

EXECUTED TAX ABATEMENT AGREEMENT - CITY OF VICTORIA - VICTORIA COUNTY - CATERPILLAR, INC.:
(955-1954)

9. November 22, 2010. Motion by Kevin M. Janak and seconded by Kenny Spann, the Commissioners' Court received the executed Tax Abatement Agreement between City of Victoria, Victoria County, and Caterpillar, Inc. Motion adopted. All per agreement as filed in the minutes of this Court.

**Tax Abatement Agreement between
City of Victoria, Victoria County and Caterpillar Inc.**

This Tax Abatement Agreement ("Agreement") is entered into by and between the City of Victoria, Texas, (hereinafter "City") a home rule City and Texas municipal corporation, acting by and through its duly authorized governing body, the Victoria City Council, and Victoria County, (hereinafter "County"), a political subdivision of the State of Texas, acting by and through its duly authorized governing body, the Victoria County Commissioners Court, and Caterpillar Inc., (hereinafter "Owner") acting by and through its duly authorized officers.

WHEREAS, the City and County have adopted Guidelines and Criteria for Tax Abatement (attached hereto as Exhibit A and hereinafter "Guidelines and Criteria") which govern tax abatement agreements by the City and County;

WHEREAS, entrance into this Agreement will maintain and/or enhance the commercial/industrial economic and employment base of the Victoria area to the long term interest and benefit of the City and County, in accordance with the Ordinance and Chapter 312 of the Texas Tax Code;

WHEREAS, the Improvements (as defined below) subject to this tax abatement are located on the real property at:

All that certain parcel or tracts of land, known as the Lone Tree Business Center containing approximately 320 acres, located in Victoria County, Texas, as per attached Exhibits B & C, and depicted in Exhibit D attached hereto and incorporated herewith by this reference (the "Premises").

WHEREAS, the contemplated use of the Premises and the contemplated Improvements (as defined below) to the Premises in the amount as set forth in this Agreement are consistent with encouraging development of the aforementioned reinvestment zone in compliance with the Guidelines and Criteria and the Ordinance and similar guidelines and criteria adopted by the City and County and all applicable law;

THEREFORE, the parties hereto mutually agree as follows:

1. Owner represents that the statements and estimates made in the Application for Tax Abatement and cover letter dated August 20, 2010, attached hereto and incorporated herein are true, and Owner will comply with any commitments made therein, except as varied by this Agreement

2. As a condition and consideration of this Agreement, the Owner shall complete capital investments, real and personal, on the Premises ("Improvements") prior to August 1, 2014. The total cost of the aforementioned Improvements shall be at least \$102,725,000. Pursuant to this Agreement, property taxes will be abated on the difference between the existing value of the Premises and the value of the Premises after the Improvements are placed thereon. The total cost of the part of the aforementioned Improvements subject to the abatement is expected to be approximately \$102,725,000. The date of completion of the Improvements shall be defined as the date a Certificate of Occupancy is issued by the City.

3. Owner understands that the Premises shall be appraised at market value for the purposes of property tax assessment for the present tax year and future tax years until the expiration of this Agreement. Owner covenants and agrees that all construction of the Improvements will be in accordance with all applicable state and local laws and regulations or valid waiver thereof. Owner also agrees, as consideration and condition of this Agreement, from the date a Certificate of Occupancy is issued until the expiration of this Agreement, to continuously operate and maintain the Premises as a manufacturing and distribution facility.

4. In the event that (1) the Improvements for which an abatement has been granted are not completed in accordance with this Agreement, (2) Owner allows its ad valorem taxes owed to the City or County to become delinquent and fails to timely and properly follow the legal procedures for protest and/or contest of any such ad valorem taxes, (3) Owner completes the Improvements and begins producing product or service, but subsequently discontinues producing product or service for a period of one year for any reason excepting a Force Majeure event (as defined in section 15 below), or (4) Owner breaches any of the terms or conditions of this Agreement, then this Agreement shall be in default. In the event that the Owner defaults in its performance of (1), (2), (3) or (4) above, then the City or County shall give the Owner written notice of such default and if the Owner has not cured such default within sixty (60) days of said written notice, this Agreement may be terminated by the City or County. Notice shall be in writing and shall be delivered by personal delivery, facsimile, or certified mail to an officer or partner of Owner at said company's address of record or at the Premises with copies to: Caterpillar Inc., 100 N.E. Adams St., Peoria, IL 61629-9320, Attn: Corporate Real Estate Manager, Facsimile: (309) 494-4577 and Caterpillar Inc., 100 N.E. Adams St., Peoria, IL 61629-9600 Attn: Deputy General Counsel, Commercial Section, Facsimile: (309) 675-1795. As liquidated

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damages in the event of an uncured default, all taxes which otherwise would have been paid to the City and County without benefit of abatement, will become a debt to the City and County, and shall be due, owing and paid to the City and County within sixty (60) days of the expiration of the above-mentioned applicable cure period as the sole remedy of the City and County, subject to any and all lawful offsets, settlements, deductions, or credits to which Owner may be entitled. The parties acknowledge that actual damages in the event of default and termination would be speculative and difficult to determine.

5. Owner agrees to employ at least 500 full-time employees at the Premises on or before December 31, 2014 and continuously maintain the full-time employment of at least 400 full-time employees at the Premises until the termination of this Agreement. This employment requirement shall be a material condition of this Agreement.

6. The City and County represent that the Premises do not include any property that is owned by a member of either governing body.

7. The terms and conditions of this Agreement are binding upon the successors and assigns of all parties hereto. This Agreement shall not be assigned by Owner other than to a wholly-owned subsidiary of Owner unless written permission is first granted by the City and County, which permission shall be at the sole discretion of the City and County. Any assignment of this Agreement by Owner without the prior written permission of the City and County shall constitute a breach of this Agreement. For purposes of this paragraph, any transfer of actual control or lawful title over property, including a sale/leaseback type of transfer, shall constitute an assignment regardless of the characterization of such action by any other applicable law as a secured transaction.

