



MEMORANDUM

Date: February 14, 2017

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "C.H. Huckelberry", is written over the typed name and title.

Re: **Additional Information Regarding Foreign Trade Zone Applications**

Attached is a comprehensive report from the Economic Development Deputy Director regarding Foreign Trade Zone (FTZ) applications. There has been confusion regarding FTZ applications and the consent of various property-taxing jurisdictions to a reduced property tax assessment ratio. In this case, from the agricultural assessment ratio of 15 percent to the FTZ application of 5 percent.

The location of the Monsanto facility contains a number of taxing jurisdictions, including Pima County, our various primary and secondary tax entities, the Marana Unified School District, Pima Community College and the Joint Technical Education District. In addition, a fire district secondary tax and Fire District Assistance Tax are involved.

Previous communications and an article in the *Arizona Daily Star* may have indicated the County has veto power over Monsanto's FTZ application. Such could be a common source of confusion, since the County administers the property taxing system for all jurisdictions within Pima County through both assessment and tax collection. However, we are only financially responsible for four of the tax rates and resulting levies; those being the County primary, Library District, Regional Flood Control District and Debt Service secondary property tax rates and levies. It is only these rates and levies that are affected by the County's decision regarding a Letter of No Objection to the proposed Monsanto FTZ application.

If the County were to not issue a Letter of No Objection, not enter into a payment in-lieu of taxes (PILOT) agreement or even issue a Letter of Objection, the net result would be the County would receive property taxes from the property in question at an assessment rate of 15 percent rather than the FTZ rate of 5 percent. The County cannot "veto" the FTZ application or process, nor can we veto the Letters of No Objection or PILOT agreements of other taxing jurisdictions.

CHH/anc

Attachment

c: Dr. John Moffatt, Director, Economic Development Office
Patrick Cavanaugh, Deputy Director, Economic Development Office
Joseph Snell, President and CEO, Sun Corridor Inc.
Daniela Gallagher, Vice President Economic Development, Sun Corridor Inc.



MEMORANDUM

February 9, 2017

To: Chuck Huckelberry,
Pima County Administrator

From: Patrick Cavanaugh,
Deputy Director, Office of Economic Development

Through: John Moffatt
Director, Office of Economic Development

Subject: Further clarification of U.S. Foreign Trade Zone Board Information and Guidance

Conflicting interpretations of the U.S. Foreign Trade Zone Board's November 2016 guidance letter (*"Additional Guidance on Addressing Potential Tax Impacts"* presented as **Attachment 1**) have led to apparently incorrect assumptions that local jurisdictions impacted by the State of Arizona's tax reclassification can "veto" a company's Foreign Trade Zone (FTZ) application by simply taking no action.

In my memo to you of January 24, 2017 (*"U.S. Foreign Trade Zone Information and Guidance"* presented as **Attachment 2**) I noted that Executive Director and Staff Director of the U.S. Foreign Trade Zone Board, Andrew McGilvray, had informed the Pima County Attorney's Office that his staff would not move an application to the U.S. Foreign Trade Zone Board unless "all requirements" of the November 2016 guidance letter were met. The Arizona Daily Star also apparently received similar information from staff of the U.S. Commerce Department and

reported as such in its article of January 28, 2017 (*"Pima County board has veto power over Monsanto Tax Breaks"* presented as **Attachment 3.**)

Subsequently, Daniela Gallagher, vice president and FTZ administrator for Sun Corridor, Inc. consulted with the FTZ Board and sent you a letter dated February 1, 2017 (*"RE: Arizona Daily Star article 'Pima County Board has veto power over Monsanto's tax breaks' from January 28, 2017 by Tony Davis."* presented as **Attachment 4.**) In her letter, Ms. Gallagher states flatly that the assertion that Pima County or any other taxing authority has the ability to stop a FTZ designation is incorrect. She refers to the November 2016 guidance letter and cites the following:

"The key word in these statements is 'affected.' Technically, a taxing entity is only affected if it were to lose property taxes. If a company was to provide payment to that taxing entity and therefore keeps the taxing entity financially whole, then no letter of no-objection is required as outlined in the FTZ Board staff guidance from November 2016."

This seems to address the assertions by the Arizona Daily Star that letters of no objection from all jurisdictions are required. Additionally, Ms. Gallagher obtained information related to several jurisdictions in Texas that failed to provide any response to an FTZ proposal by way of letters of no objection or payment in-lieu of taxes (PILOT) agreements. This information, presented as **Attachment 5**, seems to clarify the initial information received by Pima County on January 24, 2017 from the FTZ Board.

I have had additional conversations with Ms. Gallagher and conducted additional research on this issue. In light of Ms. Gallagher's standing as the administrator of FTZ 174 that includes all of Pima County, the subsequent conversations with the FTZ Board, and most importantly, the information concerning the Texas taxing jurisdictions, I would recommend that Ms. Gallagher's interpretation of the

November 2016 FTZ Board staff guidance letter as detailed in her February 1, 2017 letter to you, serve as our basis for proceeding with all future FTZ considerations under the current federal direction.

ATTACHMENT 1

ADDITIONAL GUIDANCE ON ADDRESSING POTENTIAL TAX IMPACTS

In certain states, there are taxes for which collections can be affected through FTZ Board action to designate FTZ sites (including sites of subzones).

Examples of such taxes include:

- *Ad valorem* taxes on business inventories in states such as Texas, Louisiana and Kentucky (for which collections can be affected by 19 U.S.C. 810(e))
- Real property taxes in the state of Arizona (for which collections can be affected due to a provision of Arizona law allowing for reclassification of FTZ-designated property under certain conditions).

When proposed FTZ designation of a particular parcel of land could result in a reduction in revenue collected locally for such a tax, the FTZ Board requires the applicant to address the potential impact. Specifically, the applicant must:

- A) Explain the specific local tax(es) for which collections would be affected;
- B) Include a letter from the FTZ grantee containing a certified list of all affected parties¹; and,
- C) Include copies of correspondence from all affected parties indicating concurrence or non-objection to the proposed FTZ designation.

In response to requests from potential applicants, the following is additional guidance developed by the FTZ Board's staff to assist applicants in addressing potential state/local tax impacts of FTZ proposals.

Circumstances in which concurrence/non-objection is not needed

In states with taxes for which revenues could be reduced as a result of FTZ designation, there are several sets of circumstances in which FTZ designation will not, in fact, result in reduction in tax revenues. If FTZ designation would not result in a reduction in tax revenues, no concurrence or non-objection is needed from affected parties (since there would not be any governmental entities that would be negatively "affected" by the proposed FTZ designation). The following are general examples of such circumstances:

¹ As used throughout this document, the term "affected parties" encompasses governmental entities whose tax revenues could be affected negatively (reduced) as a result of FTZ designation.

