

May 11, 2009

Mayor Matthew T. Doyle
City of Texas City
1801 – 9th Avenue North
Texas City, TX 77590

RE: Refund Agreement

Dear Mayor Doyle:

Enclosed please find two originals of the Property Tax Refund Agreement between the City of Texas City and Valero Refining-Texas, L.P.

Please execute both originals and then return one original to me for our records at the following address:

P.O. Box 690110
San Antonio, TX 78269

Please keep the second original for your records.

Sincerely,



Trey Novosad
Executive Director, Ad Valorem Tax

Enclosures

WHEREAS, on April 3, 2009, an Agreed Final Judgment was entered in the 2007 Lawsuit reducing the appraised value of the Property as of January 1, 2007 to \$678,199,990 (Exhibit "C"); and,

WHEREAS, on April 3, 2009, an Agreed Final Judgment was entered in the 2008 Lawsuit reducing the appraised value of the Property as of January 1, 2008 to \$693,828,880 (Exhibit "D"); and

WHEREAS, the value reductions set forth above reduce Valero's tax liability and entitle Valero to a refund from the City under Tex. Tax Code § 42.43 totaling \$805,157.78, hereinafter referred to as the "Refund," which sum represents the total of the refunds due and owing for the 2005 – 2008 Lawsuits as follows:

<u>Tax Year</u>	<u>Refund</u>
2005:	\$170,002.92
2006:	\$188,047.61
2007:	\$232,866.82
2008:	\$214,240.42
TOTAL:	\$805,157.78

AGREEMENTS

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

1. SCHEDULE OF PAYMENTS. The City shall pay the Refund to Valero according to the following schedule of payments:

January 15, 2010:	\$201,289.44
January 15, 2011:	\$201,289.44
January 15, 2012:	\$201,289.44
January 15, 2013:	\$201,289.46

All payments required to be made under this Agreement shall be deemed sufficiently made for all purposes hereof if delivered in person, by courier (e.g., by Federal Express) or by registered or certified United States Mail to Valero. Payments shall be addressed to Valero as follows.

Valero Energy Corporation
Ad Valorem Tax Department
P.O. Box 690110
San Antonio, TX 78269-0110

Or at such other address and/or to the attention of such other person as Valero may designate by written notice to the City.

2. INTEREST. Valero shall not recover interest, and hereby releases the City from any and all claims for interest, which would otherwise be owed on the Refund under Tex. Tax Code § 42.43. Notwithstanding the foregoing, in the event the City fails to make any payment required by Section 1 of this Agreement, Valero shall be entitled to recover interest on the amount due and owing at an annual rate of twelve (12) percent, calculated from 60th day after the date GCAD's chief appraiser certifies the corrections to the appraisal roll arising out of the 2005 – 2008 Lawsuits until the date the refund is made as provided in Tex. Tax Code § 42.43.

3. GOVERNING LAW. This Agreement shall be construed under the laws of the State of Texas.

4. MERGER. This Agreement supersedes any and all other agreements, either oral or in writing, between the Parties with respect to the subject matter of this contract, and contains all of the covenants and agreements between the parties with respect to the subject matter. Each party to this agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, that are not set forth in this Agreement, and that no agreement, statement, representation or promise not contained in this Agreement shall be valid or binding.

5. AMENDMENTS TO AGREEMENT; WAIVERS. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Waiver of any term, condition or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition or provision, or a waiver of any other term, condition or provision of this Agreement.

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

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

8. EFFECTIVE DATE. The effective date of this Agreement is _____, 2009

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this ___ day of _____ 2009.

VALERO REFINING-TEXAS, L.P.

CITY OF TEXAS CITY

By: _____


Kim Bowers
Executive Vice President
& General Counsel

By: _____

EXHIBIT A

APR 01 2009

CAUSE NO. 05CV 1064

**VALERO REFINING-TEXAS, L.P. and
VALERO LOGISTICS OPERATIONS,
L.P.**

Plaintiffs

v.