8. Owner understands, in performing its obligations hereunder, that Owner is acting independently, and the City and County assume no responsibilities or liabilities in connection therewith to third parties, and Owner agrees to indemnify and hold harmless the City and County from any liability accruing as a result of City's and County's execution of or in relation to this Agreement.

9. The Owner further agrees that the City and County and their officers, agents and employees, shall, upon reasonable prior notice, have a reasonable right of access to the Premises to inspect the Improvements in order to ensure that the construction of the Improvements is in accordance with this Agreement and all applicable state and local laws and regulations or in compliance with a valid waiver thereof. After completion of the Improvements, the City and County shall have the continuing right to inspect the Premises to insure that the Premises are thereafter maintained and operated in accordance with this Agreement. Owner further agrees to ensure that at least one knowledgeable officer of Owner executes an affidavit, in a form to be prepared by the City, and provide said affidavit to the City, on an annual basis, affirming that all conditions of this Agreement have been met for the entirety of the preceding year. If requested by the City or County, Owner shall provide such documentation as is requested by the requesting entity to verify the validity of the assertions on said affidavit.

10. Subject to the terms and conditions of this Agreement, and subject to the rights and holders of any outstanding bonds of the City and County, a portion of ad valorem real and personal property taxes from the Premises otherwise owed to the City and County shall be abated. Said abatement shall be:

- (1) In the first ten years of tax abatement, 100% of taxes on total value of Eligible Property (as defined in the Guidelines and Criteria") improvements which are added pursuant to this Agreement;

The stated portion of ad valorem real property taxes shall be abated in accordance with the terms of this Agreement and all applicable state and local regulations or valid waiver thereof; provided that the Owner shall have the right to protest and/or contest any assessment of the Premises and said abatement shall be applied to the amount of taxes finally determined to be due as a result of any such protest and/or contest. The entire period of the described abatement shall extend for a period of 10 years beginning January 1, 2012 and terminating December 31, 2022. For purposes of this paragraph, the Improvements shall not include any "Ineligible Property" as that term is defined in the attached Guidelines and Criteria.

11. If any provision of this Agreement shall, for any reason, be deemed in violation of any applicable law, and so much of the Agreement is held to be unenforceable, then the invalidity of such a specific provision in this Agreement shall not be held to invalidate any other provisions in this Agreement, which other provisions shall remain in full force and effect unless removal of the invalid provisions destroys the legitimate purposes of this Agreement, in which event this Agreement shall be canceled.

12. The failure or delay in the enforcement of the rights detailed in this Agreement by any party to this Agreement shall not constitute a waiver of that party's rights under this Agreement or be considered as a basis for estoppel.

13. This Agreement shall be subject to and governed by the laws of the State of Texas. Any and all obligations or payments are due and payable in Victoria County, Texas. Proceedings pursuant to any dispute applicable to the operation, construction,

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interpretation, or enforcement of this Agreement shall be filed only in a court of competent jurisdiction in Victoria County, Texas, unless mandatory venue exists in a County other than Victoria County, Texas.

14. If any description of property within this document or attachment hereto includes property or easement owned and/or controlled by the City and/or County, inclusion herein or in other official action taken pursuant to this tax abatement shall not constitute abandonment or evidence of abandonment of that City and/or County owned/controlled property or easement interest.

15. Force Majeure. Neither party shall be required to perform under this Agreement or be liable or responsible for any loss or damage resulting from its failure to perform so long as performance is actually, materially, and reasonably delayed or prevented by acts of God, lock-outs, acts of the public enemy, insurrections, wars or war-like action (whether actual and pending or expected), arrests or other restraints of government (civil or military), blockades, embargoes, strikes, labor unrest or disputes, unavailability of labor or materials, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornados, storms, floods, wash-outs, explosions, civil disturbance or disobedience, riot, sabotage, terrorism, or threats of sabotage or terrorism. Upon the occurrence of a Force Majeure event, all deadlines and requirements in this Agreement shall be delayed for a period of time equal to the duration of the Force Majeure event plus sixty (60) days.

16. This Agreement was authorized by Resolution No. 2010-183B of the City Council at its council meeting on the 2nd day of November, 2010.

17. This Agreement was authorized at a meeting of the Commissioners Court of Victoria County on the 5th day of November, 2010.

18. This Agreement was entered into by Caterpillar Inc., on the 27th day of October, 2010. Caterpillar Inc. represents to the other party to this Agreement that this Agreement, the transaction contemplated in this Agreement, and the execution and delivery of this Agreement have been duly authorized by all necessary corporate, partnership, company or trust proceedings and actions.

19. This is a valid and binding Agreement between the City and County and Caterpillar Inc. from its date of execution in Victoria, Texas on the 11th day of November, 2010.

City of Victoria, Texas

Charles E. Windwehen
Charles E. Windwehen, City Manager



(seal)

ATTEST:

Scarlet Swoboda
Scarlet Swoboda, City Secretary

APPROVED AS TO LEGAL FORM:

Thomas A. Gwosdz
Thomas A. Gwosdz, City Attorney

Victoria County, Texas

Donald R. Pozzi
Donald R. Pozzi, County Judge

(seal)

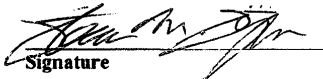
ATTEST:

Val D. Huvar
Val D. Huvar, County Clerk



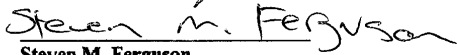
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Caterpillar Inc.