1. *A legal provision unrelated to the FTZ program already provides the exemption/reduction in taxes payable that otherwise could result from FTZ designation.*

With regard to *ad valorem* inventory taxes within a state, there may exist a state constitutional provision(s) or other state/local legal provision(s) that provides an exemption(s) from such taxes in certain circumstances that are unrelated to the FTZ program. For example, state law may allow a “freeport” exemption(s) on *ad valorem* inventory taxes for merchandise shipped into the state and then shipped back out of the state within a certain period of time. As another example, one or more categories of merchandise may be exempt from *ad valorem* inventory taxes under the state constitution or other state/local legal provisions. To the extent that all merchandise that would be stored in a proposed FTZ site would be already exempt from *ad valorem* inventory taxes under a freeport exemption(s) or a state/local constitutional/legal provision, FTZ designation and the subsequent use of FTZ procedures at the site would have no impact on the *ad valorem* inventory taxes payable on the merchandise. Therefore, there would not be any affected parties whose concurrence/non-objection would be needed for the application requesting FTZ designation. The application would need to explain fully the exemption(s) or provision(s) under which all merchandise to be stored at the proposed FTZ site would be already exempt from *ad valorem* inventory taxes. In addition, the FTZ user² would need to include in its agreement with the grantee of the FTZ a provision that constitutes a binding commitment to limit its FTZ use to storage of merchandise that is exempt from *ad valorem* taxation in the manner indicated in the application. The grantee would also need to confirm in its application to the FTZ Board that the grantee would take any necessary steps to ensure that use of the proposed FTZ site would be limited to storage of merchandise that is exempt from *ad valorem* taxation in the manner indicated in the application.

2. *The FTZ user will not claim – or will fully offset – any FTZ-related tax benefit.*

An application for FTZ designation does not need to include correspondence expressing the concurrence/non-objection of a given potentially affected party if the FTZ user will not claim the FTZ-related tax reduction³ – or will make other payments to the potentially affected party(ies) to offset fully any such reduction. In those circumstances, the grantee would need to include in its agreement with the FTZ user a provision that constitutes a binding commitment by the FTZ user not to claim the FTZ-related tax reduction or to make fully offsetting payments to

² As used throughout this document, the term “FTZ user” encompasses any company or other entity that could obtain a FTZ-related reduction in taxes payable through FTZ designation of a site or use of FTZ procedures at the site.

³ For purposes of this explanation, “claim[ing] the FTZ-related tax reduction” extends to taking any action that could result in such a tax reduction, such as claiming reclassification for real property taxes for FTZ-designated land under the provision of Arizona law cited above.

the potentially affected party(ies) for which the application did not present correspondence expressing concurrence/non-objection. In the application, the grantee would need to explain fully the FTZ user's contractual commitment not to claim the FTZ-related tax deduction – or to make fully offsetting payments to the potentially affected party(ies) for which the application did not present correspondence expressing concurrence/non-objection. The grantee would also need to confirm in its application that the grantee would take any necessary steps to enforce that provision of its agreement with the FTZ user.

Timing and content of correspondence expressing concurrence/non-objection

When FTZ designation could result in a reduction in local tax revenues – and in the absence of any circumstance outlined above in which affected parties' concurrence/non-objection is not needed – an application for FTZ designation must include correspondence from the affected parties expressing their concurrence/non-objection. An affected party may issue correspondence pertaining to a specific parcel(s) of land at any point, including prior to the identification of any specific company(s) that might seek to use FTZ procedures at that location. That correspondence can then be used for an application to the FTZ Board if/when the need actually arises for FTZ designation at that location. In addition, there is significant flexibility on the degree of specificity of such correspondence. An affected party may express its concurrence or non-objection to FTZ designation for a specific parcel(s) of land within its jurisdiction, a larger subset of its jurisdiction, or the entirety of its jurisdiction. Such documented concurrence/non-objection can then be used at any point when the need for FTZ designation might arise at the location(s) for which the affected party has expressed concurrence/non-objection.

ATTACHMENT 2



MEMORANDUM

January 24, 2017

To: Chuck Huckelberry,
Pima County Administrator

From: Patrick Cavanaugh, *PC*
Deputy Director, Office of Economic Development

Through: John Moffatt *JM*
Director, Office of Economic Development

Subject: U.S. Foreign Trade Zone Board Information and Guidance

During the five Monsanto community information meetings held this month there continued to be questions as to whether the U.S. Foreign Trade Zone (FTZ) Board would approve the FTZ application for Monsanto under different scenarios related to the Payment in Lieu of Taxes (PILOT) agreements and/or letters of no objections. These actions were required under the "Additional Guidance on Addressing Potential Tax Impacts" that was issued by the FTZ Board staff in November of 2016. *(Please see the attached guidance document.)*

While the guidance is clear that under instances of real property tax impacts (required under Arizona law) to local governments, the FTZ Board require letters on no objection or evidence of no impact/PILOT to be filed with the application, it was unclear in the actual FTZ regulations as to what action if any the FTZ Board

would take in a circumstance where one or more of the affected taxing entities took no action and provided neither a PILOT agreement or letter of no objection.

In attempt to clarify this issue, I asked Regina Nassen of the Pima County Attorney's Office to contact the FTZ Board in Washington, D.C.

Ms. Nassen spoke by phone with Andrew McGilvray, Executive Director and Staff Director of the U.S. Foreign Trade Zone Board, this afternoon and confirmed that his staff would not move an application forward for consideration by the FTZ Board unless all the requirements under the November 2016 guidance document are met. In other words, in instances where a jurisdiction submitted no response, the company's application would not be considered for FTZ activation.

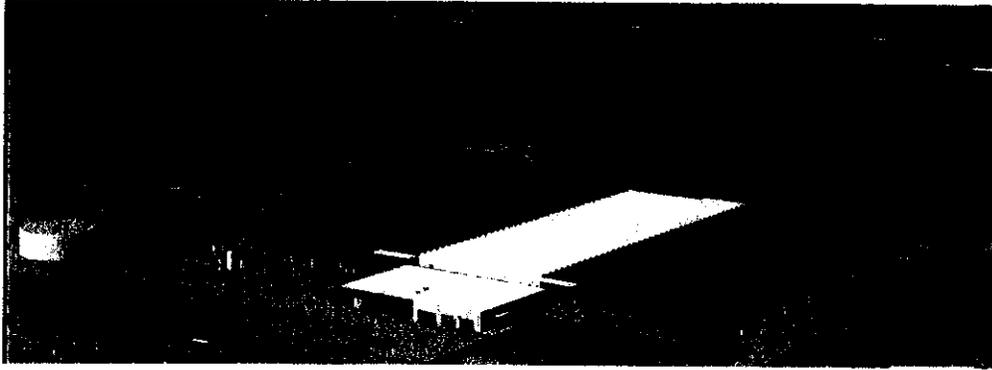
Please let me know if you require any additional information.