**GALVESTON CENTRAL APPRAISAL
DISTRICT**

Defendant

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§

IN THE DISTRICT COURT OF

GALVESTON COUNTY, TEXAS

56TH JUDICIAL DISTRICT

AGREED FINAL JUDGMENT

On this day came on for consideration the Joint Motion for Entry of Agreed Judgment (the "Joint Motion") filed by VALERO REFINING-TEXAS, L.P., Plaintiff and GALVESTON CENTRAL APPRAISAL DISTRICT, Defendant. The Court considered the Joint Motion and the pleadings on file, and finds that the Motion should be granted, pursuant to the terms set out herein. Accordingly,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that judgment be entered establishing the appraised value of Plaintiff's property as of January 1, 2005 as follows:

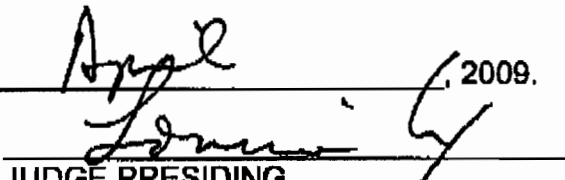
IMPROVEMENTS - REFINERY
Account No. 9700-0001-5400-000/R293410
Value as of January 1, 2005: \$386,301,190

IT IS FURTHER ORDERED; ADJUDGED AND DECREED that the Chief Appraiser shall correct the Appraisal Roll forthwith and without delay to reflect this final determination of appraised value.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that except for the determination of value for GCAD Account No. 9700-0001-5400-000/R293410

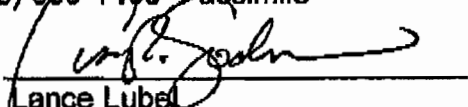
set out above, that Plaintiff TAKE NOTHING on all other claims made the basis of this suit.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that all relief requested in this suit which is not granted herein is in all things DENIED, and that each party shall bear its own costs and attorney fees. This Judgment is intended to be a final Judgment in this suit, disposing of all claims and causes of action asserted by the parties herein.

SIGNED this 6th day of April, 2009.

JUDGE PRESIDING


AGREED:

HEARD, ROBINS, CLOUD, BLACK & LUBEL L.L.P.
3800 Buffalo Speedway, Fifth Floor
Houston, Texas 77098
(713) 650-1200
(713) 650-1400- Facsimile

By: 
Lance Lubel
State Bar No. 12651125
Justin R. Goodman
State Bar No.2403660

ATTORNEYS FOR PLAINTIFF

**McLEOD, ALEXANDER, POWEL
& APFFEL, P.C.**

By: 
Anthony R. Brown
TBA No. 03091300
802 Rosenberg; P.O. Box 629
Galveston, Texas 77553
(409) 763-2481
(409) 762-1155 (Fax)

ATTORNEYS FOR DEFENDANTS

EXHIBIT B

CAUSE NO. 06CV0944

VALERO REFINING-TEXAS, L.P.
Plaintiff

v.

**GALVESTON CENTRAL APPRAISAL
DISTRICT**
Defendant

§ IN THE DISTRICT COURT OF
§
§ GALVESTON COUNTY, TEXAS
§
§
§ 122ND JUDICIAL DISTRICT

AGREED FINAL JUDGMENT

On this day came on for consideration the Joint Motion for Entry of Agreed Judgment (the "Joint Motion") filed by VALERO REFINING-TEXAS, L.P., Plaintiff and GALVESTON CENTRAL APPRAISAL DISTRICT, Defendant. The Court considered the Joint Motion and the pleadings on file, and finds that the Motion should be granted, pursuant to the terms set out herein. Accordingly,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that judgment be entered establishing the appraised value of Plaintiff's property as of January 1, 2006 as follows:

IMPROVEMENTS - REFINERY
Account No. 9700-0001-5400-000/R293410
Value as of January 1, 2006: \$583,798,700

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Chief Appraiser shall correct the Appraisal Roll forthwith and without delay to reflect this final determination of appraised value.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that except for the determination of value for GCAD Account No. 9700-0001-5400-000/R293410 set out above, that Plaintiff TAKE NOTHING on all other claims made the basis of this suit.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that all relief requested in this suit which is not granted herein is in all things DENIED, and that each party shall bear its own costs and attorney fees. This Judgment is intended to be a final Judgment in this suit, disposing of all claims and causes of action asserted by the parties herein.