Signature

10/27/2010
Date

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Steven M. Ferguson
EXD Sr. Business Resource Manager

Attachments: Legal Description
Location Drawing/Map of Facility
Application for Tax Abatement in City of Victoria and/or Victoria County with required attachments
Guidelines and Criteria for Tax Abatement

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**Guidelines and Criteria for
Tax Abatement or Phase-In
The City of Victoria and/or Victoria County Texas**

Definitions - Section 1

- a.) **"Abatement"** means the full or partial exemption from ad valorem taxes of certain real property in a Reinvestment Zone designated by an affected jurisdiction for economic development purposes.
- b.) **"Affected Jurisdiction"** means Victoria County and any municipality or school district, the majority of which is located in Victoria County, that levies ad valorem taxes upon and provides services to property located within the proposed or existing Reinvesting Zone designated by Victoria County.
- c.) **"Agreement"** means written contractual agreement between a property owner and/or lessee and an affected jurisdiction for the purposes of tax abatement.
- d.) **"Base Year Value"** means the assessed value of eligible property January 1 preceding the execution of the agreement plus (if applicable) the agreed upon value of eligible property improvements made after January 1 but before the execution of the agreement.
- e.) **"Deferred Maintenance"** means improvements necessary for continued operations, which do not improve productivity or alter the process technology.
- f.) **"Distribution Center Facility"** means buildings and structures, including machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility operator where a majority of the goods or services are distributed to points at least 25 miles from its location in Victoria County.
- g.) **"Expansion"** means the addition of buildings, structures, machinery or equipment for purposes of increasing production capacity.
- h.) **"Facility"** means property improvements completed or in the process of construction which together compromise an integral whole.
- i.) **"Initiating Governing Body"** shall be either the Victoria City Council or the Victoria County Commissioner's Court depending on whether Applicant's project is located in the City of Victoria or within Victoria County but outside the City of Victoria.
- j.) **"Manufacturing Facility"** means buildings and structures, including fixed in place machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.
- k.) **"Modernization"** means the replacement and upgrading of existing facilities which increases the productive input or output, updates the technology or substantially lowers the unit cost of the operation. Modernization may result from the construction, alteration or installation of buildings, structures, fixed in place machinery or equipment. It shall not be for the purpose of reconditioning, refurbishing or repairing.
- l.) **"New Facility"** means a property previously undeveloped that is placed into service by means other than or in conjunction with expansion or modernization.
- m.) **"Other Basic Industry"** means buildings and structures including fixed machinery and equipment not elsewhere described, used or to be used for the production of products or services which serve a market primarily outside the Victoria Metropolitan Statistical Area (VMSA) and result in the creation of new permanent jobs and create new tax base in the VMSA.
- n.) **"Phase In"** means the incremental increase of taxes over a period of four to eight years until full local taxation is reached, according to the schedule found in Section 2, h. It has been determined that this terminology more accurately reflects the practice of abatement for the City and County of Victoria, Texas.
- o.) **"Productive Life"** means the number of years a property improvement is expected to be in service.

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- p.) **"Regional Service Facility"** means buildings and structures, including machinery and equipment, used or to be used to service goods where a majority of the goods being serviced are domiciled at least 25 miles from the facility's Victoria County location.
- q.) **"Reinvestment Zone"** is a specific parcel of property designated by the City or the County (as applicable) within which tax abatement can be granted.
- r.) **"Research Facility"** means buildings and structures, including fixed in-place machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.

Requirements for Phase-In - Section 2

- a.) **Authorized Facility.** A facility may be eligible for phase-in if it is located in a designated Reinvestment Zone and is a Manufacturing Facility, Research Facility, Distribution Center or Regional Service Facility, or Other Basic Industry.
- b.) **Creation of New Value.** Phase-in may only be granted for the additional value of eligible property improvements made subsequent to and specified in a phase-in agreement between the affected jurisdiction and the property owner or lessee, subject to such limitations as governing body may require.
- c.) **Employee Origin.** In order to be eligible for designation as a Reinvestment Zone and receive tax phase-in, the planned improvement must not be expected to solely or primarily have the effect of transferring employment from one part of Victoria County to another.
- d.) **Eligible Property.** Phase-in may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements plus that office space and related fixed improvements necessary to the operation and administration of the facility.
- e.) **Ineligible Property.** The following types of property shall be fully taxable and ineligible for phase-in: land; inventories; supplies; tools; furnishings, and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotel accommodation; retail facilities; deferred maintenance investments; property to be rented or leased to third parties except as provided in Section 2 f); property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated or directed by a political subdivision of the State of Texas; and property in a Reinvestment Zone that is owned or leased by a member of the governing body creating the Reinvestment Zone, or a member of the Victoria Planning Commission for a City-created Reinvestment Zone.
- f.) **Lease Facilities.** If a new facility is to be constructed by a third party owner for lease to an Applicant otherwise eligible for tax phase-in, then the building owner may also be eligible for phase-ins. To calculate the applicable category for phase-in, the investment of both entities will be added and each shall be eligible to receive phase-in at the same rate as would have been available if one owner was accomplishing the entire project.
- g.) **Economic Qualifications** In order to be eligible to receive tax phase-in, the planned new facility or planned expansion to modernization of an existing facility must meet the following qualifications:
 - 1.) Be reasonably expected to increase the appraised value of the property in the amount of not less than \$500,000 after construction is completed.
 - 2.) For new construction projects, be expected to create employment for not less than 10 persons associated with the authorized facility on a full-time permanent basis in the City of Victoria or Victoria County within one year of production start-up. These jobs:
 - a. Must be dependent upon the proposed project (i.e. the positions would not exist if the project is not completed) and;
 - b. Must NOT simply relocate current employees within the company without the employee's previous position being filled. (i.e. Company employment 1 year from start-up must be equal to or greater than the current employment listed on the application + 10.)

