapture.**

(a) Failure to Commence Operation During Term of Agreement. In the event that the Facility is not completed and does not begin operation with the minimum number of 20 permanent jobs by the January 1 following the completion of construction, no abatement shall be given for that tax year, and the full amount of taxes assessed against the property shall be due and payable for that tax year. In the event that the Owner of such a Facility fails to begin operation with the minimum number of 20 permanent jobs by the next January 1, then the abatement Agreement shall terminate and all abated taxes during the period of construction shall be recaptured and paid within 60 days of such termination.

(b) Discontinuance of Operations During Term of Agreement. In the event the Facility is completed and begins operation with the required minimum number of 20 permanent jobs but subsequently discontinues operations and the minimum number of 20 permanent jobs is not maintained during any four (4) consecutive weeks during the term of the Agreement after the completion of construction, for any reason except on a temporary basis due to fire, explosion or other casualty or accident or natural disaster, the Agreement may be terminated by the Eligible jurisdiction providing abatement, and all taxes previously abated by virtue of the Agreement shall be recaptured and paid within 60 days of such termination.

(c) Delinquent Taxes. In the event that the Owner allows its ad valorem taxes to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest, the Agreement shall terminate and so shall the abatement of the taxes for the tax year of the delinquency. The total taxes assessed without abatement, for that tax year shall be paid within 60 days from the date of termination.

(d) Notice of Default. Should the Eligible jurisdiction providing abatement determine that the Owner is in default according to the terms and conditions of its Agreement, it shall notify the Owner in writing at the address stated in the Agreement that if such is not cured within 60 days from the date of such notice (the "Cure Period"), then the Agreement may be terminated. In the event the Owner fails to cure said default during the Cure Period, the Agreement may be terminated and the taxes abated by virtue of the Agreement will be recaptured and paid as provided herein.

(e) Actual Capital Investment. Should the Eligible jurisdiction providing abatement determine that the total level of capital investment in eligible property is lower than provided in the Agreement, the difference between the tax abated and the tax which should have been abated based upon the actual capital investment as determined shall be paid to the taxing agencies within 60 days of notification to the Owner of such determination.

(f) Reduction in Rollback Tax Rate. If during any year of the period of abatement with respect to any property any portion of the abated value which is added to the current total value of the Eligible jurisdiction but is not treated as "new property value" (as defined in Section 26.012(17) of the Texas Tax Code) for the purpose of establishing the "effective maintenance rate" in calculating the "rollback tax rate" in accord with Section 26.04(c)(2) of the Texas Tax Code and if the Eligible jurisdiction's budget calculations indicate that a tax rate in excess of the "rollback tax rate" is required to fund the operations of the Eligible jurisdiction for the succeeding year, then the Eligible jurisdiction shall recapture from the taxpayer a tax in an amount equal to the lesser of the following:

(1) The amount of the taxes abated for that year by the Eligible jurisdiction with respect to such taxpayer.

(2) The amount obtained by subtracting the rollback tax rate computed without the abated property value being treated as new property value from the rollback tax rate computed with the abated property value being treated as new property value and multiplying the difference by the total assessed value of the Eligible jurisdiction.

If the Eligible jurisdiction has granted an abatement of taxes to more than one taxpayer, then the amount of the recapture calculated in accord with subparagraph (2) above shall be prorated on the basis of the amount of the abatement with respect to each taxpayer.

All recaptured taxes must be paid within thirty (30) days after notice thereof has been given to the affected taxpayer. Penalty and interest shall not begin to accrue upon such sum until the first day of the month following such thirty (30) day notice, at which time penalty and interest shall accrue in accord with the laws of the State of Texas.

(g) Continuation of Tax Lien. The amount of tax abated each year under the terms of these Guidelines and the Agreement shall be secured by a first and prior tax lien which shall continue in existence from year to year throughout the entire term of the Agreement or until all taxes, whether assessed or recaptured, are paid in full.

(h) Automatic Termination. The Agreement shall automatically terminate on and as of the date any of the following events occur: the filing of a petition in bankruptcy by the Owner; or the making by the Owner of an assignment for the benefit of creditors; or if any involuntary petition in bankruptcy or petition for an arrangement pursuant to the federal bankruptcy code is filed against the Owner; or if a receiver is appointed for the business of the Owner. In the event of automatic termination for any of the above reasons, the prior notice of default provisions in subsection (d) above shall not apply.

Section 7. **Administration.**

(a) Annual Assessment. The San Patricio County Appraisal District shall annually determine an assessment of the real and personal property subject to an Agreement. Each year, the Owner shall furnish the Appraisal District with such information as may be necessary for the abatement. Once value has been established, the Appraisal District shall notify the affected jurisdictions which levy taxes of the amount of the assessment and the abatement.

(b) Access to Facility. The Agreement shall stipulate that employees and/or designated representatives of the Eligible jurisdiction will have access to the Facility during the term of the Agreement to inspect the Facility to determine if the terms and conditions of the Agreement are being met. All inspections will be made only after giving 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 Owner and in accordance with its safety standards.

(c) Annual Evaluation. Upon completion of construction, the Eligible jurisdiction individually or in conjunction with other affected jurisdictions, shall annually evaluate each Facility receiving abatement to ensure compliance with the Agreement and report possible violations of the Agreement.

(d) Annual Reports. The Owner shall certify to the governing body of the Eligible Jurisdiction on or before April 1 each year that the Owner is in compliance with each applicable term of the agreement. Additionally, during the initial four years of the term of property tax abatement, the Owner shall provide to the Eligible Jurisdiction approving the abatement an annual report covering those items listed on Schedule 1 in order to document its efforts to acquire goods and services on a local basis. Such annual report shall be prepared on a calendar year basis and shall be submitted to the Eligible jurisdiction no later than ninety (90) days following the end of each such calendar year. The annual report shall be accompanied by an audit letter prepared by an independent accounting firm which has reviewed the report.

(e) "Buy Local" Provision. Each recipient of property tax abatement shall additionally agree to give preference and priority to local manufacturers, suppliers, contractors and labor, except where not reasonably possible to do so without added expense, substantial inconvenience, or sacrifice in operating efficiency. In any such exception cases involving purchases over $10,000.00 a justification for such purchase shall be included in the annual report. Each such recipient shall further acknowledge that it is a legal and moral obligation of persons receiving property tax abatements to favor local manufacturers, suppliers, contractors and labor, all other factors being equal. For the purposes of this provision, the term "local" as used to describe manufacturers, suppliers, contractors and labor shall include firms, businesses, and persons who reside in or maintain an office in either San Patricio County or San Patricio County. In the event of a breach of the buy-local provision, the percentage of abatement shall be proportionately reduced equal to the amount the disqualified contract bears to the total construction cost for the project.

(f) Right to Modify or Cancel. Notwithstanding anything herein or in any agreement to the contrary, the governing body of the Eligible Jurisdiction may cancel or modify the agreement if the Owner fails to comply with the Agreement.

SCHEDULE 1

"Buy Local" Annual Reports

The following information shall be reported to the Governmental Unit on a calendar-year basis during the first four years of the tax abatement program:

1. Dollar amount spent for materials* (local).
2. Dollar amount spent for materials* (total).
3. Dollar amount spent for labor** (local).
4. Dollar amount spent for labor** (total).
5. Number of jobs created in the construction project (local).
6. Number of jobs created in the construction project (total).
7. Number of jobs created on a permanent basis (local).
8. Number of jobs created on a permanent basis (total).

* "Materials" is defined to include all materials used in excavation, site improvement, demolition, concrete, structural steel, fire proofing, piping, electrical, instruments, paintings and scaffolding, insulation, temporary construction facilities, supplies, equipment rental in construction, small tools and consumables. This term does not include major items of machinery and equipment not readily-available locally.

** "Labor" is defined to include all labor in connection with the excavation, site improvement, demolition, concrete construction, structural steel, fire proofing, equipment placement, piping, electrical, instruments, painting and scaffolding, insulation, construction services, craft benefits, payroll burdens, and related labor expenses. This term does not include engineering services in connection with the project design.

The term "local" as used to describe manufacturers, suppliers, contractors and labor shall include firms, businesses, and persons who reside in or maintain an office in either San Patricio County or San Patricio County.

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Attachment B

Certificate of Account Status

TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

November 7, 2011

CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS
COUNTY OF TRAVIS

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

TPCO AMERICA CORPORATION

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

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

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

GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 7th day of
November 2011 A.D.

Susan Combs

Susan Combs

Texas Comptroller

Taxpayer number: 32037771832
File number: 0801434024

Attachment C

State Comptroller's Recommendation

SUSAN COMBS

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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

June 2, 2011

Mr. Paul Clore
Superintendent
Gregory-Portland Independent School District
608 College Street
Portland, Texas 78374

Dear Superintendent Clore:

On May 11, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Gregory-Portland Independent School District (Gregory-Portland ISD) by TPCO America Corporation (TPCO America) on April 19, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding TPCO America's application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Gregory-Portland ISD is currently classified as a rural school district in Category 2. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment ($819,775,000) is consistent with the proposed appraised value limitation sought ($20 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.

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

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

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

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution.

During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at www.window.state.tx.us/taxinfo/proptax/hb1200 to find an outline of the program and links to applicable rules and forms.

