



Calallen ISD

Public Hearing

Friday, December 20, 2013 11:00 AM

Agenda of Public Hearing Meeting

The Board of Trustees Calallen ISD

A Public Hearing Meeting of the Board of Trustees of Calallen ISD will be held December 20, 2013, beginning at 11:00 AM in the Central Administration Office, 4205 Wildcat Dr., Corpus Christi, Texas.

The subjects to be discussed or considered or upon which any formal action may be taken are as listed below. Items do not have to be taken in the order shown on this meeting notice.

Unless removed from the consent agenda, items identified within the consent agenda will be acted on at one time.

1. Opening of Public Hearing by Chairman 3
2. New Business
 - A. Discuss the creation of the TexStar Reinvestment Zone pursuant to Texas Tax Code §312.0025 4
Presenter: Mrs. George
 - B. Discuss findings under the Texas Economic Development Act on the Application for a Limitation on Appraised Value of Property for Calallen ISD Maintenance and Operations Taxes submitted by TexStar Midstreams Services, LP 12
Presenter: Mrs. George
 - C. Discuss the creation of the Equistar Chemicals, LP Reinvestment Zone pursuant to Texas Tax Code §312.0025 95
Presenter: Mrs. George
 - D. Discuss findings under the Texas Economic Development Act on the Application for a Limitation on Appraised Value of Property for Calallen ISD Maintenance and Operations Taxes submitted by Equistar Chemicals, LP 103
Presenter: Mrs. George
 - E. Public Comments
Presenter: Dr. Almendarez
3. Adjourn



Calling the Public Hearing to Order

I call this public hearing of the Calallen Independent School District Board of Trustees to order and let the record show that a quorum of Board Members is present and that this meeting was duly called and posted in accordance with the Texas Open Meetings Act, Texas Government Code 551.

BOARD OF EDUCATION
CALALLEN INDEPENDENT SCHOOL DISTRICT
CORPUS CHRISTI, TEXAS

Date: December 20, 2013

Subject: Discuss the creation of the TexStar Reinvestment Zone pursuant
to Texas Tax Code §312.0025

New Business

Action

BACKGROUND INFORMATION

ITEM ADDRESSED

Discuss the creation of the TexStar Reinvestment Zone pursuant
to Texas Tax Code §312.0025

RECOMMENDED ACTION

Discussion only.

CALALLEN INDEPENDENT SCHOOL DISTRICT

RESOLUTION CREATING THE TEXSTAR REINVESTMENT ZONE

WHEREAS, Section 312.0025 of the Texas Tax Code permits a school district to designate a reinvestment zone if that designation is reasonably likely to contribute to the expansion of primary employment in the reinvestment zone, or attract major investment in the reinvestment zone that would be a benefit to property in the reinvestment zone and to the school district and contribute to the economic development of the region of this state in which the school district is located; and,

WHEREAS, the Calallen Independent School District (the “District”) desires to encourage the development of primary employment and to attract major investment in the District that would be a benefit to property in a reinvestment zone created by the District and to the school district and contribute to the economic development of the region in which the school district is located; and,

WHEREAS, a public hearing is required by Chapter 312 of the Texas Tax Code prior to approval of a reinvestment zone; and,

WHEREAS, the District published notice of a public hearing regarding the possible designation of the area described in the attached **Exhibit A** as a reinvestment zone for the purposes of Chapter 313 of the Texas Tax Code; and,

WHEREAS, the District wishes to create a reinvestment zone within the boundaries of the school district in Nueces County, Texas as shown on the map attached as **Exhibit B**; and,

WHEREAS, the District given written notice of the proposed action and the Public Hearing to all political subdivisions and taxing authorities having jurisdiction over the property proposed to be designated as the reinvestment zone, described in the attached **Exhibits A & B**; and,

WHEREAS, all interested members of the public were given an opportunity to make comments at the public hearing.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE CALALLEN INDEPENDENT SCHOOL DISTRICT:

SECTION 1. That the facts and recitations contained in the preamble of this Resolution are hereby found and declared to be true and correct.

SECTION 2. That the Board of Trustees of the Calallen Independent School District, after conducting such hearing and having heard such evidence and testimony, has made the following findings and determinations based on the evidence and testimony presented to it:

- (a) That the public hearing on the adoption of the *Texstar Reinvestment Zone* has been called, held and conducted, and that notices of such hearing have been published and mailed to the respective presiding officers of the governing bodies of all taxing units overlapping the territory inside the proposed reinvestment zone; and,
- (b) That the boundaries of the *Texstar Reinvestment Zone* be and, by the adoption of this Resolution, are declared and certified to be, the area as described in the description attached hereto as “**Exhibit A**”; and,
- (c) That the map attached hereto as “**Exhibit B**” is declared to be and, by the adoption of this Resolution, is certified to accurately depict and show the boundaries of the *Texstar Reinvestment Zone* which is described in **Exhibit A**; and further certifies that the property described in **Exhibit A** is inside the boundaries shown on **Exhibit B**; and,
- (d) That creation of the *Texstar Reinvestment Zone* with boundaries as described in **Exhibit A** and **Exhibit B** will result in benefits to the Calallen Independent School District and to land included in the zone, and that the improvements sought are feasible and practical; and,
- (e) That the *Texstar Reinvestment Zone* described in **Exhibit A** and **Exhibit B** meets the criteria set forth in Texas Tax Code §312.0025 for the creation of a reinvestment zone as set forth in the Property Redevelopment and Tax Abatement Act, as amended, in that it is reasonably likely that the designation will contribute to the retention or expansion of primary employment, and/or will attract investment in the zone that will be a benefit to the property, and would contribute to economic development within the Calallen Independent School District.

SECTION 3. That pursuant to the Property Redevelopment and Tax Abatement Act, as amended, the Calallen Independent School District, hereby creates a reinvestment zone under the provisions of Tex. Tax Code § 312.0025, encompassing the area described in **Exhibit A** and **Exhibit B**, and such reinvestment zone is hereby designated and shall hereafter be referred to as the *Texstar Reinvestment Zone*.

SECTION 4. That the existence of the *Texstar Reinvestment Zone* shall first take effect upon, December 20, 2013, the date of the adoption of this Resolution by the Board of Trustees and shall remain designated as a commercial-industrial reinvestment zone for a period of five (5) years from such date of such adoption.

SECTION 5. That if any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution.

SECTION 6. That it is hereby found, determined and declared that a sufficient notice of the date, hour, place and subject of the meeting of the Calallen Independent School District Board of Trustees, at which this Resolution was adopted, was posted at a place convenient and readily accessible at all times, as required by the Texas Open Government Act, Texas Government Code, Chapter 551, as amended; and that a public hearing was held prior to the designation of such reinvestment zone, and that proper notice of the hearing was published in newspapers of general circulation in Nueces County of the State of Texas, and furthermore, such notice was, in fact, delivered to the presiding officer of any effected taxing entity as prescribed by the Property Redevelopment and Tax Abatement Act.

PASSED, APPROVED AND ADOPTED on this 20th day of December, 2013.

CALALLEN INDEPENDENT SCHOOL DISTRICT

By: _____
PAUL PEELER
President
Board of Trustees

ATTEST: _____
BRENT BURKHART
Secretary
Board of Trustees

EXHIBIT A

METES AND BOUNDS DESCRIPTION OF THE TEXSTAR REINVESTMENT ZONE

Texstar Midstream Services, LP.

EXHIBIT "A"
NUECES COUNTY, TEXAS
40.40 ACRES OF LAND

METES AND BOUNDS DESCRIPTION

July 30, 2013
Sheet 2 of 2

Being 40.40 acres of land, as shown on Sheet 1 of 2 of this Exhibit "A", being situated in the A. B. & M. Survey No. 414, Abstract No. 953 and in the A. B. & M. Survey No. 413, Abstract No. 553, Nueces County, Texas, out of a called 135.212 acre tract of land, described in a deed to Equistar Chemicals, LP., recorded in Document No. 2003066980, Official Public Records, Nueces County, Texas (O.P.R.N.C.T.), and out of a called 6.567 acre tract of land (Tract 5), described in deed to Equistar Chemicals, LP., recorded in Document No. 1998037630 (O.P.R.N.C.T.), said 40.40 acres of land more particularly described as follows:

BEGINNING (P.O.B.) at a point for corner at the most Easterly Southwest corner of said 135.212 acre tract, and a the Southeast corner of said 6.567 acre tract;

THENCE North 02°40'56" West, with the East line of said 6.567 acre tract a distance of 159.41 feet to a point for corner, at the Northeast corner of said 6.567 acre tract;

THENCE South 89°03'17" West, with the common line of said 6.567 acre tract and said 135.212 acre tract, a distance of 150.31 feet to a point for corner

THENCE South 00°41'43" East, a distance of 102.13 feet to a point for corner;

THENCE South 89°18'18" West, a distance of 387.89 feet to a point for corner;

THENCE North 00°41'42" West, a distance of 1147.48 feet to a point for corner;

THENCE North 89°18'18" East, a distance of 1500.00 feet to a point for corner;

THENCE South 00°41'42" East, a distance of 1204.00 feet to a point for corner on the most Easterly South line of said 135.212 acre tract;

THENCE South 89°18'18" West, with the most Easterly South line of said 135.212 acre tract a distance of 956.27 feet to the POINT OF BEGINNING (P.O.B.) and containing a total of 40.40 acres of land;

All bearings contained herein are grid, based upon the Texas State Plane Coordinate System, South Zone, of the North American Datum 1983, in U.S. Survey Feet.

Plat of even date accompanies this field note description (Sheet 1 of 2).

Topographic Land Surveyors
1400 Everman Parkway
Suite 197
Fort Worth, TX 76140

PRELIMINARY. THIS DOCUMENT SHALL NOT BE
RECORDED FOR ANY PURPOSE. THIS DOCUMENT
SHALL NOT BE USED FOR CONSTRUCTION,
BIDDING, RECORDATION, CONVEYANCE, SALES, OR
AS THE BASIS FOR THE ISSUANCE OF A PERMIT.

EXHIBIT B

SURVEY MAPS OF THE TEXSTAR REINVESTMENT ZONE

BOARD OF EDUCATION
CALALLEN INDEPENDENT SCHOOL DISTRICT
CORPUS CHRISTI, TEXAS

Date: December 20, 2013

Subject: Discuss findings under the Texas Economic Development Act on
the Application for a Limitation on Appraised Value of Property for Calallen ISD
Maintenance and Operations Taxes submitted by TexStar Midstreams Services,
LP

New Business

Action

BACKGROUND INFORMATION

ITEM ADDRESSED

Discuss findings under the Texas Economic Development Act on the Application for a Limitation on Appraised Value of Property for Calallen ISD Maintenance and Operations Taxes submitted by TexStar Midstreams Services, LP

RECOMMENDED ACTION

Discussion only.

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE
OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES**

by and between

CALLEN INDEPENDENT SCHOOL DISTRICT

and

TEXSTAR MIDSTREAM SERVICES, LP

(Texas Taxpayer ID # 32034941958)

TEXAS COMPTROLLER APPLICATION NUMBER 341

Dated

December 20, 2013

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR
SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES**

STATE OF TEXAS §

COUNTY OF NUECES COUNTY §

THIS AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES, hereinafter referred to as this “Agreement,” is executed and delivered by and between the **CALLEN INDEPENDENT SCHOOL DISTRICT**, hereinafter referred to as the “District,” a lawfully created independent school district within the State of Texas operating under and subject to the Texas Education Code, and **TEXSTAR MIDSTREAM SERVICES, LP**, limited partnership (Texas Taxpayer Identification Number 32034941958), hereinafter referred to as the “Applicant.” The Applicant and the District are each hereinafter sometimes referred to individually as a “Party” and collectively as the “Parties.” Certain capitalized and other terms used in this Agreement shall have the meanings ascribed to them in Section 1.3.

RECITALS

WHEREAS, on July 15, 2013, the Superintendent of Schools of the Calallen Independent School District (the “Superintendent”), acting as agent of the Board of Trustees of the District (the “Board of Trustees”), received from the Applicant an Application for Appraised Value Limitation on Qualified Property (the “Application”), pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, on August 16, 2013, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from TexStar Midstream Services, LP; and,

WHEREAS, on September 18, 2013, the Superintendent, acting as agent of the Board of Trustees, acknowledged receipt of the Application and the requisite application fee, pursuant to Texas Tax Code §313.025(a)(1) and Local District Policy CCG (Local) and determined the Application to be complete; and,

WHEREAS, the Application was delivered to the office of the Texas Comptroller of Public Accounts (the “Comptroller”) for review pursuant to Texas Tax Code §313.025(d); and,

WHEREAS, on or about September 18, 2013, the Superintendent, acting as agent of the Board of Trustees, received supplemental Application materials from the Applicant concerning the previously submitted Application, and the supplemental materials, were delivered to the Comptroller for review pursuant to Texas Tax Code §313.025(d); and,

WHEREAS, the Comptroller established September 27, 2013 as the completed Application date; and,

WHEREAS, pursuant to 34 Texas Administrative Code §9.1054, the Application was delivered for review to the Appraisal District established in Nueces County, Texas (the “Appraisal District”), pursuant to Texas Tax Code §6.01; and,

WHEREAS, the Comptroller, pursuant to Texas Tax Code §313.025(d), reviewed the Application, and on November 22, 2013, via letter, recommended that the Application be approved; and,

WHEREAS, the Comptroller conducted an economic impact evaluation pursuant to Texas Tax Code §313.026, which was presented to the Board of Trustees at the December 20, 2013 public hearing held in connection with the Board of Trustees’ consideration of the Application; and,

WHEREAS, the Board of Trustees carefully reviewed the economic impact evaluation and carefully considered the Comptroller’s positive recommendation for the project; and,

WHEREAS, on December 20, 2013, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

WHEREAS, on December 20, 2013, the Board of Trustees made factual findings pursuant to Texas Tax Code §313.025(f), including, but not limited to, findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the Limitation on Appraised Value of the Applicant’s Qualified Property; and (iv) each criterion referenced in Texas Tax Code §313.025(e) has been met; and,

WHEREAS, the Calallen Independent School District qualifies as a rural school district under the provisions of Texas Tax Code §313.051(a)(2); and,

WHEREAS, on December 20, 2013, the Board of Trustees determined that the Tax Limitation Amount requested by the Applicant, and as defined in Sections 1.2 and 1.3, below, is consistent with the minimum values set out by Texas Tax Code, §313.052, as such Tax Limitation Amount was computed as of the date of this Agreement; and,

WHEREAS, the District received written notification, pursuant to 34 Texas Administrative Code §9.1055(e)(2)(A), that the Comptroller reviewed this Agreement and reaffirmed the recommendation previously made on December 20, 2013 that the Application be approved; and,

WHEREAS, on December 20, 2013, the Board of Trustees approved the form of this Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the President and Secretary of the Board of Trustees to execute and deliver such Agreement to the Applicant;

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

ARTICLE I

AUTHORITY, TERM, DEFINITIONS, AND GENERAL PROVISIONS

Section 1.1. AUTHORITY

This Agreement is executed by the District as its written agreement with the Applicant pursuant to the provisions and authority granted to the District in Texas Tax Code §313.027.

Section 1.2. TERM OF THE AGREEMENT

This Agreement shall commence and first become effective on the Commencement Date, as defined in Section 1.3, below. In the event that the Applicant makes a Qualified Investment in the amount defined in Section 2.6 below, between the Commencement Date and the end of the Qualifying Time Period, Applicant will be entitled to the Tax Limitation Amount defined in Section 1.3 below, for the following Tax Years: 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023. The limitation on the local ad valorem property values for Maintenance and Operations purposes shall commence with the property valuations made as of January 1, 2016, the appraisal date for the third full Tax Year following the Commencement Date.

The period beginning with the Commencement Date of December 20, 2013 and ending on December 31, 2015 will be referred to herein as the “Qualifying Time Period,” as that term is defined in Texas Tax Code §313.021(4). The Applicant shall not be entitled to a tax limitation during the Qualifying Time Period.

Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2023. Except as otherwise provided herein, this Agreement will terminate in full on the Final Termination Date. The termination of this Agreement shall not (i) release any obligations, liabilities, rights and remedies arising out of any breach of, or failure to comply with, this Agreement occurring prior to such termination, or (ii) affect the right of a Party to enforce the payment of any amount to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination, so long as the right to such payment survives said termination.

Except as otherwise provided herein, the Tax Years for which this Agreement is effective are as set forth below and set forth opposite each such Tax Year is the corresponding year in the term of this Agreement, the date of the appraised value determination for such Tax Year, and a summary description of certain provisions of this Agreement corresponding to such Tax Year (it being understood and agreed that such summary descriptions are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement):

Agreement for Limitation on Appraised Value
Between Calallen Independent School District and TexStar Midstream Services, LP
TEXAS COMPTROLLER APPLICATION NUMBER 341
December 20, 2013
Page 3

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
Partial Year (Commencing December 20, 2013)	January 1, 2013	2013-14	2013	Start of Qualifying Time Period beginning on Commencement Date. No limitation on value. First year for computation of Annual Limit.
1	January 1, 2014	2014-15	2014	Qualifying Time Period. No limitation on value. Possible tax credit in future years.
2	January 1, 2015	2015-16	2015	Qualifying Time Period. No limitation on value. Possible tax credit in future years.
3	January 1, 2016	2016-17	2016	\$ 20 Million property value limitation.
4	January 1, 2017	2017-18	2017	\$ 20 Million property value limitation. Possible tax credit due to Applicant.
5	January 1, 2018	2018-19	2018	\$ 20 Million property value limitation. Possible tax credit due to Applicant.
6	January 1, 2019	2019-20	2019	\$ 20 Million property value limitation. Possible tax credit due to Applicant.
7	January 1, 2020	2020-21	2020	\$ 20 Million property value limitation. Possible tax credit due to Applicant.
8	January 1, 2021	2021-22	2021	\$ 20 Million property value limitation. Possible tax credit due to Applicant.
9	January 1, 2022	2022-23	2022	\$ 20 Million property value limitation. Possible tax credit

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
				due to Applicant.
10	January 1, 2023	2023-24	2023	\$ 20 Million property value limitation. Possible tax credit due to Applicant.
11	January 1, 2024	2024-25	2024	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
12	January 1, 2025	2025-26	2025	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
13	January 1, 2026	2026-27	2026	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.

Section 1.3. DEFINITIONS

Wherever used herein, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning, to-wit:

“Act” means the Texas Economic Development Act set forth in Chapter 313 of the Texas Tax Code, as amended.

“Affiliate” means any entity that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Applicant. For purposes of this definition, control of an entity means (i) the ownership, directly or indirectly, greater than fifty percent (50%) of the voting rights in a company or other legal entity or (ii) the right to direct the management or operation of such entity whether by ownership (directly or indirectly) of securities, by contract or otherwise.

“Affiliated Group” means a group of one or more entities in which a controlling interest is owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member entities.

“Aggregate Limit” means, for any Tax Year of this Agreement, the cumulative total of the Annual Limit amount for such Tax Year and all previous years of the Agreement.

“Agreement” means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented from time to time in accordance with Section 6.3.

“Annual Limit” means the maximum annual benefit which can be paid directly to the District as a Supplemental Payment under the provisions of Texas Tax Code §313.027(i). For purposes of this Agreement, the amount of the Annual Limit shall be Three Hundred Seventy-Three Thousand Six Hundred Sixty Dollars and Eighty Cents (\$373,660.80), based upon the District’s 2012-2013 Average Daily Attendance of 3,736.608. The Annual Limit shall first be computed for tax year 2013, which, by virtue of the Commencement Date is the first year of the Qualifying Time Period under this Agreement.

“Applicant” means TexStar Midstream Services, LP, (Texas Taxpayer ID #32034941958), the company listed in the Preamble of this Agreement who, on July 15, 2013, filed with the District the Application, together with the September 18, 2013 supplemental Application materials. The term “Applicant” shall also include the Applicant’s assigns and successors-in-interest, and their direct and indirect subsidiaries.

“Applicable School Finance Law” means Chapters 41 and 42 of the Texas Education Code; the Act (Chapter 313 of the Texas Tax Code); the provisions of Chapter 403, Subchapter M, of the Texas Government Code applicable to the District; the Constitution and general laws of the State applicable to the independent school districts of the State; applicable rules and regulations of the agencies of the State having jurisdiction over any matters relating to the public school systems and school districts of the State; and judicial decisions construing or interpreting any or all of the above. The term also includes any amendments or successor statutes that may be adopted in the future which impact or alter the calculation of the Applicant’s ad valorem tax obligation to the District, either with or without the limitation of property values made pursuant to this Agreement.

“Application” means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) filed with the District by the Applicant on July 15, 2013, together with the September 18, 2013 supplemental Application materials which has been certified by the Comptroller to collectively constitute a complete final Application as of the date of September 27, 2013. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by the Applicant to the District or the Comptroller for the purpose of obtaining an Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

“Appraised Value” shall have the meaning assigned to such term in Section 1.04(8) of the Texas Tax Code.

“Appraisal District” means the Nueces County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Calallen Independent School District.

“Commencement Date” means December 20, 2013, the date upon which this Agreement was approved by the District’s Board of Trustees.

“Comptroller” means the Texas Comptroller of Public Accounts, or the designated representative of the Texas Comptroller of Public Accounts acting on behalf of the Comptroller.

“Comptroller’s Rules” means the applicable rules and regulations of the Comptroller set forth at Title 34 Texas Administrative Code, Chapter 9, Subchapter D, together with any court or administrative decisions interpreting same.

“County” means Nueces County, Texas.

“Determination of Breach” shall have the meaning assigned to such term in Section 7.8 of the Agreement

“District” or “School District” means the Calallen Independent School District, being a duly authorized and operating independent school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter C of the Act applies. The term also includes any successor independent school district or other successor governmental authority having the power to levy and collect ad valorem taxes for school purposes on the Applicant’s Qualified Property or the Applicant’s Qualified Investment.

“Final Termination Date” means December 31, 2026. However, any payment obligations of any Party arising under this Agreement prior to the Final Termination Date will survive until paid by the Party owing same.