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- 3.) Companies seeking to qualify for tax phase-in on the basis of job retention shall document that without the creation of a reinvestment zone and/or tax phase-in, the company will either reduce or cease operations.

h.) Maximum Available Abatements Per Year *

Taxable Investment (Millions)	Year							
	1	2	3	4	5	6	7	8
Up to .50	---	---	---	---	---	---	---	---
.50 to 1.99	90	80	60	40	---	---	---	---
2.0 to 3.99	90	90	75	60	45	---	---	---
4.0 to 7.99	90	90	80	70	60	50	---	---
8.0 to 15.99	90	90	85	75	65	55	45	---
16.0 or more	90	90	85	80	75	65	55	45

* Affected jurisdictions reserve the right to grant abatements less than the maximums stated above.

** For eligible investments in excess of \$100 million, the affected jurisdictions reserve the right to grant abatements up to the state maximum of 100% for 10 years.

- i.) **New and Existing Facilities.** Tax phase-in may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.
- j.) **Transferability.** A tax abatement agreement may only be assigned to a new owner or lessee of a facility with the written consent of the governmental entity that granted the abatement, which may be withheld at said governmental entity's discretion.
- k.) **Partially Eligible.** Partially eligible for phase-ins are modernization projects and manufacturing facilities, which are intended to replace existing equipment, or facilities when the existing equipment and facilities will be removed thus eliminating existing value from the tax rolls. In this event, the value of the existing facility and equipment shall be frozen at the time of the phase-in agreement and shall remain frozen throughout the phase-in period. The eligible abatable value of the new project shall be the difference between the total new investment amount and the existing tax value of the equipment and/or facility to be removed.
- l.) **Taxability.** From the execution of the phase-in contract to the end of the agreement period, taxes shall be payable as follows: (1) the value of ineligible property as provided in Section 2, c. shall be fully taxable; (2) the base year value of existing eligible property as determined each year shall be fully taxable; and, (3) the additional value of new eligible and partially eligible property shall be taxable in the manner described in Section 2 h.
- m.) **Term of Phase-in.** The term shall be no longer than as set out in the schedule shown in paragraph 2 h.) for each stated range of investment.

Application - Section 3

- a.) Any present or potential owner of taxable property in an affected jurisdiction may request the creation of a **Reinvestment Zone** and tax phase-in by filing a **written request** with the affected jurisdictions and attaching a plat and metes and bounds description effectively describing said **Reinvestment Zone**.
- b.) The application shall consist of a completed application form accompanied by: a general description of the proposed use and the general nature and extent of the modernization, expansion or new improvements to be undertaken; a descriptive list of the improvements which will be a part of the facility; a map and property description; and a time schedule for undertaking and completing the **planned improvements**. In the case of modernizing, 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 shall also include such financial and other information necessary for the governing body to evaluate the financial capacity and other factors of the applicant.
- c.) The initial application for the creation of a "**Reinvestment Zone**" and tax phase-in shall be made to Victoria's Mayor if the project is to locate within the incorporated territory of the City of Victoria. If the project is to be located within Victoria County but outside of the incorporated territory of the City of Victoria, then the initial application shall be made to the Victoria County Judge.

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Upon receipt of a completed application, the Mayor or County Judge, as applicable, shall notify in writing the presiding officer of the legislative body of each affected jurisdiction and provide each presiding officer with a copy of the application. The Mayor or County Judge as applicable, shall then set a public hearing before the "Initiating Governing Body" to afford the Applicant an opportunity to request that a Reinvestment Zone be designated and to describe the project and request the tax phase-in. All interested parties will have the opportunity to publicly state why the phase-in should or should not be granted at this hearing. Notice of the Public Hearing shall be clearly identified on a governing body agenda and be timely posted as provided by law. After, the Initiating Governing Body creates the Reinvestment Zone, the other affected jurisdictions may set their public meetings in the same manner as described above to grant or not grant the applied for abatement.

- d.) After receipt of an application for creation of a Reinvestment Zone and application for phase-in, Victoria Economic Development Corporation shall provide the affected jurisdictions a feasibility study setting out the impact of the proposed Reinvestment Zone and tax phase-in. The feasibility study shall include, but not be limited to, an estimate of the economic impact on each jurisdiction of the creation of the Zone and the abatement amount of taxes on the property to be included in the Zone.
- e.) The governing body shall not establish a Reinvestment Zone for the purpose of abatement if it finds that the request for the phase-in was filed after the commencement of construction, alteration, or installation of improvements related to a proposed modernization, expansion or new facility.

Public Hearing - Section 4

- a.) The adoption of these guidelines and criteria by the governing body of a taxing unit does not:
 - (1) limit the discretion of the governing body to decide whether to enter into a specific tax phase-in agreement;
 - (2) limit the discretion of the governing body to delegate to its employees the authority to determine whether or not the governing body should consider a particular application or request for tax phase-in; or
 - (3) create any property, contract, or other legal right in any person or entity to have the governing body consider or grant a specific application or request for tax phase-in.
- b.) Should any affected jurisdiction be able to make findings during its public hearing that the granting of abatement will have a substantial adverse effect on its bonds, tax revenue, service capacity or the provision of service, that finding shall be a reason for the governing body to deny any designation of the Reinvestment Zone, the granting of abatement, or both. Additionally, the initiating governing body reserves the right to grant less than the abatement percentages shown in Section 2, paragraph h., or deny all phase-ins if the governing body, in its sole discretion, determines that Applicants' investment will not meet the community enhancement goals of said governing body.
- c.) Neither a Reinvestment Zone nor phase-in agreement shall be authorized if it is determined that: (1) there would be a substantial adverse affect on the provision of government service or tax base; (2) the applicant has insufficient financial capacity; (3) planned or potential use of property would constitute a hazard to public safety, health or morals; or, (4) violation of other codes or law.