ATTACHMENT 3

http://tucson.com/news/local/govt-and-politics/pima-county-board-has-veto-power-over-monsanto-s-tax/article_490a1b51-f1d6-5b47-894b-9c8d2e357eb6.html

Pima County board has veto power over Monsanto's tax breaks

By Tony Davis Arizona Daily Star Jan 28, 2017 Updated Jan 28, 2017



Courtesy of Monsanto

This artist's rendering shows Monsanto's planned Avra Valley greenhouse, which would develop new corn seeds.

To the surprise of at least two Pima County supervisors, their board has veto power over whether Monsanto Co.'s greenhouse will get tax breaks from a proposed foreign trade zone designation.

For Monsanto to get the property tax breaks, it needs the federal government to designate its 155-acre, Avra Valley-area greenhouse site as part of a larger foreign trade zone in Pima County. For that to happen, all government agencies with taxing authority affected by the designation must send letters saying they don't object, said Tim Truman, a spokesman for the International Trade Association, a division of the U.S. Commerce Department.

If Monsanto obtains an FTZ designation, Pima County could lose property tax revenue because the designation would reduce the company's property tax burden by two-thirds. So far, two other entities that could be impacted by the Monsanto project, the Marana Unified School District and the Joint Technical Education District (JTED), have agreed to send in letters of non-objection. A fourth entity, Pima Community College, hasn't.

Pima County supervisors are scheduled to vote on Feb. 21, after delaying a decision last November.

Truman's statement was much firmer than one made Jan. 18 by a county official at a Monsanto public meeting. Patrick Cavanaugh, Pima County's deputy economic director, at the time described the importance of the supervisors' upcoming vote as "a great unknown."

The need for letters of no objection is spelled out in a November 2016 document that Truman emailed to the Star last week. It says an FTZ applicant must submit copies of letters from "all affected parties" indicating that they support or don't object to the proposal. The document is labeled "guidance," a term that typically carries no force of law. But it also says the letters are required.

The document does offer a potential "out" for Monsanto. If the company agrees to pay taxing entities enough so they don't lose money from the FTZ designation, they won't need to send letters of no objection. Such an agreement is known as a PILOT, for payment in lieu of taxes.

So far, however, that waiver applies to only one of the four entities. JTED has approved a PILOT agreement to get as much money from Monsanto as it would have without the tax break.

The Marana school district has accepted a \$500,000 donation from Monsanto, far less than its take under a PILOT agreement.

Monsanto spokeswoman Charly Lord said the company intends to enter an agreement with Pima Community College to not receive any tax benefits from the college.

County Administrator Chuck Huckelberry has proposed a PILOT agreement with Monsanto in which, for 10 years, the company would pay the difference between the taxes the county would have received without Monsanto's FTZ tax break.

But the county would have to refund the difference if Monsanto met certain goals.

These include at least \$90 million total investment, at least 50 full-time and part-time jobs, average annual wages of at least \$44,000, employee health and dental insurance coverage and 401(k) plans. Because the refunds will take tax revenue from the county, it would still have to send the no objection letter.

Two Pima County supervisors said they were unaware that the county's letter is legally required for Monsanto to get the designation. This requirement puts additional pressure on supervisors before deciding, said Supervisor Richard Elías, a Democrat who opposes the tax breaks for Monsanto, and Supervisor Steve Christy, a Republican who hasn't taken a stand.

"If the FTZ designation is going to be determined positively or negatively by the Pima County board, it places much more importance or emphasis on the decision the board makes," Christy said.

Until now, he added, "My feeling was that it was just rudimentary approval or disapproval and had no bearing on the status of Monsanto."

Now, the board's action "becomes more than a piece of the puzzle. It could have real impact," Elías said.

Denial of the FTZ designation wouldn't stop the greenhouse project, particularly since Monsanto already bought the land. The county lacks authority to do that. Monsanto spokeswoman Lord declined to say if the company would kill or reassess its plans for the greenhouse if the supervisors vote not to send a no-objection letter.

"We're going to use the information we've gathered from these public listening sessions, what we've learned from farming groups in the area, input we've received from business leaders and the Chamber of Commerce along with what the board decides next month to make our final decision," Lord said.

Cavanaugh, the county economic official, gave a more uncertain view of supervisors' potential impact at the Jan. 18 public meeting.

He told the gathering the impact of an unfavorable supervisors' vote was unknown, because the county has received only "guidance" from the feds and "no firm rules that we've been able to locate."

Cavanaugh later said he made the comment because the November 2016 federal guidance doesn't specify that an FTZ application would be rejected if all impacted taxing entities fail to send in the letters.

Although the document says the letters are required, "generally in regulations you have very specific direction as to what the outcome is," he said. The document also doesn't say what happens if two entities provide letters and two don't, he said.

But when asked by the Star what would happen if one or more entities refused to send such letters, trade association spokesman Truman reaffirmed his earlier statement. He said the FTZ board, a federal entity that decides on such designations, "only processes applications that include letters of non-objection from all affected taxing entities."

On Tuesday, Cavanaugh said he's no longer unsure of what would happen if all four entities didn't sign PILOT agreements or send in no-objection letters.

On that day, he had Deputy County Attorney Regina Nassen call Andrew McGilvray, executive director of the FTZ board in Washington, D.C. He learned that if some affected parties submit letters or PILOT agreements and others don't, "The FTZ staff would not move the application forward for consideration at all," Cavanaugh said.

On Wednesday, Huckelberry issued a memo saying the same thing: That if all affected entities don't submit letters of no objection, "no property tax savings or FTZ benefit would be issued to the applicant."

Contact reporter Tony Davis at tdavis@tucson.com or 806-7746. On Twitter@tonydavis987

ATTACHMENT 4



1985 East River Road, Suite 101
Tucson, AZ 85718
520.243.1900
www.suncorridorinc.com

February 1, 2017

Mr. Chuck Huckelberry
Pima County Administrator
130 W Congress St
Tucson, AZ 85701

**RE: Arizona Daily Star Article “Pima County Board has veto power over Monsanto’s tax breaks”
from January 28, 2017 by Tony Davis**

Dear Mr. Huckelberry:

Thank you for taking the time yesterday for the call regarding the recent Arizona Daily Star article “*Pima County Board has veto power over Monsanto’s tax break*”. Although many of the points made in the article are correct, as the Administrator of Foreign Trade Zone (FTZ) 174, I want to provide clarification regarding a couple of technical aspects of the FTZ process that could be misinterpreted.

The article states that “Pima County has veto power over whether Monsanto Co.’s greenhouse will receive tax breaks from a proposed foreign trade zone”. In addition, it also states that “all government agencies with taxing authority affected by the designation must send letters saying they don’t object, said Tim Truman, a spokesman for the International Trade Association, a division of the U.S. Commerce Department.” Both of those statements lead to the incorrect assumption that Pima County or any other taxing entity has the power to stop a FTZ designation. Which is not correct. The key word in these statements is “affected”. Technically, a taxing entity is only affected, if it were to lose property taxes. If a company was to provide payment to that taxing entity and, therefore, keeps the taxing entity financially whole, then no letter of no-objection is required as outlined in the FTZ Board staff guidance from November 2016.