“Force Majeure” means a failure caused by (a) provisions of law, or the operation or effect of rules, regulations or orders promulgated by any governmental authority having jurisdiction over the Applicant, the Applicant’s Qualified Property or the Applicant’s Qualified Investment or any upstream, intermediate or downstream equipment or support facilities as are necessary to the operation of the Applicant’s Qualified Property or the Applicant’s Qualified Investment; (b) any demand or requisition, arrest, order, request, directive, restraint or requirement of any government or governmental agency whether federal, state, military, local or otherwise; (c) the action, judgment or decree of any court; (d) floods, storms, hurricanes, evacuation due to threats of hurricanes, lightning, earthquakes, washouts, high water, fires, acts of God or public enemies, wars (declared or undeclared), blockades, epidemics, riots or civil disturbances, insurrections, strikes, labor disputes (it being understood that nothing contained in this Agreement shall require the Applicant to settle any such strike or labor dispute), explosions, breakdown or failure of plant, machinery, equipment, lines of pipe or electric power lines (or unplanned or forced outages or shutdowns of the foregoing for inspections, repairs or

maintenance), inability to obtain, renew or extend franchises, licenses or permits, loss, interruption, curtailment or failure to obtain electricity, gas, steam, water, wastewater disposal, waste disposal or other utilities or utility services, inability to obtain or failure of suppliers to deliver equipment, parts or material, or inability of the Applicant to ship or failure of carriers to transport electricity from the Applicant's facilities; or (e) any other cause (except financial), whether similar or dissimilar, over which the Applicant has no reasonable control and which forbids or prevents Applicant's performance of its obligations under this Agreement.

"Land" shall have the meaning assigned to such term in Section 2.2.

"Maintain Viable Presence" means, after the development and construction of the project described in the Application and in the description of the Applicant's Qualified Investment and Qualified Property as set forth in Section 2.3, below, (i) the operation over the term of this Agreement of the facility or facilities for which the tax limitation is granted, as the same may from time to time be expanded, upgraded, improved, modified, changed, remodeled, repaired, restored, reconstructed, reconfigured, and/or reengineered; (ii) the maintenance of at least the number of New Jobs required by Chapter 313 of the Texas Tax Code from the time they are created until the Final Termination Date; and (iii) the maintenance of at least the number of Qualifying Jobs set forth in the Application from the time they are created until the Final Termination Date.

"M&O Amount" shall have the meaning assigned to such term in Section 3.2 of the Agreement.

"Maintenance and Operations Revenue" or "M&O Revenue" means (i) those revenues that the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Texas Education Code §45.002 and Article VII §3 of the Texas Constitution, plus (ii) all State revenues to which the District is or may be entitled under Chapter 42 of the Texas Education Code or any other statutory provision, as well as any amendment or successor statute to these provisions, plus (iii) any indemnity payments received by the District under other agreements similar to this Agreement to the extent that such payments are designed to replace District M&O Revenue lost as a result of such similar agreements, less (iv) any amounts necessary to reimburse the State of Texas or another school district for the education of additional students pursuant to Chapter 41 of the Texas Education Code.

"Market Value" shall have the meaning assigned to such term in Section 1.04(7) of the Texas Tax Code.

"Net Aggregate Limit" means, for any Tax Year of this Agreement, the cumulative total of the Annual Limit amount for such Tax Year and all previous years of the Agreement, less all amounts previously paid by the Applicant to or on behalf of the District under Article IV, below.

"Net Tax Benefit" means, (i) the amount of maintenance and operations *ad valorem* taxes that the Applicant would have paid to the District for all Tax Years if this Agreement had not been entered into by the Parties, (ii) adding to the amount determined under clause (i) all Tax

Credits received by the Applicant under Chapter 313, Texas Tax Code, and (iii) subtracting from the sum of the amounts determined under clauses (i) and (ii) the sum of (A) all maintenance and operations ad valorem school taxes actually due to the District or any other governmental entity, including the State of Texas, for all Tax Years of this Agreement, plus (B) any payments due to the District under Article III under this Agreement.

“New Jobs” means the total number of jobs, defined by 34 Texas Administrative Code §9.1051, which the Applicant will create in connection with the project which is the subject of its Application. In accordance with the requirements of Texas Tax Code §313.024(d), Eighty Percent (80%), of all New Jobs created by the Applicant on the project shall also be Qualifying Jobs, as defined below.

“Qualified Investment” has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by the Comptroller’s Rules, as these provisions existed on the date of this Agreement, applying any specific requirements for rural school districts imposed by Subchapter C of Chapter 313 of the Texas Tax Code and by the Comptroller’s Rules.

“Qualifying Jobs” means the number of New Jobs the Applicant will create in connection with the project that is the subject of its Application, which meet the requirements of Texas Tax Code §313.021(3).

“Qualified Property” has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by the Comptroller’s Rules and the Texas Attorney General, as these provisions existed on the date of this Agreement, applying any specific requirements for rural school districts imposed by Subchapter C of Chapter 313 of the Texas Tax Code and by the Comptroller’s Rules.

“Qualifying Time Period” means the period that begins on the Commencement Date of December 20, 2013 and ends on December 31, 2015.

“Revenue Protection Amount” means the amount calculated pursuant to Section 3.2 of this Agreement.

“State” means the State of Texas.

“Substantive Document” means a document or other information or data in electronic media determined by the Comptroller to substantially involve or include information or data significant to the Application, the evaluation or consideration of the Application, or this Agreement or implementation of this Agreement for Limitation of Appraised Value pursuant to Chapter 313 of the Texas Tax Code. The term includes, but is not limited to, the Application and any amendments or supplements, any economic impact evaluation made in connection with the Application, this Agreement between the Applicant and the District and any subsequent amendments or assignments, any school district written finding or report filed with the Comptroller as required by Comptroller’s Rule, and any application requesting school tax credits under Texas Tax Code, §313.103.

“Tax Credit” means the tax credit, either to be paid by the District to the Applicant, or to be applied against any taxes that the District imposes on Qualified Property, as computed under the provisions of Subchapter D of the Act, and rules adopted by the Comptroller and/or the Texas Education Agency, provided that the Applicant complies with the requirements under such provisions, including the timely filing of a completed application under Texas Tax Code §313.103 and the duly adopted administrative rules.

“Tax Limitation Amount” means the maximum amount which may be placed as the Appraised Value on Qualified Property/Qualified Investment for years three (3) through ten (10) of this Agreement pursuant to Texas Tax Code §313.054. That is, for each of the eight (8) Tax Years: 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant’s Qualified Investment for the District’s maintenance and operations ad valorem tax purposes shall not exceed, and the Tax Limitation Amount shall be, the lesser of:

- (a) the Market Value of the Applicant’s Qualified Investment; or
- (b) Twenty Million Dollars (\$20,000,000.00).

The Tax Limitation Amount set forth in the immediately preceding Subsection (b) is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Texas Tax Code, §313.022(b) or §313.052.

“Tax Year” shall have the meaning assigned to such term in Section 1.04(13) of the Texas Tax Code (*i.e.*, the calendar year).

“Taxable Value” shall have the meaning assigned to such term in Section 1.04(10) of the Texas Tax Code.

“Texas Education Agency Rules” means the applicable rules and regulations adopted by the Texas Commissioner of Education in relation to the administration of Chapter 313 of the Texas Tax Code, which are set forth at Title 19 – Part 2, Texas Administrative Code, together with any court or administrative decisions interpreting same.

ARTICLE II

PROPERTY DESCRIPTION

Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT ZONE

The Applicant’s Qualified Property and the Applicant’s Qualified Investment will be located within an area designated as a reinvestment zone under Chapter 312 of the Texas Tax Code. The legal description of the reinvestment zone in which the Applicant’s Qualified Property is located is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

Section 2.2. LOCATION OF QUALIFIED PROPERTY

The location of the Applicant's Qualified Property is described in the legal description which is attached to this Agreement as **EXHIBIT 2**, and is incorporated herein by reference for all purposes. The Parties expressly agree that the boundaries of the Land may not be materially changed from the configuration described in **EXHIBIT 2** without the express authorization of each of the Parties.

Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT AND QUALIFIED PROPERTY

The Qualified Investment and/or Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 3**, which is attached hereto and incorporated herein by reference for all purposes ("Applicant's Qualified Investment").

Qualified Investment shall be that property, described in **EXHIBIT 3** which is placed in service under the terms of the Application, during the Qualifying Time Period described in both Section 1.2 above, and the definition of Qualifying Time Period set forth in Section 1.3, above.

Qualified Property shall be all property, described in **EXHIBIT 3**, including, but not limited to the Applicant's Qualified Investment, together with the land described in **EXHIBIT 2** which: 1) is leased by the Applicant; 2) was first placed in service after September 27, 2013, the completed Application date established by the Comptroller; and 3) is used in connection with the activities described in the Application. Property which is not specifically described in **EXHIBIT 3** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Investment or Qualified Property for purposes of this Agreement, unless pursuant to Texas Tax Code §313.027(e) and Section 8.3 of this Agreement, the Board of Trustees, by official action, provides that such other property is a part of the Applicant's Qualified Investment and/or Qualified Property for purposes of this Agreement.

Property owned by the Applicant which is not described on **EXHIBIT 3** may not be considered to be Qualified Property unless the Applicant:

- (a) submits to the District and the Comptroller a written request to add property to the limitation agreement, which request shall include a specific description of the additional property to which the Applicant requests that the limitation apply;
- (b) notifies the District and the Comptroller of any other changes to the information that was provided in the Application approved by the District; and,
- (c) provides any additional information reasonably requested by the District or the Comptroller necessary to re-evaluate the economic impact analysis for the new or changed conditions.

Section 2.4. APPLICANT’S OBLIGATIONS TO PROVIDE CURRENT INVENTORY OF QUALIFIED PROPERTY

At the end of the Qualifying Time Period, or at any other time when there is a material change in the Qualified Property located on the land described in **EXHIBIT 2**, upon a reasonable request of the District, the Comptroller, or the Appraisal District, the Applicant shall provide to the District, the Comptroller, and the Appraisal District a specific and detailed description of the tangible personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) to which the value limitation applies, including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property which is subject to the Agreement.

Section 2.5. QUALIFYING USE

The Applicant’s Qualified Investment described above in Section 2.3 qualifies for a tax limitation agreement under Texas Tax Code §313.024(b)(1) as a manufacturing facility.

Section 2.6. LIMITATION ON APPRAISED VALUE

So long as the Applicant makes a Qualified Investment in the amount Twenty Million Dollars (\$20,000,000.00), or greater, during the Qualifying Time Period, and unless this Agreement has been terminated as provided herein before such Tax Year, for each of the eight (8) Tax Years: 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant’s Qualified Property for the District’s maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- (a) The Market Value of the Applicant’s Qualified Investment; or
- (b) Twenty Million Dollars (\$20,000,000.00).

The Tax Limitation Amount set forth in the immediately preceding Subsection(b) is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Texas Tax Code §313.022 (b) or §313.052.

ARTICLE III

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 3.1. INTENT OF THE PARTIES

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in accordance with the provisions of Texas Tax Code §313.027(f)(1), be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Such

payments shall be independent of, and in addition to, all such other payments as are set forth in Article IV. Subject only to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the risk of any negative financial consequence to the District in making the decision to enter into this Agreement will be borne by the Applicant and not by the District, and paid by the Applicant to the District in addition to any and all payments due under Article IV.

Section 3.2. CALCULATING THE AMOUNT OF LOSS OF REVENUES BY THE DISTRICT

Subject to the applicable provisions of Sections 5.1 and 5.2, the amount to be paid by the Applicant to compensate the District for loss of Maintenance and Operations Revenue resulting from, or on account of, this Agreement for each year during the term of this Agreement (the "M&O Amount") shall be determined in compliance with the Applicable School Finance Law in effect and according to the following formula:

The M&O Amount owed by the Applicant to District means the Original M&O Revenue *minus* the New M&O Revenue;

Where:

- i. "Original M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Qualified Property and/or Qualified Investment been subject to the ad valorem maintenance & operations tax at the tax rate actually adopted by the District for the applicable year.
- ii. "New M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District actually received for such school year, after all adjustments have been made to Maintenance and Operations Revenue because of any portion of this agreement.

In making the calculations required by this Section 3.2:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.
- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property and/or the Applicant's Qualified Investment will be presumed to be one hundred percent (100%)

- iii. If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue as calculated under this Section 3.2 results in a negative number, the negative number will be considered to be zero.
- iv. All calculations made for years three (3) through ten (10) of this Agreement under Section 3.2, Subsection *ii* of this Agreement will reflect the Tax Limitation Amount for such year.
- v. All calculations made under this Section 3.2 shall be made by a methodology which isolates the full M & O revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements, or on account of any other factors not contained in this Agreement.

Section 3.3. COMPENSATION FOR LOSS OF OTHER REVENUES

In addition to the amounts determined pursuant to Section 3.2 above, and to the extent provided in Section 6.3, the Applicant, on an annual basis, shall also indemnify and reimburse the District for the following:

- (a) All non-reimbursed costs incurred by the District in paying or otherwise crediting to the account of the Applicant, any applicable tax credit to which the Applicant may be entitled pursuant to Chapter 313, Subchapter D of the Texas Tax Code, and for which the District does not receive reimbursement from the State pursuant to Texas Education Code §42.2515, or other similar or successor statute.
- (b) All non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the project. The Applicant may contest the amounts certified by the District's external auditor under the provisions of Section 3.8.
- (c) All non-reimbursed increases in District costs paid to the Appraisal District caused by increased appraised values arising solely from the project described in the Application. The Applicant may contest the amounts certified by the District's external auditor under the provisions of Section 3.8.
- (d) Any other loss of District revenues which are, or may be attributable to the payment by the Applicant to or on behalf of any other third party beneficiary, as set forth in Section 4.6.

Section 3.4. CALCULATIONS TO BE MADE BY THIRD PARTY

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") jointly approved each year by the District and the Applicant. If the Parties cannot agree on the Third Party, then the Third Party shall be selected by the mediator pursuant to Section 7.9 of this Agreement.

Section 3.5. DATA USED FOR CALCULATIONS

The calculations under this Agreement shall be initially based upon the valuations that are placed upon all taxable property in the District, including Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Tax Code §26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 3.4. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

Section 3.6. DELIVERY OF CALCULATIONS

On or before November 1 of each year for which this Agreement is effective, the Third Party selected pursuant to Section 3.4 of this Agreement shall forward to the Parties a certification containing the calculations required under Sections 3.2 and/or 3.3 and Article IV, or under Section 5.1 of this Agreement, in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation and fee for a period of five (5) years after payment. The Applicant shall not be liable for any of Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement or the fee paid by the Applicant to the Third Party pursuant to Section 3.7, if such fee is timely paid.

Section 3.7. PAYMENT BY APPLICANT

The Applicant shall pay any amount determined to be due and owing to the District under this Agreement on or before the January 31 of the year next following the tax levy for each year

for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Third Party for all calculations under this Agreement under Section 3.6, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or tax credit or other reimbursement applications filed with or sent to the State of Texas which are, or may be required under the terms or because of the execution of this Agreement. In no year shall the Applicant be responsible for the payment of any total expenses under this Section and Section 3.6, above, in excess of Ten Thousand Dollars (\$10,000.00).

Section 3.8. RESOLUTION OF DISPUTES

Pursuant to Section 3.4 and Section 3.6, should the Applicant disagree with the certification containing the calculations, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days of receipt of the certification. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Thereafter, the Applicant may appeal the final determination of the certification containing the calculations to the District's Board of Trustees. Any appeal by the Applicant of the final determination of the Third Party may be made, in writing, to the District's Board of Trustees within thirty (30) days of the final determination of the certification containing the calculations.

Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT

In the event that, at the time the Third Party selected under Section 3.4 makes its calculations under this Agreement, the Applicant has appealed the taxable values placed by the Appraisal District on the Qualified Property, and the appeal of the appraised values are unresolved, the Third Party shall base its calculations upon the values initially placed upon the Qualified Property by the Appraisal District.

In the event that the result of an appraisal appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed, once the determination of a new value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years. In the event the new calculations result in the change of any amount payable by the Applicant under this Agreement, the party from whom the adjustment is payable shall remit such amounts to the counter-party within thirty (30) days of the receipt of the new calculations from the Third Party.

Section 3.10. EFFECT OF STATUTORY CHANGES

Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 5.1, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District will receive less Maintenance and Operations Revenue, or, if applicable, will

be required to increase its payment of funds to the State, or to other governmental entities including the Appraisal District, because of its participation in this Agreement, the Applicant shall make payments to the District, up to the revenue protection amount limit set forth in Section 5.1, that are necessary to offset any negative impact on the District as a result of its participation in this Agreement. Such calculation shall take into account any adjustments to the amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District.

ARTICLE IV

Section 4.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS

In interpreting the provisions of Article IV, the Parties agree as follows:

(a) **Amounts Exclusive of Indemnity Amounts**

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the Supplemental Payments set forth in this Article IV. The Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 of the Texas Tax Code, unless it is explicitly set forth in this Agreement. It is the express intent of the Parties that the obligation for Supplemental Payments under this Article IV are separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that all payments under Articles III and IV are subject to such limitations as are contained in Section 5.1, and that all payments under Article IV are subject to the separate limitations contained in Section 4.4.

(b) **Adherence to Statutory Limits on Supplemental Payments**

It is the express intent of the parties that any Supplemental Payments made to or on behalf of the District by the Applicant, under this Article IV, shall not exceed the limit imposed by the provisions of Texas Tax Code 313.027(i) unless that limit is increased by the Legislature at a future date., in which case all references to statutory limits in this Agreement will be automatically adjusted to reflect the new, higher limits, but only if, and to the extent that such increases are authorized by law.

Section 4.2. STIPULATED SUPPLEMENTAL PAYMENT AMOUNT - SUBJECT TO NET AGGREGATE LIMIT

In any year during the term of this Agreement, the District shall not be entitled to receive Supplemental Payments that exceed the lesser of:

- (a) the Applicant's Stipulated Supplemental Payment Amount, defined as Forty Percent (40%) of the Applicant's Net Tax Benefit, as the term is defined in Section 1.3, above; or,
- (b) the Net Aggregate Limit, as the term is defined in Section 1.3, above.

Section 4.3. ANNUAL CALCULATION OF STIPULATED SUPPLEMENTAL PAYMENT AMOUNT

The Parties agree that for each Tax Year of this Agreement, beginning with the third full year (Tax Year 2016), the Stipulated Supplemental Payment amount described in Section 4.2 will annually be calculated based upon the then most current estimate of tax savings to the Applicant, which will be made, based upon assumptions of student counts, tax collections, and other applicable data, in accordance with the following formula:

Taxable Value of the Applicant's Qualified Property for such Tax Year had this Agreement not been entered into by the Parties (i.e., the Taxable Value of the Applicant's Qualified Property used for the District's interest and sinking fund tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

Minus,

The Taxable Value of the Applicant's Qualified Property for such Tax Year after giving effect to this Agreement (i.e., the Taxable Value of the Applicant's Qualified Property used for the District's maintenance and operations tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

Multiplied by,

The District's maintenance and operations tax rate for such Tax Year, or the school tax rate of any other governmental entity, including the State of Texas, for such Tax Year;

Plus,

Any Tax Credit received by the Applicant with respect to such Tax Year;

Minus,

Any amounts previously paid to the District under Article III for such Tax Year;

Multiplied by,

The number 0.4;

Minus,

Any amounts previously paid to the District under Sections 4.2 and 4.3 with respect to such Tax Year.

In the event that there are changes in the data upon which the calculations set forth herein are made, the Third Party described in Section 3.4, above, shall adjust the Stipulated Supplemental Payment amount calculation to reflect any changes in the data.

Section 4.4. CALCULATION OF ANNUAL SUPPLEMENTAL PAYMENTS TO THE DISTRICT AND APPLICATION OF NET AGGREGATE LIMIT

For each year of this Agreement, beginning with year three (Tax Year 2016) and continuing thereafter through year thirteen (Tax Year 2026), the District, or its Successor Beneficiary should one be designated under Section 4.6, below, shall not be entitled to receive Supplemental Payments, computed under Sections 4.2 and 4.3, above, that exceed the Net Aggregate Limit, defined in Section 1.3, above.

If, for any year of this Agreement, the payment of the Applicant's Stipulated Supplemental Payment amount, calculated under sections 4.2 and 4.3, above, exceeds the Net Aggregate Limit for that year, the difference between the Stipulated Supplemental Payment amount and the Net Aggregate Limit, shall be carried forward from year-to-year into subsequent years of this Agreement, and to the extent not limited by the Net Aggregate Limit in any subsequent year of this Agreement, shall be paid to the District. If there are changes in Chapter 313 Tax Laws, higher or lower payments that first became due prior to the effective date of any statutory change will not be adjusted.

Any Stipulated Supplemental Payment amount, which cannot be made to the District prior to the end of year thirteen (Tax Year 2026), because such payment would exceed the Net Aggregate Limit, will be deemed to have been cancelled by operation of law.

Section 4.5. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS

- (a) All calculations required by this Article, including but not limited to: (i) the calculation of the Stipulated Supplemental Payment amount; (ii) the determination of both the Annual Limit, the Aggregate Limit, and the Net Aggregate Limit; and (iii) the effect, if any, of the Net Aggregate Limit upon the actual amount of Supplemental Payments eligible to be paid to the District by the

Applicant; and, (iv) the carry forward and accumulation of any Stipulated Supplemental Payment amounts unpaid by the Applicant due to the Net Aggregate Limit in previous years, shall be calculated by the Third Party selected pursuant to Section 3.4.

- (b) The calculations made by the Third Party shall be made at the same time and on the same schedule as the calculations made pursuant to Section 3.6.
- (c) The payment of all amounts due under this Article shall be made at the time set forth in Section 3.7.

Section 4.6. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY

At any time during this Agreement, the District's Board of Trustees may, in its sole discretion, so long as such decision does not result in additional costs to the Applicant under this Agreement, direct that the Applicant's payment obligations under this Article IV be made to its educational foundation, or to a similar entity. The alternative entity may only use such funds received under this Article to support the educational mission of the District and its students. Any designation of an alternative entity must be made by recorded vote of the District's Board of Trustees at a properly posted public Board meeting. Any such designation will become effective after public vote and the delivery of notice of said vote to the Applicant in conformance with the provisions of Section 6.1, below. Such designation may be rescinded, with respect to future payments only, by action of the District's Board of Trustees at any time.