Agreement - Section 5

- a.) The initiating governing body of a taxing unit may not enter into a Tax Phase-in Agreement unless it finds that the terms of the Agreement and the property subject to the Agreement meet these Guidelines and Criteria.
- b.) After approval, the governing body shall formally pass a resolution and execute an agreement with the Applicant, and if applicable, the owner of the facility which shall include: (1) estimated value to be abated and the base year value; (2) percent of value to be abated each year as provided in Section 2 g.); (3) the commencement date and the termination date of phase-in; (4) the proposed use of the facility; nature of construction, time schedule, map, property description and improvement list as provided in, Section 3 b.; (5) contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration and assignment as provided in Sections 6 and 7, or other provisions that may be required for uniformity or State law. Such agreement shall be executed within 60 days after the applicant has forwarded all necessary information and documentation to the governing body, or at such later date as may be agreed between applicant and the governing body.

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Recapture - Section 6

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

Administration - Section 7

- a.) The Chief Appraiser of the County shall annually determine an assessment of the real and personal property comprising the Reinvestment Zone. Each year, the company or individual receiving abatement shall furnish the assessor with such information as may be necessary for abatement. Once value has been established, the Chief Appraiser shall notify the affected jurisdictions that levies taxes on the amount of the assessment.
- b.) The agreement shall stipulate that employees and/or designated representatives of the affected jurisdictions will have access to the Reinvestment Zone during the term of the phase-in to inspect the facility to determine if the terms and conditions of the agreement are being met. All inspections will be made only after the giving of twenty-four (24) hours prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the facility. All inspections will be made with one or more representatives of the company or individual and in accordance with its safety standards.
- c.) Upon completion of construction, the affected jurisdictions shall annually evaluate each facility and report possible violations to the contract and agreement to the governing body and its attorney.

Sunset Provision - Section 8

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

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Exhibit "B"

220.00 ACRES

THE STATE OF TEXAS)
THE COUNTY OF VICTORIA)

BEING a 220.00 acre tract of land situated in James Reese Survey, Abstract 288, Victoria, County, Texas, and being a portion of that certain 876.53 acre tract of land as conveyed to Sisters of the Incarnate Word and Blessed Sacrament of Victoria, a Texas non-profit corporation, by Sisters of the Incarnate Word and Blessed Sacrament, a religious congregation, according to instrument recorded in Volume 874, Page 151 of the Deed Records of Victoria County, Texas, said 220.00 acre tract of land being more fully described by metes and bounds as follows:

BEGINNING at a concrete monument found marking the intersection of the southeast right-of-way line of The Texas Mexican Railway Company (100' R.O.W.) and the southwest right-of-way line of Loop 463 (R.O.W. width varies), said monument being the north corner of the herein described tract;

THENCE, South 48 deg. 52' 59" East, a distance of 2693.74 feet to a 5/8 inch diameter steel rod set (with yellow plastic cap stamped "USI RPLS 4943") to mark an angle point in the right-of-way line of said Loop 463;

THENCE, South 47 deg. 46' 54" East, a distance of 824.94 feet to a 5/8 inch diameter steel rod set (with yellow plastic cap) to mark an angle point in the right-of-way line of said Loop 463;

THENCE, South 02 deg. 19' 41" East, a distance of 140.30 feet to a 5/8 inch diameter steel rod set (with yellow plastic cap) to mark the intersection of said Loop 463 and the northwest right-of-way line of Lone Tree Road;

THENCE, South 43 deg. 07' 33" West, a distance of 100.48 feet to a 5/8 inch diameter steel rod set (with yellow plastic cap) to mark an angle point in the right-of-way line of said Lone Tree Road;

THENCE, South 37 deg. 08' 25" West, a distance of 201.97 feet to a 5/8 inch diameter steel rod set (with yellow plastic cap) to mark an angle point in the right-of-way line of said Lone Tree Road;

THENCE, South 43 deg. 17' 32" West, a distance of 2065.72 feet to a 5/8 inch diameter steel rod set (with yellow plastic cap) for the south corner of the herein described tract;

THENCE, North 48 deg. 52' 59" West, crossing said Sisters of the Incarnate Word property, a distance of 3635.60 feet to a 5/8 inch diameter steel rod set (with yellow plastic cap) in the southeast line of Lot 1, Block 1 of Rhino-X Industries, an addition to the City of Victoria, Victoria County, Texas, according to the established map and plat of said addition recorded in Volume 7, Page 96-D of the Plat Records of said County;

THENCE, North 58 deg. 13' 00" East, a distance of 323.60 feet to a 5/8 inch diameter steel rod set (with yellow plastic cap) to mark the east corner of said Lot 1, Block 1, Rhino-X Industries and an interior corner of the herein described tract;

THENCE, North 31 deg. 47' 00" West, a distance of 645.67 feet to a 5/8 inch diameter steel rod found marking the north corner of said Lot 1, Block 1, Rhino-X Industries, same being the southeast right-of-way line of said railroad and the northwest corner of the herein described tract;

THENCE, North 58 deg. 12' 54" E, with the common line of said railroad right-of-way, a distance of 2076.43 feet to the POINT OF BEGINNING, CONTAINING within these metes and bounds a 220.00 acre tract of land, more or less.

