

ENTERPRISE ZONE AGREEMENT

The sponsors of the Bay Area Enterprise Zone comprising the governing bodies of the Cities of Coos Bay and North Bend, Coos County and the Oregon International Port of Coos Bay (hereinafter “The Zone Sponsors”) and Jordan Cove Energy Project LP, a Delaware Limited Partnership (hereinafter “JCEP”) do hereby enter into an agreement for extending the period of time in which JCEP shall receive an exemption on its investments in qualified property in the Bay Area Enterprise Zone contingent on certain special requirements under ORS 285C.160.

RECITALS

The Zone Sponsors and JCEP do hereby mutually accept the following facts for purposes of entering into an agreement:

I. FINDINGS

- A. The Cities of North Bend and Coos Bay, Coos County and the Oregon International Port of Coos Bay (collectively, “The Zone Sponsors”) jointly sponsor the enterprise zone known as the Bay Area Enterprise Zone (the “Zone”).
- B. JCEP proposes to construct and operate a facility inside the Zone, as currently configured, and to employ a significant number of persons, who will be compensated on average at substantially more than the average annual county wage, at the facility, which will produce, liquefied natural gas for export (the “Facility”).
- C. The Oregon Legislative Assembly has adopted ORS285C.400 to 285C.420 and 317.123 to 317.131 (the “Statutes”) which provide tax incentives to business firms that invest in a qualifying facility within a rural enterprise zone in a ‘county with chronically low income or chronic unemployment.’ Coos County is currently eligible in terms of chronically low income and chronic unemployment.
- D. Administrative rules (OAR 123-065-3000 to 123-065-3999, 150-285C.409 and 150-285C.420), as adopted by the State of Oregon, further define and implement the Statutes.
- E. The benefits to a certified business firm under the Statutes include primarily a 100-percent exemption on new, non-transport property (but not any value assessed as land) that is owned/leased by the business firm and is otherwise subject to *ad valorem* taxation, and that is located at the site of a qualifying facility. The exemption covers property tax years, after construction commences and before the facility is placed in service. The exemption further applies to all such property for a single period of 7 to 15 consecutive tax years after the facility is placed in service, as determined by a written agreement between the zone sponsor and the business firm under ORS 285C.403(3)(c).

No property may be exempt, as described above, if that property has received an enterprise zone exemption under ORS 285C.170 or 285C.175.

Moreover, if the certified business firm is a C corporation and owns the facility, the Governor may formally approve tax credits equal to 62.5 percent of the business firm’s

annual gross payroll costs at the facility. The firm may claim these credits for a period of 5 to 15 fiscal years of the firm, starting as late as the third year after the year when the firm places the qualifying facility in service. These tax credits are supplemental to any exemption from property taxes. They would offset the business firm's annual state corporate excise and income tax liability and are subject to other provisions of law.

- F. Before commencing construction or installation of improvements or property, and before hiring employees in the enterprise zone, a business firm must submit the Oregon Department of Revenue's CERTIFICATION APPLICATION Long-Term Rural Oregon Tax Incentive, #150-310-073 (the "Application"), in order to receive the benefits described above. Submission is made to the local zone sponsor (in the person of the local zone manager) and to the county assessor, who shall jointly approve the application, certifying the business firm, subject and pursuant to the following:
- i. Execution of a written agreement between the business firm and the local zone sponsor
 - ii. Adoption of resolutions by the governing body of the county and the city, in which the facility would be located, approving the property tax exemption
 - iii. Satisfactory commitment to the requirements of ORS 285C.412 and to any additional requirement contained in the written agreement
 - iv. Review of the written agreement's administrative sufficiency and confirmation of the county's current economic status, by the Oregon Economic and Development Department.

The county assessor may make his/her approval of the Application contingent on establishing satisfactory administrative arrangements with the business firm, including but not limited to regular notice and substantiation for relevant junctures in the development of the facility, property located at the facility site or satisfaction of statutory requirements.

In order for JCEP to receive the benefits, the local zone manager and county assessor need to approve the Application before the date on which any facility property is placed in service and before termination of the enterprise zone.

- G. Irrespective of certification and the written agreement, a business firm qualifies for and receives/retains the above-mentioned benefits only if minimum investment costs, hiring and compensation at the affected facility in the enterprise zone are achieved and maintained, according to the applicable provisions under ORS 285C.412 and 285C.420. Expected, applicable minima are more specifically described in the "Terms and Conditions" below.
- H. The Zone Sponsors have found that the construction and operation of the Facility will foster desirable economic development in the Zone and its local area and will be in the best interest of The Zone Sponsors.
- I. The description of the site where the Facility will be located is contained in **Exhibit A**. A map showing the site is in **Exhibit B**.