Any designation of a successor beneficiary under this Section shall not alter the Aggregate Limit or the Net Aggregate Limit on the Supplemental Payments described in Section 4.4, above.

ARTICLE V

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 5.1. ANNUAL LIMITATION AFTER FIRST THREE YEARS

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year during the term of this Agreement beginning after the 2016 Tax Year and ending on the Final Termination Date, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Articles III and IV with respect to such current Tax Year and all preceding Tax Years of this Agreement, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Section 3.4 and Section 3.6, and

in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Articles III and IV shall be reduced until such excess is eliminated.

Section 5.2. OPTION TO CANCEL AGREEMENT

In the event that any payment otherwise due from the Applicant to the District under Article III and/or Section 4.2 with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 5.1 above, then the Applicant shall have the option to terminate this Agreement. The Applicant may exercise such option to cancel this Agreement by notifying the District of its election in writing not later than the June 30 of the year next following the Tax Year with respect to which a reduction under Section 5.1 is applicable. Any cancellation of this Agreement under the foregoing provisions of this Section 5.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred. Upon such termination this Agreement shall terminate and be of no further force or effect; provided, however, that the Parties respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged.

ARTICLE VI

TAX CREDITS

Section 6.1. APPLICANT'S ENTITLEMENT TO TAX CREDITS

The Applicant shall be entitled to tax credits from the District under and in accordance with the provisions of Subchapter D of the Act and Comptroller Rules, provided that the Applicant complies with the requirements under such provisions, including the timely filing of a completed tax credit application under Section 313.103 of the Texas Tax Code and Comptroller Rules.

Section 6.2. DISTRICT'S OBLIGATIONS WITH RESPECT TO TAX CREDITS

The District shall timely comply and shall cause the District's collector of taxes to timely comply with their obligations under Subchapter D of the Act and Comptroller Rules, including, but not limited to, such obligations set forth in Section 313.104 of the Texas Tax Code and either Comptroller and/or Texas Education Agency Rules.

Section 6.3. COMPENSATION FOR LOSS OF TAX CREDIT PROTECTION REVENUES

If, after the Applicant has actually received the benefit of a tax credit under Section 6.1, the District does not receive aid from the State pursuant to Texas Education Code §42.2515 or other similar or successor statute with respect to all or any portion of such tax credit for reasons

other than the District's failure to comply with the requirements for obtaining such aid, then the District shall notify the Applicant in writing thereof and the circumstances surrounding the State's failure to provide such aid to the District. The Applicant shall pay to the District the amount of such tax credit for which the District did not receive such aid within thirty (30) calendar days after receipt of such notice, and such payment shall be subject to the same provisions for late payment as are set forth in Section 7.4 and 7.5. If the District receives aid from the State for all or any portion of a tax credit with respect to which the Applicant has made a payment to the District under this Section 6.3, then the District shall pay to the Applicant the amount of such aid within thirty (30) calendar days after the District's receipt thereof.

ARTICLE VII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 7.1. DATA REQUESTS

During the term of this Agreement, and upon the written request of one Party or by the Comptroller (the "Requesting Party"), the other Party shall provide the Requesting Party with all information reasonably necessary for the Requesting Party to determine whether the other Party is in compliance with its obligations, including any employment obligations which may arise under this Agreement. The Applicant shall allow authorized employees of the District, the Comptroller, and/or the Appraisal District to have access to the Applicant's Qualified Property and/or business records, in accordance with Texas Tax Code §22.07, during the term of this Agreement, in order to inspect the project to determine compliance with the terms hereof. All inspections will be made at a mutually agreeable time after the giving of not less than five (5) business days prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide the District, the Comptroller, or the Appraisal District with any technical or business information that is private personnel data, proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party.

Section 7.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES

The Applicant shall timely make any and all reports that are or may be required under the provisions of law or administrative regulation, including but not limited to the annual report or certifications that may be required to be submitted by the Applicant to the Comptroller under the provisions of Texas Tax Code §313.032. The Applicant shall forward a copy of all such required reports or certifications to the District contemporaneously with the filing thereof. The obligation to make all such required filings shall be a material obligation under this Agreement.

Section 7.3. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE

By entering into this Agreement, the Applicant warrants that:

- (a) it will abide by all of the terms of the Agreement;
- (b) it will Maintain Viable Presence in the District through the Final Termination Date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of this Agreement, and shall not be subject to any liability for failure to Maintain Viable Presence, to the extent such failure is caused by Force Majeure (as hereinafter defined), provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure; and,
- (c) it will meet minimum eligibility requirements under Texas Tax Code, Chapter 313 throughout the value limitation and tax-credit settle-up periods.

Section 7.4. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT

(a) In the event that the Applicant terminates this Agreement without the consent of the District, except as provided in Section 5.2, or in the event that the Applicant or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, after the notice and cure period provided by Section 7.8, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, as calculated in accordance with Section 7.5, on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III, as of the date upon which such payments were made to the District. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV, as of the date upon which such payments were made to the District.

(b) Notwithstanding Section 7.4(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of the Agreement, then the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of such termination notice. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem taxes for all of the Tax Years for which a Tax Limitation was granted pursuant to this Agreement prior to the year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 7.5. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III, as of the date upon which such payments were made to the District. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV, as of the date upon which such payments were made to the District. Upon payment of such liquidated damages, the Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

Section 7.5. CALCULATION OF PENALTY AND INTEREST

In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 7.4 for each Tax Year during the term of this Agreement since the Commencement Date. The District shall calculate penalty or interest for each Tax Year during the term of this Agreement since the Commencement Date in accordance with the methodology set forth in Chapter 33 of the Texas Tax Code, as if the base amount calculated for such Tax Year less all credits under Section 7.4 had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(c), or its successor statute.

Section 7.6 MATERIAL BREACH OF AGREEMENT

The Applicant shall be in Material Breach of this Agreement if it commits one or more of the following acts or omissions:

- (a) Applicant is determined to have failed to meet its obligations to have made accurate representations of fact in submission of its Application as is required by Section 8.13, below.
- (b) Applicant fails to Maintain Viable Presence in the District, as required by Section 7.3 of this Agreement, through the Final Termination Date of this Agreement.
- (c) Applicant fails to make any payment required under Articles III or IV of this Agreement on or before its due date.
- (d) Applicant fails to make any payment required by this Agreement, or by the State or its agencies where such payment is required by the Act or by rules adopted thereunder.
- (e) Applicant fails to create and maintain at least the number of New Jobs set forth it committed to create and maintain on Schedule C, Column C of its Application.
- (f) Applicant fails to create and maintain at least the number of Qualifying Jobs it committed to create and maintain as set forth on Schedule C, Column E of its Application.
- (g) Applicant fails to create and maintain at least Eighty Percent (80%) of all New Jobs created by the Applicant on the project as Qualifying Jobs.

- (h) Applicant makes any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Texas Tax Code, in excess of the amounts set forth in Articles III and IV, above. Voluntary donations made by the Applicant to the District after the date of execution of this Agreement, and not mandated by this Agreement or made in recognition of consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 are not barred by this provision.
- (i) Applicant fails to comply with any other term of this Agreement, or the Applicant fails to meet its obligations under the applicable Comptroller's Rules, and under the Act.

Section 7.7 LIMITED STATUTORY CURE OF MATERIAL BREACH

In accordance with the provisions of Texas Tax Code §313.0275, for any full tax year which commences after the project has become operational, the Applicant may cure the Material Breaches of this Agreement, defined in Sections 7.6(d) and 7.6(e) or 7.6(f), above, without the termination of the remaining term of this Agreement. In order to cure its non-compliance with Sections 7.6(e) and 7.6(f) or 7.6(g) for the particular Tax Year of non-compliance only, the Applicant may make the liquidated damages payment required by Texas Tax Code §313.0275(b), in accordance with the provisions of Texas Tax Code §313.0275(c).

Section 7.8. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT

Prior to making a determination that the Applicant has committed a material breach of this Agreement, such as making a misrepresentation in the Application, failing to Maintain Viable Presence in the District as required by Section 7.3 of this Agreement, failing to make any payment required under this Agreement when due, or has otherwise committed a Material Breach of this Agreement as defined in Section 7.6, above, the District shall provide the Applicant with a written notice of the facts that it believes have caused the Material Breach of this Agreement, and if cure is possible, the cure proposed by the District. After receipt of the notice, the Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that it is not in Material Breach of its obligations under the Agreement, or that it has cured or undertaken to cure any such material breach.

If the Board of Trustees is not satisfied with such response and/or that such Breach has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such Breach has occurred and, if so, whether such Breach has been cured. At any such hearing, the Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to whether or not a Material Breach of this Agreement has occurred, the date such breach occurred, if any, and whether or not any such

breach has been cured. In the event that the Board of Trustees determines that such a Breach has occurred and has not been cured, it shall also terminate the Agreement and determine the amount of recaptured taxes under Section 7.4 (net of all credits under Section 7.4), and the amount of any penalty and/or interest under Section 7.5 that are owed to the District.

After making its determination regarding any alleged Breach, the Board of Trustees shall cause the Applicant to be notified in writing of its determination (a "Determination of Breach and Notice of Contract Termination.").

Section 7.9. DISPUTE RESOLUTION

After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, the Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after the Applicant's receipt of notice of the Board of Trustee's Determination of Breach under Section 7.8, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then presiding in Nueces County, Texas. The Parties agree to sign a document that provides that the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator's fees and expenses and the Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such ninety (90) days, the District shall have the remedies for the collection of the amounts determined under Section 7.8 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney's fees and a tax lien on the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Texas Tax Code §33.07 to the attorneys representing the District pursuant to Texas Tax Code §6.30.

In any event where a dispute between the District and the Applicant under this Agreement cannot be resolved by the Parties, after completing the procedures required above in this Section, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in any judicial proceeding, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any covenant, agreement or undertaking made by a Party pursuant to this Agreement.

Section 7.10. LIMITATION OF OTHER DAMAGES

Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, the District's damages for such a default shall under no circumstances exceed the greater of either any amounts calculated under Sections 7.4 and 7.5 above, or the monetary sum of the difference between the payments and credits due and owing to the Applicant at the time of such default and the District taxes that would have been lawfully payable to the District had this Agreement not been executed. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

The Parties further agree that the limitation of damages and remedies set forth in this Section 7.10 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 7.11. BINDING ON SUCCESSORS

In the event of a merger or consolidation of the District with another school district or other governmental authority, this Agreement shall be binding on the successor school district or other governmental authority.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. INFORMATION AND NOTICES

Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (e.g., by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, or (ii) sent by facsimile transmission, with "answer back" or other "advice of receipt" obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid; provided that, notice received by facsimile transmission after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first business day following the date of such electronic receipt.

Notices to the District shall be addressed to the District's Authorized Representative as follows:

Dr. Arturo Almendarez, Superintendent
CALLEN INDEPENDENT SCHOOL DISTRICT
4205 Wildcat Drive
Corpus Christi, Texas 78410
Fax: (361) 242-5620
Email: aalmendarez@calallen.org

With a copy to:

Kevin O'Hanlon
O'HANLON, MCCOLLOM & DEMERATH
808 West Avenue
Austin, Texas 78701

or at such other address or to such other facsimile and/or electronic mail transmission number and to the attention of such other person as the District may designate by written notice to the Applicant.

Notices to the Applicant shall be addressed to:

Eric Friedrichs
Vice President
TEXSTAR MIDSTREAM SERVICES, LP
18615 Tuscany Stone
San Antonio, Texas 78258
Fax: (210) 569-6738
Email: eric.friedrichs@blackbrushenergy.com

With a copy to:

Tom Weber
MCELROY, SULLIVAN, MILLER, WEBER & OLMSTEAD, LLP
1201 Spyglass Drive, Suite 200
Austin, TX 78746
Fax: 512.327.6566

or at such other address or to such other facsimile transmission number and to the attention of such other person as the Applicant may designate by written notice to the District.

Section 8.2. EFFECTIVE DATE, TERMINATION OF AGREEMENT

- (a) This Agreement shall be and become effective on the date of final approval of this Agreement by the District's Board of Trustees,
- (b) The obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the termination in full date established in Section 1.2 of this Agreement.

- (c) In the event that the Applicant fails to make a Qualified Investment in the amount of Twenty Million Dollars (\$20,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2015.

Section 8.3. 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. By official action of the Board of Trustees, this Agreement may be amended to include, in the Applicant's Qualified Investment, additional or replacement Qualified Property not specified in **EXHIBIT 3**, provided that the Applicant reports to the District, the Comptroller, and the Appraisal District, in the same format, style, and presentation as the Application, all relevant investment, value, and employment information that is related to the additional property. Any amendment of the Agreement adding additional or replacement Qualified Property pursuant to this Section 8.3 shall, (1) require that all property added by amendment be eligible property as defined by Texas Tax Code, §313.024; (2) clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and (3) define minimum eligibility requirements for the recipient of limited value. This Agreement may not be amended to extend the value limitation time period beyond its eight year statutory term.

Section 8.4. ASSIGNMENT

Unless otherwise prohibited by law, Applicant may assign this Agreement, or a portion of this Agreement, to an Affiliate or a new owner or lessee of all or a portion of the Applicant's Qualified Property and/or the Applicant's Qualified Investment, provided that the Applicant shall provide written notice of such assignment to the District. Upon such assignment, the Applicant's assignee will be liable to the District for outstanding taxes or other obligations arising under this Agreement. A recipient of limited value under Texas Tax Code, Chapter 313 shall notify immediately the District, the Comptroller, and the Appraisal District in writing of any change in address or other contact information for the owner of the property subject to the limitation agreement for the purposes of Texas Tax Code §313.032. The assignee's or its reporting entity's Texas Taxpayer Identification Number shall be included in the notification.

Section 8.5. MERGER

This Agreement contains all of the terms and conditions of the understanding of the Parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence, and preliminary understandings between the Parties and others relating hereto are superseded by this Agreement.

Section 8.6. MAINTENANCE OF APPRAISAL DISTRICT RECORDS

When appraising the Applicant's Qualified Property and the Applicant's Qualified Investment subject to a limitation on Appraised Value under this Agreement, the Chief Appraiser of the Appraisal District shall determine the Market Value thereof and include both such Market Value and the appropriate value thereof under this Agreement in its appraisal records.

Section 8.7. GOVERNING LAW

This Agreement and the transactions contemplated hereby shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law or rules that would direct the application of the laws of another jurisdiction. Venue in any legal proceeding shall be in Nueces County, Texas.

Section 8.8. 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.

Section 8.9. SEVERABILITY

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 8.9, the term "Law" shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 8.10. PAYMENT OF EXPENSES

Except as otherwise expressly provided in this Agreement, or as covered by the application fee, each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement.

Section 8.11. INTERPRETATION

When a reference is made in this Agreement to a Section, Article or Exhibit, such reference shall be to a Section or Article of, or Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words “include,” “includes” and “including” when used in this Agreement shall be deemed in such case to be followed by the phrase “but not limited to.” Words used in this Agreement, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context shall require. This Agreement is the joint product of the Parties and each provision of this Agreement has been subject to the mutual consultation, negotiation and agreement of each Party and shall not be construed for or against any Party.

Section 8.12. 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.

Section 8.13. ACCURACY OF REPRESENTATIONS CONTAINED IN APPLICATION

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application. The Applicant warrants that all information, facts, and representations contained therein are true and correct. The parties further agree that the Application and all the attachments thereto are included by reference into this Agreement as if set forth herein in full.

In the event that the Board of Trustees, after completing the procedures required by Sections 7.8 and 7.9 of this Agreement, makes a written determination that the Application was either incomplete or inaccurate as to any material representation, information, or fact, the Agreement shall be invalid and void except for the enforcement of the provisions required by 34 Texas Administrative Code §9.1053(f)(2)(K).

Section 8.14. PUBLICATION OF DOCUMENTS

The Parties acknowledge that the District is required to publish all Substantive Documents including the Application and its required schedules, or any amendment thereto; all economic analyses of the proposed project submitted to the District; the approved and executed copy of this Agreement or any amendment thereto; and each application requesting tax credits under Texas Tax Code §313.103, as follows:

- a. Within seven days of such document, the school district shall submit a copy to the Comptroller for Publication on the Comptroller's Internet website.

- b. District shall provide on its website a link to the location of those documents posted on the Comptroller's website.
- c. This Section does not require the Publication of information that is confidential under Texas Tax Code §313.028.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 20th day of December, 2013.

TEXSTAR MIDSTREAM SERVICES LP

CALLEN INDEPENDENT SCHOOL DISTRICT

By: _____
Authorized Representative

By: _____
PAUL PEELER
President
Board of Trustees

Name: _____

Attest:

Title: _____

By: _____
BRENT BURKHART
Secretary
Board of Trustees

EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

The *TexStar Reinvestment Zone* was originally created on December 20, 2013 by action of the Calallen Independent School District's Board of Trustees. A map of the Reinvestment Zone is attached, below to this **EXHIBIT 1**.

As a result of the action of the Board of Trustees, the *TexStar Reinvestment Zone* includes all real property within the boundaries of Nueces County County, Texas, more specifically described by the legal description and map also attached to this **EXHIBIT 1**.

EXHIBIT 2

LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property owned by Applicant and located within the boundaries of both the Calallen Independent School District and the *TexStar Reinvestment Zone* originally created on December 20, 2013 by action of the Board of Trustees is intended to be included in this Agreement.

A map of the *TexStar Reinvestment Zone* created by the Board of Trustees is attached to **EXHIBIT 1**. Specifically, all Qualified Property of the Applicant located within the boundaries on the map first placed in service after August 26, 2013 used in connection with manufacturing facility will be subject to this Agreement.

EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

TexStar Midstream Services, LP will construct a New Fractionator Unit that splits raw-mix Natural Gas Liquids (NGLs) into individual purity products using a sequence of towers whereby temperatures and pressures are regulated so that the boiling point will be reached by only one product in each tower. The estimated investment for this project is **\$120 Million dollars**. Texstar is also anticipating investments at this site for the addition of a Tank Farm estimated at **\$25 Million dollars** and Truck Loading Racks and Pipeline Interconnects estimated at **\$7 Million dollars**. The total project investment is currently estimated at **\$152 Million dollars**.

The Qualified Property for the fractionator plant and ancillary storage and truck loading equipment is anticipated to contain the Following processing units and related equipment:

- Treating Equipment
- Tank Farm and Tanks for Storage (15- 2,000 bbl Tanks)
- DeEthanizer Towers
- Product Loading Rack
- DePropanizer Towers
- Compression Equipment
- DeButanizer Towers
- Product Pipeline Interconnects
- Gasoline Treaters

DESCRIPTION OF THE EXISTING PROPERTY

TexStar has begun construction of Pipe Racks on this site and have included this Construction in Progress as " Existing Improvement" for the purposes of the Chapter 313 Application. Construction on these Pipe Racks commenced in early July and is not yet complete. This Pipe Rack is show in the highlighted area of the map attached to Exhibit 3.

This existing improvement, which is currently Construction in Progress, has not been valued by the Nueces County Appraisal District and will not be fully completed until such time that the entire Fractionator Plant may be completed (current estimated completion date is December 2013).

The estimated investment/value of the construction that has been completed thus far is approximately **\$250,000**.

Agreement for Limitation on Appraised Value
Between Calallen Independent School District and TexStar Midstream Services, LP
TEXAS COMPTROLLER APPLICATION NUMBER 341
December 20, 2013

For the purposes of appraising property at the site of the Corpus Christi Fractionator plant, certain delineations will need to be made between taxable property in existence prior to the determination of a complete application by the Comptroller and that property which is delivered, constructed and placed into service after September 27, 2013 through the end of the qualifying period of December 31, 2013.

For purposes of identification and appraisal, both the taxpayer and the appraisal district will note that the following equipment was installed and/or constructed prior the determination of a complete application by the Comptroller's office.

Approximately 540' of pipe racks have been partially constructed, and one tower was delivered. These tangible property constructed or delivered to the jobsite, will not be included as part of the new property installed, constructed or otherwise put into service and will not be eligible for any value limitation under the Chapter 313 program.

Beginning on January 1, 2014, new accounts will be created by the Nueces County Appraisal District chief appraiser to identify business personal property and real property improvements installed, constructed or otherwise put in service from the date of the completeness determination by the Comptroller's office. Texstar Midstream Services, LP will, together with the chief appraiser, establish an account for the pipe racks in place, so that the business personal property and real property improvements installed and constructed are not eligible for the Chapter 313 school district value limitation. All other accounts established by the chief appraiser will remain eligible for the value limitation.

All accounts associated with the Corpus Christi Fractionator plant, excluding the pipe rack account, will reflect the value according to the Chapter 313 school district value limitation agreement in each year that the Texstar Midstream Services, LP remains eligible for the value limitation. This value will be utilized in determining the taxable value for the maintenance and operations portion of the School district's tax rate.

All accounts, including the pipe rack account, will be used to value the property according to the market value without the application of the Chapter 313 value limitation which will be derived by determining the replacement costs new, less depreciation and any other appropriate factors, but not limited to, economic or functional obsolescence and/or pollution control exemptions. This value will be utilized in determining the taxable value for the interest and sinking fund portion of the school district's tax rate.

All property, real and personal, existing and new, shall be listed under the legal ownership name of such property. The legal owner of the property is and will be Texstar Midstream Services, LP. All accounts shall list Texstar Midstream Services, LP as the owner until the ownership of the property is legally transferred to another entity evidenced by a written document filed at the Nueces County Courthouse.



November 22, 2013

Arturo Almendarez
Superintendent
Calallen Independent School District
4205 Wildcat Drive
Corpus Christi, TX 78410

Dear Superintendent Almendarez:

On September 27, 2013, the Comptroller received the completed application (Application # 341) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in July 2013 to the Calallen Independent School District (the school district) by TexStar Midstream Services, LP (the applicant). This letter presents the results of the Comptroller's review of the application:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to make a recommendation to the governing body of the school district as to whether the application should be approved or disapproved using the criteria set out by Section 313.026.

