

TAX ABATEMENT AGREEMENT  
BETWEEN  
CITY OF CORPUS CHRISTI, TEXAS  
AND  
CORPUS CHRISTI LIQUEFACTION, LLC

## TAX ABATEMENT AGREEMENT

This Tax Abatement Agreement (“Agreement”) is entered into and shall be effective as of \_\_\_\_\_, 2015, between THE CITY OF CORPUS CHRISTI, TEXAS (“City”), a home-rule city, and CORPUS CHRISTI LIQUEFACTION, LLC, a Delaware limited liability company (“Company”), pursuant to Chapter 312 of the Texas Tax Code (“Chapter 312”).

### RECITALS

WHEREAS, Company desires to construct a natural gas liquefaction facility in three phases, or “trains” (as more particularly described in Exhibit A, the “Facility”), a portion of which which will be constructed on land located within City limits (as more particularly described in Exhibit B, the “Land”); and

WHEREAS, Company expects that (i) the first train of the Facility will be constructed at a cost of at least One Billion Five Hundred Million Dollars (\$1,500,000,000) and employ at least ninety (90) full-time employees; (ii) the second train of the Facility will be constructed at a cost of at least Seven Hundred Fifty Million Dollars (\$750,000,000) and employ at least thirty-five (35) full-time employees; and (iii) the third train of the Facility will be constructed at a cost of at least Seven Hundred Fifty Million Dollars (\$750,000,000) and employ at least thirty-five (35) full-time employees; and

WHEREAS, City recognizes the positive economic impact that the Facility will bring to City and its extraterritorial jurisdiction through development and diversification of the economy, reduction of unemployment and underemployment through the production of new jobs, and the attraction of new businesses; and

WHEREAS, City recognizes that a significant factor in Company’s decision to construct the Facility on the Land is Company’s eligibility to enter into agreements with taxing units having jurisdiction over the Land to abate property taxes on the Facility; and

WHEREAS, Section 312.206 of the Texas Tax Code provides that a taxing unit other than a municipality may abate property taxes on property located in the taxing jurisdiction of the municipality if property taxes on such property are abated by the municipality pursuant to an agreement made under Section 312.204 of the Texas Tax Code; and

WHEREAS, City has adopted guidelines for the abatement of ad valorem tax (“Tax Abatement Guidelines”) pursuant to Chapter 312, and wishes to enable other taxing units having jurisdiction over the portion of the Facility located within City limits to participate in tax abatement with respect to such portion of the Facility pursuant to Chapter 312; and

WHEREAS, the Facility will be a Basic Manufacturing Facility within the meaning of the Tax Abatement Guidelines and thereby eligible for tax abatement; and

WHEREAS, to enable other taxing units to participate in tax abatement pursuant to Chapter 312 on the portion of the Facility located within City limits, City (i) has designated the Land as a reinvestment zone (the "Reinvestment Zone"), and (ii) shall, pursuant to its authority under Section 312.204 of the Texas Tax Code, abate under this Agreement maintenance and operations ad valorem tax on one dollar (\$1) of the value of such portion of the Facility for one tax year; and

WHEREAS, City and Company have entered into that certain Chapter 380 Economic Development Incentive Agreement (the "Chapter 380 Agreement"), the investment and job requirements of which must be complied with under this Agreement;

NOW, THEREFORE, in consideration of the mutual benefits described in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City and Company agree as follows:

## **ARTICLE I**

### **REPRESENTATIONS**

1.1 Representations of City. City hereby represents to Company that as of the date hereof:

(A) City is a duly created and existing municipal corporation and home-rule municipality of the State of Texas under the laws of the State of Texas and is duly qualified and authorized to carry on the governmental functions and operations as contemplated by this Agreement.

