

## COMPROMISE AND SETTLEMENT AGREEMENT

This Compromise and Settlement Agreement ("Agreement") is between Taxpayer The Vanguard Group, Inc., Taxpayer No. 12319459306 ("Taxpayer") and Comptroller Glenn Hegar, Comptroller of Public Accounts of the State of Texas, with a mailing address of 111 East 17<sup>th</sup> Street, Austin, Texas 78711-1440 ("Comptroller"). Taxpayer and Comptroller are also referred to as the Parties.

### RECITALS

Taxpayer and the Comptroller intend to compromise and settle the following:

1. The Tax Type: Franchise Tax, whether an assessment or refund, is referred to as "Tax."
2. The Tax Period: January 1, 2013 through December 31, 2013 is referred to as the "Period."
3. The Tax for the Period is referred to as the "Contested Matter."
4. The Parties enter into this Agreement solely due to the vagaries of litigation and to buy peace, neither admitting the facts relied on by the other nor conceding the legal positions respectively asserted by them. Neither the execution of this Agreement nor any specific provision hereof shall be construed as any admission by either Party that the other would have prevailed, in whole or in part, in the Contested Matter.
5. The Parties wish to resolve the entire controversy and dispute between them, including all claims and causes of action of any kind related to the Contested Matter.
6. The Parties genuinely dispute the legal and factual basis of the Contested Matter.
7. The Parties deny all liability other than as stated in this Agreement.

### TERMS OF THE AGREEMENT

8. Based upon consideration of the reciprocal settlement and release of all claims regarding the Contested Matter, the Parties make this Agreement.

**General Terms**

**Signed Counterparts**

9. This Agreement will be signed in two (2) identical original counterparts that will each be considered an original for all purposes. Taxpayer will retain one original counterpart and the Comptroller will retain the other. The Parties may also agree to accept scanned or facsimile signatures on the Agreement.

**Attorney Fees and Costs**

10. The Parties will pay their own attorneys' fees and costs.

**Releases**

11. Each Party acknowledges that it may have other, currently unknown claims regarding the Contested Matter in issue, but intends this Agreement to dispose of any known or unknown claims relating to the Contested Matter, including any and all potential refund claims.

12. Taxpayer, acknowledging receipt of good and valuable consideration, releases and discharges Comptroller, and Comptroller's predecessors, successors, assignees, employees, agents, and attorneys from all known or unknown claims, suits, appeals, and causes of action related to the Contested Matter. Additionally, Taxpayer agrees:

- (a) to waive the right to request an administrative hearing or rehearing,
- (b) to waive the right to file any appeal provided for in the Tax Code or Government Code, Chapter 2001, and
- (c) to close the audit period for the Contested Matter, which means Taxpayer is prohibited from requesting a hearing, filing a lawsuit, filing or amending any returns, or pursuing any claims or causes of action, including any claims for refunds or credits, even if the claim or contention was not addressed. However, Taxpayer reserves the right to sue for specific performance of this Agreement.

13. The Comptroller, acknowledging receipt of good and valuable consideration, releases and discharges Taxpayer, and Taxpayer's predecessors, successors, assignees, employees, agents, and

attorneys from all known and unknown claims, suits, and causes of action related to the Contested Matter in issue. However, Comptroller reserves the right to sue for specific performance of this Agreement. Excepted from the release and any other term of this Agreement is any additional claim that may arise as a result of an Internal Revenue Service audit and subsequent amendment of Taxpayer's return for the Tax during the Period. In such event, the Comptroller may assess Tax based upon the IRS audit or the Taxpayer may apply for a refund. Also, if the Comptroller discovers the Taxpayer has engaged in fraud or material misrepresentation relating to this Agreement, or to future returns for the Tax, the Comptroller reserves the right to void this Agreement and audit and assess the Taxpayer. In such case, Taxpayer agrees to waive any claim or defense of the statute of limitations, or repose, or any other similar defense.

14. The Parties exchanged consideration in order to compromise genuinely disputed claims and to avoid litigation risks. Their consideration is contractual and not a mere recital.

Final Agreement; Not Precedential

15. This Agreement (which includes all recitals incorporated by reference) contains the entire final agreement between the Parties. This Agreement supersedes any and all prior agreements between the Parties on all subjects in any way related to the Contested Matter. No agreements inconsistent with the terms of this Agreement exist. This Agreement can be amended only in a written amendment signed by all Parties. This Agreement cannot be orally modified. The Taxpayer acknowledges that this Agreement does not establish any future tax treatment or audit procedure, and the Comptroller is not required in the future to compromise or settle the same issues.

16. This Agreement concerns only the Taxpayer for the Period and the Tax that are the subject of the Contested Matter and has no precedential effect on any other claims that have accrued, or may accrue, or any other causes of action that have arisen, or may arise, between the Parties; except that this Agreement resolves all claims related to the Tax for the Period, and the Period is closed. This Agreement does not apply to Taxpayer's customers, vendors, or any other person and may not be relied on by any third party, except as otherwise provided by law.

Unassignability

17. This Agreement shall not be assignable by Taxpayer or its successors.

Texas Law; Venue

18. The laws of the State of Texas (without giving effect to its conflicts of law principles) govern all matters arising out of or relating to this Agreement, including without limitation, its validity, interpretation, construction, performance, and enforcement. Any party bringing a legal action or proceeding against any other party arising out of or relating to this Agreement must bring the legal action or proceeding exclusively in the district courts of Travis County, Texas.

Administrative Hearing

19. If the matter is currently in Administrative Hearings, the Parties will execute a motion to dismiss the hearing simultaneously with the signing of the Agreement, requesting the Comptroller to dismiss the hearing and approve this Agreement. This Agreement is then subject to the Comptroller's approval as set forth in a Comptroller's Decision.

Confidentiality

20. This Agreement is confidential except where otherwise provided by law, including, but not limited to, the Texas Public Information Act.

Further Assurances

21. The Parties agree, to the extent permitted by law, to execute any and all documents required to effectuate the purposes and intent of this Agreement, at present or in the future.

Specific Terms

22. Lump Sum Payment Agreement Prior to Hearing Referral. The full amount of the assessment, including applicable penalty and interest, is upheld. Petitioner must pay the agreed amount of \$ [redacted] not later than March 6, 2015. A total of \$ [redacted] has been paid to date. Accordingly, *all outstanding amounts have been paid* the lump-sum payment shall constitute the remaining balance of \$ [redacted]. If the agreed amount is timely paid, any portion of the assessment against Taxpayer that remains unpaid is dismissed.

If the agreed amount is not timely paid, the assessment becomes final and the Comptroller may exercise all remedies for collection.

Effective Date

This Agreement will be effective on the date it has been signed by all Parties.

Taxpayer: The Vanguard Group, Inc.

Glenn Hegar, Comptroller of Public Accounts  
for the State of Texas

By:



By:



Title:

Director of Corporate Taxes

Title:

Art Div

Date:

3/4/2015

Date:

3/26/14