The school district is currently classified as a rural school district in Category 2 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$152 million) is consistent with the proposed appraised value limitation sought (\$20 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

The applicant is an active franchise taxpayer in good standing, as required by Section 313.024(a), and is proposing the construction of a manufacturing facility in Nueces County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described in the application, meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

After reviewing the application using the criteria listed in Section 313.026, and the information provided by the applicant, the Comptroller's recommendation is that this application under Tax Code Chapter 313 be approved.

Our review of the application assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements; the school district is responsible for verifying that all requirements of the statute have been fulfilled. Additionally, Section 313.025 requires the school district to only approve an application if the school district finds that the information in the application is true and

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

correct, finds that the applicant is eligible for a limitation and determines that granting the application is in the best interest of the school district and this state. As stated above, the Comptroller's recommendation is prepared by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria.

Note that any new building or other improvement existing as of the application review start date of September 27, 2013, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application submitted by the school district and reviewed by the Comptroller. The recommendation may not be used by the school district to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

- 1) The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than ten (10) days prior to the meeting scheduled by the school district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency with the application;
- 2) The Comptroller must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 3) The school district must approve and execute a limitation agreement that has been reviewed by the Comptroller within a year from the date of this letter; and
- 4) The school district must provide a copy of the signed limitation agreement to the Comptroller within seven (7) days after execution, as required by Section 313.025.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Economic Impact for Chapter 313 Project

Applicant	TexStar Midstream Services, LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Calallen ISD
2011-2012 Enrollment in School District	3940
County	Nueces
Total Investment in District	\$152,000,000
Qualified Investment	\$152,000,000
Limitation Amount	\$20,000,000
Number of total jobs committed to by applicant	10
Number of qualifying jobs committed to by applicant	10
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,019
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$1,011
Minimum Annual Wage committed to by applicant for qualified jobs	\$53,000
Investment per Qualifying Job	\$15,200,000
Estimated 15 year M&O levy without any limit or credit:	\$17,303,832
Estimated gross 15 year M&O tax benefit	\$11,407,032
Estimated 15 year M&O tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$9,928,808
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$2,964,312
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$7,375,024
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	57.4%
Percentage of tax benefit due to the limitation	74.0%
Percentage of tax benefit due to the credit.	26.0%

This presents the Comptroller's economic impact evaluation of TexStar Midstream Services, LP (the project) applying to Calallen Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
 - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
 - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

Wages, salaries and benefits [313.026(6-8)]

After construction, the project will create 10 new jobs when fully operational. All 10 jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Coastal Bend Council of Governments Region, where Nueces County is located was \$47,786 in 2012. The annual average manufacturing wage for 2012-2013 for Nueces County is \$69,992. That same year, the county annual average wage for all industries was \$42,861. In addition to an annual average salary of \$53,000 each qualifying position will receive benefits such as medical, long-term disability insurance, 401(K) retirement, life insurance and paid vacation days. The project's total investment is \$152 million, resulting in a relative level of investment per qualifying job of \$15.2 million.

Ability of applicant to locate to another state and [313.026(9)]

According to TexStar Midstream Services, LP's application, "TexStar Midstream Services, LP has the unique ability to invest in various regions within Texas and surrounding states due to its expansive infrastructure and opportunities for capital investment, the overall economies can be a key determining factor. Therefore, areas that offer favorable locations and competitive are ideal for these projects to create the best economic return."

Number of new facilities in region [313.026(12)]

During the past two years, 14 projects in the Coastal Bend Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the TexStar Midstream Services, LP project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]

Table 1 depicts TexStar Midstream Services, LP's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in TexStar Midstream Services, LP

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	210	243	453	\$10,930,000	\$16,070,000	\$27,000,000
2014	10	39	49	\$530,000	\$4,470,000	\$5,000,000
2015	10	35	45	\$530,000	\$3,470,000	\$4,000,000
2016	10	26	36	\$530,000	\$3,470,000	\$4,000,000
2017	10	34	44	\$530,000	\$3,470,000	\$4,000,000
2018	10	33	43	\$530,000	\$3,470,000	\$4,000,000
2019	10	37	47	\$530,000	\$3,470,000	\$4,000,000
2020	10	35	45	\$530,000	\$3,470,000	\$4,000,000
2021	10	39	49	\$530,000	\$3,470,000	\$4,000,000
2022	10	37	47	\$530,000	\$4,470,000	\$5,000,000
2023	10	41	51	\$530,000	\$4,470,000	\$5,000,000
2024	10	39	49	\$530,000	\$4,470,000	\$5,000,000
2025	10	43	53	\$530,000	\$4,470,000	\$5,000,000
2026	10	37	47	\$530,000	\$3,470,000	\$4,000,000
2027	10	35	45	\$530,000	\$4,470,000	\$5,000,000
2028	10	37	47	\$530,000	\$5,470,000	\$6,000,000

Source: CPA, REMI, TexStar Midstream Services, LP

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2012-2013. Calallen ISD's ad valorem tax base in 2012-2013 was \$1.1 billion. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Calallen ISD's estimated wealth per WADA was \$225,858. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Nueces County, and Delmar College District with all property tax incentives sought being granted using estimated market value from TexStar Midstream Services, LP's application. TexStar Midstream Services, LP has applied for a value limitation under Chapter 313, Tax Code and no other property tax incentives. Table 3 illustrates the estimated tax impact of the TexStar Midstream Services, LP project on the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Calallen ISD I&S Levy	Calallen ISD M&O Levy	Calallen ISD M&O and I&S Tax Levies (Before Credit Credited)	Calallen ISD M&O and I&S Tax Levies (After Credit Credited)	Nueces County Tax Levy	Delmar College Tax Levy	Estimated Total Property Taxes
				0.188500	1.170000			0.355259	0.258003	
2014	\$152,000,000	\$152,000,000		\$286,520	\$1,778,400	\$2,064,920	\$2,064,920	\$539,994	\$392,165	\$2,997,078
2015	\$141,360,000	\$141,360,000		\$266,464	\$1,653,912	\$1,920,376	\$1,920,376	\$502,194	\$364,713	\$2,787,283
2016	\$136,800,000	\$20,000,000		\$257,868	\$234,000	\$491,868	\$491,868	\$485,994	\$352,948	\$1,330,810
2017	\$129,200,000	\$20,000,000		\$243,542	\$234,000	\$477,542	\$238,771	\$458,995	\$333,340	\$1,031,106
2018	\$121,600,000	\$20,000,000		\$229,216	\$234,000	\$463,216	\$231,608	\$431,995	\$313,732	\$977,335
2019	\$114,000,000	\$20,000,000		\$214,890	\$234,000	\$448,890	\$224,445	\$404,995	\$294,123	\$923,564
2020	\$106,400,000	\$20,000,000		\$200,564	\$234,000	\$434,564	\$217,282	\$377,996	\$274,515	\$869,793
2021	\$98,800,000	\$20,000,000		\$186,238	\$234,000	\$420,238	\$210,119	\$350,996	\$254,907	\$816,022
2022	\$91,200,000	\$20,000,000		\$171,912	\$234,000	\$405,912	\$202,956	\$323,996	\$235,299	\$762,251
2023	\$83,600,000	\$20,000,000		\$157,586	\$234,000	\$391,586	\$195,793	\$296,997	\$215,691	\$708,480
2024	\$76,000,000	\$76,000,000		\$143,260	\$889,200	\$1,032,460	\$0	\$269,997	\$196,082	\$466,079
2025	\$68,400,000	\$68,400,000		\$128,934	\$800,280	\$929,214	\$518,336	\$242,997	\$176,474	\$937,807
2026	\$60,800,000	\$60,800,000		\$114,608	\$711,360	\$825,968	\$825,968	\$215,997	\$156,866	\$1,198,831
2027	\$53,200,000	\$53,200,000		\$100,282	\$622,440	\$722,722	\$722,722	\$188,998	\$137,258	\$1,048,977
2028	\$45,600,000	\$45,600,000		\$85,956	\$533,520	\$619,476	\$619,476	\$161,998	\$117,649	\$899,123
						Total	\$8,684,640	\$5,254,139	\$3,815,761	\$17,754,539

Assumes School Value Limitation and no other property tax incentives

Source: CPA, TexStar Midstream Services, LP

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Calallen ISD I&S Levy	Calallen ISD M&O Levy	Calallen ISD M&O and I&S Tax Levies	Nueces County Tax Levy	Delmar College Tax Levy	Estimated Total Property Taxes	
				0.188500	1.170000		0.355259	0.258003		
2014	\$152,000,000	\$152,000,000		\$286,520	\$1,778,400	\$2,064,920	\$539,994	\$392,165	\$2,997,078	
2015	\$141,360,000	\$141,360,000		\$266,464	\$1,653,912	\$1,920,376	\$502,194	\$364,713	\$2,787,283	
2016	\$136,800,000	\$136,800,000		\$257,868	\$1,600,560	\$1,858,428	\$485,994	\$352,948	\$2,697,370	
2017	\$129,200,000	\$129,200,000		\$243,542	\$1,511,640	\$1,755,182	\$458,995	\$333,340	\$2,547,517	
2018	\$121,600,000	\$121,600,000		\$229,216	\$1,422,720	\$1,651,936	\$431,995	\$313,732	\$2,397,663	
2019	\$114,000,000	\$114,000,000		\$214,890	\$1,333,800	\$1,548,690	\$404,995	\$294,123	\$2,247,809	
2020	\$106,400,000	\$106,400,000		\$200,564	\$1,244,880	\$1,445,444	\$377,996	\$274,515	\$2,097,955	
2021	\$98,800,000	\$98,800,000		\$186,238	\$1,155,960	\$1,342,198	\$350,996	\$254,907	\$1,948,101	
2022	\$91,200,000	\$91,200,000		\$171,912	\$1,067,040	\$1,238,952	\$323,996	\$235,299	\$1,798,247	
2023	\$83,600,000	\$83,600,000		\$157,586	\$978,120	\$1,135,706	\$296,997	\$215,691	\$1,648,393	
2024	\$76,000,000	\$76,000,000		\$143,260	\$889,200	\$1,032,460	\$269,997	\$196,082	\$1,498,539	
2025	\$68,400,000	\$68,400,000		\$128,934	\$800,280	\$929,214	\$242,997	\$176,474	\$1,348,685	
2026	\$60,800,000	\$60,800,000		\$114,608	\$711,360	\$825,968	\$215,997	\$156,866	\$1,198,831	
2027	\$53,200,000	\$53,200,000		\$100,282	\$622,440	\$722,722	\$188,998	\$137,258	\$1,048,977	
2028	\$45,600,000	\$45,600,000		\$85,956	\$533,520	\$619,476	\$161,998	\$117,649	\$899,123	
						Total	\$20,091,672	\$5,254,139	\$3,815,761	\$29,161,571

Source: CPA, TexStar Midstream Services, LP

¹Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$17,303,832. The estimated gross 15 year M&O tax benefit, or levy loss, is \$11,407,032.

Attachment 3 is an economic overview of Nueces County.

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachments

1. Schedules A, B, C, and D provided by applicant in application
2. School finance and tax benefit provided by district
3. County Economic Overview

Attachment 1

Application Name: **Trinidad Junction Services LP**
 ID Number: **CALIFORNIA HOUSING SCHOLARSHIP DISTRICT**
 Schedule A (Rev. May 2010): no resident

Form 50-236

PROPERTY INVESTMENT AMOUNTS									
(Estimated investment in each year. Do not put cumulative totals.)									
Year	School year (YYYY-YYYY)	Fiscal year (YYYY-YYYY)	Column A: Budgeted amount of new investment (including any) during the year	Column B: Budgeted amount of new investment (including any) during the year	Column C: Sum of A and B	Column D: Investment realized in year (including economic impact and other)	Column E: Total investment (A-D)	Column F: Total investment (A-D)	Column G: Total investment (A-D)
1	2014-2015	2014	0	\$250,000	\$250,000		\$250,000		\$250,000
2	2015-2016	2015							
3	2016-2017	2016							
4	2017-2018	2017							
5	2018-2019	2018							
6	2019-2020	2019							
7	2020-2021	2020							
8	2021-2022	2021							
9	2022-2023	2022							
10	2023-2024	2023							
11	2024-2025	2024							
12	2025-2026	2025							
13	2026-2027	2026							
14	2027-2028	2027							
15	2028-2029	2028							
Total investment period					\$112,000,000		\$112,000,000		\$112,000,000

Qualifying Time Period shall begin with the final board approval of the application and extend generally for the following two periods in the years:

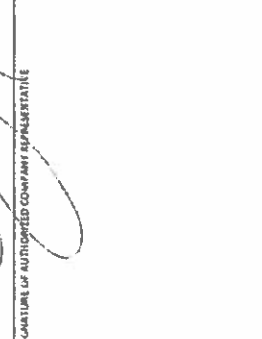
Column A: That represents the total dollar amount of 20th investment in tangible personal property, the applicant certifies available at the start of the year, as defined in Tax Code 1913.02(1)(A)-(D). For the purposes of investment period, the amount invested each year, not cumulative total.
 For the years outside the qualifying time period, the amount should simply represent the amount invested in the period.
 Includes estimates of investment for "replacement" property, that is part of a new agreement but subject for possible residential during the same period.

Column B: The total dollar amount of allowed investment each year in buildings or improvements to buildings that the applicant considers eligible investment under Tax Code 1913.02(A)(1)(E).

For the years outside the qualifying time period, the number should remain zero (representing the planned investment in new buildings or improvements to buildings).

Column C: Dollar value of other investments that may not be eligible for investment but that may affect economic impact and total value - for planning, construction and operation of the facility.
 The most typical are examples for many projects would be land. Other examples may be items such as project easements, etc.
 This land can be listed as part of investment during the "20th" time period. It cannot be part of the 20th investment.

Note: For advanced case energy storage facilities, projects with a 20th investment period, and projects with longer application review periods, applicant indicates that it needs to meet special conditions with construction start dates for past years and update start year for current and future years. If original estimates were not changed, enter budget amounts for future years.


 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE
 DATE: 01/19/13

Schedule B (Rev. May 2010): Estimated Market and Taxable Value

Form 50-296

Applicant Name: TestarMidstream Services, LP
 ISD Name: CALLEEN INDEPENDENT SCHOOL DISTRICT

Year	School Year (YYYY)	Tax Year (Fill in actual tax year) YYYY	Deductions from Market Value			Estimated Taxable Value
			Estimated Market Value of Land	Estimated total market value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	
pre-year 1	2013-2014	2013	\$	\$	\$	\$
1	2014-2015	2014	\$	\$	\$	\$152,000,000
2	2015-2016	2015	\$	\$	\$141,360,000	\$141,360,000
3	2016-2017	2016	\$	\$	\$136,800,000	\$136,800,000
4	2017-2018	2017	\$	\$	\$129,200,000	\$129,200,000
5	2018-2019	2018	\$	\$	\$121,600,000	\$121,600,000
6	2019-2020	2019	\$	\$	\$114,000,000	\$114,000,000
7	2020-2021	2020	\$	\$	\$106,400,000	\$106,400,000
8	2021-2022	2021	\$	\$	\$98,800,000	\$98,800,000
9	2022-2023	2022	\$	\$	\$91,200,000	\$91,200,000
10	2023-2024	2023	\$	\$	\$83,600,000	\$83,600,000
11	2024-2025	2024	\$	\$	\$76,000,000	\$76,000,000
12	2025-2026	2025	\$	\$	\$68,400,000	\$68,400,000
13	2026-2027	2026	\$	\$	\$60,800,000	\$60,800,000
14	2027-2028	2027	\$	\$	\$53,200,000	\$53,200,000
15	2028-2029	2028	\$	\$	\$45,600,000	\$45,600,000

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

9/17/13
 DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Schedule C. Application, Employment Information

Applicant Name: TeStatisteam Services, LP
 ISD Name: GALLETTE/BEFFICIENT SCHOOL DISTRICT

	Year	School Year (YYYY-YYYY)	Tax Year (Fall in actual tax year) (YYYY)	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man-hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.0213 (cumulative)	Column F: Average annual wage of qualifying jobs
	2013	2013-2014	2013	200 FTE	\$15/hr	10	\$53,000	10	\$53,000
	1	2014-2015	2014		\$	10	\$53,000	10	\$53,000
	2	2015-2016	2015		\$	10	\$53,000	10	\$53,000
	3	2016-2017	2016		\$	10	\$53,000	10	\$53,000
	4	2017-2018	2017		\$	10	\$53,000	10	\$53,000
	5	2018-2019	2018		\$	10	\$53,000	10	\$53,000
	6	2019-2020	2019		\$	10	\$53,000	10	\$53,000
	7	2020-2021	2020		\$	10	\$53,000	10	\$53,000
	8	2021-2022	2021		\$	10	\$53,000	10	\$53,000
	9	2022-2023	2022		\$	10	\$53,000	10	\$53,000
	10	2023-2024	2023		\$	10	\$53,000	10	\$53,000
	11	2024-2025	2024		\$	10	\$53,000	10	\$53,000
	12	2025-2026	2025		\$	10	\$53,000	10	\$53,000
	13	2026-2027	2026		\$	10	\$53,000	10	\$53,000
	14	2027-2028	2027		\$	10	\$53,000	10	\$53,000
	15	2028-2029	2028		\$	10	\$53,000	10	\$53,000

Notes: For job definitions see TAC §9.3051(14) and Tax Code §313.0213.

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraised district rates for markets and update estimates for current and future years. If original estimates have not changed, enter these amounts for future years.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

5/17/23

Schedule O, (Rev May 2010): Other Tax Information

Applicant Name: Te-Start/Idream Services, LP
 ISD Name: CALLEEN INDEPENDENT SCHOOL DISTRICT

The year preceding the first complete tax year of the qualifying time period	Year	School Year (YYYY-YYYY)	Tax/Calendar Year	Sales Tax Information		Franchise Tax	Other Property Tax Abatements Sought				
				Column F: Estimate of total annual expenditures subject to state sales tax	Column G: Estimate of total annual expenditures made in Texas NOT subject to sales tax		County	City	Hospital	Other	
	1	2013-2014	2013	\$100,000	\$151,900,000	\$5,300,000					
	2	2014-2015	2014	\$100,000	\$	\$5,300,000					
	3	2015-2016	2015	\$100,000	\$	\$5,300,000					
	4	2016-2107	2016	\$100,000	\$	\$5,300,000					
	5	2017-2018	2017	\$100,000	\$	\$5,300,000					
	6	2018-2019	2018	\$100,000	\$	\$5,300,000					
	7	2019-2020	2019	\$100,000	\$	\$5,300,000					
	8	2020-2021	2020	\$100,000	\$	\$5,300,000					
	9	2021-2022	2021	\$100,000	\$	\$5,300,000					
	10	2022-2023	2022	\$100,000	\$	\$5,300,000					
	11	2023-2024	2023	\$100,000	\$	\$5,300,000					
	12	2024-2025	2024	\$100,000	\$	\$5,300,000					
	13	2025-2026	2025	\$100,000	\$	\$5,300,000					
	14	2026-2027	2026	\$100,000	\$	\$5,300,000					
	15	2027-2028	2027	\$100,000	\$	\$5,300,000					
		2028-2029	2028	\$100,000	\$	\$5,300,000					

*For planning, construction and operation of the facility.
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE _____
 DATE 9/17/13

Attachment 2

November 19, 2013

Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed TexStar Midstream Service LP project on the number and size of school facilities in Calallen Independent School District (CISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the CISD superintendent, Edith George, the TEA has found that the TexStar Midstream Service LP project would not have a significant impact on the number or size of school facilities in CISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

November 19, 2013

Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency (TEA) has analyzed the revenue gains that would be realized by the proposed TexStar Midstream Service LP project for the Calallen Independent School District (CISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the TexStar Midstream Service LP project on CISD are correct.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED TEXSTAR
MIDSTREAM SERVICE, LP PROJECT (#341) ON THE FINANCES
OF THE CALLEN INDEPENDENT SCHOOL DISTRICT
INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED
CHAPTER 313 PROPERTY VALUE LIMITATION**

September 30, 2013

Final Report

PREPARED BY



Estimated Impact of the Proposed TexStar Midstream Service, LP Project (#341) on the Finances of the Calallen Independent School District Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

TexStar Midstream Service, LP (TexStar) has requested that the Calallen Independent School District Independent School District (CISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to CISD on September 17, 2013, TexStar proposes to invest \$152 million to construct a new natural gas fractionator project in CISD. This report reflects the impact of a revised investment schedule for the project.

The TexStar project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

Under the provisions of Chapter 313, CISD may offer a minimum value limitation of \$20 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2014-15 and 2015-16 school years, unless the District and the Company agree to an extension of the start of the two-year qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2014-15 and 2015-16 school years. Beginning in the 2016-17 school year, the project would go on the local tax roll at \$20 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes.

The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with CISD currently levying an \$0.1885 per \$100 I&S tax rate. The full value of the investment is expected to reach \$152 million in the 2014-15 school year, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

In the case of the TexStar project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. CISD would experience a revenue loss of \$1.5 million as a result of the implementation of the value limitation in the 2016-17 school year.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$9.9 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

School Finance Mechanics

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct its property value study and the audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation periods (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

The third year is often problematical financially for a school district that approves a Chapter 313 value limitation. The implementation of the value limitation often results in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but requires some type of compensation from the applicant under the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state M&O property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study.

Under the HB 1 system adopted in 2006, most school districts received additional state aid for tax reduction (ASATR) that was used to maintain their target revenue amounts established at the revenue levels under old law for the 2005-06 or 2006-07 school years, whichever was highest. In terms of new Chapter 313 property value limitation agreements, adjustments to ASATR funding often moderated the impact of the reduced M&O collections as a result of the limitation, in contrast with the earlier formula-driven finance system.

House Bill 3646 as enacted in 2009 created more "formula" school districts that were less dependent on ASATR state aid than had been the case previously. The formula reductions enacted during the First Called Session in 2011 made \$4 billion in reductions to the existing school funding formulas for the 2011-12 and 2012-13 school years. For the 2011-12 school year, across-the-board reductions were made that reduced each district's WADA count and resulted in an estimated 781 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 243 districts operated directly on the state formulas. For the 2012-13 school year, the changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula, with 689 districts operating on formula and 335 districts still receiving ASATR funding.