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

Sincerely,

Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

Applicant	TPCO America Corporation
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Gregory-Portland ISD
2009-10 Enrollment in School District	4,193
County	San Patricio
Total Investment in District	$820,575,000
Qualified Investment	$819,775,000
Limitation Amount	$20,000,000
Number of total jobs committed to by applicant	400 to 600
Number of qualifying jobs committed to by applicant	480
Average Weekly Wage of Qualifying Jobs committed to by applicant	$972
Minimum Weekly Wage Required Tax Code, 313.051(b)	$972
Minimum Annual Wage committed to by applicant for qualified jobs	$50,564
Investment per Qualifying Job	$1,709,531
Estimated 15 year M&O levy without any limit or credit:	$95,864,616
Estimated gross 15 year M&O tax benefit	$63,293,062
Estimated 15 year M&O tax benefit (*after* deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	$56,294,015
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	$2,858,798
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	$39,570,601
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	58.7%
Percentage of tax benefit due to the limitation	95.5%
Percentage of tax benefit due to the credit.	4.5%

This presents the Comptroller's economic impact evaluation of TPCO America (the project) applying to Gregory-Portland 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 up to 600 new jobs when fully operational. 480 of these 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 Coastal Bend Council of Governments Region, where San Patricio County is located was $45,967 in 2009. The annual average manufacturing wage for 2010 for San Patricio County is $70,512. That same year, the county annual average wage for all industries was $38,883. In addition to a salary of $50,564, each qualifying position will receive benefits such as medical insurance coverage, paid holidays, paid vacation, and a 401(k) retirement savings plan. The project's total investment is $820.6 million, resulting in a relative level of investment per qualifying job of $1.7 million.

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

According to TPCO America's application, "TPCO has the ability to locate a new facility in many countries around the world as well as numerous locations in the United States. TPCO selected the Gregory area over 33 Texas, U.S., and international locations. The selection of Gregory was featured in the Comptroller's *Texas Rising* publication for March/April 2009."

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

During the past two years, three projects in the Coastal Bend 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 TPCO America 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 TPCO America'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 TPCO America

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2011	100	125	225	$6,500,000	$6,500,000	$13,000,000
2012	1200	2971	4171	$78,000,000	$169,000,000	$247,000,000
2013	1020	1722	2742	$66,011,280	$121,988,720	$188,000,000
2014	100	367	467	$5,056,400	$51,943,600	$57,000,000
2015	400	797	1197	$20,225,600	$80,774,400	$101,000,000
2016	600	1151	1751	$30,338,400	$110,661,600	$141,000,000
2017	600	1185	1785	$30,338,400	$120,661,600	$151,000,000
2018	600	1230	1830	$30,338,400	$131,661,600	$162,000,000
2019	600	1269	1869	$30,338,400	$143,661,600	$174,000,000
2020	600	1307	1907	$30,338,400	$155,661,600	$186,000,000
2021	600	1349	1949	$30,338,400	$167,661,600	$198,000,000
2022	600	1342	1942	$30,338,400	$177,661,600	$208,000,000
2023	600	1358	1958	$30,338,400	$188,661,600	$219,000,000
2024	600	1382	1982	$30,338,400	$200,661,600	$231,000,000
2025	600	1415	2015	$30,338,400	$215,661,600	$246,000,000
2026	600	1451	2051	$30,338,400	$230,661,600	$261,000,000

Source: CPA, REMI, TPCO America Corporation

The statewide average ad valorem tax base for school districts in Texas was $1.6 billion in 2010. Gregory-Portland ISD's ad valorem tax base in 2010 was $1.1 billion. The statewide average wealth per WADA was estimated at $345,067 for fiscal 2010-2011. During that same year, Gregory-Portland ISD's estimated wealth per WADA was $215,905. 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, San Patricio County, and San Patricio County Drainage District, with all property tax incentives sought being granted using estimated market value from TPCO America's application. TPCO America has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and drainage district. Table 3 illustrates the estimated tax impact of the TPCO America project on the region if all taxes are assessed.

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought										
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Gregory-Portland ISD I&S Levy	Gregory-Portland ISD M&O Levy	Gregory-Portland ISD M&O and I&S Tax Levies (Before Credit Credited)	Gregory-Portland ISD M&O and I&S Tax Levies (After Credit Credited)	San Patricio County	San Patricio County Drainage District	Estimated Total Property Taxes
			Tax Rate[1]	0.2000	1.1700			0.5245	0.0764	
2012	$252,580	$252,580		$505	$2,955	$3,460	$3,460	$1,325	$193	$4,978
2013	$264,341,704	$264,341,704		$528,683	$3,092,798	$3,621,481	$3,621,481	$0	$0	$3,621,481
2014	$738,050,080	$20,000,000		$1,476,100	$234,000	$1,710,100	$1,710,100	$0	$0	$1,710,100
2015	$721,160,320	$20,000,000		$1,442,321	$234,000	$1,676,321	$1,267,921	$0	$0	$1,267,921
2016	$704,661,790	$20,000,000		$1,409,324	$234,000	$1,643,324	$1,234,924	$0	$0	$1,234,924
2017	$680,431,540	$20,000,000		$1,360,863	$234,000	$1,594,863	$1,186,463	$0	$0	$1,186,463
2018	$657,142,240	$20,000,000		$1,314,284	$234,000	$1,548,284	$1,139,885	$517,007	$75,312	$1,732,204
2019	$631,885,720	$20,000,000		$1,263,771	$234,000	$1,497,771	$1,089,372	$994,272	$144,836	$2,228,480
2020	$607,636,570	$20,000,000		$1,215,273	$234,000	$1,449,273	$1,040,873	$1,434,174	$208,916	$2,683,964
2021	$584,353,480	$20,000,000		$1,168,707	$234,000	$1,402,707	$994,307	$1,838,960	$267,882	$3,101,149
2022	$561,996,580	$561,996,580		$1,123,993	$6,575,360	$7,699,353	$7,699,353	$2,210,754	$322,041	$10,232,148
2023	$540,527,890	$540,527,890		$1,081,056	$6,324,176	$7,405,232	$7,405,232	$2,835,069	$412,985	$10,653,286
2024	$519,910,960	$519,910,960		$1,039,822	$6,082,958	$7,122,780	$7,122,780	$2,726,933	$397,233	$10,246,946
2025	$500,110,960	$500,110,960		$1,000,222	$5,851,298	$6,851,520	$6,851,520	$2,623,082	$382,105	$9,856,707
2026	$481,094,500	$481,094,500		$962,189	$5,628,806	$6,590,995	$6,590,995	$2,523,341	$367,575	$9,481,911
						Total	$48,958,667	$17,704,917	$2,579,078	$69,242,662
Assumes School Value Limitation and Tax Abatement with the county and drainage district.										

Source: CPA, TPCO America Corporation

[1]Tax Rate per $100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives										
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Gregory-Portland ISD I&S Levy	Gregory-Portland ISD M&O Levy		Gregory-Portland ISD M&O and I&S Tax Levies	San Patricio County	San Patricio County Drainage District	Estimated Total Property Taxes
			Tax Rate[1]	0.2000	1.1700			0.5245	0.0764	
2012	$252,580	$252,580		$505	$2,955		$3,460	$1,325	$193	$4,978
2013	$264,341,704	$264,341,704		$528,683	$3,092,798		$3,621,481	$1,386,472	$201,968	$5,209,921
2014	$738,050,080	$738,050,080		$1,476,100	$8,635,186		$10,111,286	$3,871,073	$563,900	$14,546,259
2015	$721,160,320	$721,160,320		$1,442,321	$8,437,576		$9,879,896	$3,782,486	$550,995	$14,213,378
2016	$704,661,790	$704,661,790		$1,409,324	$8,244,543		$9,653,867	$3,695,951	$538,390	$13,888,207
2017	$680,431,540	$680,431,540		$1,360,863	$7,961,049		$9,321,912	$3,568,863	$519,877	$13,410,652
2018	$657,142,240	$657,142,240		$1,314,284	$7,688,564		$9,002,849	$3,446,711	$502,083	$12,951,643
2019	$631,885,720	$631,885,720		$1,263,771	$7,393,063		$8,656,834	$3,314,241	$482,786	$12,453,861
2020	$607,636,570	$607,636,570		$1,215,273	$7,109,348		$8,324,621	$3,187,054	$464,259	$11,975,933
2021	$584,353,480	$584,353,480		$1,168,707	$6,836,936		$8,005,643	$3,064,934	$446,469	$11,517,046
2022	$561,996,580	$561,996,580		$1,123,993	$6,575,360		$7,699,353	$2,947,672	$429,388	$11,076,413
2023	$540,527,890	$540,527,890		$1,081,056	$6,324,176		$7,405,232	$2,835,069	$412,985	$10,653,286
2024	$519,910,960	$519,910,960		$1,039,822	$6,082,958		$7,122,780	$2,726,933	$397,233	$10,246,946
2025	$500,110,960	$500,110,960		$1,000,222	$5,851,298		$6,851,520	$2,623,082	$382,105	$9,856,707
2026	$481,094,500	$481,094,500		$962,189	$5,628,806		$6,590,995	$2,523,341	$367,575	$9,481,911
						Total	$112,251,730	$42,975,206	$6,260,205	$161,487,141

Source: CPA, TPCO America Corporation

[1]Tax Rate per $100 Valuation

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

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be $95,864,616. The estimated gross 15 year M&O tax benefit, or levy loss, is $63,293,062.

Attachment 3 is an economic overview of San Patricio 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.

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Robert Scott
Commissioner

June 6, 2011

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

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed TPCO America Corporation project for the Gregory-Portland Independent School District (GPISD). Projections prepared by our Forecasting and Fiscal Analysis Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the TPCO America Corporation project on GPISD are correct.

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

Sincerely,

Helen Daniels

Helen Daniels
Director, State Funding

HD/bd

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Robert Scott
Commissioner

June 6, 2011

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

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed TPCO America Corporation project on the number and size of school facilities in Gregory-Portland Independent School District (GPISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the GPISD superintendent, Dr. Paul Clore, the TEA has found that although the GPISD has some additional capacity, the impact of the TPCO America Corporation project on the number or size of school facilities in GPISD is unknown at this point. The relatively large number of employees estimated to be required for the project and the range of accommodation options available in the greater Corpus Christi metropolitan area prevent the TEA from drawing a firm conclusion at this time.

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

Sincerely,

Helen Daniels

Helen Daniels
Director, State Funding

HD/bd

San Patricio County

Population

Total county population in 2009 for San Patricio County: 68,223, down 0.2 percent from 2008. State population increased 2.0 percent in the same time period. San Patricio County was the state's 50th largest county in population in 2009 and the 190th fastest growing county from 2008 to 2009. San Patricio County's population in 2009 was 42.4 percent Anglo (below the state average of 46.7 percent), 1.9 percent African-American (below the state average of 11.3 percent) and 53.6 percent Hispanic (above the state average of 36.9 percent).