(B) City has the power, authority and legal right under the laws of the State of Texas to enter into and perform this Agreement and the execution, delivery and performance hereof (i) will not, to the best of its knowledge, violate any applicable judgment, order, law or regulation, and (ii) does not constitute a default under, or result in the creation of any lien, charge, encumbrance or security interest upon any assets of City, under any agreement or instrument to which City is a party or by which City or its assets may be bound or affected.

(C) This Agreement has been duly authorized, executed and delivered by City and constitutes a legal, valid and binding obligation of City, enforceable in accordance with its terms except to the extent that (i) the enforceability of such instruments may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application in effect from time to time relating to or affecting the enforcement of creditors' rights and (ii) certain equitable remedies including specific performance may be unavailable.

(D) The execution, delivery and performance of this Agreement by City does not require the consent or approval of any person that has not been obtained.

1.2 Representations of Company. Company hereby represents to City that as of the date hereof:

(A) Company is duly authorized and existing and in good standing as a limited liability company under the laws of Texas and shall remain in good standing in Texas during the Term of this Agreement.

(B) Company has the power, authority and legal right to enter into and perform its obligations set forth in this Agreement, and the execution, delivery and performance hereof, (i) have been duly authorized and will not, to the best of its knowledge, violate any judgment, order, law or regulation applicable to Company, and (ii) does not constitute a default under, or result in the creation of, any lien, charge, encumbrance or security interest upon any assets of Company, under any agreement or instrument to which Company is a party or by which Company or its assets may be bound or affected.

(C) This Agreement has been duly authorized, executed and delivered by Company and constitutes a legal, valid and binding obligation of Company, enforceable in accordance with its terms except to the extent that (i) the enforceability of such instruments may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application in effect from time to time relating to or affecting the enforcement of creditors' rights and (ii) certain equitable remedies including specific performance may be unavailable.

(D) The execution, delivery and performance of this Agreement by Company does not require the consent or approval of any person that has not been obtained.

## **ARTICLE II** **DEFINITIONS**

The recitals to this Agreement are hereby incorporated for all purposes. The terms, "Agreement," "Chapter 312," "Chapter 380 Agreement," "City," "Company," "Facility," "Land," "Reinvestment Zone," and "Tax Abatement Guidelines" shall have the above meanings, and the following words or phrases shall have the following meanings:

2.1 "Act of Default" or "Default" means failure to timely, fully, and completely comply with one or more requirements, obligations, performance criteria, duties, terms, conditions or warranties of this Agreement.

2.2 "Commencement of Construction" means (i) to commence the work of constructing the improvements or features with all approvals thereof and permits required by applicable governmental authorities obtained as necessary to begin construction; and (ii) onsite construction of the site development components (such as drainage, extensive grading or utilities) is underway and being pursued for the Facility.

2.3 “Effective Date” means the first date by which this Agreement has been signed by all of the parties hereto, on which date the terms and provisions of this Agreement shall become effective.

2.4 “Investment Requirement” has the meaning set forth in the Chapter 380 Agreement, including the investment of not less than One Billion Five Hundred Million Dollars (\$1,500,000,000) of capital in the first train of the Facility.

2.5 “Job Requirement” has the meaning set forth in the Chapter 380 Agreement, including the creation of not less than 90 full time jobs for the first train of the Facility.

2.6 “Term” means the period defined in Article III of this Agreement.

### **ARTICLE III**

#### **TERM**

The term of this Agreement (the “Term”) will begin on the Effective Date and shall continue for five years after the end of the tax year with respect to which taxes are abated pursuant to Article V, unless earlier terminated by City as provided hereunder.

### **ARTICLE IV**

#### **ABATEMENT; COMPANY REQUIREMENTS**

#### 4.1 Abatement.

(A) Pursuant to the City’s authority under Chapter 312, and subject to the satisfaction of the Company’s commitments under Article IV herein and the Company’s timely and full compliance with all applicable terms and conditions contained in this Agreement, with respect to the first tax year after the year in which Commencement of Construction occurs, the City agrees to abate and exempt from City maintenance and operations ad valorem taxation one dollar (\$1) of the value of that portion of the Facility that (i) is located within City limits and (ii) consists of improvements to real property. Such abatement shall apply only if the value of such improvements to real property exceeds the value of such improvements as of the Effective Date.