SIGNED this 6th day of April, 2009.

1st John Elliott
JUDGE PRESIDING

AGREED:

HEARD, ROBINS, CLOUD, BLACK & LUBEL L.L.P.
3800 Buffalo Speedway, Fifth Floor
Houston, Texas 77098
(713) 650-1200
(713) 650-1400-Facsimile

By: [Signature]
Lance Lubel
State Bar No. 12651125
Justin R. Goodman
State Bar No. 2403680

ATTORNEYS FOR PLAINTIFF

**McLEOD, ALEXANDER, POWEL
& APFFEL, P/C**

By: [Signature]
Anthony P. Brown
TBA No. 03091300
802 Rosenberg; P.O. Box 629
Galveston, Texas 77553
(409) 763-2481
(409) 762-1155 (Fax)

ATTORNEYS FOR DEFENDANTS

EXHIBIT C

LATONIA D. WILSON
 CLERK DISTRICT COURT
 FILED
 BY COURT
 APR 13 2009
 GALVESTON COUNTY, TEXAS
 Deputy

APR 01 2009

CAUSE NO. 07CV 0974

VALERO REFINING-TEXAS, L.P.
 Plaintiff

GALVESTON CENTRAL APPRAISAL DISTRICT
 Defendant

§ IN THE DISTRICT COURT OF
 §
 § GALVESTON COUNTY, TEXAS
 §
 §
 § 405TH JUDICIAL DISTRICT

AGREED FINAL JUDGMENT

On this day came on for consideration the Joint Motion for Entry of Agreed Final Judgment (the "Joint Motion") filed by VALERO REFINING-TEXAS, L.P., Plaintiff and GALVESTON CENTRAL APPRAISAL DISTRICT, Defendant. The Court considered the Joint Motion, the pleadings on file, and finds that the Motion should be granted, pursuant to the terms set out herein. Accordingly,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that judgment be entered establishing the appraised value of Plaintiff's property as of January 1, 2007 as follows:

IMPROVEMENTS REFINERY
 Account No. 9700-0001-5400-000/R293410
 Value as of January 1, 2007: \$678,199,990

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Chief Appraiser shall correct the Appraisal Roll forthwith and without delay to reflect this final determination of the appraised value.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that except for the determination of value for GCAD Account No. 9700-0001-5400-000/R293410 set out above, that Plaintiff TAKE NOTHING on all other claims made the basis of this suit.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that all relief requested in this suit which is not granted herein is in all things DENIED, and that each party shall bear its own costs and attorney fees. This Judgment is intended to be a final Judgment in this suit, disposing of all claims and causes of action.

SIGNED this 3rd day of April, 2009.

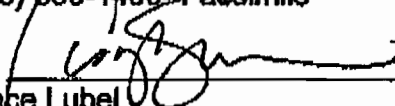


JUDGE PRESIDING

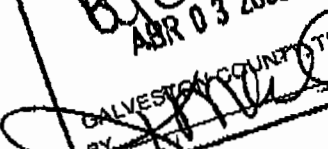
AGREED:

HEARD, ROBINS, CLOUD, BLACK & LUBEL L.L.P.