2009 population of the largest cities and places in San Patricio County:

Portland:	16,450	**Ingleside:**	8,992
Aransas Pass:	8,754	**Sinton:**	5,303
Mathis:	5,246	**Taft:**	3,303
Odem:	2,495	**Gregory:**	2,177
Ingleside on the Bay:	681	**Lake City:**	512

Economy and Income

Employment

April 2011 total employment in San Patricio County: 28,656, up 0.9 percent from April 2010. State total employment increased 1.3 percent during the same period.

April 2011 San Patricio County unemployment rate: 9.2 percent, down from 10.5 percent in April 2010. The statewide unemployment rate for April 2011 was 8.0 percent, down from 8.2 percent in April 2010.

April 2011 unemployment rate in the city of: NA

(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

San Patricio County's ranking in per capita personal income in 2009: 121st with an average per capita income of $33,068, down 1.3 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 San Patricio County averaged $69.54 million annually from 2006 to 2009. County total agricultural values in 2009 were down 88.2 percent from 2008. Major agriculture related commodities in San Patricio County during 2009 included:

Other Crop   Hay   Cotton   Other Beef   Fishing

2010 oil and gas production in San Patricio County: 359,175.0 barrels of oil and 16.6 million Mcf of gas. In February 2011, there were 165 producing oil wells and 207 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Quarterly (June 2010 through September 2010)

Taxable sales in San Patricio County during the third quarter 2010: $105.64 million, up 7.5 percent from the same quarter in 2009.

Taxable sales during the third quarter 2010 in the city of:

Portland:	$31.89 million, up 6.6 percent from the same quarter in 2009.
Ingleside:	$5.83 million, down 13.6 percent from the same quarter in 2009.
Aransas Pass:	$29.83 million, down 4.6 percent from the same quarter in 2009.
Sinton:	$7.84 million, up 11.5 percent from the same quarter in 2009.
Mathis:	$7.32 million, up 24.9 percent from the same quarter in 2009.
Taft:	$2.26 million, down 1.2 percent from the same quarter in 2009.
Odem:	$2.09 million, unchanged 0.0 percent from the same quarter in 2009.
Gregory:	$20.79 million, up 189.2 percent from the same quarter in 2009.
Ingleside on the Bay:	$232,888.00, up 23.3 percent from the same quarter in 2009.

Annual (2009)

Taxable sales in San Patricio County during 2009: $433.76 million, down 7.0 percent from 2008.

San Patricio County sent an estimated $27.11 million (or 0.10 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009. Taxable sales during 2009 in the city of:

Portland:	$126.55 million, up 3.3 percent from 2008.
Ingleside:	$26.71 million, down 5.4 percent from 2008.
Aransas Pass:	$128.58 million, down 3.3 percent from 2008.
Sinton:	$29.20 million, down 1.6 percent from 2008.
Mathis:	$23.74 million, up 0.6 percent from 2008.
Taft:	$8.77 million, down 10.6 percent from 2008.
Odem:	$8.24 million, up 0.7 percent from 2008.
Gregory:	$37.79 million, down 38.5 percent from 2008.
Ingleside on the Bay:	$620,676.00, down 7.0 percent from 2008.

Sales Tax – Local Sales Tax Allocations

Monthly

Statewide payments based on the sales activity month of March 2011: $600.06 million, up 5.8 percent from March 2010.

Payments to all cities in San Patricio County based on the sales activity month of March 2011: $784,353.47, up 7.8 percent from March 2010. Payment based on the sales activity month of March 2011 to the city of:

Portland:	$291,266.82, up 5.5 percent from March 2010.
Ingleside:	$94,742.49, up 2.7 percent from March 2010.
Aransas Pass:	$175,535.73, up 14.6 percent from March 2010.
Sinton:	$87,938.23, up 5.1 percent from March 2010.
Mathis:	$75,763.93, up 12.5 percent from March 2010.
Taft:	$26,937.08, down 1.8 percent from March 2010.
Odem:	$22,012.82, up 12.2 percent from March 2010.
Gregory:	$9,094.72, up 26.2 percent from March 2010.
Ingleside on the Bay:	$1,061.65, up 50.4 percent from March 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 San Patricio County based on sales activity months in 2010: $7.83 million, up 1.2 percent from 2009.

Payment based on sales activity months in 2010 to the city of:

Portland:	$3.17 million, up 4.6 percent from 2009.
Ingleside:	$968,613.57, down 13.0 percent from 2009.
Aransas Pass:	$1.57 million, up 0.4 percent from 2009.
Sinton:	$806,279.08, up 1.5 percent from 2009.
Mathis:	$732,091.45, up 7.8 percent from 2009.
Taft:	$275,339.14, up 9.0 percent from 2009.
Odem:	$203,873.79, up 3.0 percent from 2009.
Gregory:	$92,187.93, up 1.7 percent from 2009.
Ingleside on the Bay:	$7,847.30, down 39.8 percent from 2009.

Property Tax

As of January 2009, property values in San Patricio County: $4.51 billion, up 0.2 percent from January 2008 values. The property tax base per person in San Patricio County is $66,150, below the statewide average of $85,809. About 3.8 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

San Patricio County's ranking in state expenditures by county in fiscal year 2009: 58th. State expenditures in the county for FY2009: $226.71 million, down 12.9 percent from FY2008.

In San Patricio County, 10 state agencies provide a total of 175 jobs and $5.06 million in annualized wages (as of 3rd quarter 2010).

Major state agencies in the county (as of third quarter 2010):

Department of Family and Protective Services

Department of Transportation

Parks & Wildlife Department

Department of Aging and Disability Services

Health & Human Services Commission

Higher Education

Community colleges in San Patricio County fall 2010 enrollment:

None.

San Patricio County is in the service area of the following:

Del Mar College with a fall 2010 enrollment of 12,236. Counties in the service area include:
Aransas County
Kenedy County
Kleberg County
Nueces County
San Patricio County

Institutions of higher education in San Patricio County fall 2010 enrollment:

None.

School Districts

San Patricio County had 7 school districts with 34 schools and 14,338 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.)

Aransas Pass ISD had 1,879 students in the 2009-10 school year. The average teacher salary was $44,821. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.

Gregory-Portland ISD had 4,193 students in the 2009-10 school year. The average teacher salary was $45,281. The percentage of students meeting the 2010 TAKS passing standard for all tests was 83 percent.

Ingleside ISD had 2,150 students in the 2009-10 school year. The average teacher salary was $46,053. The percentage of students meeting the 2010 TAKS passing standard for all tests was 72 percent.

Mathis ISD had 1,736 students in the 2009-10 school year. The average teacher salary was $43,744. The percentage of students meeting the 2010 TAKS passing standard for all tests was 60 percent.

Odem-Edroy ISD had 1,129 students in the 2009-10 school year. The average teacher salary was $45,781. The percentage of students meeting the 2010 TAKS passing standard for all tests was 75 percent.

Sinton ISD had 2,108 students in the 2009-10 school year. The average teacher salary was $44,070. The percentage of students meeting the 2010 TAKS passing standard for all tests was 70 percent.

Taft ISD had 1,143 students in the 2009-10 school year. The average teacher salary was $42,880. The percentage of students meeting the 2010 TAKS passing standard for all tests was 55 percent.

Attachment E

Summary of Financial Impact

Summary of Financial Impact of the Proposed TPCO America Corporation Project on the Finances of the Gregory-Portland Independent School District Under A Requested Chapter 313 Property Value Limitation

May 18, 2011 | Final Report

Prepared by

MOAK, CASEY & ASSOCIATES

TEXAS SCHOOL FINANCE EXPERTS

Estimated Impact of the Proposed TPCO America Corporation Project on the Finances of the Gregory-Portland Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

TPCO America Corporation (TPCO) has requested that the Gregory-Portland Independent School District (G-PISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new seamless steel pipe manufacturing mill. An application was submitted to G-PISD on April 18, 2011. TPCO proposes to invest $738 million to construct the new seamless pipe manufacturing project in G-PISD.

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

School Finance Mechanics

Under the provisions of Chapter 313, G-PISD may offer a minimum value limitation of $20 million. Based on the application, the qualifying time period would begin with the 2012-13 school year. The full taxable value of the investment is expected to reach $738 million in 2014-15, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

The provisions of Chapter 313 call for the project to be fully taxable in the 2012-13 and 2013-14 school years, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, the qualifying time period is assumed to be the 2012-13 and 2013-14 school years. Beginning in 2014-15, the project would go on the local tax roll at $20 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes. The full taxable value of the project would be assessed for debt service taxes on voter-approved bond issues throughout the limitation period and thereafter, with G-PISD currently levying a $0.20 I&S tax rate.

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

For the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the third year was typically problematical for a school district that approved a Chapter 313 value limitation. Based on the data provided in the application, TPCO indicates that $264.3 million in taxable value would be in place in the second year under the agreement. In year three (2014-15) of the agreement, the project is expected to go on the tax roll at $20 million or, if applicable, a higher value limitation amount approved by the G-PISD Board of Trustees.

This difference would result in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant in the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses are anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study.

HB 1 established a "target" revenue system per student that has the effect of largely neutralizing the third-year revenue losses associated with Chapter 313 property value limitations, at least up to a district's compressed M&O tax rate. The initial six of 17 cents of tax effort that a district may levy above the compressed tax rate are subject to an enriched level of equalization (or no recapture in the case of Chapter 41 school district) and operate more like the pre-HB 1 system. A value limitation must be analyzed for any potential revenue loss associated with this component of the M&O tax levy. For tax effort in excess of the compressed plus six cents rate, equalization and recapture occur at the level of $319,500 per weighted student in average daily attendance (WADA).