(B) City hereby approves any variances from from the Tax Abatement Guidelines necessary to effectuate this abatement, and hereby waives the filing of any application for abatement otherwise required under the Tax Abatement Guidelines.

#### 4.2 Company Requirements.

(A) Company shall satisfy the Investment Requirement and Job Requirement, including any audit or other requirements relating thereto which are set forth in the Chapter 380 Agreement.

(B) City employees shall have such access to the Facility as is required by Texas Tax Code Section 312.205(a)(2) to ensure that the improvements required by this Agreement are made.

(C) The Facility shall be used in a manner consistent with the general purpose of encouraging development or redevelopment of the Reinvestment Zone.

(D) Any ad valorem tax revenue lost by the City as a result of the abatement provided in Section 4.1(A) shall be recaptured if the Company fails to make the improvements required by this Agreement.

(E) The Company shall certify annually to the City that it is in compliance with the terms of this Agreement.

(F) Company is required to inform City in writing of Commencement of Construction. If Commencement of Construction has not occurred by January 1, 2018, City has the option to terminate the Agreement.

(G) Failure by Company to comply with any requirements of this Agreement shall constitute an Act of Default. If such Act of Default is not cured and corrected within ninety (90) days after written notice to do so or by express waiver by the City, the City has the option to terminate this Agreement.

## **ARTICLE V**

### **MISCELLANEOUS PROVISIONS**

5.1 Binding Effect. This Agreement will be binding on and inure to the benefit of the parties and their respective successors and assigns.

5.2 Termination. If Company elects not to proceed with the Facility as contemplated by this Agreement, Company will notify City in writing, and this Agreement and the obligations of both parties will be deemed terminated and of no further force or effect as of the date of such notice. Additionally, at any time during the Term, Company may elect to terminate this Agreement. Following the giving of said notice, this Agreement shall terminate and be of no further force or effect, and all parties shall be fully released of any further obligations under this Agreement relating to said designated part or parts of the Land.

5.3 Notice. Any notice or other communication ("Notice") given under this Agreement must be in writing and may be given: (i) by depositing the Notice in the United States Mail, postage paid, certified, and addressed to the party to be notified with return receipt requested; (ii) by personal delivery of the Notice to the party, or an agent of the party; or (iii) by confirmed facsimile, provided that a copy of the Notice is also given in one of the manners specified in (i) or (ii). Notice deposited in the mail in the manner specified will be effective two (2) days after deposit. Notice given in any other manner



will be effective only if and when received by the party to be notified. For the purposes of Notice, the addresses of the parties will, until changed as provided below, be as follows:

Company: Cheniere Energy, Inc.  
Attention: Mr. Daniel Belhumeur  
700 Milam Street, Suite 800  
Houston, Texas 77002

City: City of Corpus Christi  
Attn.: City Manager  
P.O. Box 9277  
Corpus Christi, Texas 78469-9277  
Ph: (361) 826-3220  
Facsimile: (361) 826-3839

with a copy to:

City Attorney  
P.O. Box 9277  
Corpus Christi, Texas 78469-9277  
Ph. (361) 826-3360  
Facsimile: (361) 826-3239

Any party may designate a different address at any time by giving Notice to the other party.

5.4 Interpretation. Each of the parties has been represented by counsel of their choosing in the negotiation and preparation of this Agreement. In the event of any dispute regarding the interpretation of this Agreement, this Agreement will be interpreted fairly and reasonably and neither more strongly for nor against any party based on draftsmanship.