J. The Facility is located in unincorporated territory of the County.

K. JCEP presently estimates and anticipates that:

- i. The Facility will encompass approximately _____,000 square feet comprising one or more building(s) and other structures.
- ii. At least initially, the total cost for improvements, machinery & equipment, and the acquisition, construction, reconstruction and/or installation of property at the Facility will be approximately \$___ million
- iii. The site preparation, construction and improvements at the Facility will most likely commence after _____ but not later than _____.
- iv. The Facility will most likely be placed in service after January 1, 20____, but not later than December 31, 20____.
- v. JCEP will initially hire about _____ full-time employees at the Facility, the workforce for which will likely increase substantially thereafter.
- vi. Average annual compensation for all employees at the Facility will equal or exceed \$_____.

The above estimates reflect presently available information and are subject to change. JCEP in no way warrants the accuracy of the above estimates. Subject to the minima stipulated under ORS 285C.412, JCEP eschews any liability to the Zone Sponsor (or to any cosponsor or any other party) if the actual numbers differ from the above estimates.

L. Pursuant to this agreement, JCEP, at its discretion, may seek approval from the Governor for the aforementioned corporate excise and income tax credits available under ORS 307.124.

TERMS AND CONDITIONS

Now therefore, as an incentive for JCEP to locate the Facility within the Zone, and in accordance with ORS 285C.403(3)(b) and (c), the parties do hereby enter into the following agreement (the "Agreement"):

II. OBLIGATIONS OF THE COMPANY

A. Conditions

All obligations of JCEP described in this Agreement arise solely because of, and depend entirely upon, the following:

1. JCEP's development, and the placement in service, of the Facility at the location described in **Exhibits A and B**.

2. JCEP's ability to avoid property tax liability as provided under ORS 285C.409, while property and improvements comprising the Facility are in the process of being constructed or installed, and for 15 consecutive property tax years thereafter, due to the Facility's inclusion in the Zone.

If either condition is not satisfied for any reason, JCEP is excused from performance of any obligation pursuant to this Agreement.

B. Statutory Obligations

1. JCEP shall complete the Application and submit a signed original and executed copy of it, with this Agreement and related attachments, to the local zone manager for the Zone and to the County Assessor for Coos County, before the commencement of construction or installation of property and improvements and before hiring employees at the Facility.
2. JCEP shall comply with ORS 285C.412 and 285C.420 and does thereby commit to meet the applicable requirements of the Statutes, such that the particular provisions for qualification of the Facility are those under ORS 285C.412(3), as follows:
 - a. By the end of the calendar year when the Facility is placed in service, the total cost of the Facility shall equal or exceed _____ percent of the 20__ real market value of all nonexempt taxable property in Coos County up to \$_____ million.
 - b. On or before the third calendar year following the year when the Facility is placed in service, the number of full-time, year-round employees at the Facility shall be _____ or more.
 - c. On or before the fifth calendar year following the year when the Facility is placed in service, average annual compensation (including wages, salary, non-mandatory insurance and other financial benefits) of all employees working at the Facility shall equal or exceed 150 percent of the most recent figure for average annual covered payroll in Coos County from the Oregon Employment Department.

C. Additional Obligations

JCEP hereby commits to meet certain additional requirements as reasonably requested by The Zone Sponsor and established solely through this Agreement, as follows:

1. JCEP agrees that failure to satisfy requirements of this paragraph shall result in disqualification of property from exemption in accordance with ORS 285C.420, including but not limited to the payment of back taxes. Any such disqualification shall be pursuant to a 60-day period for resolving the matter after the receipt of notice, as sent by certified mail from the Sponsor to the County Assessor and JCEP. On or before December 31 of each year, in which begins a tax year when the Facility is exempt under ORS 285C.409(1)(c) in or after 20____, JCEP shall

pay to The Zone Sponsor a Project Fee in the amount of \$_____0,000.
(Moneys comprising the Project Fee shall be deposited with The Zone Sponsor and shall be budgeted, expended and distributed by The Zone Sponsor as described in **Exhibit C**).

2. JCEP shall furnish timely information or document to the Coos County Assessor, the Zone Sponsor and state agencies, as necessary, appropriate, or requested for administrating the provisions of this Agreement or associated tax incentives.

Except as indicated directly above, no promise or warranty attributable to JCEP, whether verbal or written, shall be deemed an obligation or local additional requirement that is in any way incumbent on JCEP for purposes of tax incentives under the Statutes.

III. OBLIGATIONS OF SPONSOR

- A. The governing bodies of The Zone Sponsors shall adopt resolutions to authorize the approval of this Agreement, such that:
 1. If this resolution has not all been adopted on or before _____, this Agreement becomes null and void
 2. Official, executed copies of the adopted resolutions shall be attached and included with this Agreement in **Exhibit D**
 3. The resolution adopted by the governing bodies of The Zone Sponsors shall serve to approve the Facility for the property tax exemption under ORS 285C.403(3)(a).
- B. The Zone Sponsors hereby set the period of the property tax exemption for purposes of ORS 285C.409(1)(c) to be 15 consecutive years, notwithstanding any shorter period that may be allowed by law.
- C. The Zone Sponsors shall distribute and use the funds paid with the aforementioned Project Fee as described in **Exhibit C** and shall fully indemnify and hold JCEP harmless from any liability arising from those funds or their use.
- D. The Zone Sponsors shall not impose or request any additional requirement of JCEP, except as expressed in this Agreement.
- E. The Zone Sponsors shall support JCEP in having the Facility approved by the Governor for the tax credits under ORS 307.124, but The Zone Sponsors make no warranty with respect to its ability to affect any outcome in such regards.