(http://ia.ita.doc.gov/Ftzpage/grantee/Guidance_on_addressing_tax_impacts.pdf).

Recently, there was a case in Texas where a company applied for FTZ designation. The company had unsuccessfully tried to connect with multiple taxing entities. As the company was unable to collect letters of no-objections or PILOT agreements, they agreed to make fully offsetting payments to those taxing entities. The grantee included in its operator agreement with the company a provision that constituted a binding commitment by the company to make fully offsetting payments to the taxing entities. The FTZ Board approved FTZ designation for that company. (see attached MBM ASF FTZ 155 TENARIS application)

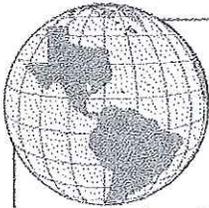
As the Grantee, we ensure that the FTZ program is being used for its intended purpose which is duty relief. I understand that this is a complicated issue. Please don’t hesitate to contact me if you have any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'DGallagher', with a long horizontal stroke extending to the right.

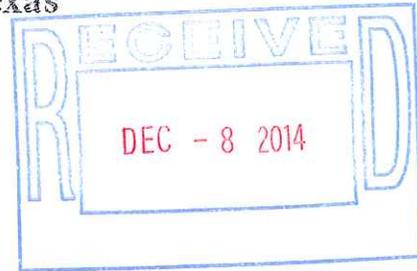
Daniela Gallagher
VP Economic Development
FTZ-174 Administrator

ATTACHMENT 5



Foreign Trade Zone 155
Calhoun and Victoria Counties, Texas

Andrew McGilvray
Executive Secretary
Foreign-Trade Zones Board
U.S. Department of Commerce
1401 Constitution Ave., NW, Room 21013
Washington, DC 20230



Re: TENARIS's Foreign Trade Zone Application for Subzone Designation

Dear Mr. McGilvray:

Attached is the FTZ Application for Subzone Designation (including exhibits), sent on behalf of TENARIS Bay City, Inc.

In connection with support required from affected taxing authorities, please note that TENARIS has received letters of support (or non-objection) from five (5) of the seven (7) local taxing authorities that have jurisdiction over the site. The five (5) local taxing authorities that have issued these letters of support are:

- Matagorda County
- Matagorda County Hospital District
- Matagorda Conservation and Reclamation District #1
- Port of Bay City*
- Coastal Plains Groundwater Conservation District*

*TENARIS has waived its right to the property tax exemption in connection with this taxing authority.

The Van Vleck Independent School District and the Matagorda County Drainage District #1 have indicated that they will not issue a letter of support (or non-objection). Instead, TENARIS has committed to make full payment of property taxes on the appraised value of its property located in the subzone to the Van Vleck Independent School District and the Matagorda County Drainage District #1. If TENARIS does not make full payment of property taxes on appraised value (*i.e.*, if TENARIS does not waive any property tax exemption that might stem from FTZ designation) to the Van Vleck Independent School District and the Matagorda County Drainage District #1, the Grantee of FTZ No. 155 Calhoun-Victoria Foreign Trade Zone, Inc. will request deactivation of the TENARIS subzone in Bay City, Texas, with U.S. Customs and Border Protection, as well as to take any other steps necessary to enforce full payment of taxes by TENARIS to the Van Vleck Independent School District and the Matagorda County Drainage District #1.

Please do not hesitate to call me with any questions at (361) 987-2813.

Best regards,

Charles R. Hausmann
Port Director
Calhoun-Victoria Foreign-Trade Zone, Inc.

Alternative Site Framework

**APPLICATION FOR SUBZONE OR USAGE-DRIVEN
DESIGNATION ("MINOR BOUNDARY MODIFICATION")**

QUESTIONS

1. Please mark the appropriate space below to indicate whether you are requesting "Subzone" or "Usage-Driven" designation for the proposed site(s):

Subzone Usage-Driven

The Grantee of FTZ No. 155, Calhoun-Victoria Foreign-Trade Zone, Inc. ("Grantee"), requests FTZ designation of Tenaris Bay City, Inc. ("Tenaris") distribution facility located in Bay City, Texas, via this application for a usage-driven site designation as subzone under the Alternative Site Framework ("ASF").

2. List the address of the site(s), including the jurisdiction in which the site(s) falls (town, city, county).

The address of Tenaris's manufacturing facility is:

7960 St. Hwy. 35
Bay City, TX 77414

Located in Matagorda County at the above address, the Tenaris manufacturing facility is within the jurisdiction of FTZ No. 155.

Herein, Tenaris manufacturing facility is referred to as "the proposed FTZ".

3. Explain how the proposed site(s) is within the grantee's approved ASF service area.

Tenaris's proposed FTZ is in Matagorda County. The FTZ Board approved Matagorda County as part of the ASF service area for FTZ No. 155, Calhoun-Victoria Foreign-Trade Zone, Inc.

4. State the proposed acreage of the site(s).

The proposed FTZ's size is approximately 39,200,000 square feet, which equates to approximately 900 acres.

5. Indicate the company for which the site(s) will be designated.

Tenaris Bay City, Inc. is a principal subsidiary of Tenaris S.A., a leading global manufacturer and supplier of steel pipe products and related services for the world's energy industry and other industrial applications. Tenaris's customers include most of the world's leading oil and gas companies as well as engineering companies engaged in constructing oil and gas gathering, transportation, processing and power generation facilities. Tenaris's principle products include casing, tubing, line pipe, and mechanical and structural pipes. Tenaris operates an integrated worldwide network of steel pipe manufacturing, research, finishing and service facilities with industrial operations in most major oil and gas markets including North and South America, Europe, Asia and Africa.

Headquartered in Luxembourg, Tenaris has net sales that exceed 10 billion and more than 27,000 employees globally.

Additional information can be found at the company's website: www.tenaris.com

6. Provide a summary of the company's planned activities.

Tenaris is building a seamless tube mill to be established as a new FTZ facility in Bay City, Texas, to manufacture seamless steel tubes (or pipe) for U.S. companies used in oil and gas production and in other industrial applications.

The plant is used for hot rolling and producing approximately 600,000 tons/yr of seamless steel tubes ranging from 4 1/2" to 9 5/8" outer diameter. It is equipped with rolling stands and mandrels to roll out the pierced billets to reduce the thickness of the wall and increase the length. The tube manufacturing process will involve several stages including the hot rolling, heat treatment and coating processes. The final end products are American Petroleum Institute (API) Oil Country Tubular Good (OCTG) Casing and API Line pipes, both heat treated and non-heat treated.