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

Under the provisions of HB 3646, school districts do have the potential to earn revenue above the $120 per WADA level, up to a maximum of $350 per WADA above current law. Initial estimates indicate that about 800 school districts are funded at the minimum $120 per WADA level, while approximately 200 school districts are expected to generate higher revenue amounts per WADA. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district's base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system. There are several years under this analysis where G-PISD becomes a formula district.

The school finance system is the subject of current legislative debate for 2011-12 and subsequent years. To the extent any statutory changes are made prior to Board action on this application, updates will be prepared to reflect any funding changes that are made.

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

Underlying Assumptions

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

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

Student enrollment counts are held constant at 4,058 students in average daily attendance (ADA) in analyzing the effects of the TPCO project on the finances of G-PISD. The District's local tax base reached $1.1 billion for the 2010 tax year. The underlying $1.1 billion taxable value for 2010-11 is maintained for the forecast period in order to isolate the effects of the property value limitation. G-PISD is a moderate-wealth district, with wealth per WADA of approximately $214,868 for the 2010-11 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for G-PISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin ISD yield that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appear to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

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

A third model is developed which adds the TPCO value, but imposes the proposed property value limitation effective in the third year, which in this case is the 2014-15 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). An M&O tax rate of $1.1700 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately $30 million a year in net General Fund revenue, after recapture and other adjustments have been made, where appropriate.

Under these assumptions, G-PISD would experience a revenue loss as a result of the implementation of the value limitation in the 2014-15 school year (-$5,390,176). The revenue reduction results from the mechanics of tax effort both in the compressed and enrichment tiers, assuming the same adopted M&O tax rate for both models. It appears that much smaller differences persist between the two models over the course of the agreement, as a result of reductions in tax effort and in part due to deductions made in state property value study that do not sufficiently offset the reduction in M&O taxes resulting from the impact of the value limitation agreement.

One change that has been incorporated into these models is a more precise estimate of the deduction from the property value study conducted by the Comptroller's Office. At the school district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller's Office, however, only a single deduction amount is calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. A "composite" value for a school district with a Chapter 313 agreement is calculated, by averaging the impact of the value reduction across the M&O and I&S tax levies. The result of the composite deduction calculation is that the amount deducted for the value limitation from the state value study is always less than the tax benefit that has been provided for the taxpayer receiving the value limitation in school districts that levy M&O taxes. This methodology is currently under review by the Comptroller's Office.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A $1.1700 per $100 of taxable value M&O rate is assumed in 2010-11 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total $60.4 million over the life of the agreement. In addition, TPCO would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years. The tax credits are expected to total approximately $2.9 million over the life of the agreement, with no unpaid tax credits anticipated. The key G-PISD revenue losses are associated with reduced local tax collections not fully offset by the state funding formulas that are estimated to be approximately $7 million over the course of the agreement, with the school district to be reimbursed by the state for the tax credit payments. These reductions are to be offset through the revenue protection provisions of the value limitation agreement. In total, the potential net tax benefits are estimated to total $56.3 million over the life of the agreement.

Facilities Funding Impact

The TPCO project remains fully taxable for debt services taxes, with G-PISD currently levying a $0.20 I&S rate. The value of the TPCO project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA that is currently below what is provided for through the state's facilities program. The additional value is expected to help reduce the District's current &0.20 I&S tax rate to $0.135 per $100 in 2014-15—a reduction of 6.5 cents of tax effort—with the rate reduction diminishing as the project value depreciates.

The TPCO project anticipates up to 1,200 construction workers will be on site in 2012 and 1,000 in 2,013. When the plant becomes fully operational, 600 employees are anticipated in 2016. The pattern of similar projects appears to be that many of the construction workers commute and do not relocate their families. The Gregory-Portland ISD area is also accessible from much of the greater Corpus Christi metropolitan area, where there are a number of housing options. Currently, G-PISD has capacity for approximately 56 elementary school students and 110 junior and high school students spread across all of its campuses. A large-scale influx of families to the area during construction or, in the longer-term, the operational phase of the project, could create the need for additional school facilities.

Conclusion

The proposed TPCO seamless pipe manufacturing project enhances the tax base of G-PISD. It reflects continued capital investment in manufacturing, a primary goal of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated $56.3 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District. The additional taxable value also enhances the tax base of G-PISD in meeting its future debt service obligations.

Table 1 – Base District Information with TPCO America Corporation Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
1	2012-13	4,099.03	5,216.97	$1.1700	$0.1750	$1,112,988,059	$1,112,988,059	$1,120,960,858	$1,120,960,858	$214,868	$214,868
2	2013-14	4,099.03	5,216.97	$1.1700	$0.1450	$1,377,077,183	$1,377,077,183	$1,153,893,805	$1,153,893,805	$221,181	$221,181
3	2014-15	4,099.03	5,216.97	$1.1700	$0.1350	$1,850,785,559	$1,132,735,479	$1,416,438,284	$1,416,438,284	$271,506	$271,506
4	2015-16	4,099.03	5,216.97	$1.1700	$0.1370	$1,833,895,799	$1,132,735,479	$1,889,208,551	$1,245,439,513	$362,128	$238,729
5	2016-17	4,099.03	5,216.97	$1.1700	$0.1390	$1,817,397,269	$1,132,735,479	$1,872,223,129	$1,244,558,574	$358,872	$238,560
6	2017-18	4,099.03	5,216.97	$1.1700	$0.1410	$1,793,167,019	$1,132,735,479	$1,855,627,475	$1,243,668,503	$355,691	$238,389
7	2018-19	4,099.03	5,216.97	$1.1700	$0.1430	$1,769,877,719	$1,132,735,479	$1,831,298,736	$1,241,897,590	$351,027	$238,050
8	2019-20	4,099.03	5,216.97	$1.1700	$0.1450	$1,744,621,199	$1,132,735,479	$1,807,909,676	$1,240,159,165	$346,544	$237,716
9	2020-21	4,099.03	5,216.97	$1.1700	$0.1470	$1,783,789,950	$1,196,153,380	$1,782,552,217	$1,238,136,786	$341,684	$237,329
10	2021-22	4,099.03	5,216.97	$1.1700	$0.1490	$1,758,838,502	$1,194,485,022	$1,814,540,402	$1,292,494,247	$347,815	$247,748
11	2022-23	4,099.03	5,216.97	$1.1700	$0.1510	$1,734,846,611	$1,734,846,611	$1,789,588,954	$1,288,987,308	$343,032	$247,076
12	2023-24	4,099.03	5,216.97	$1.1700	$0.1530	$1,711,775,630	$1,711,775,630	$1,765,597,063	$1,765,597,063	$338,434	$338,434
13	2024-25	4,099.03	5,216.97	$1.1700	$0.1550	$1,689,588,455	$1,689,588,455	$1,742,526,083	$1,742,526,083	$334,011	$334,011
14	2025-26	4,099.03	5,216.97	$1.1700	$0.1570	$1,668,249,615	$1,668,249,615	$1,720,338,907	$1,720,338,907	$329,758	$329,758
15	2026-27	4,099.03	5,216.97	$1.1700	$0.1590	$1,647,725,092	$1,647,725,092	$1,699,000,067	$1,699,000,067	$325,668	$325,668

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

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

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2012-13	$10,799,100	$14,927,904	$605,433	$0	$0	$1,835,215	$1,738,586	$0	$29,906,239
2	2013-14	$13,417,448	$14,598,558	$0	$0	$0	$2,280,181	$2,033,394	$0	$32,329,582
3	2014-15	$18,195,499	$11,972,982	$0	-$326,536	$0	$3,092,171	$1,673,233	$0	$34,607,348
4	2015-16	$18,025,517	$7,245,043	$1,061,877	$0	$0	$3,063,284	$709,498	-$223,956	$29,881,263
5	2016-17	$17,859,451	$7,414,906	$1,058,080	$0	$0	$3,035,062	$719,060	-$206,805	$29,879,755
6	2017-18	$17,616,066	$7,580,870	$1,135,501	$0	$0	$2,993,701	$725,057	-$189,182	$29,862,013
7	2018-19	$17,382,096	$7,824,170	$1,126,172	$0	$0	$2,953,939	$738,786	-$164,776	$29,860,386
8	2019-20	$17,128,454	$8,058,072	$1,145,911	$0	$0	$2,910,835	$750,718	-$141,084	$29,852,907
9	2020-21	$17,509,919	$8,311,660	$510,859	$0	$0	$2,975,662	$793,299	-$119,988	$29,981,410
10	2021-22	$17,259,577	$7,991,762	$1,081,098	$0	$0	$2,933,118	$749,917	-$148,302	$29,867,171
11	2022-23	$16,940,344	$8,241,289	$1,150,804	$0	$0	$2,878,867	$760,480	-$122,659	$29,849,126
12	2023-24	$16,711,913	$8,481,220	$1,139,304	$0	$0	$2,840,048	$774,044	-$98,680	$29,847,849
13	2024-25	$16,492,196	$8,711,941	$1,128,300	$0	$0	$2,802,709	$787,082	-$75,626	$29,846,602
14	2025-26	$16,280,843	$8,933,824	$1,117,770	$0	$0	$2,766,791	$799,614	-$53,457	$29,845,385
15	2026-27	$16,077,519	$9,147,223	$1,107,695	$0	$0	$2,732,238	$811,660	-$32,140	$29,844,195