Senate Bill 1 and House Bill 1025 as passed by the 83rd Legislature made significant increases to the basic allotment and other formula changes by appropriation. The ASATR reduction percentage is increased slightly to 92.63 percent, while the basic allotment is increased by \$325 and \$365, respectively, for the 2013-14 and 2014-15 school years. A slight increase in the guaranteed yield for the six cents above compressed—known as the Austin yield—is also included. With the basic allotment increase, it is estimated that approximately 300 school districts will still receive ASATR in the 2013-14 school year and 273 districts would do so in the 2014-15 school year. Current state policy calls for ASATR funding to be eliminated by the 2017-18 school year.

While the manner in which the Legislature addresses the ASATR issue is important, CISD had a target level below the state average and has been a formula district in recent years. Under the analysis presented below, CISD is classified as a formula district with or without the value limitation in place. ASATR is not a factor in these calculations.

One concern in projecting into the future is that the underlying state statutes in the Education Code were not changed in order to provide these funding increases. All of the major formula changes were made by appropriation, which gives them only a two-year lifespan unless renewed in the 2015 legislative session. Despite this uncertainty, it is assumed that these changes will remain in effect for the forecast period for the purpose of these estimates, assuming a continued legislative commitment to these funding levels in future years.

A key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the TexStar project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f)(1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The general approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. The SB 1 basic allotment and Tier II increases are reflected in the underlying models. The projected taxable values of the TexStar Midstream Service, LP project are factored into the base model used here in order to simulate the financial impact of the project being constructed in the absence of a value limitation agreement. The impact of the limitation value for the proposed TexStar project is isolated separately and the focus of this analysis.

Student enrollment counts are held constant at 3,737 students in average daily attendance (ADA) in analyzing the effects of the TexStar project on the finances of CISD. The District's local tax base reached \$1.2 billion for the 2013 tax year and is maintained at that level for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.17 per \$100 is used throughout this analysis. CISD has estimated state property wealth per weighted ADA or WADA of approximately \$224,668 for the 2013-14 school year. The enrollment and property value assumptions for the 15 years that are the subject of this analysis are summarized in Table I.

School Finance Impact

School finance models were prepared for CISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2014-15 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding beyond the projected level for that school year. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property

value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a model is established to make a calculation of the “Baseline Revenue” by adding the value of the proposed TexStar facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A second model is developed which adds the TexStar value but imposes the proposed property value limitation effective in the third year, which in this case is the 2016-17 school year. The results of this model are identified as “Value Limitation Revenue Model” under the revenue protection provisions of the proposed agreement (see Table 3). A summary of the differences between these models is shown in Table 4.

Under these assumptions, CISD would experience a revenue loss of \$1.5 million as a result of the implementation of the value limitation in the 2016-17 school year. The revenue reduction results largely from the mechanics of the state formula system, where offsetting state aid is delayed by a year due to the one-year lag in the state property value study.

For the 2016-17 school year, it is estimated here that TexStar would receive \$1,366,560 in M&O tax savings when the \$20 million value limitation takes effect. CISD would experience reduced M&O tax collections in this amount for the 2016-17 school year, as well as a reduction of \$111,664 in Tier II state aid that is generated by local M&O tax effort. Once the 2016 property value study—used to calculate state aid in the 2017-18 school year—recognizes the \$20 million value limitation, increased state aid offsets the reduction in M&O tax collections for the remainder of the value limitation period. These differences are summarized in Table 4.

The Comptroller’s state property value study clearly influences these calculations. At the school-district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect. Two state value determinations are also made for school districts granting Chapter 313 agreements, consistent with local practice. A consolidated single state property value had been provided previously.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.17 per \$100 of taxable value M&O rate is assumed in 2013-14 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$8.4 million over the life of the agreement. In addition, TexStar would be eligible for a tax credit for M&O taxes paid on value in excess of the value limitation in each of the first two qualifying years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$3.0 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key CISD revenue losses are expected to total approximately \$1.5 million in the initial year of the agreement. In total, the potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to total \$9.9 million over the life of the agreement.

Facilities Funding Impact

The TexStar project remains fully taxable for debt services taxes, with CISD currently levying a \$0.1885 per \$100 l&S rate. While the value of the TexStar project is expected to depreciate over the life of the agreement and beyond, full access to the additional value is expected to provide CISD with a modest boost in l&S tax revenue as a result of the project.

The TexStar project is not expected to affect CISD in terms of enrollment. Continued expansion of the project and related development could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

Conclusion

The proposed TexStar manufacturing project enhances the tax base of CISD. It reflects continued capital investment in keeping with the goals of Chapter 313 of the Tax Code.

Under the assumptions outlined above, the potential tax savings for the applicant under a Chapter 313 agreement could reach an estimated \$9.9 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of CISD in meeting its future debt service obligations.

Table 1 – Base District Information with TexStar Midstream Service, LP Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
Pre-Year 1	2013-14	3,737.46	4,905.43	\$1.1700	\$0.1885	\$1,213,951,123	\$1,213,951,123	\$1,102,090,075	\$1,102,090,075	\$224,668	\$224,668
1	2014-15	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,365,951,123	\$1,365,951,123	\$1,199,234,978	\$1,199,234,978	\$244,464	\$244,464
2	2015-16	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,355,311,123	\$1,355,311,123	\$1,351,234,978	\$1,351,234,978	\$275,449	\$275,449
3	2016-17	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,350,751,123	\$1,233,951,123	\$1,340,594,978	\$1,340,594,978	\$273,280	\$273,280
4	2017-18	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,343,151,123	\$1,233,951,123	\$1,336,034,978	\$1,219,234,978	\$272,351	\$248,541
5	2018-19	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,335,551,123	\$1,233,951,123	\$1,328,434,978	\$1,219,234,978	\$270,801	\$248,541
6	2019-20	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,327,951,123	\$1,233,951,123	\$1,320,834,978	\$1,219,234,978	\$269,252	\$248,541
7	2020-21	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,320,351,123	\$1,233,951,123	\$1,313,234,978	\$1,219,234,978	\$267,703	\$248,541
8	2021-22	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,312,751,123	\$1,233,951,123	\$1,305,634,978	\$1,219,234,978	\$266,154	\$248,541
9	2022-23	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,305,151,123	\$1,233,951,123	\$1,298,034,978	\$1,219,234,978	\$264,604	\$248,541
10	2023-24	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,297,551,123	\$1,233,951,123	\$1,290,434,978	\$1,219,234,978	\$263,055	\$248,541
11	2024-25	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,289,951,123	\$1,289,951,123	\$1,282,834,978	\$1,219,234,978	\$261,506	\$248,541
12	2025-26	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,282,351,123	\$1,282,351,123	\$1,275,234,978	\$1,275,234,978	\$259,957	\$259,957
13	2026-27	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,274,751,123	\$1,274,751,123	\$1,267,634,978	\$1,267,634,978	\$258,407	\$258,407
14	2027-28	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,267,151,123	\$1,267,151,123	\$1,260,034,978	\$1,260,034,978	\$256,858	\$256,858
15	2028-29	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,259,551,123	\$1,259,551,123	\$1,252,434,978	\$1,252,434,978	\$255,309	\$255,309

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

Table 2 – “Baseline Revenue Model”--Project Value Added with No Value Limitation

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$11,915,848	\$14,742,573	\$0	\$0	\$2,025,694	\$1,747,077	\$0	\$30,431,192
1	2014-15	\$13,405,448	\$14,229,891	\$0	\$0	\$2,278,926	\$1,684,276	\$0	\$31,598,541
2	2015-16	\$13,301,176	\$12,709,891	\$0	\$0	\$2,261,200	\$1,249,475	\$0	\$29,521,742
3	2016-17	\$13,279,848	\$12,816,291	\$0	\$0	\$2,257,574	\$1,274,060	\$0	\$29,627,773
4	2017-18	\$13,203,848	\$12,861,891	\$0	\$0	\$2,244,654	\$1,279,311	\$0	\$29,589,704
5	2018-19	\$13,127,848	\$12,937,891	\$0	\$0	\$2,231,734	\$1,292,079	\$0	\$29,589,552
6	2019-20	\$13,051,848	\$13,013,891	\$0	\$0	\$2,218,814	\$1,304,847	\$0	\$29,589,400
7	2020-21	\$12,975,848	\$13,089,891	\$0	\$0	\$2,205,894	\$1,317,616	\$0	\$29,589,249
8	2021-22	\$12,899,848	\$13,165,891	\$0	\$0	\$2,192,974	\$1,330,383	\$0	\$29,589,096
9	2022-23	\$12,823,848	\$13,241,891	\$0	\$0	\$2,180,054	\$1,343,151	\$0	\$29,588,944
10	2023-24	\$12,747,848	\$13,317,891	\$0	\$0	\$2,167,134	\$1,355,919	\$0	\$29,588,792
11	2024-25	\$12,660,648	\$13,393,891	\$0	\$0	\$2,152,310	\$1,366,617	\$0	\$29,573,466
12	2025-26	\$12,586,168	\$13,469,891	\$0	\$0	\$2,139,648	\$1,379,370	\$0	\$29,575,077
13	2026-27	\$12,511,688	\$13,545,891	\$0	\$0	\$2,126,987	\$1,392,122	\$0	\$29,576,688
14	2027-28	\$12,437,208	\$13,621,891	\$0	\$0	\$2,114,325	\$1,404,875	\$0	\$29,578,299
15	2028-29	\$12,362,728	\$13,697,891	\$0	\$0	\$2,101,664	\$1,417,628	\$0	\$29,579,911

Table 3-- "Value Limitation Revenue Model"--Project Value Added with Value Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$11,915,848	\$14,742,573	\$0	\$0	\$2,025,694	\$1,747,077	\$0	\$30,431,192
1	2014-15	\$13,405,448	\$14,229,891	\$0	\$0	\$2,278,926	\$1,684,276	\$0	\$31,598,541
2	2015-16	\$13,301,176	\$12,709,891	\$0	\$0	\$2,261,200	\$1,249,475	\$0	\$29,521,742
3	2016-17	\$12,111,848	\$12,816,291	\$0	\$0	\$2,059,014	\$1,162,396	\$0	\$28,149,549
4	2017-18	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
5	2018-19	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
6	2019-20	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
7	2020-21	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
8	2021-22	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
9	2022-23	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
10	2023-24	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
11	2024-25	\$12,660,648	\$14,029,891	\$0	\$0	\$2,152,310	\$1,550,187	\$0	\$30,393,036
12	2025-26	\$12,586,168	\$13,469,891	\$0	\$0	\$2,139,648	\$1,379,370	\$0	\$29,575,077
13	2026-27	\$12,511,688	\$13,545,891	\$0	\$0	\$2,126,987	\$1,392,122	\$0	\$29,576,688
14	2027-28	\$12,437,208	\$13,621,891	\$0	\$0	\$2,114,325	\$1,404,875	\$0	\$29,578,299
15	2028-29	\$12,362,728	\$13,697,891	\$0	\$0	\$2,101,664	\$1,417,628	\$0	\$29,579,911

Table 4 - Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2016-17	-\$1,168,000	\$0	\$0	\$0	-\$198,560	-\$111,664	\$0	-\$1,478,224
4	2017-18	-\$1,092,000	\$1,168,000	\$0	\$0	-\$185,640	\$203,863	\$0	\$94,223
5	2018-19	-\$1,016,000	\$1,092,000	\$0	\$0	-\$172,720	\$191,095	\$0	\$94,375
6	2019-20	-\$940,000	\$1,016,000	\$0	\$0	-\$159,800	\$178,327	\$0	\$94,527
7	2020-21	-\$864,000	\$940,000	\$0	\$0	-\$146,880	\$165,558	\$0	\$94,678
8	2021-22	-\$788,000	\$864,000	\$0	\$0	-\$133,960	\$152,791	\$0	\$94,831
9	2022-23	-\$712,000	\$788,000	\$0	\$0	-\$121,040	\$140,023	\$0	\$94,983
10	2023-24	-\$636,000	\$712,000	\$0	\$0	-\$108,120	\$127,255	\$0	\$95,135
11	2024-25	\$0	\$636,000	\$0	\$0	\$0	\$183,570	\$0	\$819,570
12	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 5 - Estimated Financial Impact of the TexStar Midstream Service, LP Project Property Value Limitation Request Submitted to CISD at \$1.17 M&O Tax Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
Pre-Year 1	2013-14	\$0	\$0	\$0	\$1.170	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$152,000,000	\$152,000,000	\$0	\$1.170	\$1,778,400	\$1,778,400	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$141,360,000	\$141,360,000	\$0	\$1.170	\$1,653,912	\$1,653,912	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$136,800,000	\$20,000,000	\$116,800,000	\$1.170	\$1,600,560	\$234,000	\$1,366,560	\$0	\$1,366,560	-\$1,478,224	-\$111,664
4	2017-18	\$129,200,000	\$20,000,000	\$109,200,000	\$1.170	\$1,511,640	\$234,000	\$1,277,640	\$238,771	\$1,516,411	\$0	\$1,516,411
5	2018-19	\$121,600,000	\$20,000,000	\$101,600,000	\$1.170	\$1,422,720	\$234,000	\$1,188,720	\$231,608	\$1,420,328	\$0	\$1,420,328
6	2019-20	\$114,000,000	\$20,000,000	\$94,000,000	\$1.170	\$1,333,800	\$234,000	\$1,099,800	\$224,445	\$1,324,245	\$0	\$1,324,245
7	2020-21	\$106,400,000	\$20,000,000	\$86,400,000	\$1.170	\$1,244,880	\$234,000	\$1,010,880	\$217,282	\$1,228,162	\$0	\$1,228,162
8	2021-22	\$98,800,000	\$20,000,000	\$78,800,000	\$1.170	\$1,155,960	\$234,000	\$921,960	\$210,119	\$1,132,079	\$0	\$1,132,079
9	2022-23	\$91,200,000	\$20,000,000	\$71,200,000	\$1.170	\$1,067,040	\$234,000	\$833,040	\$202,956	\$1,035,996	\$0	\$1,035,996
10	2023-24	\$83,600,000	\$20,000,000	\$63,600,000	\$1.170	\$978,120	\$234,000	\$744,120	\$195,793	\$939,913	\$0	\$939,913
11	2024-25	\$76,000,000	\$76,000,000	\$0	\$1.170	\$889,200	\$889,200	\$0	\$1,032,460	\$1,032,460	\$0	\$1,032,460
12	2025-26	\$68,400,000	\$68,400,000	\$0	\$1.170	\$800,280	\$800,280	\$0	\$410,878	\$410,878	\$0	\$410,878
13	2026-27	\$60,800,000	\$60,800,000	\$0	\$1.170	\$711,360	\$711,360	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$53,200,000	\$53,200,000	\$0	\$1.170	\$622,440	\$622,440	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$45,600,000	\$45,600,000	\$0	\$1.170	\$533,520	\$533,520	\$0	\$0	\$0	\$0	\$0
						\$17,303,832	\$8,861,112	\$8,442,720	\$2,964,312	\$11,407,032	-\$1,478,224	\$9,928,808

Tax Credit for Value Over Limit in First 2 Years

	Year 1	Year 2	Max Credits
	\$1,544,400	\$1,419,912	\$2,964,312
Credits Earned			\$2,964,312
Credits Paid			\$2,964,312
Excess Credits Unpaid			\$0

***Note:** School District Revenue-Loss estimates are subject to change based on numerous factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year appraisals of project values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

Attachment 3

Nueces County

Population

- Total county population in 2010 for Nueces County: 323,196 , up 0.3 percent from 2009. State population increased 1.8 percent in the same time period.
- Nueces County was the state's 14th largest county in population in 2010 and the 174th fastest growing county from 2009 to 2010.
- Nueces County's population in 2009 was 33.8 percent Anglo (below the state average of 46.7 percent), 3.7 percent African-American (below the state average of 11.3 percent) and 60.0 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Nueces County:

Corpus Christi:	287,439	Robstown:	12,169
Port Aransas:	3,905	Bishop:	3,127
Driscoll:	805	Agua Dulce:	715
Petroniia:	79		

Economy and Income

Employment

- September 2011 total employment in Nueces County: 159,610 , up 2.7 percent from September 2010. State total employment increased 0.9 percent during the same period.

(October 2011 employment data will be available November 18, 2011).

- September 2011 Nueces County unemployment rate: 7.8 percent, up from 7.6 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

Corpus Christi: 7.6 percent, up from 7.3 percent in September 2010.

(Note: County and state unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission city unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates).

Income

- Nueces County's ranking in per capita personal income in 2009: 58th with an average per capita income of \$37,162, down 2.4 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

- Agricultural cash values in Nueces County averaged \$80.34 million annually from 2007 to 2010. County total agricultural values in 2010 were up 755.7 percent from 2009. Major agriculture related commodities in Nueces County during 2010 included:
 - Cotton • Sesame • Nursery • Other Beef • Sorghum
- 2011 oil and gas production in Nueces County: 320,277.0 barrels of oil and 19.1 million Mcf of gas. In September 2011, there were 189 producing oil wells and 718 producing gas wells.

Taxes

Sales Tax - Taxable Sales

(County and city taxable sales data for 1st quarter 2011 is currently targeted for release in mid-September 2011).

Quarterly (September 2010 through December 2010)

- Taxable sales in Nueces County during the fourth quarter 2010: \$1.04 billion, up 15.0 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Corpus Christi:	\$938.09 million, up 10.8 percent from the same quarter in 2009.
Robstown:	\$57.65 million, up 113.2 percent from the same quarter in 2009.
Port Aransas:	\$11.99 million, up 11.1 percent from the same quarter in 2009.
Bishop:	\$1.44 million, down 2.2 percent from the same quarter in 2009.
Driscoll:	\$420,248.00, up 11.6 percent from the same quarter in 2009.
Agua Dulce:	\$296,518.00, down 2.7 percent from the same quarter in 2009.
Petroniia:	\$72,807.00, up 184.8 percent from the same quarter in 2009.

Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)

- Taxable sales in Nueces County through the fourth quarter of 2010: \$3.83 billion, up 9.8 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Corpus Christi:	\$3.46 billion, up 7.2 percent from the same period in 2009.
Robstown:	\$200.33 million, up 69.6 percent from the same period in 2009.
Port Aransas:	\$70.69 million, down 1.1 percent from the same period in 2009.
Bishop:	\$5.79 million, up 1.1 percent from the same period in 2009.

Driscoll:	\$1.56 million, down 0.2 percent from the same period in 2009.
Agua Dulce:	\$1.13 million, up 5.6 percent from the same period in 2009.
Petronila:	\$211,186.00, up 54.0 percent from the same period in 2009.

Annual (2010)

- Taxable sales in Nueces County during 2010: \$3.83 billion, up 9.8 percent from 2009.
- Nueces County sent an estimated \$239.49 million (or 1.40 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Corpus Christi:	\$3.46 billion, up 7.2 percent from 2009.
Robstown:	\$200.33 million, up 69.6 percent from 2009.
Port Aransas:	\$70.69 million, down 1.1 percent from 2009.
Bishop:	\$5.79 million, up 1.1 percent from 2009.
Driscoll:	\$1.56 million, down 0.2 percent from 2009.
Agua Dulce:	\$1.13 million, up 5.6 percent from 2009.
Petronila:	\$211,186.00, up 54.0 percent from 2009.

Sales Tax – Local Sales Tax Allocations

(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)

Monthly

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Nueces County based on the sales activity month of August 2011: \$6.22 million, up 24.4 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Corpus Christi:	\$5.77 million, up 25.5 percent from August 2010.
Robstown:	\$274,860.33, up 8.9 percent from August 2010.
Port Aransas:	\$159,780.24, up 19.7 percent from August 2010.
Bishop:	\$15,632.42, up 3.1 percent from August 2010.
Driscoll:	\$4,054.43, up 3.6 percent from August 2010.
Agua Dulce:	\$2,541.27, up 18.0 percent from August 2010.
Petronila:	\$128.85, down 80.3 percent from August 2010.

Fiscal Year

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Nueces County based on sales activity months from September 2010 through August 2011: \$67.37 million, up 13.5 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Corpus Christi:	\$62.23 million, up 12.6 percent from fiscal 2010.
Robstown:	\$3.41 million, up 32.1 percent from fiscal 2010.
Port Aransas:	\$1.47 million, up 16.5 percent from fiscal 2010.
Bishop:	\$181,403.13, up 3.8 percent from fiscal 2010.
Driscoll:	\$46,574.81, up 20.7 percent from fiscal 2010.
Agua Dulce:	\$27,564.94, up 12.4 percent from fiscal 2010.
Petronila:	\$4,487.91, down 7.8 percent from fiscal 2010.

January 2011 through August 2011 (Sales Activity Year-To-Date)

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Nueces County based on sales activity months through August 2011: \$44.88 million, up 13.9 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Corpus Christi:	\$41.38 million, up 13.8 percent from the same period in 2010.
Robstown:	\$2.20 million, up 13.5 percent from the same period in 2010.
Port Aransas:	\$1.12 million, up 20.4 percent from the same period in 2010.
Bishop:	\$118,773.55, up 1.0 percent from the same period in 2010.
Driscoll:	\$32,410.79, up 24.2 percent from the same period in 2010.
Agua Dulce:	\$17,822.83, up 4.8 percent from the same period in 2010.
Petronila:	\$2,064.77, down 39.5 percent from the same period in 2010.

12 months ending in August 2011

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Nueces County based on sales activity in the 12 months ending in August 2011: \$67.37 million, up 13.5 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Corpus Christi:	\$62.23 million, up 12.6 percent from the previous 12-month period.
Robstown:	\$3.41 million, up 32.1 percent from the previous 12-month period.
Port Aransas:	\$1.47 million, up 16.5 percent from the previous 12-month period.
Bishop:	\$181,403.13, up 3.8 percent from the previous 12-month period.
Driscoll:	\$46,574.81, up 20.7 percent from the previous 12-month period.
Agua Dulce:	\$27,564.94, up 12.4 percent from the previous 12-month period.
Petronila:	\$4,487.91, down 7.8 percent from the previous 12-month period.