In doing so, Tenaris will conduct traditional manufacturing and distribution operations, such as: destruction, scrap salvation, deconsolidation, receiving, inspection, testing, cleaning, labeling, displaying, manipulation, warehousing, packing, packaging, re-boxing, consolidation, and shipment for U.S. consumption and export.

7. Indicate the current zoning and the existing and planned buildings (including square footage) for the site(s). (Note: Sites (or areas within a site) with inappropriate zoning – such as agricultural, retail, or residential – are not eligible for FTZ status and should not be proposed in any MBM request.)

The proposed FTZ is a manufacturing plant in an industrial district in Bay City, Texas. The site is currently zoned as Industrial. The size of the building is approximately 1,500,000 square feet.

8. Confirm that FTZ designation or the use of FTZ procedures is not a requirement or a precondition for future activity or construction at the site(s).

To the best of our knowledge, FTZ designation is not a precondition for any activity or possible future changes/construction at the site.

9. List the owner(s). (If a site(s) is not owned by the grantee or the company planning to use the site(s) – as named in response to Question 5 above – then provide a "Right to Use" attachment with documentation demonstrating the right to use the site(s). Such evidence could be a signed letter from the proposed operator on its letterhead attesting to its right to use the property or a letter of concurrence from the owner of the proposed site(s).)

The site is owned by Maverick Tube Corporation which is a Tenaris entity related to Tenaris Bay City, Inc. The right to use letter from Maverick Tube Corporation has been attached as **Attachment A**.

ATTACHMENTS

Attach the documents listed below (Items 10 and 11, plus Item 12 if applicable) directly behind the text of your request.

10. A clear and detailed site map showing existing and planned structures. The site boundaries must be outlined clearly in red. Note that if streets or similar landmarks are not legible on the site map, you will also need to provide a detailed street map with the proposed site's boundaries in red. Any map should be no larger than letter-sized (8 1/2" x 11") and clearly labeled, with legends provided for any markings.

Please refer to **Attachment B** for the clear and detailed site plan.

11. Comments from U.S. Customs and Border Protection (CBP): The grantee generally should provide comments from CBP with the submitted request. Alternatively, the grantee may provide a copy of the request to CBP at the time the request is submitted to the FTZ Board, in which case the grantee should also communicate with CBP regarding the 20-day timeframe in the FTZ Board's regulations for CBP to provide comments to the FTZ Board.

The proposed FTZ is within the limits of the U.S. Customs and Border Protection ("CBP") limits of the Corpus Christi Port of Entry (Port Code 5312).

Comments from the CBP Port of Corpus Christi are enclosed as **Attachment C**.

12. If your state (such as TX, KY, AZ) has one or more taxes for which collections will be affected by the proposed FTZ designation of the new site(s), please attach all of the following:

- A. An explanation of the specific local taxes that will be affected;
- B. A stand-alone letter that:
 - Lists all of the affected parties;
 - Includes a statement below the list certifying that this is a complete list of all parties that would be affected by this particular request; and,
 - Is signed by an official of the grantee organization.
- C. Correspondence from all of the affected parties (such as a local school board) indicating their concurrence (or non-objection) regarding the proposed FTZ designation.

Please refer to **Attachment D**.



MAVERICK TUBE CORPORATION
2200 West Loop South, Suite 800
Houston, Texas 77027
713:767.4400 (Main)

July 10, 2014

Tenaris Bay City, Inc.
2200 West Loop South
Suite 800
Houston TX 77027

Ladies and Gentlemen:

Maverick Tube Corporation ("MTCO"), a Delaware corporation, is the sole owner of approximately 1,534 acres of land (the "Land") in Matagorda County, Texas, consisting of the tracts conveyed by the deeds listed in Exhibit A, together comprising a plant site located at 7960 Texas State Highway 35, Bay City, TX 77414, Matagorda County, Texas. Tenaris Bay City, Inc. ("Tenaris Bay City"), a Delaware corporation and an affiliate of MTCO, intends to develop on the Land a seamless steel pipe mill and additional manufacturing facilities (the "Project"). The Land shall be deemed to include such additional tracts of land, if any, as may subsequently be acquired by MTCO that are contiguous to any portion of any one or more of the tracts described in Exhibit A. In anticipation of making a general conveyance of the Land to Tenaris Bay City, MTCO hereby authorizes and confirms its prior authorization, for Tenaris Bay City to install and construct improvements on the Land in connection with the Project (the "Construction"). MTCO acknowledges that the Construction began with the first earth movement on October 14, 2013.

For Ten Dollars (\$10) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, MTCO confirms and agrees that Tenaris Bay City and its employees, contractors and agents, have had and shall have the right to enter upon the Land to perform and complete such Construction at Tenaris Bay City's sole cost, risk and expense. Tenaris Bay City agrees and confirms its agreement to continue to observe and abide by all applicable federal, state and local laws, ordinances, codes, rules, and regulations pertaining to the Construction. MTCO and Tenaris Bay City agree that the Construction has not been and is not being undertaken in any respect by MTCO and that Tenaris Bay City is acting solely as an independent contractor, and not as an agent for or partner of MTCO, in undertaking the Construction. The improvements constituting the Project are presently, and will upon their completion be owned entirely by Tenaris Bay City and not by MTCO.

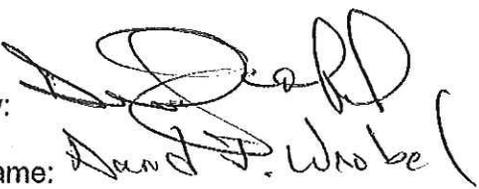
Tenaris Bay City agrees to indemnify, protect, defend and save harmless MTCO from and against all losses and damages and all actions, claims, costs, demands, expenses (including, without limitation reasonable attorney's fees and costs through litigation and all appeals), fines, liabilities and suits of any nature whatsoever for which MTCO shall or may become liable, incur or suffer by reason of (i) any loss of life, injury occasioned to or suffered by any person or damage to any property, by reason of any wrongful act or omission, default or negligence on the part of Tenaris Bay City or any of its agents, concessionaires, contractors, subcontractors, customers, employees, invitees or licensees during the Construction; or (ii) any breach, violation or non-performance of any applicable laws, ordinances, codes, rules and regulations by Tenaris Bay City during the Construction; or (iii) any builders', mechanics' or other liens filed against the Land for any work done or materials provided or services rendered by or on behalf of Tenaris

Bay City during the Construction. The foregoing indemnity shall survive the termination of this agreement.

This agreement shall automatically terminate upon the transfer of title of the Land to Tenaris Bay City.

Please indicate your acceptance of the foregoing by executing this letter in the space provided below and returning one executed original thereof to MTCO, whereupon this letter shall constitute a binding agreement between us.

MAVERICK TUBE CORPORATION

By: 
Name: David F. Woobel
Title: Attorney-in-Fact

By: 
Name: Chris North
Title: Attorney-in-Fact

AGREED TO AND ACCEPTED
as of the date set forth above:

TENARIS BAY CITY, INC.