MMW

Exhibit "C"

98.89 ACRES

THE STATE OF TEXAS)
 THE COUNTY OF VICTORIA)

BEING a 98.89 acre tract of land situated in James Reese Survey, Abstract 288, Victoria County, Texas, and being a portion of that certain 376.51 acre tract of land as conveyed to Sisters of the Incarnate Word and Blessed Sacrament of Victoria, a Texas non-profit corporation, by Sisters of the Incarnate Word and Blessed Sacrament, a religious congregation, according to instrument recorded in Volume 874, Page 151 of the Deed Records of Victoria County, Texas, said 98.89 acre tract of land being more fully described by metes and bounds as follows:

BEGINNING at a 5/8 inch diameter steel rebar found in the curving northeast right-of-way line of John Stockbauer Drive, said rebar marking the south corner of Lot 1, Block 1 of Rhino-X Industries an addition to the City of Victoria, Victoria County, Texas according to the established map or plat of said addition recorded in Volume 7, Page 96D of the Plat Records of Victoria County, Texas, and said rebar marking the west corner of the herein described tract;

THENCE, North 58 deg. 13' 30" East, along the south east line of said Rhino-X Industries, a distance of 1052.08 feet to a 5/8 inch diameter steel rebar found (with yellow plastic cap stamped "USI RPLS 4943") marking the north corner of the herein described tract, same being the most westerly corner of that certain 220.00 acre tract of land as conveyed from Sisters of the Incarnate Word and Blessed Sacrament of Victoria to Victoria Sales Tax Development Corporation according to Instrument 20021:157 of the Official Records of said County.

THENCE, South 48 deg. 52' 59" East, along the southwest line of said 220.00 acre tract, a distance of 3575.56 feet to a 5/8 inch diameter steel rebar found (with yellow plastic cap) marking the east corner of the herein described tract and interior corner of Lone Tree Road right-of-way (140' R.O.W.);

THENCE, South 43 deg. 17' 32" West, with the northwest right-of-way line of said Lone Tree Road, a distance of 1538.29 feet to a 5/8 inch diameter steel rebar found (with yellow plastic cap) for the south corner of the herein described tract, same marking the intersection with the northwest right-of-way line of John Stockbauer Drive;

THENCE, North 81 deg. 06' 13" West, a distance of 57.15 feet to a 5/8 inch diameter steel rebar found (with yellow plastic cap) marking an angle point in the right-of-way line of John Stockbauer Drive (80' R.O.W.);

THENCE, North 25 deg. 31' 06" West, continuing with said right-of-way line, a distance of 545.07 feet to a 5/8 inch diameter steel rebar set (with yellow plastic cap stamped "URBAN SURVEYING INC.") to mark the beginning of a tangent curve to the left;

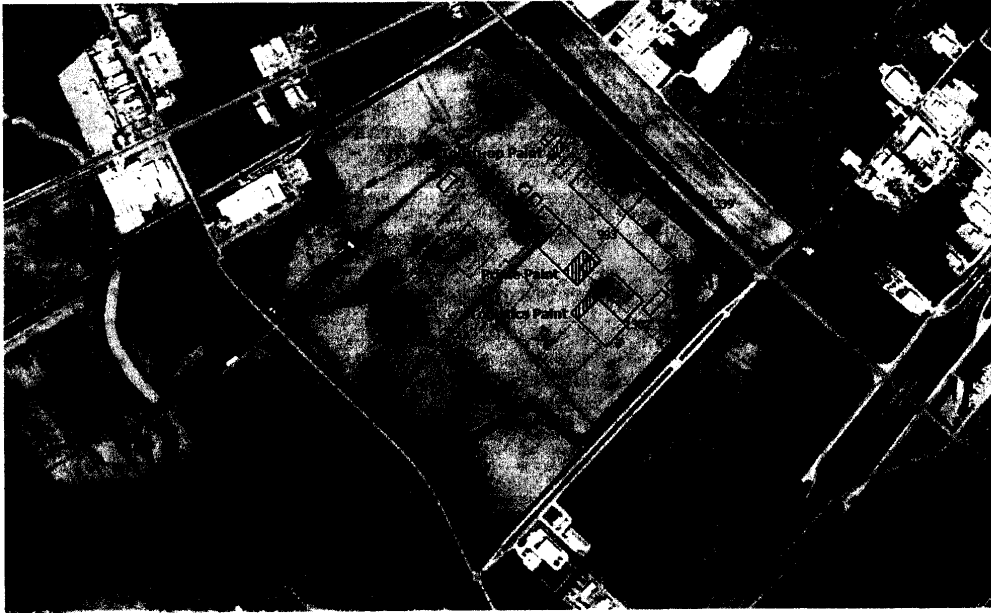
THENCE, with said curve to the left, radius = 2336.83 feet, interior angle = 20 deg. 46' 40", chord bears N 35 deg. 54' 26" W, 842.79 feet, for an arc length of 847.43 feet to a 5/8 inch diameter steel rebar set (with yellow plastic cap) for its point of tangency;

THENCE, North 46 deg. 17' 46" West, a distance of 2219.84 feet to a 5/8 inch diameter steel rebar set (with yellow plastic cap) to mark the beginning of another tangent curve to the left;

THENCE, continuing with said right-of-way line and curve to the left, radius = 1864.86 feet, interior angle = 07 deg. 25' 35", chord bears N 42 deg. 34' 58" W, 241.72 feet, for an arc length of 241.72 feet to the POINT OF BEGINNING, CONTAINING within these metes and bounds a 98.89 acre tract of land, more or less

MMW

Exhibit "D"



CATERPILLAR A+
POTENTIAL PAINT LOCATION(S) - VICTORIA, TX
July 21, 2010
Fled Architects

COUNTY CLERK'S MEMO
PORTIONS OF THIS
DOCUMENT NOT
REPRODUCIBLE
WHEN RECORDED

MW

APPLICATION FOR TAX ABATEMENT IN CITY OF VICTORIA AND/OR VICTORIA COUNTY

FILING INSTRUCTIONS

This application should be filed at least NINETY (90) DAYS prior to the beginning of construction or the installation of equipment when possible. This filing acknowledges familiarity and assumed conformance with "GUIDELINES AND CRITERIA Tax Abatement City of Victoria and/or Victoria County, Texas" (copy attached). This application will become a part of any later agreement or contract and knowingly false representations thereon will be grounds for the voiding of any later agreement or contract.