■ **City Calendar Year-To-Date (RJ 2011)**

- Payment to the cities from January 2011 through October 2011:

Corpus Christi:	\$52.50 million, up 13.5 percent from the same period in 2010.
Robstown:	\$2.82 million, up 23.8 percent from the same period in 2010.
Port Aransas:	\$1.27 million, up 17.3 percent from the same period in 2010.
Bishop:	\$151,640.26, up 5.2 percent from the same period in 2010.
Driscoll:	\$39,572.43, up 21.4 percent from the same period in 2010.
Agua Dulce:	\$22,637.66, up 9.1 percent from the same period in 2010.
Petronila:	\$3,017.84, down 24.5 percent from the same period in 2010.

Annual (2010)

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Nueces County based on sales activity months in 2010: \$61.89 million, up 4.6 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Corpus Christi:	\$57.20 million, up 2.9 percent from 2009.
Robstown:	\$3.15 million, up 60.8 percent from 2009.
Port Aransas:	\$1.28 million, down 3.6 percent from 2009.
Bishop:	\$180,187.04, up 2.9 percent from 2009.
Driscoll:	\$40,265.82, up 1.3 percent from 2009.
Agua Dulce:	\$26,741.96, up 10.2 percent from 2009.
Petronila:	\$5,834.13, up 11.9 percent from 2009.

Property Tax

- As of January 2009, property values in Nueces County: \$23.73 billion, up 3.6 percent from January 2008 values. The property tax base per person in Nueces County is \$73,450, below the statewide average of \$85,809. About 2.3 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Nueces County's ranking in state expenditures by county in fiscal year 2010: 11th. State expenditures in the county for FY2010: \$1.67 billion, up 0.2 percent from FY2009.
- In Nueces County, 36 state agencies provide a total of 5,862 jobs and \$44.13 million in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):

- | | |
|--|---|
| • Texas A & M University | • Department of Aging and Disability Services (Corpus Christi State School) |
| • Department of Family and Protective Services | • Department of Transportation |

Higher Education

- Community colleges in Nueces County fall 2010 enrollment:
 - Del Mar College, a Public Community College, had 12,236 students.

- Nueces County is in the service area of the following:

- Del Mar College with a fall 2010 enrollment of 12,236 . Counties in the service area include:
 - Aransas County
 - Kenedy County
 - Kleberg County
 - Nueces County
 - San Patricio County

■ Institutions of higher education in Nueces County fall 2010 enrollment:

- Texas A&M University-Corpus Christi, a Public University (part of Texas A&M University System), had 10,033 students.

School Districts

■ Nueces County had 12 school districts with 108 schools and 59,713 students in the 2009-10 school year.

(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)

- Agua Dulce ISD had 341 students in the 2009-10 school year. The average teacher salary was \$41,075. The percentage of students meeting the 2010 TAKS passing standard for all tests was 61 percent.
- Banquete ISD had 831 students in the 2009-10 school year. The average teacher salary was \$45,570. The percentage of students meeting the 2010 TAKS passing standard for all tests was 77 percent.
- Bishop CISD had 1,224 students in the 2009-10 school year. The average teacher salary was \$44,028. The percentage of students meeting the 2010 TAKS passing standard for all tests was 81 percent.
- Calallen ISD had 3,797 students in the 2009-10 school year. The average teacher salary was \$47,321. The percentage of students meeting the 2010 TAKS passing standard for all tests was 86 percent.
- Corpus Christi ISD had 38,041 students in the 2009-10 school year. The average teacher salary was \$50,380. The percentage of students meeting the 2010 TAKS passing standard for all tests was 71 percent.
- Driscoll ISD had 263 students in the 2009-10 school year. The average teacher salary was \$41,729. The percentage of students meeting the 2010 TAKS passing standard for all tests was 89 percent.
- Flour Bluff ISD had 5,440 students in the 2009-10 school year. The average teacher salary was \$46,636. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
- London ISD had 352 students in the 2009-10 school year. The average teacher salary was \$46,308. The percentage of students meeting the 2010 TAKS passing standard for all tests was 93 percent.
- Port Aransas ISD had 548 students in the 2009-10 school year. The average teacher salary was \$47,343. The percentage of students meeting the 2010 TAKS passing standard for all tests was 84 percent.
- Robstown ISD had 3,385 students in the 2009-10 school year. The average teacher salary was \$43,354. The percentage of students meeting the 2010 TAKS passing standard for all tests was 55 percent.
- Tulo-so-Midway ISD had 3,408 students in the 2009-10 school year. The average teacher salary was \$45,404. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
- West Oso ISD had 2,083 students in the 2009-10 school year. The average teacher salary was \$45,631. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.

**FINDINGS
OF THE
CALLEN INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
TEXSTAR MIDSTREAM SERVICES, LP
(APPLICATION #341)**

DECEMBER 20, 2013

Board Findings of the Calallen Independent School District

FINDINGS OF THE CALALLEN INDEPENDENT SCHOOL
DISTRICT BOARD OF TRUSTEES UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
TEXSTAR MIDSTREAM SERVICES, LP
(APPLICATION #341)

STATE OF TEXAS §

COUNTY OF NUECES §

On the 20th day of December, 2013, a public meeting of the Board of Trustees of the Calallen Independent School District was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of TexStar Midstream Services, LP (Application #341) (TexStar) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Calallen Independent School District makes the following findings with respect to the application of TexStar, and the economic impact of that application:

On September 27, 2013, the Texas Comptroller of Public Accounts received an Application from TexStar for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached as **Attachment A**.

The Applicant, TexStar (Texas Taxpayer Id. 32034941958), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be in good standing with the Texas Comptroller of Public Accounts. See **Attachment B**.

The Board of Trustees has acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy.

Board Findings of the Calallen Independent School District

The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Nueces County Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a favorable recommendation was issued on November 22, 2013. A copy of the Comptroller's letter is attached to the findings as **Attachment C**.

After receipt of the Application, the Texas Comptroller of Public Accounts caused to be conducted an economic impact evaluation pursuant to Texas Tax Code § 313.026 and the Board of Trustees has carefully considered such evaluation. A copy of the economic impact evaluation is attached to these findings as **Attachment D**.

The Board of Trustees also directed that a specific financial analysis be conducted of the impact of the proposed value limitation on the finances of the Calallen Independent School District. A copy of a report prepared by Moak, Casey & Associates, Inc. is attached to these findings as **Attachment E**.

The Board of Trustees has confirmed that the taxable value of property in the Calallen Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in **Attachment F**.

After receipt of the Application, the District entered into negotiations with TexStar, over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The proposed Agreement is attached to these findings as **Attachment G**.

After review of the Comptroller's recommendation, and in consideration of its own economic impact study the Board finds:

Board Finding Number 1.

There is a strong relationship between the Applicant's industry and the types of qualifying jobs to be created by the Applicant and the long-term economic growth plan of this State as described in the strategic plan for economic development (ED Plan) submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Texas Government Code.

In support of Finding 1, the economic impact evaluation states:

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the TexStar Midstream Services, LP project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

Board Finding Number 2.

The economic condition of Calallen ISD is in need of long-term improvement, based on the state's analysis of Nueces County data.

Based on information provided by the Comptroller's Office that focused on the county level, Nueces County is the 14th largest county in the state in terms of population. Population growth in Nueces County is up slightly; the population of Nueces County grew by 0.3 percent between 2009 and 2010, compared with the state average of 1.8 percent.

September 2011 employment for Nueces County was up 2.7 percent from September 2010, above the state's 0.9 percent increase in total employment during the same period, based on information provided by the Comptroller's Office. The unemployment rate in Nueces County was 7.8 percent in September 2011, lower than the state average of 8.5 percent.

Nueces County has a lower per capita personal income than the state as a whole. In terms of per capita income, Nueces County's \$37,162 in 2009 ranked 58th among the 254 counties in Texas, while the Texas average was \$38,609 for the same period.

The local economy in Nueces County will benefit from economic activity like that associated with the TexStar project. Major capital investments like this project are beneficial to the community on a number of fronts, including direct and indirect employment, expanded opportunities for existing businesses and increased local tax bases.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least \$53,000 per year. The review of the application by the State Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs must pay 110 percent of the regional average manufacturing wage. TexStar indicates that total employment will be approximately ten (10) new qualifying jobs.

In support of Finding 3, the economic impact evaluation states:

After construction, the project will create 10 new jobs when fully operational. All 10 jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Coastal Bend Council of Governments Region, where Nueces County is located was \$47,786 in 2012. The annual average manufacturing wage for 2012-2013 for Nueces County is \$69,992. That same year, the county annual average wage for all industries was \$42,861. In addition to an annual average salary of \$53,000 each qualifying position will receive benefits such as medical, long-term disability insurance, 401(K) retirement, life insurance and paid vacation days.

Board Finding Number 4.

The level of the applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$15.2 million on the basis of the goal of 10 new qualifying positions for the TexStar project.

In support of Finding 4, the economic impact evaluation states:

The project's total investment is \$152.0 million, resulting in a relative level of investment per qualifying job of \$15.2 million.

Board Finding Number 5.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region.

In support of Finding 5, the economic impact evaluation states:

Table 1 depicts TexStar Midstream Services, LP's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in TexStar Midstream Services, LP

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	210	243	453	\$10,930,000	\$16,070,000	\$27,000,000
2014	10	39	49	\$530,000	\$4,470,000	\$5,000,000
2015	10	35	45	\$530,000	\$3,470,000	\$4,000,000
2016	10	26	36	\$530,000	\$3,470,000	\$4,000,000
2017	10	34	44	\$530,000	\$3,470,000	\$4,000,000
2018	10	33	43	\$530,000	\$3,470,000	\$4,000,000
2019	10	37	47	\$530,000	\$3,470,000	\$4,000,000
2020	10	35	45	\$530,000	\$3,470,000	\$4,000,000
2021	10	39	49	\$530,000	\$3,470,000	\$4,000,000
2022	10	37	47	\$530,000	\$4,470,000	\$5,000,000
2023	10	41	51	\$530,000	\$4,470,000	\$5,000,000
2024	10	39	49	\$530,000	\$4,470,000	\$5,000,000
2025	10	43	53	\$530,000	\$4,470,000	\$5,000,000
2026	10	37	47	\$530,000	\$3,470,000	\$4,000,000
2027	10	35	45	\$530,000	\$4,470,000	\$5,000,000
2028	10	37	47	\$530,000	\$5,470,000	\$6,000,000

Source: CPA, REMI, TexStar Midstream Services, LP

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2012-2013. Calallen ISD’s ad valorem tax base in 2012-2013 was \$1.1 billion. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Calallen ISD’s estimated wealth per WADA was \$225,858. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Nueces County, and Delmar College District with all property tax incentives sought being granted using estimated market value from TexStar Midstream Services, LP’s application. TexStar Midstream Services, LP has applied for a value limitation under Chapter 313, Tax Code and no other property tax incentives. Table 3 illustrates the estimated tax impact of the TexStar Midstream Services, LP project on the region if all taxes are assessed.

Board Findings of the Calallen Independent School District

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Calallen ISD I&S Levy	Calallen ISD M&O Levy	Calallen ISD M&O and I&S Tax Levies (Before Credit Credited)	Calallen ISD M&O and I&S Tax Levies (After Credit Credited)	Nueces County Tax Levy	Delmar College Tax Levy	Estimated Total Property Taxes
				0.188500	1.170000			0.355259	0.258003	
2014	\$152,000,000	\$152,000,000		\$286,520	\$1,778,400	\$2,064,920	\$2,064,920	\$539,994	\$392,165	\$2,997,078
2015	\$141,360,000	\$141,360,000		\$266,464	\$1,653,912	\$1,920,376	\$1,920,376	\$502,194	\$364,713	\$2,787,283
2016	\$136,800,000	\$20,000,000		\$257,868	\$234,000	\$491,868	\$491,868	\$485,994	\$352,948	\$1,330,810
2017	\$129,200,000	\$20,000,000		\$243,542	\$234,000	\$477,542	\$238,771	\$458,995	\$333,340	\$1,031,106
2018	\$121,600,000	\$20,000,000		\$229,216	\$234,000	\$463,216	\$231,608	\$431,995	\$313,732	\$977,335
2019	\$114,000,000	\$20,000,000		\$214,890	\$234,000	\$448,890	\$224,445	\$404,995	\$294,123	\$923,564
2020	\$106,400,000	\$20,000,000		\$200,564	\$234,000	\$434,564	\$217,282	\$377,996	\$274,515	\$869,793
2021	\$98,800,000	\$20,000,000		\$186,238	\$234,000	\$420,238	\$210,119	\$350,996	\$254,907	\$816,022
2022	\$91,200,000	\$20,000,000		\$171,912	\$234,000	\$405,912	\$202,956	\$323,996	\$235,299	\$762,251
2023	\$83,600,000	\$20,000,000		\$157,586	\$234,000	\$391,586	\$195,793	\$296,997	\$215,691	\$708,480
2024	\$76,000,000	\$76,000,000		\$143,260	\$889,200	\$1,032,460	\$0	\$269,997	\$196,082	\$466,079
2025	\$68,400,000	\$68,400,000		\$128,934	\$800,280	\$929,214	\$518,336	\$242,997	\$176,474	\$937,807
2026	\$60,800,000	\$60,800,000		\$114,608	\$711,360	\$825,968	\$825,968	\$215,997	\$156,866	\$1,198,831
2027	\$53,200,000	\$53,200,000		\$100,282	\$622,440	\$722,722	\$722,722	\$188,998	\$137,258	\$1,048,977
2028	\$45,600,000	\$45,600,000		\$85,956	\$533,520	\$619,476	\$619,476	\$161,998	\$117,649	\$899,123
						Total	\$8,684,640	\$5,254,139	\$3,815,761	\$17,754,539

Assumes School Value Limitation and no other property tax incentives

Source: CPA, TexStar Midstream Services, LP

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Calallen ISD I&S Levy	Calallen ISD M&O Levy	Calallen ISD M&O and I&S Tax Levies	Nueces County Tax Levy	Delmar College Tax Levy	Estimated Total Property Taxes	
				0.188500	1.170000		0.355259	0.258003		
2014	\$152,000,000	\$152,000,000		\$286,520	\$1,778,400	\$2,064,920	\$539,994	\$392,165	\$2,997,078	
2015	\$141,360,000	\$141,360,000		\$266,464	\$1,653,912	\$1,920,376	\$502,194	\$364,713	\$2,787,283	
2016	\$136,800,000	\$136,800,000		\$257,868	\$1,600,560	\$1,858,428	\$485,994	\$352,948	\$2,697,370	
2017	\$129,200,000	\$129,200,000		\$243,542	\$1,511,640	\$1,755,182	\$458,995	\$333,340	\$2,547,517	
2018	\$121,600,000	\$121,600,000		\$229,216	\$1,422,720	\$1,651,936	\$431,995	\$313,732	\$2,397,663	
2019	\$114,000,000	\$114,000,000		\$214,890	\$1,333,800	\$1,548,690	\$404,995	\$294,123	\$2,247,809	
2020	\$106,400,000	\$106,400,000		\$200,564	\$1,244,880	\$1,445,444	\$377,996	\$274,515	\$2,097,955	
2021	\$98,800,000	\$98,800,000		\$186,238	\$1,155,960	\$1,342,198	\$350,996	\$254,907	\$1,948,101	
2022	\$91,200,000	\$91,200,000		\$171,912	\$1,067,040	\$1,238,952	\$323,996	\$235,299	\$1,798,247	
2023	\$83,600,000	\$83,600,000		\$157,586	\$978,120	\$1,135,706	\$296,997	\$215,691	\$1,648,393	
2024	\$76,000,000	\$76,000,000		\$143,260	\$889,200	\$1,032,460	\$269,997	\$196,082	\$1,498,539	
2025	\$68,400,000	\$68,400,000		\$128,934	\$800,280	\$929,214	\$242,997	\$176,474	\$1,348,685	
2026	\$60,800,000	\$60,800,000		\$114,608	\$711,360	\$825,968	\$215,997	\$156,866	\$1,198,831	
2027	\$53,200,000	\$53,200,000		\$100,282	\$622,440	\$722,722	\$188,998	\$137,258	\$1,048,977	
2028	\$45,600,000	\$45,600,000		\$85,956	\$533,520	\$619,476	\$161,998	\$117,649	\$899,123	
						Total	\$20,091,672	\$5,254,139	\$3,815,761	\$29,161,571

Source: CPA, TexStar Midstream Services, LP

¹Tax Rate per \$100 Valuation

Board Finding Number 6.

The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.

In support of this finding, the analysis prepared by Moak, Casey & Associates projects that the project would initially add \$152.0 million to the tax base for debt service purposes at the peak investment level for the 2014-15 school year. The TexStar project remains fully taxable for debt services taxes, with Calallen ISD currently levying a \$0.1885 per \$100 I&S rate. While the value of the TexStar project is expected to depreciate over the life of the agreement and beyond, full access to the additional value will add to the District's I&S tax base and assist it in meeting its debt service needs.

Board Finding Number 7.

The effect of the applicant's proposal, if approved, on the number or size of needed school district instructional facilities is not expected to increase the District's facility needs, with current trends suggest little underlying enrollment growth based on the impact of the TexStar project.

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the new manufacturing project and its 10 permanent jobs once it begins operations. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Calallen ISD as stated in **Attachment D**.

Board Finding Number 8.

The ability of the applicant to locate the proposed facility in another state or another region of this state is substantial, as a result of the highly competitive marketplace for economic development.

In support of Finding 8, the economic impact evaluation states:

According to TexStar Midstream Services, LP's application, "TexStar Midstream Services, LP has the unique ability to invest in various regions within Texas and surrounding states due to its expansive infrastructure and opportunities for capital

investment, the overall economies can be a key determining factor. Therefore, areas that offer favorable locations and competitive are ideal for these projects to create the best economic return.”

Board Finding Number 9.

During the past two years, 14 projects in the Coast Bend Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

Board Finding Number 10.

The Board of Trustees hired consultants to review and verify the information in the Application from TexStar. Based upon the consultants’ review, the Board has determined that the information provided by the Applicant is true and correct.

Board Finding Number 11.

The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Twenty Million Dollars, which is consistent with the minimum values currently set out by Tax Code, § 313.054(a).

According to the Texas Comptroller of Public Accounts’ School and Appraisal Districts’ Property Value Study 2012 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2012 industrial value for Calallen ISD is \$170 million. Calallen ISD is categorized as Subchapter C, which applies only to a school district that has territory in a strategic investment area, as defined under Subchapter O, Chapter 171, Tax Code or in a county: (1) that has a population of less than 50,000 and (2) in which, from 1990 to 2000, according to the federal decennial census, the population: (A) remained the same; (B) decreased; or (C) increased, but at a rate of not more than three percent per annum. Calallen ISD is classified as a “rural” district due to its demographic characteristics. It is classified as a Category II district which can offer a minimum value limitation of \$20 million.

Board Finding Number 12.

The Applicant (Taxpayer Id. 32034941958) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its “good standing” certification as a franchise-tax paying entity.

Board Finding Number 13.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment G, includes adequate and appropriate revenue protection provisions for the District.

In support of this finding, the report of Moak, Casey & Associates, Inc. shows that the District will incur a revenue loss under current law in the initial year that the value limitation is in effect without the proposed Agreement. However, with this Agreement, the negative consequences of granting the value limitation are offset through the revenue protection provisions agreed to by the Applicant and the District. Revenue protection measures are in place for the duration of the Agreement.

Board Finding Number 14.

Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

It is therefore ORDERED that the Agreement attached hereto as **Attachment G** is approved and hereby authorized to be executed and delivered by and on behalf of the Calallen Independent School District. It is further ORDERED that these findings and the Attachments referred to herein be attached to the Official Minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the Calallen Independent School District.

Board Findings of the Calallen Independent School District

Dated the 20th day of December 2013.

CALLEN INDEPENDENT SCHOOL DISTRICT

By: _____
Paul Peeler
President, Board of Trustees

ATTEST:

By: _____
Brent Burkhart
Secretary, Board of Trustees

TABLE 1. Estimated Financial Impact of the TexStar Midstream Services, LP Project Property Value Limitation Request Submitted to Calallen Independent School District at \$1.17 M&O Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits	School District Tax Benefit Lesser of \$100 per ADA or 40%	Company Tax Benefit
Pre-Year 1	2013-14	\$0	\$0	\$0	\$1.170	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$152,000,000	\$152,000,000	\$0	\$1.170	\$1,778,400	\$1,778,400	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$141,360,000	\$141,360,000	\$0	\$1.170	\$1,653,912	\$1,653,912	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$136,800,000	\$20,000,000	\$116,800,000	\$1.170	\$1,600,560	\$234,000	\$1,366,560	\$0	\$1,366,560	-\$1,478,224	-\$111,664	\$0	-\$111,664
4	2017-18	\$129,200,000	\$20,000,000	\$109,200,000	\$1.170	\$1,511,640	\$234,000	\$1,277,640	\$238,771	\$1,516,411	\$0	\$1,516,411	\$606,564	\$909,847
5	2018-19	\$121,600,000	\$20,000,000	\$101,600,000	\$1.170	\$1,422,720	\$234,000	\$1,188,720	\$231,608	\$1,420,328	\$0	\$1,420,328	\$568,131	\$852,197
6	2019-20	\$114,000,000	\$20,000,000	\$94,000,000	\$1.170	\$1,333,800	\$234,000	\$1,099,800	\$224,445	\$1,324,245	\$0	\$1,324,245	\$529,698	\$794,547
7	2020-21	\$106,400,000	\$20,000,000	\$86,400,000	\$1.170	\$1,244,880	\$234,000	\$1,010,880	\$217,282	\$1,228,162	\$0	\$1,228,162	\$491,265	\$736,897
8	2021-22	\$98,800,000	\$20,000,000	\$78,800,000	\$1.170	\$1,155,960	\$234,000	\$921,960	\$210,119	\$1,132,079	\$0	\$1,132,079	\$452,832	\$679,247
9	2022-23	\$91,200,000	\$20,000,000	\$71,200,000	\$1.170	\$1,067,040	\$234,000	\$833,040	\$202,956	\$1,035,996	\$0	\$1,035,996	\$414,398	\$621,598
10	2023-24	\$83,600,000	\$20,000,000	\$63,600,000	\$1.170	\$978,120	\$234,000	\$744,120	\$195,793	\$939,913	\$0	\$939,913	\$331,300	\$608,613
11	2024-25	\$76,000,000	\$76,000,000	\$0	\$1.170	\$889,200	\$889,200	\$0	\$1,032,460	\$1,032,460	\$0	\$1,032,460	\$0	\$1,032,460
12	2025-26	\$68,400,000	\$68,400,000	\$0	\$1.170	\$800,280	\$800,280	\$0	\$410,878	\$410,878	\$0	\$410,878	\$0	\$410,878
13	2026-27	\$60,800,000	\$60,800,000	\$0	\$1.170	\$711,360	\$711,360	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$53,200,000	\$53,200,000	\$0	\$1.170	\$622,440	\$622,440	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$45,600,000	\$45,600,000	\$0	\$1.170	\$533,520	\$533,520	\$0	\$0	\$0	\$0	\$0	\$0	\$0
						\$17,303,832	\$8,861,112	\$8,442,720	\$2,964,312	\$11,407,032	-\$1,478,224	\$9,928,808	\$3,394,188	\$6,534,620

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Tax Credit for Value Over Limit in First 2 Years

	Year 1	Year 2	Max Credits
	\$1,544,400	\$1,419,912	\$2,964,312
Credits Earned			\$2,964,312
Credits Paid			<u>\$2,964,312</u>
Excess Credits Unpaid			\$0

BOARD OF EDUCATION
CALALLEN INDEPENDENT SCHOOL DISTRICT
CORPUS CHRISTI, TEXAS

Date: December 20, 2013

Subject: Discuss the creation of the Equistar Chemicals, LP Reinvestment

Zone pursuant to Texas Tax Code §312.0025

New Business

Action

BACKGROUND INFORMATION

ITEM ADDRESSED

Discuss the creation of the Equistar Chemicals, LP Reinvestment Zone pursuant to Texas Tax Code §312.0025

RECOMMENDED ACTION

Discussion only.