By: 
Name: AJAY CHHABRA
Title: Attorney-in-Fact

By: 
Name: Lisa Curry
Title: Attorney-in-Fact

Enclosure: Exhibit A

Exhibit A

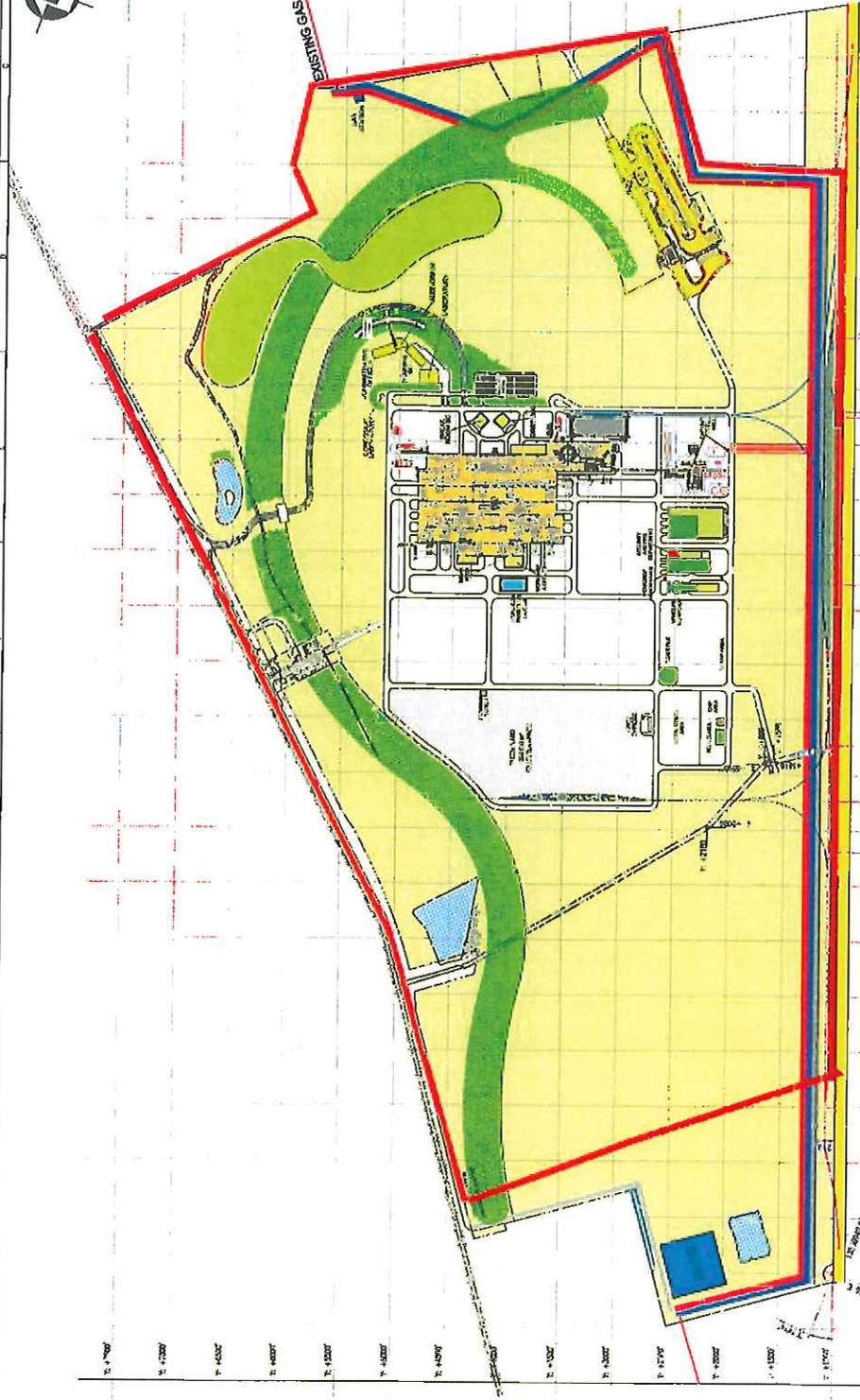
**Maverick Tube Corporation
Land Acquisitions
Matagorda County, Texas
As of May, 2014**

	Deed Recordation Date	County Clerk's File No.	Approximate Acreage of Land Tracts Covered by Deed
1.	March 26, 2013	2013-1120	30.1 and .535
2.	April 1, 2013	2013-1246	94.78
3.	April 1, 2013	2013-1248 to 1258	8.47 and 5.27
4.	April 4, 2013	2013-1319	29.95
5.	May 16, 2013	2013-2264	.239
6.	May 16, 2013	2013-2265	.147
7.	July 22, 2013	2013-3675	1010.23
8.	August 1, 2013	2013-3982	206
9.	August 1, 2013	2013-3985	148.24
10.	May 8, 2014	2014-2452	0.344
TOTAL APPROXIMATE ACREAGE			1,534.305

PRELIMINARY



EXISTING CASE LINE



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ONLY FOR FILE USE

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3400-B-CR-000-0280

SITE PLAN

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SCALE: 1"=40'

PROJECT: 3400-B-CR-000-0280

CLIENT: [unreadable]

DESIGNER: [unreadable]

DATE: 11/11/11

SCALE: 1"=40'

PROJECT: 3400-B-CR-000-0280

CLIENT: [unreadable]

DESIGNER: [unreadable]

DATE: 11/11/11

SCALE: 1"=40'

PROJECT: 3400-B-CR-000-0280

CLIENT: [unreadable]

DESIGNER: [unreadable]

DATE: 11/11/11

SCALE: 1"=40'

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DATE: 11/11/11

SCALE: 1"=40'

PROJECT: 3400-B-CR-000-0280

CLIENT: [unreadable]

DESIGNER: [unreadable]

DATE: 11/11/11

SCALE: 1"=40'

PROJECT: 3400-B-CR-000-0280

CLIENT: [unreadable]

DESIGNER: [unreadable]

DATE: 11/11/11

SCALE: 1"=40'

PROJECT: 3400-B-CR-000-0280



U.S. Customs and
Border Protection

July 31, 2014

Mr. Andrew McGilvray
Executive Secretary
The Foreign Trade Zones Board
U.S. Department of Commerce
1401 Constitution Ave., NW
Room 21013
Washington, DC 20230

Dear Mr. McGilvray:

This correspondence is in reply to an application dated July 22, 2014, filed by the Calhoun Port Authority, Point Comfort, Texas, and Grantee of Foreign-Trade Zone (FTZ) No. 155 requesting FTZ designation for the steel pipe manufacturing facility of Tenaris located in Bay City, Texas. The application was filed pursuant to the provisions of the Foreign-Trade Zones Act of 1934; the regulations of the Foreign Trade Zones Board, and under the Texas Business and Commerce Code, Ch. 681.