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

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2012-13	$10,799,100	$14,927,904	$605,433	$0	$0	$1,835,215	$1,738,586	$0	$29,906,239
2	2013-14	$13,417,448	$14,598,558	$0	$0	$0	$2,280,181	$2,033,394	$0	$32,329,582
3	2014-15	$11,014,640	$11,972,982	$3,344,815	$0	$0	$1,871,844	$1,012,891	$0	$29,217,172
4	2015-16	$11,013,563	$13,683,055	$1,635,819	$0	$0	$1,871,662	$1,408,827	$0	$29,612,926
5	2016-17	$11,012,491	$13,691,865	$1,628,081	$0	$0	$1,871,479	$1,411,012	$0	$29,614,928
6	2017-18	$11,011,421	$13,700,766	$1,620,250	$0	$0	$1,871,297	$1,413,224	$0	$29,616,958
7	2018-19	$11,010,355	$13,718,476	$1,603,606	$0	$0	$1,871,116	$1,417,770	$0	$29,621,323
8	2019-20	$11,009,292	$13,735,861	$1,587,285	$0	$0	$1,870,936	$1,422,243	$0	$29,625,616
9	2020-21	$11,633,259	$13,756,086	$943,092	$0	$0	$1,976,974	$1,508,535	$0	$29,817,945
10	2021-22	$11,615,760	$13,212,484	$1,504,194	$0	$0	$1,974,000	$1,359,899	$0	$29,666,335
11	2022-23	$16,940,344	$13,247,555	$0	-$2,029,523	$0	$2,878,867	$1,996,495	$0	$33,033,738
12	2023-24	$16,711,913	$8,481,220	$1,139,304	$0	$0	$2,840,048	$774,044	-$98,680	$29,847,849
13	2024-25	$16,492,196	$8,711,941	$1,128,300	$0	$0	$2,802,709	$787,082	-$75,626	$29,846,602
14	2025-26	$16,280,843	$8,933,824	$1,117,770	$0	$0	$2,766,791	$799,614	-$53,457	$29,845,385
15	2026-27	$16,077,519	$9,147,223	$1,107,695	$0	$0	$2,732,238	$811,660	-$32,140	$29,844,195

Table 4 – Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2012-13	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	2013-14	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	2014-15	-$7,180,860	$0	$3,344,815	$326,536	$0	-$1,220,326	-$660,342	$0	-$5,390,176
4	2015-16	-$7,011,954	$6,438,012	$573,942	$0	$0	-$1,191,622	$699,329	$223,956	-$268,337
5	2016-17	-$6,846,961	$6,276,959	$570,002	$0	$0	-$1,163,583	$691,952	$206,805	-$264,827
6	2017-18	-$6,604,645	$6,119,896	$484,749	$0	$0	-$1,122,403	$688,167	$189,182	-$245,054
7	2018-19	-$6,371,741	$5,894,306	$477,435	$0	$0	-$1,082,823	$678,985	$164,776	-$239,062
8	2019-20	-$6,119,163	$5,677,789	$441,374	$0	$0	-$1,039,900	$671,525	$141,084	-$227,291
9	2020-21	-$5,876,659	$5,444,426	$432,233	$0	$0	-$998,688	$715,236	$119,988	-$163,465
10	2021-22	-$5,643,817	$5,220,722	$423,095	$0	$0	-$959,119	$609,982	$148,302	-$200,836
11	2022-23	$0	$5,006,266	-$1,150,804	-$2,029,523	$0	$0	$1,236,016	$122,659	$3,184,613
12	2023-24	$0	$0	$0	$0	$0	$0	$0	$0	$0
13	2024-25	$0	$0	$0	$0	$0	$0	$0	$0	$0
14	2025-26	$0	$0	$0	$0	$0	$0	$0	$0	$0
15	2026-27	$0	$0	$0	$0	$0	$0	$0	$0	$0

Table 5 - Estimated Financial impact of the TPCO America Corporation Project Property Value Limitation Request Submitted to G-PISD at $1.1700 M&O Tax Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
1	2012-13	$252,580	$252,580	$0	$2,955	$2,955	$0	$0	$0	$0	$0
2	2013-14	$264,341,704	$264,341,704	$0	$3,092,798	$3,092,798	$0	$0	$0	$0	$0
3	2014-15	$738,050,080	$20,000,000	$718,050,080	$8,635,186	$234,000	$8,401,186	$0	$8,401,186	-$5,390,176	$3,011,010
4	2015-16	$721,160,320	$20,000,000	$701,160,320	$8,437,576	$234,000	$8,203,576	$408,400	$8,611,975	-$268,337	$8,343,639
5	2016-17	$704,661,790	$20,000,000	$684,661,790	$8,244,543	$234,000	$8,010,543	$408,400	$8,418,943	-$264,827	$8,154,116
6	2017-18	$680,431,540	$20,000,000	$660,431,540	$7,961,049	$234,000	$7,727,049	$408,400	$8,135,449	-$245,054	$7,890,395
7	2018-19	$657,142,240	$20,000,000	$637,142,240	$7,688,564	$234,000	$7,454,564	$408,400	$7,862,964	-$239,062	$7,623,901
8	2019-20	$631,885,720	$20,000,000	$611,885,720	$7,393,063	$234,000	$7,159,063	$408,400	$7,567,463	-$227,291	$7,340,172
9	2020-21	$607,636,570	$20,000,000	$587,636,570	$7,109,348	$234,000	$6,875,348	$408,400	$7,283,748	-$163,465	$7,120,283
10	2021-22	$584,353,480	$20,000,000	$564,353,480	$6,836,936	$234,000	$6,602,936	$408,400	$7,011,335	-$200,836	$6,810,500
11	2022-23	$561,996,580	$561,996,580	$0	$6,575,360	$6,575,360	$0	$0	$0	$0	$0
12	2023-24	$540,527,890	$540,527,890	$0	$6,324,176	$6,324,176	$0	$0	$0	$0	$0
13	2024-25	$519,910,960	$519,910,960	$0	$6,082,958	$6,082,958	$0	$0	$0	$0	$0
14	2025-26	$500,110,960	$500,110,960	$0	$5,851,298	$5,851,298	$0	$0	$0	$0	$0
15	2026-27	$481,094,500	$481,094,500	$0	$5,628,806	$5,628,806	$0	$0	$0	$0	$0
					$95,864,616	$35,430,352	$60,434,264	$2,858,798	$63,293,062	-$6,999,047	$56,294,015

Tax Credit for Value Over Limit in First 2 Years	Year 1	Year 2	Max Credits
	$0	$2,858,798	$2,858,798
	Credits Earned		$2,858,798
	Credits Paid		$2,858,798
	Excess Credits Unpaid		$0

Attachment F

Taxable Value of Property

COMPTROLLER OF PUBLIC ACCOUNTS - PROPERTY TAX ASSISTANCE DIVISION
2010 ISD SUMMARY WORKSHEET
205/San Patricio
205-902/Gregory-Portland CIS

CATEGORY	LOCAL TAX ROLL VALUE	2010 WTD MEAN RATIO	2010 PTD VALUE ESTIMATE	2010 VALUE ASSIGNED
A. SINGLE-FAMILY RESIDENCES	747,535,575	N/A	747,535,575	747,535,575
B. MULTIFAMILY RESIDENCES	36,235,356	N/A	36,235,356	36,235,356
C. VACANT LOTS	22,170,675	N/A	22,170,675	22,170,675
D. RURAL REAL(TAXABLE)	43,695,896	N/A	43,695,896	43,695,896
F1. COMMERCIAL REAL	86,988,635	N/A	86,988,635	86,988,635
F2. INDUSTRIAL REAL	157,558,886	N/A	157,558,886	157,558,886
G. OIL,GAS,MINERALS	45,248,079	N/A	45,248,079	45,248,079
J. UTILITIES	35,852,245	N/A	35,852,245	35,852,245
L1. COMMERCIAL PERSONAL	32,933,497	N/A	32,933,497	32,933,497
L2. INDUSTRIAL PERSONAL	18,521,230	N/A	18,521,230	18,521,230
M. MOBILE HOMES	1,138,692	N/A	1,138,692	1,138,692
N. INTANGIBLE PERS/UNCERT	0	N/A	0	0
O. RESIDENTIAL INVENTORY	1,632,354	N/A	1,632,354	1,632,354
S. SPECIAL INVENTORY	1,732,799	N/A	1,732,799	1,732,799
SUBTOTAL	1,231,243,919		1,231,243,919	1,231,243,919
LESS TOTAL DEDUCTIONS	134,991,292		134,991,292	134,991,292
TOTAL TAXABLE VALUE	1,096,252,627		1,096,252,627	1,096,252,627 T2

CATEGORY D DETAIL	LOCAL TAX ROLL	RATIO	PTD VALUE
MARKET VALUE NON-QUALIFIED ACRES & FARM/RANCH IMP	27,812,097	N/A	27,812,097
PROD VALUE QUALIFIED ACRES	15,883,799	N/A	15,883,799
TAXABLE VALUE	43,695,896		43,695,896

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

COMPTROLLER OF PUBLIC ACCOUNTS - PROPERTY TAX ASSISTANCE DIVISION
2010 FINAL VALUES WORKSHEET
205/San Patricio
205-902/Gregory-Portland CIS

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

T1	T2	T3	T4	T5	T6
1,136,284,261	1,096,252,627	1,136,284,261	1,096,252,627	1,096,252,627	1,096,252,627

LOSS TO THE ADDITIONAL $10,000 HOMESTEAD EXEMPTION	50% OF THE LOSS TO THE LOCAL OPTIONAL PERCENTAGE HOMESTEAD EXEMPTION
40,031,634	0

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

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

**** END OF REPORT ****

Attachment G

Participation Agreement

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

by and between

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

and

TPCO AMERICA CORPORATION

(*Texas Taxpayer ID # 32037771832*)

Dated

November 15, 2011

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

STATE OF TEXAS §

COUNTY OF SAN PATRICIO §

THIS AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES, hereinafter referred to as this "Agreement," is executed and delivered by and between the **GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**, hereinafter referred to as the "District," a lawfully created independent school district within the State of Texas operating under and subject to the Texas Education Code, and **TPCO AMERICA CORPORATION**, Texas Taxpayer Identification Number *32037771832*, hereinafter referred to as the "Applicant." The Applicant and the District are each hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties." Certain capitalized and other terms used in this Agreement shall have the meanings ascribed to them in Section 1.3.