CALALLEN INDEPENDENT SCHOOL DISTRICT

RESOLUTION CREATING THE EQUICSTAR CHEMICALS, LP REINVESTMENT ZONE

WHEREAS, Section 312.0025 of the Texas Tax Code permits a school district to designate a reinvestment zone if that designation is reasonably likely to contribute to the expansion of primary employment in the reinvestment zone, or attract major investment in the reinvestment zone that would be a benefit to property in the reinvestment zone and to the school district and contribute to the economic development of the region of this state in which the school district is located; and,

WHEREAS, the Calallen Independent School District (the “District”) desires to encourage the development of primary employment and to attract major investment in the District that would be a benefit to property in a reinvestment zone created by the District and to the school district and contribute to the economic development of the region in which the school district is located; and,

WHEREAS, a public hearing is required by Chapter 312 of the Texas Tax Code prior to approval of a reinvestment zone; and,

WHEREAS, the District published notice of a public hearing regarding the possible designation of the area described in the attached **Exhibit A** as a reinvestment zone for the purposes of Chapter 313 of the Texas Tax Code; and,

WHEREAS, the District wishes to create a reinvestment zone within the boundaries of the school district in Nueces County, Texas as shown on the map attached as **Exhibit B**; and,

WHEREAS, the District given written notice of the proposed action and the Public Hearing to all political subdivisions and taxing authorities having jurisdiction over the property proposed to be designated as the reinvestment zone, described in the attached **Exhibits A & B**; and,

WHEREAS, all interested members of the public were given an opportunity to make comments at the public hearing.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE CALALLEN INDEPENDENT SCHOOL DISTRICT:

SECTION 1. That the facts and recitations contained in the preamble of this Resolution are hereby found and declared to be true and correct.

SECTION 2. That the Board of Trustees of the Calallen Independent School District, after conducting such hearing and having heard such evidence and testimony, has made the following findings and determinations based on the evidence and testimony presented to it:

- (a) That the public hearing on the adoption of *The Equistar Chemicals, LP Zone* has been called, held and conducted, and that notices of such hearing have been published and mailed to the respective presiding officers of the governing bodies of all taxing units overlapping the territory inside the proposed reinvestment zone; and,
- (b) That the boundaries of *The Equistar Chemicals, LP Zone* be and, by the adoption of this Resolution, are declared and certified to be, the area as described in the description attached hereto as “**Exhibit A**”; and,
- (c) That the map attached hereto as “**Exhibit B**” is declared to be and, by the adoption of this Resolution, is certified to accurately depict and show the boundaries of *The Equistar Chemicals, LP Zone* which is described in **Exhibit A**; and further certifies that the property described in **Exhibit A** is inside the boundaries shown on **Exhibit B**; and,
- (d) That creation of *The Equistar Chemicals, LP Zone* with boundaries as described in **Exhibit A** and **Exhibit B** will result in benefits to the Calallen Independent School District and to land included in the zone, and that the improvements sought are feasible and practical; and,
- (e) That *The Equistar Chemicals, LP Zone* described in **Exhibit A** and **Exhibit B** meets the criteria set forth in Texas Tax Code §312.0025 for the creation of a reinvestment zone as set forth in the Property Redevelopment and Tax Abatement Act, as amended, in that it is reasonably likely that the designation will contribute to the retention or expansion of primary employment, and/or will attract investment in the zone that will be a benefit to the property, and would contribute to economic development within the Calallen Independent School District.

SECTION 3. That pursuant to the Property Redevelopment and Tax Abatement Act, as amended, the Calallen Independent School District, hereby creates a reinvestment zone under the provisions of Tex. Tax Code § 312.0025, encompassing the area described in **Exhibit A** and **Exhibit B**, and such reinvestment zone is hereby designated and shall hereafter be referred to as *The Equistar Chemicals, LP Zone*.

SECTION 4. That the existence of *The Equistar Chemicals, LP Zone* shall first take effect upon, December 20, 2013, the date of the adoption of this Resolution by the Board of Trustees and shall remain designated as a commercial-industrial reinvestment zone for a period of five (5) years from such date of such adoption.

SECTION 5. That if any section, paragraph, clause or provision of this Resolution shall for any reason beheld to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution.

SECTION 6. That it is hereby found, determined and declared that a sufficient notice of the date, hour, place and subject of the meeting of the Calallen Independent School District Board of Trustees, at which this Resolution was adopted, was posted at a place convenient and readily accessible at all times, as required by the Texas Open Government Act, Texas Government Code, Chapter 551, as amended; and that a public hearing was held prior to the designation of such reinvestment zone, and that proper notice of the hearing was published in newspapers of general circulation in Nueces County of the State of Texas, and furthermore, such notice was, in fact, delivered to the presiding officer of any effected taxing entity as prescribed by the Property Redevelopment and Tax Abatement Act.

PASSED, APPROVED AND ADOPTED on this 20th day of December, 2013.

CALALLEN INDEPENDENT SCHOOL DISTRICT

By: _____
PAUL PEELER
President
Board of Trustees

ATTEST: _____
BRENT BURKHART
Secretary
Board of Trustees

EXHIBIT A

METES AND BOUNDS DESCRIPTION OF THE EQUISTAR CHEMICALS, LP ZONE

U.S. SURVEYOR®

A Tract of Land in Survey 412, Abstract 854, Nueces County, Texas. Being a part of the Tract of Land Recorded as Tract 3 in Document # 1998037630, Official Records of Nueces County, Texas.

Boundary Being More Fully Described by Metes and Bounds as Follows:

BEGINNING at a 5/8" Iron rod found at the northwest corner of said Survey 412, the northeast corner of a 132.49 acre tract as recorded in Document # 2005033213, Official Records of Nueces County and in the south line of a 6.567 acre tract recorded as Tract 5 in said Document # 1998037630, being the northwest corner of this tract;

THENCE, North 89°15'01" East with the north line of said survey 412, a distance of 4,251.82 feet;

THENCE, South 00°44'59" East a distance of 2093.66 feet;

Thence, South 89°15'01" West a distance of 4,230.67 feet to a point on the west line of said tract;

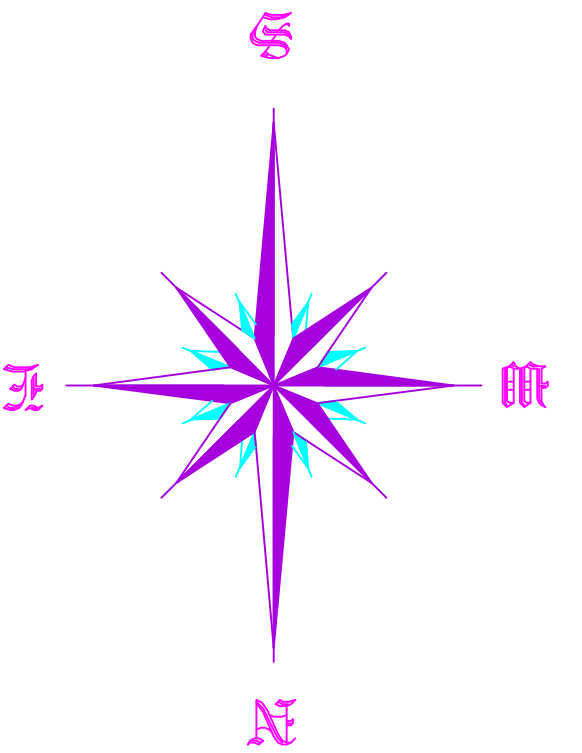
THENCE, North 01°19'43" West with the west line of said tract, a distance of 2,093.76 feet to the Place of Beginning, containing 203.8501 acres more or less.

This description prepared by
Michael F. Feldbusch, PLS
Texas Reg. No. 5213
November 11, 2013

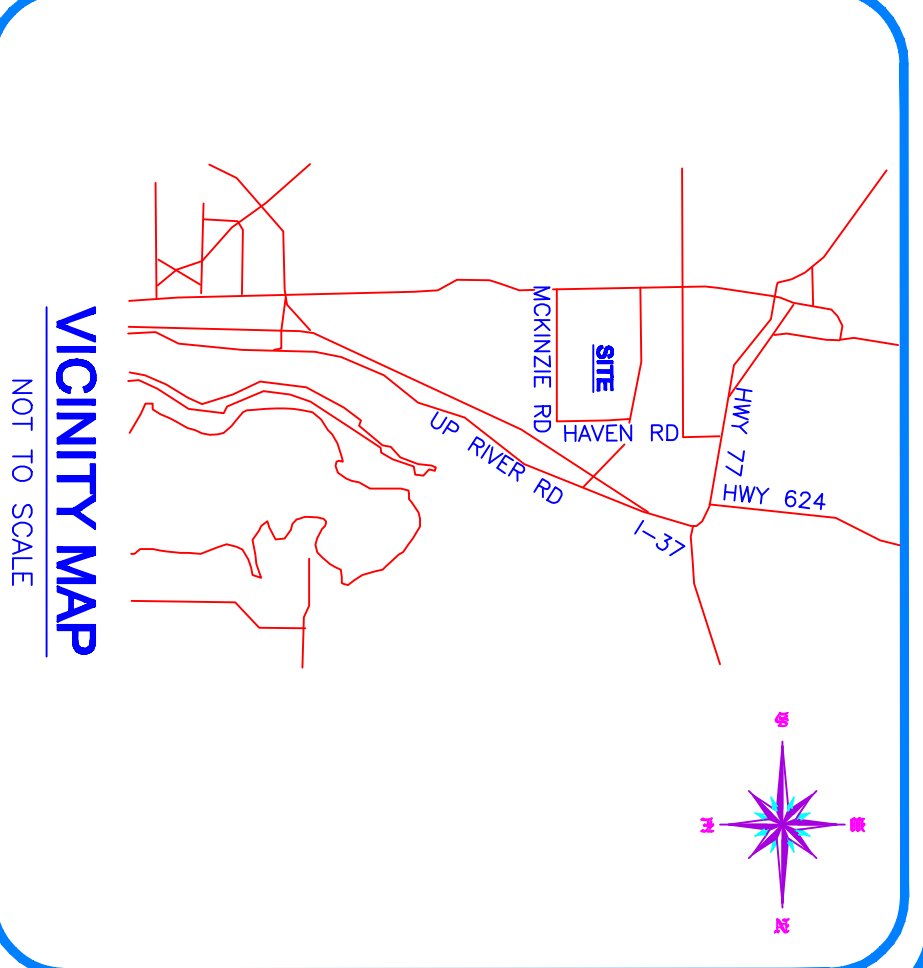
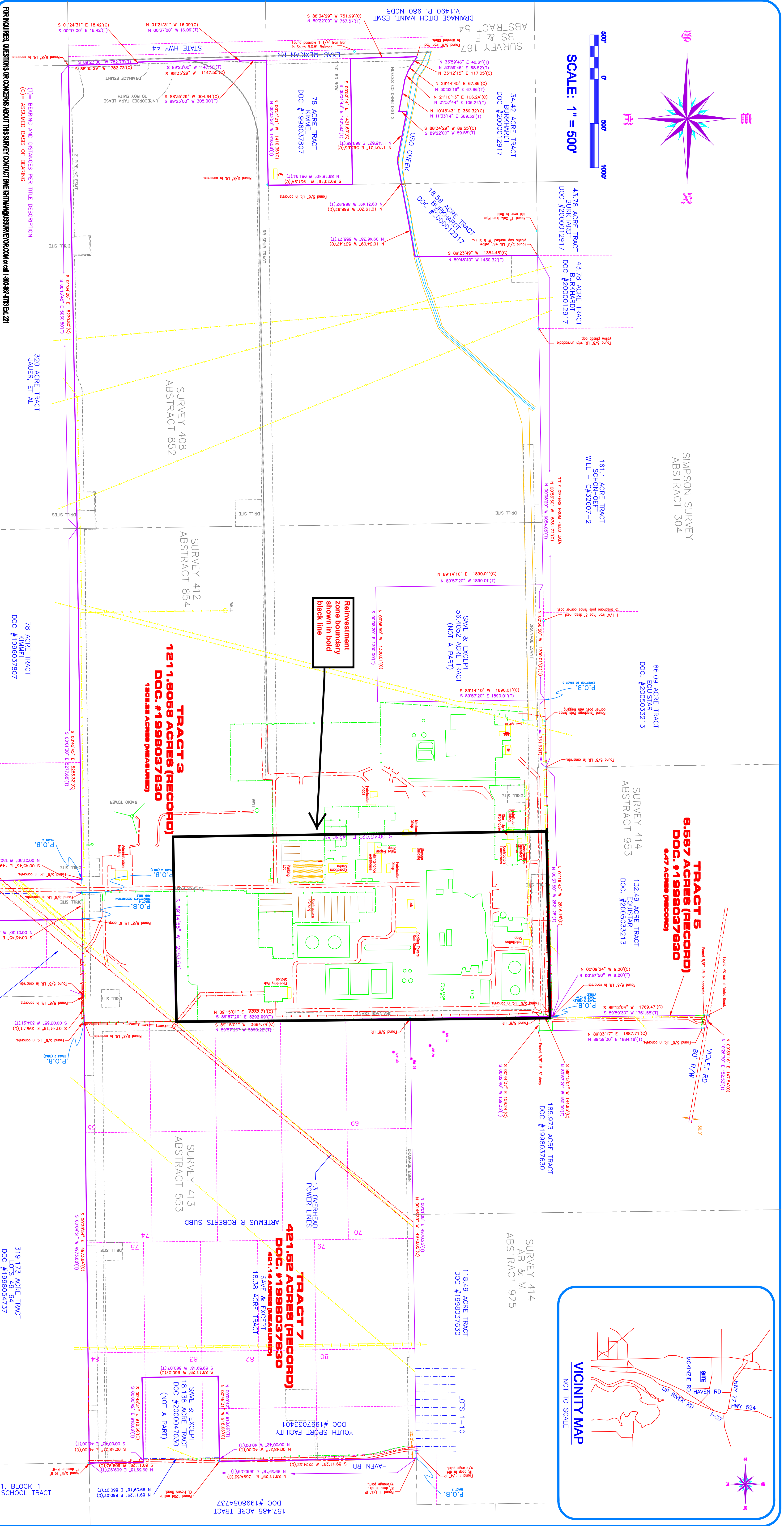


EXHIBIT B

SURVEY MAPS OF THE EQUISTAR CHEMICALS, LP ZONE



SCALE: 1" = 500'



U.S. SURVEYOR
 4820 RIVERBEND POINTS DRIVE
 EVANSTVILLE, INDIANA 47715
 1-800-TO-SURV

Skadden
 SKADDEN APPS, SLATE, MENGHER
 & FLOM LLP & AFFILIATES
 PROJECT ADDRESS:
 1501 MCKENZIE ROAD
 CORPUS CHRISTI, TEXAS
 PROJECT TYPE:
 TITLE SURVEY

FLOOD DATA This property is in Zone AE & C of the Flood Insurance Rate Map, Community Flood Hazard Area in a Special Flood Hazard Area. Field surveying was not performed to determine this zone. An elevation certificate may be needed to verify this determination or apply for an amendment from the Federal Emergency Management Agency.

TRACT 3
 121.1, 6088 ACRES (RECORD)
 DOC. #1998037630
 100% ACRES (REASSUMED)

TRACT 4
 8,214 ACRES (RECORD)
 DOC. #1998037630
 84% ACRES (REASSUMED)

TRACT 6
 18,87 ACRES (RECORD)
 DOC. #1998037630
 100% ACRES (REASSUMED)

TRACT 7
 481.82 ACRES (RECORD)
 DOC. #1998037630
 481.14 ACRES (REASSUMED)

TRACT 8
 18,138 ACRES TRACT
 DOC #2000047030
 SAVE & EXCEPT (NOT A PART)

DATE OF ORIGINAL:	MARCH 1, 2008
REVISION:	DATE: 2008
REVISION:	DATE: 2008
REVISION:	DATE: 2008

BOARD OF EDUCATION
CALALLEN INDEPENDENT SCHOOL DISTRICT
CORPUS CHRISTI, TEXAS

Date: December 20, 2013

Subject: Discuss findings under the Texas Economic Development Act on
the Application for a Limitation on Appraised Value of Property for Calallen ISD
Maintenance and Operations Taxes submitted by Equistar Chemicals, LP

New Business

Action

BACKGROUND INFORMATION

ITEM ADDRESSED

Discuss findings under the Texas Economic Development Act on the Application for a Limitation on Appraised Value of Property for Calallen ISD Maintenance and Operations Taxes submitted by Equistar Chemicals, LP

RECOMMENDED ACTION

Discussion only.

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. Box 13528 • AUSTIN, TX 78711-3528



December 16, 2013

Arturo Almendarez
Superintendent
Calallen Independent School District
4205 Wildcat Drive
Corpus Christi, TX 78410

Dear Superintendent Almendarez:

On Nov. 6, 2013, the Comptroller received the completed application (Application # 305) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in June 2013 to the Calallen Independent School District (the school district) by Equistar Chemicals, LP (the applicant). This letter presents the results of the Comptroller's review of the application:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to make a recommendation to the governing body of the school district as to whether the application should be approved or disapproved using the criteria set out by Section 313.026.

The school district is currently classified as a rural school district in Category 2 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$464 million) is consistent with the proposed appraised value limitation sought (\$20 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

The applicant is an active franchise taxpayer in good standing, as required by Section 313.024(a), and is proposing the construction of a manufacturing facility in Nueces County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described in the application, meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

After reviewing the application using the criteria listed in Section 313.026, and the information provided by the applicant, the Comptroller's recommendation is that this application under Tax Code Chapter 313 be approved.

Our review of the application assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements; the school district is responsible for verifying that all requirements of the statute have been fulfilled. Additionally, Section 313.025 requires the school district to only approve an application if the school district finds that the information in the application is true and

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

correct, finds that the applicant is eligible for a limitation and determines that granting the application is in the best interest of the school district and this state. When approving a job waiver requested under Section 313.025(f-1), the school district must also find that the statutory jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility. As stated above, the Comptroller's recommendation is prepared by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria and a cursory review of the industry standard evidence necessary to support the waiver of the required number of jobs.

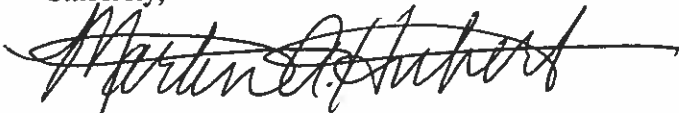
Note that any new building or other improvement existing as of the application review start date of Nov. 6, 2013, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application submitted by the school district and reviewed by the Comptroller. The recommendation may not be used by the school district to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

- 1) The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than ten (10) days prior to the meeting scheduled by the school district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency with the application;
- 2) The Comptroller must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 3) The school district must approve and execute a limitation agreement that has been reviewed by the Comptroller within a year from the date of this letter; and
- 4) The school district must provide a copy of the signed limitation agreement to the Comptroller within seven (7) days after execution, as required by Section 313.025.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Economic Impact for Chapter 313 Project

Applicant	Equistar Chemicals, LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Calallen ISD
2011-2012 Enrollment in School District	3,954
County	Nueces
Total Investment in District	\$465,990,000
Qualified Investment	\$464,240,000
Limitation Amount	\$20,000,000
Number of total jobs committed to by applicant	3*
Number of qualifying jobs committed to by applicant	3
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,250
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$1,011
Minimum Annual Wage committed to by applicant for qualified jobs	\$65,000
Investment per Qualifying Job	\$155,330,000
Estimated 15 year M&O levy without any limit or credit:	\$56,253,436
Estimated gross 15 year M&O tax benefit	\$36,182,661
Estimated 15 year M&O tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$30,818,015
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$712,998
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$25,435,421
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	54.8%
Percentage of tax benefit due to the limitation	98.0%
Percentage of tax benefit due to the credit.	2.0%
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

This presents the Comptroller's economic impact evaluation of Equistar Chemicals, LP (the project) applying to Calallen Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
 - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
 - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

Wages, salaries and benefits [313.026(6-8)]

After construction, the project will create three new jobs when fully operational. All three jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Coastal Bend Council of Governments Region, where Nueces County is located was \$47,786 in 2012. The annual average manufacturing wage for 2012 through 2013 for Nueces County is \$69,615. That same year, the county annual average wage for all industries was \$43,277. In addition to an annual average salary of \$65,000 each qualifying position will receive benefits such as the company pays 80% of employee health insurance premiums, dental plan, group life insurance, paid holidays, paid vacation and 401(k) retirement savings plan. The project's total investment is \$466 million, resulting in a relative level of investment per qualifying job of \$155.3 million.