The proposed FTZ consists of a 900 acres site located at 7960 State Highway 35, Bay City, Texas, 77414. The propose application requests authority to manufacture seamless steel tubes (or pipe) for U.S. companies used in oil and gas production and in other industrial applications.

My staff has reviewed the application and visited the proposed site on July 29, 2014. This location is within 60 miles or 90 minutes from the outer limits of the Corpus Christi/Port Lavaca Ports of Entry and is compliant with procedures provided for in 15 CFR 400.21(b)(i). We find no objections to the application and are satisfied that the proposed site will meet all the requirements and operating procedures set forth for the Foreign-Trade Zone operations. The approval of this application will not present administrative difficulties, therefore, U.S. Customs and Border Protection recommends this request be acted upon favorably.

If you have any questions, please contact Supervisory Customs and Border Protection Officer Priscilla Alvarez at (361) 879-4423.

Sincerely,

A handwritten signature in black ink, appearing to read "Walter De La Rosa".

Walter De La Rosa
Port Director
Corpus Christi Seaport

cc: Mr. Charles R. Hausmann, FTZ Administrator, Calhoun Port Authority
Mr. Ruben Galindo Marquez, KPMG International Trade & Customs
Ms. Lisa Curry, TENARIS Tax Manager
Mr. Chris North, TENARIS Chief Financial Officer

List of Local Taxing Authorities

Taxing Authority	Tax Rate
Matagorda County	0.320990%
Matagorda County Hospital District	0.256000%
Matagorda County Conservation and Reclamation District # 1	0.005220%
Port of Bay City	0.036450%
Coastal Plains Groundwater Conservation District	0.004760%
Matagorda County Drainage District #1	0.086000%
Van Vleck ISD	1.040000%

This is a complete list of all parties that would be affected by the proposed FTZ designation of the new site within the FTZ No. 155.

Grantee: Calhoun-Victoria Foreign-Trade Zone, Inc.

Charles Hawn

Authorized Signature

Port Director

Title

7-23-14

Date



December 4, 2014

Tenaris Global Services
(USA) Corporation
2200 West Loop South
Suite 800
Houston, Texas 77027 USA
(713) 767 4400 tel
(713) 767 4444 fax
www.tenaris.com

Charles R. Hausmann
Port Director
Calhoun-Victoria Foreign Trade Zone, Inc.
2313 FM 1593 South
PO Box 397
Point Comfort, Texas 77978

RE: Foreign Trade Zone Property Tax Exemption

Dear Mr. Hausmann:

In connection with Tenaris' requested sponsorship by the Calhoun-Victoria Foreign Trade Zone, Inc. (grantee of FTZ 155) of a subzone at the Tenaris facility in Bay City, Texas, Tenaris unconditionally agrees to make full payment of property taxes on the appraised value of its property located in the subzone (*i.e.*, waive any property tax exemption that might stem from FTZ designation) to the Van Vleck Independent School District ("VVISD") and the Matagorda County Drainage District #1. This commitment supersedes and precludes any other (conditional) contractual provision pertaining to Tenaris' agreement to make such payments on appraised value to VVISD and the Matagorda County Drainage District #1 (for the avoidance of doubt, the appraised value of Tenaris' property for purposes of maintenance and operations property taxes imposed by VVISD shall be subject to any limitations set forth in that certain Amended Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes between Tenaris and VVISD, dated July 21, 2014, which agreement does not contemplate any inventory property tax exemption based on FTZ designation for the years covered by the Agreement).

Further, by this letter, Tenaris hereby concurs with any request the grantee of FTZ 155 might make to U.S. Customs and Border Protection if Tenaris should fail to make full payment of property taxes on appraised value to VVISD and the Matagorda County Drainage District #1 and commits to take any actions necessary to facilitate such deactivation.

Sincerely,

Chris D. North
Chief Financial Officer
713-585-3055



MATAGORDA COUNTY
NATE McDONALD
COUNTY JUDGE

March 31, 2014

Mr. Charles R. Hausmann
Port Director
Calhoun-Victoria Foreign Trade Zone, Inc.
2313 FM 1593 South
P.O. Box 397
Point Comfort, Texas 77978

RE: Foreign Trade Zone Designation – Tenaris Bay City, Inc.

Dear Mr. Hausmann:

Matagorda County has been provided information regarding Tenaris Bay City, Inc.'s application for Foreign Trade Zone subzone designation in Matagorda County. We understand that imported inventory and inventory held in a foreign trade zone for export will be exempt from certain ad valorem taxes. We support the application as a means of diversifying the economy and promoting economic growth in the region.

Matagorda County does not object to the request for sponsorship of Foreign Trade Zone submitted to the Foreign Trade Zones Board by Calhoun-Victoria Foreign Trade Zone, Inc. (Grantee of the Foreign Trade Zone No. 155), in connection with Tenaris Bay City, Inc.'s location at 7960 St. Hwy. 35, Bay City, TX, 77414. We understand that this letter will be included as part of the Foreign Trade Zone Application.

Sincerely,

A handwritten signature in black ink that reads "Nate McDonald". The signature is fluid and cursive.

Nate McDonald
County Judge
Matagorda County

cc: Tenaris



MATAGORDA COUNTY
HOSPITAL DISTRICT
Your Health. Your Hospital.

April 1, 2014

Mr. Charles R. Hausmann
Port Director
Calhoun-Victoria Foreign Trade Zone, Inc.
2313 FM 1593 South
P.O. Box 397
Point Comfort, Texas 77978

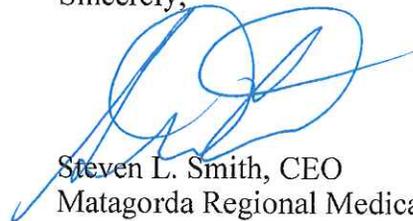
RE: Foreign Trade Zone Designation – Tenaris Bay City, Inc.

Dear Mr. Hausmann:

Matagorda County Hospital District has been provided information regarding Tenaris Bay City, Inc.'s application for Foreign Trade Zone subzone designation in Matagorda County. We understand that imported inventory and inventory held in a foreign trade zone for export will be exempt from certain ad valorem taxes. We support the application as a means of diversifying the economy and promoting economic growth in the region.

Matagorda County Hospital District does not object to the request for sponsorship of Foreign Trade Zone submitted to the Foreign Trade Zones Board by Calhoun-Victoria Foreign Trade Zone, Inc. (Grantee of the Foreign Trade Zone No. 155), in connection with Tenaris Bay City, Inc.'s location at 7960 St. Hwy. 35, Bay City, TX, 77414. We understand that this letter will be included as part of the Foreign Trade Zone Application.