ORIGINAL COPY OF THIS APPLICATION AND ATTACHMENTS SHOULD BE SUBMITTED VIA:*

USPS:	OR	IN PERSON:
Victoria Economic Development Corp. PO Box 7 Victoria, TX 77902		Victoria Economic Development Corp. 700 Main, Suite 104 Victoria, TX 77901

*Applications for projects to be located in Victoria County but outside of the municipal boundary of the City of Victoria will be presented to the Victoria County Judge and Commissioner's Court

*Applications for projects to be located within the municipality of Victoria will be presented to the Mayor of Victoria and City Council.

SECTION I - APPLICANT INFORMATION

Submittal Date: August 12, 2010

Company Name: Caterpillar Inc.

Address: 100 N.E. Adams Street

City: Peoria State: IL Zip: 61629

Telephone: 309-675-1000 Fax Number: 309-675-6155

Website: www.cat.com Email: CATin@CAT.com

Name of Company Contact on This Project: Steve Ferguson

Address: 100 N.E. Adams Street

City: Peoria State: IL Zip: 61629

Telephone: 630-859-5078 Fax Number: 630-859-6388

Website: www.cat.com Email: Ferguson_Steve_M@cat.com

Company Structure: Corporation Partnership _____ Proprietorship _____
 Corporate Annual Sales per Year: \$ 32.4 Billion (2009)
 Estimated Local Sales per Year: \$ Not Applicable
 Please Attach Annual Report Done (See Instructions, Part I)

SECTION II - PROJECT INFORMATION

Check Type of Facility to be Abated:

Manufacturing Regional Distribution _____ Regional Service _____
 Other Basic Industry _____ Research _____

Please attach address, map and legal description of existing property: Done

Victoria CAD Property ID: 35535 & 91663 (www.victoriacad.org)

Please refer to Victoria CAD Property ID and mark all taxing entities pertaining to this facility.

ABATING TAX ENTITIES

Victoria County: Yes: No: _____
 City of Victoria: Yes: No: _____
 Victoria County Road and Bridge: Yes: No: _____
 :

NON-ABATING TAX ENTITIES:

Victoria County Navigation District Yes: No: _____
 Victoria County Drainage District 3 Yes: No: _____
 Victoria County Ground Water District Yes: No: _____

TAXING ENTITIES NOT ELIGIBLE FOR ABATEMENT:

Applicable School District (Name)*: Victoria Independent School District
 Victoria Junior College*

*Please Note: State law prohibits the abatement of school taxes.

This application is for a: New Plant Expansion _____ Modernization _____

100

Describe Product or Service to be Provided:

Caterpillar, Inc. – Excavator Division

Business Purpose: Develop a hydraulic excavator manufacturing facility and business to meet the extended needs of Caterpillar's North American customer demand.

Project Scope (Phase I):

- Mfg Source for North American Hydraulic Excavator Production
- Assembly, Test and Paint Operations
- Select Fabrications Processes
- Logistics Operations
- Employees: 400 - 500+ Caterpillar direct employees by 2014
- 600,000 SF of Manufacturing Space
- Capital Investment: Approximately \$120M
- Land Needs: Campus Acreage Preferred

Desired Future State (Phase II - Contemplated Only):

- Campus Environment
- Development of Localized Supply Base
- Potential Distribution Center
- Employees on Campus: 1000 Possible (Caterpillar and Supply Base Combined)

320 acre site is located at the intersection of Loop 463 & Lone Tree Rd N, Victoria, TX

SECTION III - PROJECT DESCRIPTION

Please attach a statement on company letterhead and signed by an Officer of the company:
(1) fully explaining the nature and scope of the project, (2) describing the proposed site and existing improvements, if any, (3) describing all proposed improvements and (4) providing a list of eligible improvements and fixed equipment for which abatement is requested. DONE:

SECTION IV - ECONOMIC IMPACT INFORMATION

Part A - Permanent Employment Estimates:

Current number of Full-Time Employees: 0
Estimated number of permanent, full-time jobs: 0 Retained (Jobs at Risk)
Estimated number of permanent, full-time jobs: 177 Created At Start-Up
Estimated peak number of jobs: 500 Estimated peak employment date: 2014
Estimated Start-Up Date: 1st Quarter 2012

Part B - Construction Employment Estimates

Estimated Construction Start Date: 1/2011
Estimated Completion Date: 3/2012
Estimated Number of Construction Jobs: 88 At Start-Up, 584 Peak
Estimated Number of Man-Hours: Approx. 1.4 million

Part C - School District Impact Estimates

Give estimated number of:
Families Transferred to Area: 20
Children to be added to ISD: 25

Part D - Environmental Impact Estimates

Volume of treated, potable water required from City: 1,000,000 gal per year
Volume of effluent to be treated by City: 800,000 gal per year
Type of effluent: Domestic Waste
(Please provide a statement on planned water and sewer treatment methods and disposal of effluent if the facility is to be located outside city systems.) 200k gal process waste to be hauled off site final plans TBD
Will the project require air or water permits? Yes No

2011

Has permitting been started? Yes No

Part F – Property Values and Investments

(It is understood that answers given here are Estimates)

1. Expected Total Project Expenses: \$129,325,000

2. Ineligible Property and Expenses:

(As defined in Guidelines Section 2, c.) \$25,600,000 (9,600,000 + 17,000,000)

3. Taxable Property Removed/Replaced: 0.00

4. Total Value Eligible for Abatement \$ 102,725,000

(As defined in Guidelines Section 2, d.)