5.5 Relationship of the Parties. This Agreement will not be construed as establishing a partnership or joint venture, joint enterprise, express or implied agency, or employer / employee relationship between the parties. Neither City nor its past, present or future officers, elected officials, employees or agents assume any responsibility or liability to any third party in connection with the development of the Facility or the design, construction or operation of any portion of the Facility.

5.6 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, it is the intention of the parties that the remainder of this Agreement not be affected, and it is also the intention of the parties that, in lieu of each provision that is found to be illegal, invalid or unenforceable, a provision be added to this Agreement which is legal, valid or enforceable and is as similar in terms as possible to the provision found to be illegal, invalid or unenforceable.

5.7 Paragraph Headings, Etc. The paragraph headings contained in this Agreement are for convenience only and will in no way enlarge or limit the scope or meaning of the paragraphs.

5.8 No Third Party Beneficiaries. This Agreement is not intended to confer any rights, privileges or causes of action upon any third party.

5.9 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument. A facsimile signature will be deemed to be an original signature for all purposes.

5.10 Exhibits. The following exhibits are attached to and incorporated into this Agreement for all purposes, as if they were set forth herein in their entirety:

Exhibit A: Facility Description

Exhibit B: Land Description

5.11 Entire Agreement. This Agreement embodies the complete agreement of the parties hereto, superseding all oral or written, previous and contemporary, agreements between the parties relating to matters in this Agreement; and, except as otherwise provided herein, this Agreement cannot be modified or amended without a written agreement of the parties.

5.12 Law. This Agreement is subject to all legal requirements of Texas and all other applicable County, State and Federal laws, and the Company agrees that it will promptly comply with all such applicable laws, regulations, orders and rules of the State, County and other applicable governmental agencies. This Agreement shall be governed by and construed in accordance with the laws and court decisions of the State of Texas without regard, however, to the conflicts of laws provisions of Texas law.

5.13 Venue. Venue for any legal action related to this Agreement is in Nueces County, Texas.

5.14 Confidential. City, its officers and employees, and its agents or contractors retained to perform economic development services for City, shall treat as confidential any information delivered by the Company or its respective representatives to City and its representatives for purposes of this agreement and shall not release such information to the public unless required by law such as the Texas Public Information Act or court order. City shall immediately notify the Company of requests or court orders to release such information.

[Signature page follows]



EXECUTED to be effective as of this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

**CORPUS CHRISTI LIQUEFACTION, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**CITY OF CORPUS CHRISTI, TEXAS**

ATTEST:

CITY OF CORPUS CHRISTI

\_\_\_\_\_  
Rebecca Huerta,  
City Secretary

\_\_\_\_\_  
Ronald L. Olson  
City Manager

**EXHIBIT A  
FACILITY**



**EXHIBIT B**  
**LAND**



**METES AND BOUNDS DESCRIPTION  
OF A  
52.25 ACRE TRACT**

Being 52.25 acres of land, out of a 212.20 acre tract of land as described in Document No. 490819, Official Public Records of San Patricio County, Texas, also being out of a 328.9 acre tract, referred to as "Tract 1, Parcel 2A", described in Document No. 2001000017, Official Public Records of Nueces County, Texas, and a 832.0 acre tract referred to as "Reynolds/Alcoa Retained Tract 1" in Document No. 2001000017, Official Public Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

Commencing at a found 5/8 inch iron rod, being the southeast corner of a 125.2 acre tract referred to as "Reynolds/Alcoa Retained Tract 3" in Document No. 2001000017, Official Public Records of Nueces County, Texas, said corner having a State Plane Grid Coordinate of N 17,211,109.14', E, 1,383,532.78', NAD' 83, Texas South Zone, and said corner also being an inside corner of said 212.20 acre tract as shown in MEI Govind drawing no. 0309-501-C04 and drawing no. 0309-501-C05;

Thence along the northeasterly boundary of said 212.20 acre tract, S 17-32-44 E, 250.80 feet, to the Point of Beginning and northeast corner of this herein described tract, said corner having a State Plane Grid Coordinate of N 17,210,870.02', E, 1,383,608.38', NAD' 83, Texas South Zone, and being on the Mean Higher High Water Line of Corpus Christi Bay;