RECITALS

WHEREAS, on April 18, 2011, the Superintendent of Schools of the Gregory-Portland Independent School District, acting as agent of the Board of Trustees of the District (the "Board of Trustees"), received from the Applicant an Application for Appraised Value Limitation on Qualified Property, and acknowledged receipt of the Application and the requisite application fee as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy CCG (Local)pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, on April 19, 2011, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from TPCO America Corporation; and,

WHEREAS, on May 11, 2011, the Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d); and,

WHEREAS, by letter dated May 20, 2011, the Comptroller's Office has established May 20, 2011 as the completed Application date; and,

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

WHEREAS, the Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.025(d), and on June 6, 2011, the Comptroller's Office, via letter, recommended that the Application be approved; and, *WHEREAS*, the Texas Comptroller of Public Accounts conducted an economic impact evaluation pursuant to Chapter 313 of the Texas Tax Code which was presented to the Board of Trustees at the November 15, 2011 public hearing held in connection with the Board's consideration of the Application; and,

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

WHEREAS, Applicant, pursuant to the provisions of Texas Tax Code § 313.025 (b) and 34 Tex. Admin Code § 9.1054(d), has requested an extension of time for the Board of Trustees Approval of the Application and on November 15, 2011 the Board of Trustees granted such extension until December 31, 2011, and caused timely notice of such extension to be sent to the Comptroller's office; and,

WHEREAS, on November 15, 2011, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

WHEREAS, on November 15, 2011, the Board of Trustees made factual findings pursuant to Tex. Tax Code § 313.025(f), including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the Limitation on Appraised Value of the Applicant's Qualified Property; and, (iv) each criterion listed in Texas Tax Code § 313.025(e) has been met; and,

WHEREAS, on November 15, 2011, 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 as of the date of this Agreement; and,

WHEREAS, on _____________, 2011, the District received written notification, pursuant to 34 Tex. Admin Code § 9.1055(e)(2)(A), that the Texas Comptroller of Public Accounts reviewed this Agreement, and reaffirming the recommendation previously made on June 6, 2011 that the Application be approved: and,

WHEREAS, on November 15, 2011, 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 in the amount defined in Section 2.6 below, between the Commencement Date and the end of the Qualifying Time Period, Applicant will be entitled to the Tax Limitation Amount defined in Section 1.3 below, for the following Tax Years: 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021. 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, 2014, the appraisal date for the third full Tax Year following the Commencement Date.

The period beginning with the Commencement Date of November 15, 2011 and ending on December 31, 2013 will be referred to herein as the "Qualifying Time Period," as that term is defined in Texas Tax Code § 313.021(4). Applicant shall not be entitled to a tax limitation during the Qualifying Time Period.

Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2021. Except as otherwise provided herein, this Agreement will terminate in full on the Final Termination Date, as defined in Section 1.3, below. The termination of this Agreement shall not (i) release any obligations, liabilities, rights and remedies arising out of any breach of, or failure to comply with, this Agreement occurring prior to such termination, or (ii) affect the right of a Party to enforce the payment of any amount to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination, so long as the right to such payment survives said termination.

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

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

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
Partial Year (Commencing November 15, 2011)	January 1, 2011	2011-12	2011	Start of Qualifying Time Period beginning with Commencement Date. No limitation on value. First year for computation of Annual Limit.
1	January 1, 2012	2012-13	2012	Qualifying Time Period. No limitation on value. Possible tax credit in future years.
2	January 1, 2013	2013-14	2013	Qualifying Time Period. No limitation on value. Possible tax credit in future years.
3	January 1, 2014	2014-15	2014	$ 20 million property value limitation.
4	January 1, 2015	2015-16	2015	$ 20 million property value limitation. Possible tax credit due to Applicant.
5	January 1, 2016	2016-17	2016	$ 20 million property value limitation. Possible tax credit due to Applicant.
6	January 1, 2017	2017-18	2017	$ 20 million property value limitation. Possible tax credit due to Applicant.
7	January 1, 2018	2018-19	2018	$ 20 million property value limitation. Possible tax credit due to Applicant.
8	January 1, 2019	2019-20	2019	$ 20 million property value limitation. Possible tax credit due to Applicant.
9	January 1, 2020	2020-21	2020	$ 20 million property value limitation. Possible tax credit due to Applicant.

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
10	January 1, 2021	2021-22	2021	$ 20 million property value limitation. Possible tax credit due to Applicant.
11	January 1, 2022	2022-23	2022	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
12	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.
13	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.

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 (50) percent 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 year of this Agreement, the cumulative total of the Annual Limit amount for the current year and all previous 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 6.3.

"*Annual Limit*" means the maximum annual benefit which can be paid directly to the District as a Supplemental Payment under the provisions of Tex. Tax Code §313.027(i). For purposes of this Agreement, the amount of the Annual Limit shall be calculated for each 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 Tex. 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 2011, which, by virtue of the Commencement Date is the first year of the Qualifying Time Period under this Agreement.

"*Applicant*" means TPCO America Corporation. (*Texas Taxpayer ID # 32037771832),* the company listed in the Preamble of this Agreement who, on April 19, 2011, filed the Original Application with the District for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The term "Applicant" shall also include the Applicant's assigns and successors-in-interest.

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

"*Application*" means the Original 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 April 19, 2011, which has been certified by the Comptroller's office to constitute a complete final Application as of the date of May 20, 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.

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

"*Appraisal District*" means the San Patricio County Appraisal District.

"*Board of Trustees*" means the Board of Trustees of the Gregory-Portland Independent School District.

"*Commencement Date*" means November 15, 2011, the date upon which this Agreement was approved by the District's Board of Trustees.

"*Completed Application Date*" means the date upon which the Comptroller determined to be the date of its receipt of a completed Chapter 313 application from Applicant, to wit: May 20, 2011.

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

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

"*County*" means San Patricio County, Texas.

"*Determination of Breach*" shall have the meaning assigned to such term in Section 7.8 of the Agreement

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

"*Final Termination Date*" means December 31, 2024. However, any payment obligations of any Party arising under this Agreement prior to the Final Termination Date will survive until paid by the Party owing same.

"*Force Majeure*" means a failure caused by (a) provisions of law, or the operation or effect of rules, regulations or orders promulgated by any governmental authority having jurisdiction over the Applicant, the Applicant's Qualified Property or the Applicant's Qualified Investment or any upstream, intermediate or downstream equipment or support facilities as are necessary to the operation of the Applicant's Qualified Property or the Applicant's Qualified Investment; (b) any demand or requisition, arrest, order, request, directive, restraint or requirement of any government or governmental agency whether federal, state, military, local or otherwise; (c) the action, judgment or decree of any court; (d) floods, storms, hurricanes, evacuation due to threats of hurricanes, lightning, earthquakes, washouts, high water, fires, acts of God or public enemies, wars (declared or undeclared), blockades, epidemics, riots or civil disturbances, insurrections, strikes, labor disputes (it being understood that nothing contained in this Agreement shall require the Applicant to settle any such strike or labor dispute), explosions, breakdown or failure of plant, machinery, equipment, lines of pipe or electric power lines (or unplanned or forced outages or shutdowns of the foregoing for inspections, repairs or maintenance), inability to obtain, renew or extend franchises, licenses or permits, loss, interruption, curtailment or failure to obtain electricity, gas, steam, water, wastewater disposal, waste disposal or other utilities or utility services, inability to obtain or failure of suppliers to deliver equipment, parts or material, or inability of the Applicant to ship or failure of carriers to transport products 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 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: (ii) the retention over the term of this Agreement of the number of New Jobs and Qualifying Jobs set forth in its Application by the Applicant, and the retention of the highest number of New Jobs and Qualifying Jobs set forth in its Application through the Final Termination Date of this Agreement.

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

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

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

"*Net Tax Benefit*" means (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 to 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 Jobs*" means the total number of "new jobs" defined by 34 Texas Administrative Code §9.1051(14)(C), which the Applicant will create in connection with the project described in the Application and in the description of the Applicant's Qualified Investment and Qualified Property as set forth in Section 2.3, below. In accordance with the requirements of Texas Tax Code §313.024(d), eighty percent (80%), of all New Jobs on the project, created by the Applicant, 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 Jobs*" 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 Tex. 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 Commencement Date of November 15, 2011 and ends on December 31, 2013.

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

"*State*" means the State of Texas.

"*Tax Credit*" means the tax credit, either to be paid by the District to Applicant, or to be applied against any taxes that the school district imposes on 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 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021, 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) Twenty Million Dollars ($20,000,000.00).

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

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

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

"*Texas Education Agency Rules*" means the applicable rules and regulations adopted by the Texas Commissioner of Education in relation to the administration of Chapter 313, Texas Tax Code, which are set forth at Title 19 – Part 2, Texas Administrative Code, together with any court or administrative decisions interpreting same.

ARTICLE II

PROPERTY DESCRIPTION

Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE

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

Section 2.2. LOCATION OF QUALIFIED PROPERTY

The location of the Applicant's Qualified Property upon which the Applicant's Qualified Investment will be located is described in the legal description which is attached to this Agreement as **EXHIBIT 2** and is incorporated herein by reference for all purposes. The 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 both Section 1.2, above, and the definition of Qualifying Time Period set forth in Section 1.3, 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: 1) is owned by Applicant; 2) was first placed in service after February 10, 2011, the completed Application date established by the Comptroller;

and 3) is used in connection with the activities described in the Application. Property which is not specifically described in **Exhibit 3** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Investment or Qualified Property for purposes of this Agreement, unless pursuant to Texas Tax Code § 313.027(e) and Section 8.3 of this Agreement, the Board of Trustees, by official action, provides that such other property is a part of the Applicant's Qualified Investment for purposes of this Agreement.

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

(a) submits to the school district and the Comptroller a written request to add property to the limitation agreement, which request shall include a specific description of the additional property to which the applicant requests that the limitation 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 Qualified Property located on the land described in **Exhibit 2**, upon a reasonable request of the District, the Comptroller, or the Appraisal District, 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 value limitation 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 the agreement.

Section 2.5. Qualifying Use

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

Section 2.6. Limitation on Appraised Value

So long as Applicant makes a Qualified Investment in the amount Twenty Million Dollars ($20,000,000.00), 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 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

(a) the Market Value of the Applicant's Qualified Investment; or

(b) Twenty Million Dollars ($20,000,000.00).