NOTE: Subtracting lines 2 and 3 from line 1 should result in the amount stated on line 4

5. Appraised Base Year Value of Site: \$1,548,450 (\$316,450 + \$1,232,000)

(Can be provided by the County Appraisal District, www.victoriacad.org)

6. Taxable Value of New Improvements at Start-Up: \$87,351,550

7. Total Value of all taxable property after Start-Up: \$88,900,000

(Sum of lines 5 and 6.)

Expected Productive Life of Abated Improvements:

Building years: 20 Years Equipment years: 10 Years

SECTION V - OTHER AGREEMENT APPLICATIONS

Has the company made application for abatement of this project by other taxing jurisdictions or counties? Yes No

If "Yes", please provide (1) Dates of Application, (2) Hearing Dates, (3) Name of Jurisdiction(s) and Contact(s) and (4) Any letters of intent to abate.

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SECTION VI - DECLARATION

To the best of my knowledge, the above information is an accurate description of project details.



Company Official's Signature

Name: Steven M. Ferguson

Title: Business Resource Manager

Printed Name and Title
of Company Official



Caterpillar Inc.
100 NE Adams St
Peoria, IL 61629-3410

August 20, 2010

Mr. Dale Fowler, President
Victoria Economic Development Corporation
700 Main Center, Suite 104
Victoria, Texas 77901

Dear Mr. Fowler,

After a several month strategic location analysis for a new major component manufacturing facility, Caterpillar Inc. narrowed its search to locations in two Southern states. This search includes a location in Victoria, Texas. Major decision criterion has included logistics, workforce availability, the business environment, a cost analysis and the availability of incentives to support the final project decision.

The proposed new project will be a state-of-the-art manufacturing complex that would incorporate a hydraulic excavator assembly, test, and painting operation for the North American market that will incorporate proprietary Caterpillar production system technologies. Operations will likely include select fabrications processes, assembly, testing, and painting of the equipment. The project currently forecasts the creation of up to approximately 500 new jobs, with a potential payroll exceeding \$19.7 million annually at full operation. Capital investment (real and personal) is expected to be approximately \$120 million.

Caterpillar is presently considering a green field site in Victoria, Texas for this proposed operation. The 320-acre site is located at the intersection of Loop 463 & Lone Tree Rd N. It is anticipated that Caterpillar will own the facility (not lease). The project also expects to require significant electrical capacity and will be considered a major user. Reliability and competitive utility costs will have a significant impact in the decision model for this project.

The summary of improvements and fixed equipment eligible for tax abatement are as follows:

- Building and real property: 600,000 square foot manufacturing facility constructed from the ground up over three years. Estimates are being finalized.
- Machinery and equipment: specialized, fixed manufacturing equipment purchased over four years. Estimates are being finalized. The fixed machinery will include, but not be limited to
 - o (30) 1 Ton Overhead Cranes
 - o (4) 2 Ton Overhead Cranes
 - o (2) 3 Ton Overhead Cranes
 - o (6) 4 Ton Overhead Cranes
 - o (6) 5 Ton Overhead Cranes
 - o (12) 6 Ton Overhead Cranes
 - o (5) 7 Ton Overhead Cranes
 - o (2) 8 Ton Overhead Cranes
 - o (4) 10 Ton Overhead Cranes
 - o (2) 12 Ton Overhead Cranes

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-2-

- o (1) 20 Ton Overhead Crane
- o (1) 25 Ton Overhead Crane
- o (1) 40 Ton Overhead Crane
- o (25) 1 Ton Gorbel Floor Supported Crane Systems
- o (2) Main Line Conveyor Systems (Drag Line Style)
- o (2) Loop Conveyor Systems
- o (2) Powered 30ft Roller Conveyor Systems
- o (4) Powered 15ft Roller Conveyor Systems
- o (6) 15ft Roller Conveyor Systems (Gravity Feed)
- o (65) 35ft Roller Conveyor Systems (Gravity Feed)
- o (4) 35ft Slat Conveyor Systems
- o (30) DC Torque Floor Mounted Torque Tools 400-200nM
- o (6) VMC Test Carts
- o (2) Electrical Chassis Test Systems
- o (2) Fluid Fill Systems
- o (2) Track Positioning Systems
- o (2) Refrigerant Recovery Systems
- o (2) AC Fill Systems
- o (1) Coordinate Measuring Machine
- o (2) Coordinate Measuring Roaming Machines
- o (3) Gantry Style Machining Centers 5 Meters x 3 Meters
- o (2) Gantry Style Machining Centers 4 Meters x 3 Meters
- o (1) Chip Conveyor System for Machining Centers
- o (12) Positioning Equipment Systems
- o Misc. Hand Tooling
- o Misc. Torque Tooling
- o Misc. Fixturing
- o Misc. Inspection Equipment
- o Misc. Employee Platforms

Should you have questions or require additional information, please don't hesitate to contact John R. Jones at (630) 859-6376 or Jonathan Sangster of CBRE Consulting at (404) 923-1228

Sincerely,

By: 

Name: Jonathan Sangster

Title: Business Development Manager

MS



CITY OF VICTORIA Established 1824, Founded by Congress, Republic of Texas, 1839

Legal Department, City Hall, 105 W. Juan Linn
P.O. Box 1758, Victoria, Texas 77902-1758
(361) 485-3520, Fax (361) 485-3534

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Thomas A. Gwosdz
City Attorney

Linda M. Champion
Assistant City Attorney

November 12, 2010

Honorable Donald R. Pozzi
Victoria County Judge
County Courthouse
115 N. Bridge Street, Room 127
Victoria, Texas 77901

RE: Fully Executed Tax Abatement Agreement

Dear Judge Pozzi:

Please find enclosed one fully executed Tax Abatement Agreement between City of Victoria, Victoria County and Caterpillar Inc.

Should you have any questions, please contact me at 361/485-3520.

Sincerely,

Mary Pullin

Mary Pullin, Legal Assistant
Legal Department

/mdp

Enclosure: Agreement