IV. TERM OF AGREEMENT

This Agreement shall commence on the last date of execution by the parties and terminate on June 30 of the last tax year of the exemption.

V. GENERAL TERMS

- A. **Assignment.** This Agreement may not be assigned by either party without the prior written consent of the other party (provided, however, that JCEP may assign this Agreement to any affiliate involved in the liquification, transport and sale of liquid natural gas without the consent of the Port). JCEP shall provide written notice of any such assignment to the Port and shall, notwithstanding any such assignment, remain liable for its obligations under this Agreement. To avoid any ambiguity, the parties agree that JCEP may not assign this Agreement to any affiliate without the consent of the Port unless such assignment is to any affiliate involved in liquification, transport and sales of liquid natural gas as described in the proceeding sentence.
- B. **The governing law, jurisdiction, and venue.** Any legal action or proceeding with respect to this Agreement or any other documents or instruments executed in connection with this Agreement shall be governed by the Laws, and brought in the Circuit Courts of the State of Oregon without regard to principles of conflicts of laws, and by the execution and delivery of this Agreement, both parties hereto consent to the exclusive jurisdiction of those courts.
- C. **Attorney's Fees.** If a suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code), is instituted in connection with any controversy arising out of this Agreement or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to attorney, paralegal, accountant, and other expert fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the court or body at trial or on any appeal or review, in addition to all other amounts provided by law. Payment of all such fees shall also apply to any administrative proceeding, trial, and/or any appeal or petition for review.
- D. **Miscellaneous Provisions.** This Agreement may only be amended in writing, signed by both parties. Waiver of any provision of this Agreement by either party shall not be considered a future waiver of that provision or any other provisions of this Agreement. This Agreement was negotiated at arms' length by sophisticated parties and shall not be construed against the drafter. Should any provision of the Agreement be deemed illegal, void, or unenforceable the parties intend that all other provisions shall remain in full force and effect. Each of the parties signing below represents and warrants that
- (1). He/she has been authorized to enter into this Agreement on behalf of their respective organizations; and
 - (2). Neither the execution of this Agreement, nor the execution, delivery, or recordation of any document or Agreement referenced herein, nor the closing of any transaction contemplated herein, constitutes or will constitute a default under any Agreement to which it is a party.

Time is of the essence in the performance of this agreement. Nothing in this Agreement expressed or implied, is intended to or shall confer upon any person other than the parties hereto, and their respective successors and permitted assigns, any rights, benefits, or revenues of any nature under or by reason of this Agreement. This Agreement may be executed by the parties hereto and any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one in the same Agreement. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all, the parties hereto.

- E. **Notices.** All notices to be given hereunder unless specified to the contrary shall be in writing and provided to the parties by certified mail, return receipt requested, postage prepaid, or by a nationally recognized national air carrier service at the following addresses:

<p>Oregon International Port of Coos Bay PO Box 1215 Coos Bay, OR 97420</p>	<p>Copy to: Mike Stebbins P.O. Box 1006 North Bend, OR 97459</p>
<p>JCEP</p>	<p>Copy to:</p>

Any notice shall be deemed given:

- (a) If delivered, on the first business day after the date of delivery or refusal of delivery if sent by personal delivery or airborne, Federal Express or a comparable national air carrier service and provided such delivery or refusal delivery is evidenced in writing by the delivery service; or
- (b) If mailed on the third business day following mailing if deposited in the United States, postage prepaid, registered or certified mail, return receipt requested.

SIGNATURES

ACCEPTING FOR THE ZONE SPONSORS OF THE BAY AREA ENTERPRISE ZONE:

County of Coos

Signature

Printed Name

Printed Title

Date

Oregon International Port of Coos Bay

Signature

Printed Name

Printed Title

Date

City of Coos Bay

Signature

Printed Name

Printed Title

Date

City of North Bend

Signature

Printed Name

Printed Title

Date

ACCEPTING FOR Jordan Cove Energy Project:

Signature

Printed Name

Printed Title

Date

EXHIBIT A

LEGAL DESCRIPTION OF FACILITY SITE

**EXHIBIT B
MAP OF FACILITY SITE**

EXHIBIT C
PLAN FOR DISTRIBUTION AND USE PROJECT FEE

[law enforcement, recreation district]

EXHIBIT D
COUNTY RESOLUTION OF APPROVAL FOR 15-YEAR EXEMPTION ON RURAL ENTERPRISE
ZONE PROPERTY