3800 Buffalo Speedway, Fifth Floor
Houston, Texas 77098
(713) 650-1200
(713) 650-1400 - Facsimile

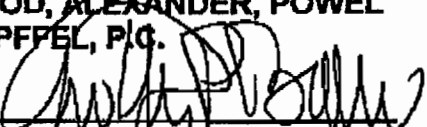
By: 

Lance Lubel
State Bar No. 12851125
Justin R. Goodman
State Bar No. 2403660

LATONIA D. WILSON
CLERK DISTRICT COURT
FILED
B. Court
APR 03 2009
GALVESTON COUNTY, TEXAS
BY: 
Deputy

ATTORNEYS FOR PLAINTIFF

**McLEOD, ALEXANDER, POWEL
& APFEL, P.C.**

By: 

ANTHONY P. BROWN
TBA No. 03091300
802 Rosenberg, P.O. Box 629
Galveston, Texas 77553
(409) 763-2481
(409) 762-1155 (Fax)

ATTORNEYS FOR DEFENDANTS

EXHIBIT D

SONIA
 CLERK DISTRICT
 FILED
 APR 03 2009
 GALVESTON COUNTY, TEXAS
 Deputy

APR 01 2009

CAUSE NO. 08CV 0908

VALERO REFINING-TEXAS, L.P.
Plaintiff

v.

**GALVESTON CENTRAL APPRAISAL
DISTRICT**

Defendant

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IN THE DISTRICT COURT OF

GALVESTON COUNTY, TEXAS

405TH JUDICIAL DISTRICT

AGREED FINAL JUDGMENT

On this day came on for consideration the Joint Motion for Entry of Agreed Final Judgment (the "Joint Motion") filed by VALERO REFINING-TEXAS, L.P., Plaintiff and GALVESTON CENTRAL APPRAISAL DISTRICT, Defendant. The Court considered the Joint Motion, the pleadings on file, and finds that the Motion should be granted, pursuant to the terms set out herein. Accordingly,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that judgment be entered establishing the appraised value of Plaintiff's property as of January 1, 2008 as follows:

IMPROVEMENTS REFINERY
Account No. 9700-0001-5400-000/R293410
Value as of January 1, 2008: \$693,828,880

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Chief Appraiser shall correct the Appraisal Roll forthwith and without delay to reflect this final determination of the appraised value.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that except for the determination of value for GCAD Account No. 9700-0001-5400-000/R293410 set out above, that Plaintiff TAKE NOTHING on all other claims made the basis of this suit.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that all relief requested in this suit which is not granted herein is in all things DENIED, and that each party shall bear its own costs and attorney fees. This Judgment is intended to be a final Judgment in this suit, disposing of all claims and causes of action.

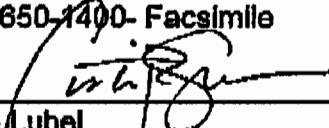
SIGNED this 3rd day of April, 2009.


JUDGE PRESIDING

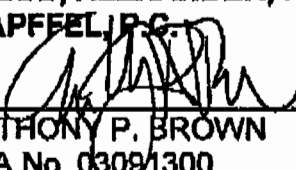
AGREED:

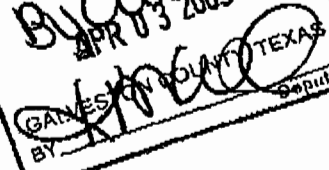
HEARD, ROBINS, CLOUD, BLACK & LUBEL L.L.P.

3800 Buffalo Speedway, Fifth Floor
Houston, Texas 77098
(713) 650-1200
(713) 650-1400- Facsimile

By: 
Lance Lubel
State Bar No. 12651125
Justin R. Goodman
State Bar No. 2403660
ATTORNEYS FOR PLAINTIFF

**McLEOD, ALEXANDER, POWEL
& APPEL, P.C.**

By: 
ANTHONY P. BROWN
TBA No. 03091300
802 Rosenberg; P.O. Box 629
Galveston, Texas 77553
(409) 763-2481
(409) 762-1155 (Fax)
ATTORNEYS FOR DEFENDANTS

LATONIA D. WILSON
CLERK DISTRICT COURT
FILED
BY COURT
APR 03 2009
GAINES COUNTY TEXAS
BY:  Deputy