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 Tex. Tax Code § 313.023.

ARTICLE III

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 3.1. INTENT OF THE PARTIES

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in accordance with the provisions of Tex. Tax Code §313.027(f)(1), be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to, all such other payments as are set forth in Article IV. Subject only 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, and paid by Applicant to the District in addition to any and all payments due under Article IV.

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

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

The M&O Amount owed by the Applicant to 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 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, after all adjustments have been made to Maintenance and Operations Revenue because of any portion of this agreement.

In making the calculations required by this Section 3.2:

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

ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property and/or the Applicant's Qualified Investment will be presumed to be one hundred percent (100%)

iii. If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue as calculated under this Section 3.2 results in a negative number, the negative number will be considered to be zero.

iv. All calculations made for years three (3) through ten (10) of this Agreement under Section 3.2, Subsection *ii* of this Agreement 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 the full M & O revenue impact caused by this Agreement. Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements, on account of any other factors not contained in this Agreement.

Section 3.3. COMPENSATION FOR LOSS OF OTHER REVENUES

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

(a) all non-reimbursed costs incurred by the District in paying or otherwise crediting to the account of 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 Educ. Code § 42.2515, or other similar or successor statute.

(b) all non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses related to the project 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 project. 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 be, attributable to the payment by Applicant to or on behalf any other third party beneficiary.

Section 3.4. CALCULATIONS TO BE MADE BY THIRD PARTY

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") jointly approved each year by the District and the Applicant. If the Parties cannot agree on the Third Party, then the Third Party shall be selected by the mediator provided in Section 7.9 of this Agreement.

Section 3.5. DATA USED FOR CALCULATIONS

The calculations for payments under this Agreement shall be initially based upon the valuations placed upon the Applicant's Qualified Investment and/or the Applicant's Qualified Property by the San Patricio County Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Tax Code § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 3.4. 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 San Patricio County 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 and Article IV, or under 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 five (5) 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, or tax credit or other reimbursement applications filed with or sent to the State of Texas which are, or may be, required under the terms or because of the execution of this Agreement. In no year shall the Applicant be responsible for the payment of any total expenses under this Section and Section 3.6, above, in excess of Ten Thousand Dollars ($10,000.00).

Section 3.8. Resolution of Disputes

Pursuant to Sections 3.3(b), 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 Independent School District Board of Trustees within thirty (30) days of the final determination of certification containing the calculations.

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 the taxable values placed by the San Patricio County Appraisal District on the Qualified Property, and the appeal of the appraised values are unresolved, the Third Party shall base its calculations upon the values placed upon the Qualified Property by the San Patricio County Appraisal District.

In the event that as 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 of the receipt of the new calculations from the Third Party.

Section 3.10. EFFECT OF STATUTORY CHANGES

Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 5.1, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District 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

Section 4.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS

In interpreting the provisions of Article IV, the parties agree as follows:

(a) Amounts Exclusive of Indemnity Amounts

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the Supplemental Payments set forth in this Article IV. 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, Tex. 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 all payments under Articles III and IV are subject to the limitations contained in Section 5.1, and that all payments under Article IV are subject to the separate limitations contained in Section 4.2.

(b) Adherence to Statutory Limits on Supplemental Payments

It is the express intent of the parties that any Supplemental Payments made to or on behalf of the District by Applicant, under this Article IV, shall not exceed the limit imposed by the provisions of Tex. Tax Code 313.027(i) unless that limit is increased by the Legislature at a future date.

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

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

(a) the "Applicant's Stipulated Supplemental Payment Amount," which is hereby defined as thirty percent (30%) of the Net Tax Benefit; or,

(b) the Aggregate Limit.

Section 4.3. ANNUAL CALCULATION OF STIPULATED SUPPLEMENTAL PAYMENT AMOUNT

The Parties agree that for each Tax Year during the term of this Agreement, beginning with the third full Tax Year (Tax Year 2014), the Applicant's Stipulated Supplemental Payment Amount described in Section 4.2 will annually be calculated based upon the then most current estimate of tax savings to the Applicant, which will be made, based upon assumptions of student counts, tax collections, and other applicable data, in accordance with the following formula:

> Taxable Value of the Applicant's Qualified Property for such Tax Year had this Agreement not been entered into by the Parties (i.e., the Taxable Value of the Applicant's Qualified Property used for the District's interest and sinking fund tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

Minus,

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

Multiplied by,

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

Plus,

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

Minus,

Any amounts previously paid to the District under Article III;

Multiplied by,

The number 0.30;

Minus,

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

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

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

For each Tax Year during the term of this Agreement, beginning with Tax Year three (Tax Year 2014) and continuing thereafter through Tax Year thirteen (Tax Year 2024), the District, or its successor beneficiary should one be designated under Section 4.6, below, shall not be entitled to receive Supplemental Payments, computed under Sections 4.2 and 4.3, above, that exceed the Aggregate Limit.

If, for any Tax Year during the term of this Agreement, the amount of the Applicant's Stipulated Supplemental Payment Amount, calculated under sections 4.2 and 4.3, above, for such Tax Year, exceeds the Aggregate Limit for such Tax Year, the difference between the Applicant's Stipulated Supplemental Payment Amount so calculated and the Aggregate Limit for such Tax Year, shall be carried forward from year-to-year into subsequent Tax Years during the term of this Agreement, and to the extent not limited by the Aggregate Limit in any subsequent Tax Year during the term of this Agreement, shall be paid to the District.

Any of the Applicant's Stipulated Supplemental Payment Amounts which cannot be paid to the District prior to the end of year thirteen (Tax Year 2024) because such payment would exceed the Aggregate Limit will be deemed to have been cancelled by operation of law, and the Applicant shall have no further obligation with respect thereto.

Section 4.5. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY

At any time during this Agreement, the District's Board of Trustees may, in its sole discretion, so long as such decision does not result in additional costs to Applicant under this Agreement, direct that Applicant's payment obligations under this Article IV be made to its educational foundation, or to a similar entity. The alternative entity may only use such funds received under this Article to support the educational mission of the District and its students. Any designation of an alternative entity must be made by recorded vote of the District's Board of Trustees at a properly posted public Board meeting. Any such designation will become effective after public vote and the delivery of notice of said vote to Applicant in conformance with the provisions of Section 6.1, below. Such designation may be rescinded by the District's Board of Trustees, by Board action, at any time.

Any designation of a successor beneficiary under this Section shall not alter the amount of the Supplemental Payments described in Section 4.2, above.

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 2016 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 Section 3.4, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Articles III and IV shall be reduced until such excess is eliminated.

Section 5.2. OPTION TO CANCEL AGREEMENT

In the event that any payment otherwise due from the Applicant to the District under Article III and/or Section 4.2 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, thirty (30) days past due from the date of the reimbursement claim, shall be subject to the same provisions for late payment as are set forth in Section 7.4 and 7.5. If the District receives aid from the State for all or any portion of a tax credit with respect to which the Applicant has made a payment to the District under this Section 6.3, then the District shall pay to the Applicant the amount of such aid within thirty (30) calendar days after the District's receipt thereof.

ARTICLE VII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 7.1. Data Requests

During the term of this Agreement, and upon the written request of one Party or by the Comptroller (the "Requesting Party"), the other Party shall provide the Requesting Party with all information reasonably necessary for the Requesting Party to determine whether the other Party is in compliance with its obligations, including any employment obligations which may arise under this Agreement. The Applicant shall allow authorized employees of the District, the Comptroller, and/or the San Patricio County Appraisal District to have access to the Applicant's Qualified Property and/or business records, in accordance with Texas Tax Code § 22.07, during the term of this Agreement, in order to inspect the project to determine compliance with the terms hereof. All inspections will be made at a mutually agreeable time after the giving of not less that 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 San Patricio County Appraisal District with any technical or business information that is private personnel data, proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party.

Section 7.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES

Applicant shall timely make any and all reports that are or may be required under the provisions of law or administrative regulation, 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. 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 this Agreement, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure (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 7.4. 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 7.8, 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 7.5, on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV.

(b) Notwithstanding Section 7.4(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of 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 all of the Tax Years for which a Tax Limitation was granted pursuant to this Agreement prior to the year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 7.5. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV. Upon payment of such liquidated damages, Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

Section 7.5. CALCULATION OF PENALTY AND INTEREST

In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 7.4 for each Tax Year during the term of this Agreement since the Commencement Date. Penalty and interest under this Agreement shall begin to accrue thirty (30) days after the Board of Trustees determination of a material breach under Section 7.8, below. The District shall calculate penalty or interest at the rates set forth in Chapter 33 of the Texas Tax Code. or its successor statute.

Section 7.6 MATERIAL BREACH OF AGREEMENT

Applicant shall be in 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 fact in 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 7.3 of this Agreement, through the Final Termination Date of this Agreement.

(c) Applicant fails to make any payment required under Articles III or IV of this Agreement on or before its due date.

(d) Applicant fails to create and maintain at least the number of New Jobs it committed to create and maintain set forth on Schedule C, Column C of its Application.

(e) Applicant fails to create and maintain at least the number of New Jobs it committed to create and maintain set forth on Schedule C, Column E of its Application.

(f) Applicant fails to create and maintain at least Eighty Percent (80%) of all New Jobs, created by Applicant, on the project as Qualifying Jobs.

(g) 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, Tex. Tax Code, in excess of the amounts set forth in Articles III and IV, above. Voluntary donations made by 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 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 7.7 LIMITED STATUTORY CURE OF MATERIAL BREACH

In accordance with the provisions of Tex. 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 7.6(d) and 7.6(e) or 7.6(f), above, without the termination of the remaining term of this Agreement. In order to cure its non-compliance with Sections 7.6(d) and 7.6(e) or 7.6(f) for the particular Tax Year of non-compliance only, Applicant may make the liquidated damages payment required by Tex. Tax Code § 313.0275(b), in accordance with the provisions of Tex. Tax Code § 313.0275(c).