Sincerely,



Steven L. Smith, CEO
Matagorda Regional Medical Center

cc: Tenaris

**Matagorda Regional
Medical Center**
104 7th Street
Bay City, TX 77414
(979) 245-6383

**Matagorda Regional
Medical Center Outpatient
Rehab Services**
2821 7th Street
Bay City, TX 77414
(979) 245-3000

**Matagorda County
Public Health Clinic**
1100 Avenue G
Bay City, TX 77414
(979) 245-8421

**WIC Clinic
Women, Infants
and Children**
3007 Avenue F
Bay City, TX 77414
(979) 245-9848

**WIC Clinic
Women, Infants
and Children**
320 Main Street
Palacios, TX 77465
(361) 972-2351

LAW OFFICES OF
B. ALLEN CUMBIE
ATTORNEY AT LAW

PHONE NO. (979) 245-1623

1514 SEVENTH STREET
BAY CITY, TEXAS 77414

FAX NO. (979) 245-1146

E-Mail-bacumbie@netzero.net

April 2, 2014

Mr. Charles Hausman
Port Director
Calhoun-Victoria Foreign Trade Zone, Inc.
PO Box 397
Point Comfort, Texas 77978

RE: Foreign Trade Zone Designation - Tenaris Bay City, Inc.

Dear Mr. Hausman:

Please find enclosed herewith, a letter approved this date by the Matagorda County Conservation and Reclamation District No. One, regarding its non-opposition of a Foreign Trade Zone subzone designation in Matagorda County for Tenaris Bay City, Inc.

If you have any questions or need additional information, please do not hesitate to contact my office.

Sincerely yours,



B. Allen Cumbie, Attorney for
Matagorda County Conservation and Reclamation
District Number One

BAC/slm
Enclosure

cc: Tenaris Bay City, Inc.
7960 St. Hwy 35
Bay City, Texas 77414

Mr. Dwight Vavra
PO Box 413
Markham, Texas 77456

**Matagorda County Conservation and Reclamation
District Number One**

Board of Commissioners

Dwight Vavra
Willie Younger

P.O. BOX 413
MARKHAM, TEXAS 77456
(979) 241-8392

Attorney
B. Allen Cumble
(979)-245-1623

March 27, 2014

Mr. Charles R. Hausmann
Port Director
Calhoun-Victoria Foreign Trade Zone, Inc.
2313 FM 1593 South
PO Box 397
Point Comfort, Texas 77978

RE: Foreign Trade Zone Designation - Tenaris Bay City, Inc.

Dear Mr. Hausmann:

The Matagorda County Conservation and Reclamation District No. 1 has been provided information regarding Tenaris Bay City, Inc.'s application for Foreign Trade Zone subzone designation in Matagorda County. We understand that imported inventory and inventory held in a foreign trade zone for export will be exempt from certain ad valorem taxes. We support the application as a means of diversifying the economy and promoting economic growth in the region.

The Matagorda County Conservation and Reclamation District No. 1 does not object to the request for sponsorship of Foreign Trade Zone submitted to the Foreign Trade Zones Board by Calhoun-Victoria Foreign Trade Zone, Inc. (Grantee of the Foreign Trade Zone No. 155) in connection with Tenaris Bay City, Inc.'s location at 7960 St. Hwy. 35, Bay City, Texas 77414. We understand this letter will be included as part of the Foreign Trade Zone Application.

Sincerely yours,



Dwight Vavra, Chairman
Matagorda County Conservation and
Reclamation District No. 1

BAC/slm

cc: Tenaris Bay City, Inc.
7960 St. Hwy. 35
Bay City, Texas 77414



Port of Bay City Authority

1305 Seventh Street P. O. Box 1426
Bay City, Texas 77404-1426
979-245-5831
Email: pobcofc@sbcglobal.net

BOARD OF COMMISSIONERS
MIKE GRIFFITH, CHAIRMAN
GEORGE HARRISON, VICE CHAIRMAN
JOEY SLIVA, SECRETARY
TAYLOR STEVES
KEN SILVERTHORNE
TOMMY COUNTZ

ATTORNEY
B. ALLEN CUMBIE

HARBOR MASTER
CRAIG HLAVINKA

OFFICE MANAGER
LACEY B. LOWRY

August 21, 2014

Mr. Charles R. Hausmann
Port Director
Calhoun-Victoria Foreign Trade Zone, Inc.
2313 FM 1593 South
P.O. Box 397
Point Comfort, Texas 77978

RE: Foreign Trade Zone Designation – Tenaris Bay City, Inc.

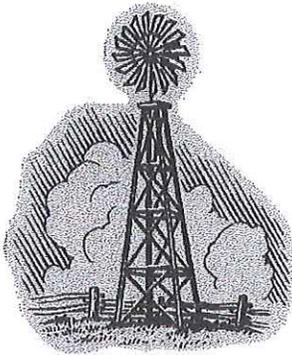
Dear Mr. Hausmann:

The Port of Bay City Authority of Matagorda County, Texas has been provided information regarding Tenaris Bay City, Inc.'s application for Foreign Trade Zone subzone designation in Matagorda County. We support the application as a means of diversifying the economy and promoting economic growth in the region.

The Port of Bay City Authority of Matagorda County, Texas does not object to the request for sponsorship of Foreign Trade Zone submitted to the Foreign Trade Zones Board by Calhoun-Victoria Foreign Trade Zone, Inc. (Grantee of the Foreign Trade Zone No. 155), in connection with Tenaris Bay City, Inc.'s location at 7960 St. Hwy. 35, Bay City, TX, 77414. We understand that this letter will be included as part of the Foreign Trade Zone Application.

Sincerely,

Mike Griffith
Chairman
Port of Bay City Authority of Matagorda County, Texas



**COASTAL PLAINS GROUNDWATER
CONSERVATION DISTRICT**

**2200 7TH Street, #301
Bay City, TX 77414
979-323-9170 Fax: 979-245-5661
shorris@co.matagorda.tx.us**

October 20th, 2014

Mr. Charles R. Hausmann
Port Director
Calhoun-Victoria Foreign Trade Zone, Inc.
2313 FM 1593 South
P.O. Box 397
Point Comfort, Texas 77978

RE: Foreign Trade Zone Designation – Tenaris Bay City, Inc.

Dear Mr. Hausmann:

The Coastal Plains Groundwater Conservation District has been provided information regarding Tenaris Bay City, Inc.'s application for Foreign Trade Zone subzone designation in Matagorda County. We support the application as a means of diversifying the economy and promoting economic growth in the region.

The Coastal Plains Groundwater Conservation District does not object to the request for sponsorship of Foreign Trade Zone submitted to the Foreign Trade Zones Board by Calhoun-Victoria Foreign Trade Zone, Inc. (Grantee of the Foreign Trade Zone No. 155), in connection with Tenaris Bay City, Inc.'s location at 7960 St. Hwy. 35, Bay City, TX, 77414. We understand that this letter will be included as part of the Foreign Trade Zone Application.

Sincerely,

A handwritten signature in black ink, appearing to read "Haskell Simon". The signature is fluid and cursive.

Haskell Simon
President