Thence S 17-32-44 E, 46.08 feet, to an interior corner of this herein described tract, same being an interior corner of said 212.20 acre tract;

Thence S 01-10-32 E, 767.00 feet, to a point on the on the south line of a 31.82 acre tract, referred to as "Tract 1, Parcel 5" as recorded in Document No. 2001000017, Official Public Records of Nueces County, Texas, said point being the Port of Corpus Christi Authority North Bulkhead Line, also being the southeast corner of said 212.20 acre tract, same being the southeast corner of this herein described tract;

Thence along the south boundary of this herein described tract, the south boundary of said 212.20 acre tract, the North Bulkhead Line, N 77-30-59 W, 3569.00 feet, to the southwest corner of this herein described tract, same being the southwest corner of said 212.20 acre tract;

Thence leaving said North Bulkhead Line, N 07-00-29 W, 244.22 feet, to an interior corner of this herein described tract, said corner being on the west boundary line of said 212.20 acre tract, and also being on said Mean Higher High Water Line (MHHW);

Thence along said Mean Higher High Water Line as follows:

N 87-07-14 E, 13.56 feet;  
S 32-02-58 E, 21.05 feet;  
N 68-07-08 E, 19.87 feet;  
S 61-24-17 E, 14.94 feet;  
N 45-48-36 E, 13.55 feet;  
N 25-00-56 W, 72.49 feet;

Thence S 85-43-21 W, 42.23 feet, to an interior corner of this herein described tract, said corner being on the west boundary line of said 212.20 acre tract;

Thence along the west boundary of said 212.20 acre tract, N 07-00-29 W, 30.33 feet, to the northwest corner of this herein described tract, and being on said Mean Higher High Water Line;

Thence with said Mean Higher High Water Line (MHHW) as follows:

N 84-40-25 E, 16.36 feet;  
S 84-44-31 E, 50.13 feet;  
S 03-16-16 E, 36.14 feet;  
S 72-16-10 E, 17.07 feet;  
N 53-23-13 E, 27.28 feet;  
S 87-50-01 E, 30.47 feet;  
N 82-21-56 E, 49.49 feet;  
N 87-19-40 E, 40.23 feet;  
S 62-13-54 E, 24.71 feet;  
S 31-48-19 E, 30.33 feet;

N 37-21-50 W, 9.14 feet;  
 N 48-34-53 E, 60.83 feet;  
 N 88-04-21 E, 61.52 feet;  
 S 62-33-10 E, 49.74 feet;  
 S 85-11-41 E, 51.68 feet;  
 N 79-36-23 E, 36.81 feet;  
 N 65-12-45 E, 35.50 feet;  
 S 79-22-43 E, 56.99 feet;  
 S 56-38-50 E, 58.76 feet;  
 S 48-44-43 E, 111.54 feet;  
 S 52-35-41 E, 46.53 feet;  
 S 85-06-59 E, 40.01 feet;  
 S 60-20-57 E, 12.72 feet;  
 S 35-27-18 E, 37.43 feet;  
 S 60-04-28 E, 39.02 feet;  
 S 84-37-50 E, 20.21 feet;  
 N 59-26-24 E, 36.04 feet;  
 N 45-55-06 E, 27.10 feet;  
 N 66-55-49 E, 27.43 feet;  
 S 74-12-19 W, 47.14 feet;  
 N 86-06-05 W, 28.83 feet;

Thence N 74-45-18 W, 16.89 feet, along said Mean Higher High Water Line, to the Point of Beginning and containing 52.25 acres of land, more or less.



Notes:

- 1) Bearings are State Plane Grid, Texas South Zone, NAD' 83.
- 2) MHHW Line based on TCOON Gauge "Inglaside"