Section 7.8. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT

Prior to making a determination that the Applicant has committed a material breach of this Agreement, such as making a misrepresentation in the Application, failing to Maintain Viable Presence in the District as required by Section 7.3 of this Agreement, or 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. After receipt of the notice, Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that it is not in material breach of its obligations under the Agreement, or that it has cured or undertaken to cure any such material breach.

If the Board of Trustees is not satisfied with such response and/or that such breach has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such breach has occurred and, if so, whether such breach has been cured. At any such hearing, the Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to whether or not a material breach of this Agreement has occurred, the date such breach occurred, if any, and whether or not any such breach has been cured. In the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall also terminate the Agreement and determine the amount of recaptured taxes under Section 7.4 (net of all credits under Section 7.4), and the amount of any penalty and/or interest under Section 7.5 that are owed to the District.

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

Section 7.9. DISPUTE RESOLUTION

After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, the Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after the Applicant's written notice to the District initiating mediation of the dispute, 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 San Patricio County, Texas. The Parties agree to sign a document that designates the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator's fees and expenses and the Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such ninety (90) days, the District shall have the remedies for the collection of the amounts determined under Section 7.8 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney's fees and a tax lien on the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Texas Tax Code § 33.07 to the attorneys representing the District pursuant to Texas Tax Code § 6.30.

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

Section 7.10. LIMITATION OF OTHER DAMAGES

Notwithstanding anything contained in this Agreement to the contrary, 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 7.4 and 7.5 above, or the monetary sum of the difference between the payments and credits due and owing to the Applicant at the time of such default and the District taxes that would have been lawfully payable to the District had this Agreement not been executed. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

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

Section 7.11. BINDING ON SUCCESSORS

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

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. INFORMATION AND NOTICES

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

Notices to the District shall be addressed to the District's Authorized Representative as follows:

Dr. Paul Clore, Superintendent
GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
608 College Street
Gregory-Portland, Texas 78374
Fax: (361) 777-1093
E-mail: pclore@g-pisd.org

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

Notices to the Applicant shall be addressed to:

C. C. Lam, Director
TPCO AMERICA CORPORATION
10700 Richmond Avenue, Suite 302
Houston, Texas 77042Fax: (713) 266-2697
E-mail: cclam@tianjinpipe.com

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

Section 8.2. EFFECTIVE DATE, TERMINATION OF AGREEMENT

(a) This Agreement shall be and become effective on the date of final approval of this Agreement by the District's Board of Trustees,

(b) The obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the termination in full date established in Section 1.2 of this Agreement.

(c) In the event that Applicant fails to make a Qualified Investment in the amount of Twenty Million Dollars ($20,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2013.

Section 8.3. AMENDMENTS TO AGREEMENT; WAIVERS

This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Waiver of any term, condition or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition or provision, or a waiver of any other term, condition or provision of this Agreement. 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 (1) require that all property added by amendment be eligible property as defined by Tax Code, §313.024; (2) clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and (3) define minimum eligibility requirements for the Applicant. This Agreement may not be amended to extend the value limitation time period beyond its eight year statutory term.

Section 8.4. ASSIGNMENT

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

Section 8.5. MERGER

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

Section 8.6. MAINTENANCE OF COUNTY APPRAISAL DISTRICT RECORDS

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

Section 8.7. GOVERNING LAW

This Agreement and the transactions contemplated hereby shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law or rules that would direct the application of the laws of another jurisdiction. Venue in any legal proceeding shall be in San Patricio 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 of 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 7.8 and 7.9 of this Agreement, makes a written determination that the Application was either incomplete or inaccurate as to any material representation, information, or fact, the Agreement shall be invalid and void except for the enforcement of the provisions required by 34. Tex. Admin. 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 Tex. Tax Code § 313.103, as follows:

a. Within seven days of such document, the school district shall submit a copy to the Comptroller for Publication on the Comptroller's Internet website.

b. District shall provide on its website a link to the location of those documents posted on the Comptroller's website.

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

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this ___ day of ________ 2011.

TPCO AMERICA CORPORATION	**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**
By: ________________	By: ________________ **REY ROJAS**, President Board of Trustees
Name: BAI RENZHAO	
Title: DIRECTOR	**ATTEST:** ________________ **BECKY MACHA** Secretary Board of Trustees

Exhibit 1

Description of Qualified Reinvestment Zone

The TPCO Reinvestment Zone was originally created on May 26, 2009 by action of the San Patricio County Commissioner's Court. A map of the TPCO Reinvestment Zone is attached as the last page following this **Exhibit 1**.

As a result of the action of the San Patricio County Commissioner's Court, the TPCO Reinvestment Zone includes real property within San Patricio County, Texas, more specifically the real property tracts:

Parcel No.1

115.38 acres of land more or less in San Patricio County, Texas, being a part of the G. Valdez Original Grant Patented to John McMullen, assignee by Patent No. 552, Volume 15, Abstract No. 269, more particularly known as Fractional Farm Lot No. 6 in Block No. "B" of the Coleman Fulton Pasture Companies Subdivision near Gregory, Texas.

Parcel No.2

137.20 acres of land, more or less, out of the most Westerly part of the lot or Tract No. 5 in Block 'B' of the Gregory Farm Blocks (Coleman-Fulton Pasture Company) Subdivision of Farm Lots near and East of the City of Gregory in San Patricio County, Texas and being the same property described in deed from W. N. Purcell and wife, Mattie Lee Purcell, to Willie F. Mauch, dated November 3, 1947, and recorded in Volume 154 at pages 40-42 of the Deed Records of San Patricio County, Texas.

Exhibit 2

Location of Qualified Investment/Qualified Property

All Qualified Property owned by Applicant and located within the boundaries of both the Gregory-Portland Independent School District and the TPCO Reinvestment Zone will be included in and subject to this Agreement. Specifically, all Qualified Property of Applicant located in the following sections of land and described on the map attached to the foregoing **Exhibit 1**.

Parcel No.1

115.38 acres of land more or less in San Patricio County, Texas, being a part of the G. Valdez Original Grant Patented to John McMullen, assignee by Patent No. 552, Volume 15, Abstract No. 269, more particularly known as Fractional Farm Lot No. 6 in Block No. "B" of the Coleman Fulton Pasture Companies Subdivision near Gregory, Texas.

Parcel No.2

137.20 acres of land, more or less, out of the most Westerly part of the lot or Tract No. 5 in Block 'B' of the Gregory Farm Blocks (Coleman-Fulton Pasture Company) Subdivision of Farm Lots near and East of the City of Gregory in San Patricio County, Texas and being the same property described in deed from W. N. Purcell and wife, Mattie Lee Purcell, to Willie F. Mauch, dated November 3, 1947, and recorded in Volume 154 at pages 40-42 of the Deed Records of San Patricio County, Texas.

Exhibit 3

Description of the Applicant's Qualified Investment/Qualified Property

TPCO America Corporation plans to build and operate a 750,000 ton per year seamless steel pipe manufacturing mill. The project plans to install all necessary and ancillary property and equipment needed to manufacture pipe including, but not limited to, the following:

Buildings	**Improvements**	**Machinery & Equipment**	**Machinery & Equipment**	**Machinery & Equipment**	**Machinery & Equipment**
Alloy warehouse	Scrap yard	Electric arc furnace and baghouse	Direct evacuation (DEC) system	Non-contact steam drying machine	Sedimentation tanks
Alloy warehouse baghouse	Billet storage yard	Air cooling system	Dust absorbing unit and baghouse	Non-destructive testing machine	Sinter plate filter
Chemical feeding room	Bulk storage bin	Billet cold centering machine	Dust collector system & silo	Oil skimmers	Sizing mill
Alloy storage building	Canopy hood	Caster	Extracting mill and conveyor	Outdoor and indoor hot water wells	Sludge scrapers
Filtering building	Concrete-lined slag pits	Billet cutting saw	Fabric filter baghouse vents	Overhead cranes	Straightening machine
Hot pipe rolling building	Paved parking areas	Billet straightening machines	Furnace electrodes	Paint collection system	Tempering furnaces and stacks
Mandrel bar building	Rail spurs	Chain stripper	Graphite wastewater treatment system	Pipe layer saw	Spare parts
Office building	Slag yard	Condenser	Hot sizing mill	Pipe threading machine	UV coating devices
Slag building	Scrap charging bay	Borax spray and collection system	Ingoing skids	Plate and frame filter presses	Vacuum degassing unit
Sludge dewatering building	Underground bulk storage area	Chain conveyor system	High pressure water descaling system	Pressurized air system	Vacuum system

Steel making building		Charging buckets (scrap baskets)	Hydrostatic testing machine	Quench furnace and stack	Vacuum tank and lid
Welding/repair shop building		Cooling water recirculation system	Jet printing machine	Radical sedimentation tank	Waste emulsion tank
		Cone type piercing mill	Ladle dryers and pre-heaters	Refractory lined ladle	Waste water treatment system
		Continuous casting machine	Ladle metallurgy furnace & baghouse	Refractory lined tundish	Water descaling system
		Continuous conveyor	Ladle metallurgy station	Reheat furnaces	Water quenching system
		Conveyor belts	Lime storage silos	Retained mandrel pipe mill	Water spray system
		Cooling beds	Mandrel preheat furnace	Rotary arm system	Water treatment system
		Coupling screw-on machine	Molds	Rotary hearth furnaces	Argon blowing system
		Cold centering machine	Natural gas fired heaters	Screw thread testing machine	Water cooling towers
		Delivery tables	Natural gas oxygen torch system	Sealed slag crusher	Heat treating line
		Coating devices		Steam boiler	

The proposed TPCO Texas Mill will function as a "mini" steel mill. In a minimill, steel products are manufactured from scrap steel. Iron ore will not be processed at the minimill. Minimills do not utilize coke ovens or blast furnaces, which have historically been used to manufacture steel at conventional steel mills, but instead use electric arc furnaces (EAFs) to melt scrap. The proposed TPCO Texas Mill is expected to produce up to 750,000 metric tons of pipes per year.