Ability of applicant to locate to another state and [313.026(9)]

According to Equistar Chemicals, LP's application, "Equistar Chemicals, LP is wholly owned indirectly by LyondellBasell Industries, N.V. (a Netherlands entity), a global manufacturer of petrochemicals. The Corpus Christi plant is an olefins plant that produces ethylene, propylene, and other related hydrocarbon byproducts. Equistar Chemicals, LP has other plants that produce similar products in Channelview, Texas, La Porte, Texas, Morris, Illinois, and Clinton, Iowa." The application also states "LyondellBasell has the ability to and does invest in new or existing facilities in many countries around the world including the United States."

Number of new facilities in region [313.026(12)]

During the past two years, ten projects in the Coastal Bend Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Equistar Chemicals, LP project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]

Table 1 depicts Equistar Chemicals, LP's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Equistar Chemicals, LP

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	0	435	435	\$0	\$27,000,000	\$27,000,000
2014	200	1,966	2166	\$20,000,000	\$120,000,000	\$140,000,000
2015	338	8,365	8703	\$33,695,000	\$551,305,000	\$585,000,000
2016	3	11,118	11121	\$195,000	\$800,805,000	\$801,000,000
2017	3	4,829	4832	\$195,000	\$421,805,000	\$422,000,000
2018	3	304	307	\$195,000	\$109,805,000	\$110,000,000
2019	3	(73)	-70	\$195,000	\$65,805,000	\$66,000,000
2020	3	(222)	-219	\$195,000	\$39,805,000	\$40,000,000
2021	3	(253)	-250	\$195,000	\$23,805,000	\$24,000,000
2022	3	(208)	-205	\$195,000	\$15,805,000	\$16,000,000
2023	3	(124)	-121	\$195,000	\$15,805,000	\$16,000,000
2024	3	(87)	-84	\$195,000	\$12,805,000	\$13,000,000
2025	3	(9)	-6	\$195,000	\$15,805,000	\$16,000,000
2026	3	65	68	\$195,000	\$20,805,000	\$21,000,000
2027	3	136	139	\$195,000	\$26,805,000	\$27,000,000
2028	3	198	201	\$195,000	\$33,805,000	\$34,000,000

Source: CPA, REMI, Equistar Chemicals, LP

The statewide average ad valorem tax base for school districts in Texas was \$1.7 billion in 2012 to 2013. Calallen ISD's ad valorem tax base in 2012 to 2013 was \$1.1 billion. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012 to 2013. During that same year, Calallen ISD's estimated wealth per WADA was \$225,858. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Nueces County, Nueces County Hospital District and Del Mar College with all property tax incentives sought being granted using estimated market value from Equistar Chemicals, LP's application. Equistar Chemicals, LP has only applied for a value limitation under Chapter 313, Tax Code. Table 3 illustrates the estimated tax impact of the Equistar Chemicals, LP project on the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Calallen ISD I&S Levy	Calallen ISD M&O Levy	Calallen ISD M&O and I&S Tax Levies (Before Credit Credited)	Calallen ISD M&O and I&S Tax Levies (After Credit Credited)	Nueces County Tax Levy	Del Mar College District Tax Levy	Nueces County Hospital District Tax Levy	Estimated Total Property Taxes
2014	\$0	\$0		0.188500	1.170000	\$0	\$0	0.340999	0.250666	0.148077	\$0
2015	\$80,940,000	\$80,940,000		\$152,572	\$946,998	\$1,099,570	\$1,099,570	\$276,005	\$202,889	\$119,854	\$1,698,317
2016	\$440,800,000	\$20,000,000		\$830,908	\$234,000	\$1,064,908	\$1,064,908	\$1,503,124	\$1,104,936	\$652,723	\$4,325,691
2017	\$442,690,000	\$20,000,000		\$834,471	\$234,000	\$1,068,471	\$966,614	\$1,509,568	\$1,109,673	\$655,522	\$4,241,378
2018	\$424,982,000	\$20,000,000		\$801,091	\$234,000	\$1,035,091	\$933,234	\$1,449,184	\$1,065,285	\$629,301	\$4,077,004
2019	\$407,983,000	\$20,000,000		\$769,048	\$234,000	\$1,003,048	\$901,191	\$1,391,218	\$1,022,675	\$604,129	\$3,919,213
2020	\$391,664,000	\$20,000,000		\$738,287	\$234,000	\$972,287	\$870,430	\$1,335,570	\$981,768	\$579,964	\$3,767,733
2021	\$375,998,000	\$20,000,000		\$708,756	\$234,000	\$942,756	\$840,899	\$1,282,149	\$942,499	\$556,767	\$3,622,314
2022	\$360,958,000	\$20,000,000		\$680,406	\$234,000	\$914,406	\$812,549	\$1,230,863	\$904,799	\$534,496	\$3,482,707
2023	\$346,520,000	\$20,000,000		\$653,190	\$234,000	\$887,190	\$785,333	\$1,181,630	\$868,608	\$513,116	\$3,348,687
2024	\$332,660,000	\$332,660,000		\$627,064	\$3,892,122	\$4,519,186	\$4,519,186	\$1,134,367	\$833,866	\$492,593	\$6,980,012
2025	\$319,353,000	\$319,353,000		\$601,980	\$3,736,430	\$4,338,411	\$4,338,411	\$1,088,991	\$800,509	\$472,888	\$6,700,799
2026	\$306,579,000	\$306,579,000		\$577,901	\$3,586,974	\$4,164,876	\$4,164,876	\$1,045,431	\$768,489	\$453,973	\$6,432,769
2027	\$294,316,000	\$294,316,000		\$554,786	\$3,443,497	\$3,998,283	\$3,998,283	\$1,003,615	\$737,750	\$435,814	\$6,175,462
2028	\$282,543,000	\$282,543,000		\$532,594	\$3,305,753	\$3,838,347	\$3,838,347	\$963,469	\$708,239	\$418,381	\$5,928,436
						Total	\$29,133,829	\$16,395,184	\$12,051,986	\$7,119,521	\$64,700,521

Assumes School Value Limitation and no other property tax incentives

Source: CPA, Equistar Chemicals, LP

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Calallen ISD I&S Levy	Calallen ISD M&O Levy	Calallen ISD M&O and I&S Tax Levies	Nueces County Tax Levy	Del Mar College District Tax Levy	Nueces County Hospital District Tax Levy	Estimated Total Property Taxes	
2014	\$0	\$0		0.188500	1.170000	\$0	0.340999	0.250666	0.148077	\$0	
2015	\$80,940,000	\$80,940,000		\$152,572	\$946,998	\$1,099,570	\$276,005	\$202,889	\$119,854	\$1,578,464	
2016	\$440,800,000	\$440,800,000		\$830,908	\$5,157,360	\$5,988,268	\$1,503,124	\$1,104,936	\$652,723	\$8,596,327	
2017	\$442,690,000	\$442,690,000		\$834,471	\$5,179,473	\$6,013,944	\$1,509,568	\$1,109,673	\$655,522	\$8,633,185	
2018	\$424,982,000	\$424,982,000		\$801,091	\$4,972,289	\$5,773,380	\$1,449,184	\$1,065,285	\$629,301	\$8,287,850	
2019	\$407,983,000	\$407,983,000		\$769,048	\$4,773,401	\$5,542,449	\$1,391,218	\$1,022,675	\$604,129	\$7,956,342	
2020	\$391,664,000	\$391,664,000		\$738,287	\$4,582,469	\$5,320,755	\$1,335,570	\$981,768	\$579,964	\$7,638,094	
2021	\$375,998,000	\$375,998,000		\$708,756	\$4,399,177	\$5,107,933	\$1,282,149	\$942,499	\$556,767	\$7,332,581	
2022	\$360,958,000	\$360,958,000		\$680,406	\$4,223,209	\$4,903,614	\$1,230,863	\$904,799	\$534,496	\$7,039,277	
2023	\$346,520,000	\$346,520,000		\$653,190	\$4,054,284	\$4,707,474	\$1,181,630	\$868,608	\$513,116	\$6,757,712	
2024	\$332,660,000	\$332,660,000		\$627,064	\$3,892,122	\$4,519,186	\$1,134,367	\$833,866	\$492,593	\$6,487,419	
2025	\$319,353,000	\$319,353,000		\$601,980	\$3,736,430	\$4,338,411	\$1,088,991	\$800,509	\$472,888	\$6,227,910	
2026	\$306,579,000	\$306,579,000		\$577,901	\$3,586,974	\$4,164,876	\$1,045,431	\$768,489	\$453,973	\$5,978,796	
2027	\$294,316,000	\$294,316,000		\$554,786	\$3,443,497	\$3,998,283	\$1,003,615	\$737,750	\$435,814	\$5,739,648	
2028	\$282,543,000	\$282,543,000		\$532,594	\$3,305,753	\$3,838,347	\$963,469	\$708,239	\$418,381	\$5,510,055	
						Total	\$65,316,490	\$16,395,184	\$12,051,986	\$7,119,521	\$93,763,660

Source: CPA, Equistar Chemicals, LP

¹Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$56,253,436. The estimated gross 15 year M&O tax benefit, or levy loss, is \$36,182,660.

Attachment 3 is an economic overview of Nueces County.

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachments

1. Schedules A, B, C, and D provided by applicant in application
2. School finance and tax benefit provided by district
3. County Economic Overview

Attachment 1

Schedule A (Rev. January 2013): Investment

Applicant Name
EQUSTAR CHEMICALS, LP
DSD Name
CALLENSID

Form 99-328

		PROPERTY INVESTMENT AMOUNTS									
		(Estimated investment in each year. Do not put cumulative totals.)									
	Year	School Year (YYYY-YYYY)	Tax Year (If it actual tax year begins YYYY)	Column A: Tangible Personal Property The amount of total investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)			
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before final complete application with district (whether qualified property not eligible to become qualified investment)	2013-2014	2013	0	0	0	0	0			
	Investment made after final complete application with district, but before final board approval of application (eligible to become qualified property)	2013-2014	2013	0	0	0	0	0			
	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2013-2014	2013	0	0	0	0	0			
	Complete tax years of qualifying time period	1	2014-2015	2014	\$ 170,399,000	\$ -	\$ 170,399,000	\$ 170,399,000			
		2	2015-2016	2015	\$ 293,841,000	\$ -	\$ 293,841,000	\$ 293,841,000			
		3	2016-2017	2016	\$ 1,750,000	\$ -	\$ 1,750,000	\$ 1,750,000			
		4	2017-2018	2017	0	0	0	0			
		5	2018-2019	2018	0	0	0	0			
		6	2019-2020	2019	0	0	0	0			
		7	2020-2021	2020	0	0	0	0			
		8	2021-2022	2021	0	0	0	0			
		9	2022-2023	2022	0	0	0	0			
		10	2023-2024	2023	0	0	0	0			
		11	2024-2025	2024	0	0	0	0			
		12	2025-2026	2025	0	0	0	0			
	13	2026-2027	2026	0	0	0	0				
	14	2027-2028	2027	0	0	0	0				
	15	2028-2029	2028	0	0	0	0				

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment as defined in Tax Code §313.02(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property.

Column C: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.02(1)(E).

Column D: For the years outside the qualifying time period, the number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc.

Column E: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, please original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

Signature: *Stephen R. Woods*

DATE: 10/24/13

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

Schedule B (Rev. January 2013): Estimated Market And Taxable Value
EQUISTAR CHEMICALS, LP
CALLEN ISD

Form 50-296

Applicant Name
 ISD Name

	Year	School Year (YYYY-YYYY)	Tax Year (FB in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"		Final taxable value for ILS - other all reductions	Final taxable value for ILS - other all reductions
	pre-year 1	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Complete tax years of qualifying time period	1	2014-2015	2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2	2015-2016	2015	\$ -	\$ -	\$85,200,000	\$4,260,000	\$ 80,940,000	\$ 80,940,000
	3	2016-2017	2016	\$ -	\$ -	\$484,000,000	\$23,200,000	\$ 440,800,000	\$ 20,000,000
	4	2017-2018	2017	\$ -	\$ -	\$465,990,000	\$23,300,000	\$ 442,690,000	\$ 20,000,000
	5	2018-2019	2018	\$ -	\$ -	\$447,350,000	\$22,368,000	\$ 424,982,000	\$ 20,000,000
Tax Credit Period (with 50% cap on credit)	6	2019-2020	2019	\$ -	\$ -	\$429,456,000	\$21,473,000	\$ 407,983,000	\$ 20,000,000
	7	2020-2021	2020	\$ -	\$ -	\$412,278,000	\$20,614,000	\$ 391,664,000	\$ 20,000,000
	8	2021-2022	2021	\$ -	\$ -	\$395,787,000	\$19,789,000	\$ 375,998,000	\$ 20,000,000
	9	2022-2023	2022	\$ -	\$ -	\$379,956,000	\$18,996,000	\$ 360,958,000	\$ 20,000,000
	10	2023-2024	2023	\$ -	\$ -	\$364,758,000	\$18,238,000	\$ 346,520,000	\$ 20,000,000
Credit Settle-Up Period	11	2024-2025	2024	\$ -	\$ -	\$350,168,000	\$17,508,000	\$ 332,660,000	\$ 332,660,000
	12	2025-2026	2025	\$ -	\$ -	\$336,161,000	\$16,808,000	\$ 319,353,000	\$ 319,353,000
	13	2026-2027	2026	\$ -	\$ -	\$322,715,000	\$16,136,000	\$ 306,579,000	\$ 306,579,000
Post-Settle-Up Period	14	2027-2028	2027	\$ -	\$ -	\$309,806,000	\$15,490,000	\$ 294,316,000	\$ 294,316,000
	15	2028-2029	2028	\$ -	\$ -	\$297,414,000	\$14,871,000	\$ 282,543,000	\$ 282,543,000

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed enter those amounts for future years.

Steph K. W.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

10/24/13

DATE

Schedule C - Application: Employment Information

Applicant Name
ISD Name
EQUISTAR CHEMICALS, LP
CALALLEN ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2013-2014	2013	0 FTEs	\$0	0	\$0	0	\$0
Complete tax years of qualifying time period	1	2014-2015	2014	200 FTEs	\$100,000	0	\$0	0	\$0
	2	2015-2016	2015	335 FTEs	\$100,000	3	\$65,000	3	\$65,000
Tax Credit Period (with 50% cap on credit)	3	2016-2017	2016			3	\$65,000	3	\$65,000
	4	2017-2018	2017			3	\$65,000	3	\$65,000
	5	2018-2019	2018			3	\$65,000	3	\$65,000
	6	2019-2020	2019			3	\$65,000	3	\$65,000
	7	2020-2021	2020			3	\$65,000	3	\$65,000
Value Limitation Period	8	2021-2022	2021			3	\$65,000	3	\$65,000
	9	2022-2023	2022			3	\$65,000	3	\$65,000
	10	2023-2024	2023			3	\$65,000	3	\$65,000
Credit Settle-Up Period	11	2024-2025	2024			3	\$65,000	3	\$65,000
	12	2025-2026	2025			3	\$65,000	3	\$65,000
	13	2026-2027	2026			3	\$65,000	3	\$65,000
Post-Settle-Up Period	14	2027-2028	2027			3	\$65,000	3	\$65,000
	15	2028-2029	2028			3	\$65,000	3	\$65,000

Notes: For job definitions see TAC §9.105(14) and Tax Code §313.021(3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

Steph A. Wad

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

10/24/13
DATE

Schedule D: (Rev. January 2013): Other Tax Information

Applicant Name		EQUISTAR CHEMICALS, LP		ISD Name		CALLEEN ISD					Form 50-296
				Franchise Tax		Other Property Tax AbateMENTS Sought					
		Sales Tax Information		Franchise Tax							
		Sales Taxable Expenditures		Franchise Tax							
	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	County	City	Hospital	Other	
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2013-2014	2013	0	0	0					
	Complete tax years of qualifying time period	1	2014-2015	2014	\$ 15,762,000	154,637,000	0	n/a	n/a	n/a	n/a
		2	2015-2016		\$ 27,180,000	266,661,000	35,000	n/a	n/a	n/a	n/a
		3	2016-2017		\$ 162,000	1,588,000	900,000	n/a	n/a	n/a	n/a
		4	2017-2018		\$ -	-	465,000	n/a	n/a	n/a	n/a
		5	2018-2019		\$ -	-	575,000	n/a	n/a	n/a	n/a
		6	2019-2020		\$ -	-	500,000	n/a	n/a	n/a	n/a
		7	2020-2021		\$ -	-	435,000	n/a	n/a	n/a	n/a
		8	2021-2022		\$ -	-	395,000	n/a	n/a	n/a	n/a
		9	2022-2023		\$ -	-	560,000	n/a	n/a	n/a	n/a
		10	2023-2024		\$ -	-	510,000	n/a	n/a	n/a	n/a
		11	2024-2025		\$ -	-	550,000	n/a	n/a	n/a	n/a
		12	2025-2026		\$ -	-	585,000	n/a	n/a	n/a	n/a
		13	2026-2027		\$ -	-	630,000	n/a	n/a	n/a	n/a
		14	2027-2028		\$ -	-	560,000	n/a	n/a	n/a	n/a
15		2028-2029		\$ -	-	710,000	n/a	n/a	n/a	n/a	

*For planning, construction and operation of the facility.

Stacy R. W.J.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

10/28/13

DATE

Attachment 2

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED EQUISTAR
CHEMICALS, LP PROJECT (APPLICATION NO. 305) ON THE
FINANCES OF THE CALLEN ISD INDEPENDENT SCHOOL
DISTRICT UNDER A REQUESTED CHAPTER 313 PROPERTY
VALUE LIMITATION**

November 22, 2013

Final Report - Revised

PREPARED BY



Estimated Impact of the Proposed Equistar Chemicals, LP Project (Application No. 305) on the Finances of the Calallen ISD Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Equistar Chemicals, LP (Equistar) has requested that the Calallen ISD Independent School District (CISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to CISD on October 24, 2013, Equistar proposes to invest \$466 million to construct a new manufacturing project in CISD.

The Equistar project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

Under the provisions of Chapter 313, CISD may offer a minimum value limitation of \$20 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2014-15 and 2015-16 school years, unless the District and the Company agree to an extension of the start of the two-year qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2014-15 and 2015-16 school years. Beginning with the 2016-17 school year, the project would go on the local tax roll at \$20 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes.

The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with CISD currently levying a \$0.1885 per \$100 I&S tax rate. The full value of the investment is expected to reach \$443 million in the 2017-18 school year, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

In the case of the Equistar project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. CISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$5,339,763) under current law, with a small revenue loss expected in the 2017-18 school year.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$30.8 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

School Finance Mechanics

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct its property value study and the audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

The third year is often problematical financially for a school district that approves a Chapter 313 value limitation. The implementation of the value limitation often results in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant under the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state M&O property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study.

Under the HB 1 system adopted in 2006, most school districts received additional state aid for tax reduction (ASATR) that was used to maintain their target revenue amounts established at the revenue levels under old law for the 2005-06 or 2006-07 school years, whichever was highest. In terms of new Chapter 313 property value limitation agreements, adjustments to ASATR funding often moderated the impact of the reduced M&O collections as a result of the limitation, in contrast with the earlier formula-driven finance system.

House Bill 3646 as enacted in 2009 created more "formula" school districts that were less dependent on ASATR state aid than had been the case previously. The formula reductions enacted during the First Called Session in 2011 made \$4 billion in reductions to the existing school funding formulas for the 2011-12 and 2012-13 school years. For the 2011-12 school year, across-the-board reductions were made that reduced each district's WADA count and resulted in an estimated 781 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 243 districts operated directly on the state formulas. For the 2012-13 school year, the changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula, with 689 districts operating on formula and 335 districts still receiving ASATR funding.

Senate Bill 1 and House Bill 1025 as passed by the 83rd Legislature made significant increases to the basic allotment and other formula changes by appropriation. The ASATR reduction percentage is increased slightly to 92.63 percent, while the basic allotment is increased by \$325 and \$365, respectively, for the 2013-14 and 2014-15 school years. A slight increase in the guaranteed yield for the 6 cents above compressed—known as the Austin yield—is also included. With the basic allotment increase, it is estimated that approximately 300 school districts will still receive ASATR in the 2013-14 school year and 273 districts would do so in the 2014-15 school year. Current state policy calls for ASATR funding to be eliminated by the 2017-18 school year.

While the discussion of ASATR funding is important in the overall context of funding public education, CISD is classified as a formula district under the estimates presented below. The

District is not expected to receive ASATR funds under any of the scenarios presented here. It is classified as a formula district throughout the forecast period.

One concern in projecting into the future is that the underlying state statutes in the Education Code were not changed in order to provide these funding increases. All of the major formula changes were made by appropriation, which gives them only a two-year lifespan unless renewed in the 2015 legislative session. Despite this uncertainty, it is assumed that these changes will remain in effect for the forecast period for the purpose of these estimates, assuming a continued legislative commitment to these funding levels in future years.

A key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Equistar project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f)(1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The general approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. The SB 1 basic allotment increases are reflected in the underlying models. The anticipated ASATR changes are reflected in these models but do not appear to affect these results. The projected taxable values of the Equistar Chemicals, LP project are factored into the base model used here in order to simulate the financial impact of having constructed the project in the absence of a value limitation agreement. The impact of the limitation value for the proposed Equistar project is isolated separately and the focus of this analysis.

Student enrollment counts are held constant at 3,741 students in average daily attendance (ADA) in analyzing the effects of the Equistar project on the finances of CISD. The District's local tax base reached \$1.1 billion for the 2012 tax year and is maintained for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.17 per \$100 is used throughout this analysis. CISD has estimated state property wealth per weighted ADA or WADA of approximately \$225,609 for the 2012-13 school year, classifying it as a modest-wealth district. The enrollment and property value assumptions for the 15 years that are the subject of this analysis are summarized in Table 1.

School Finance Impact

School finance models were prepared for CISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2014-15 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding beyond the projected level for that school year. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property

value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a model is established to make a calculation of the “Baseline Revenue” by adding the value of the proposed Equistar facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A second model is developed which adds the Equistar value but imposes the proposed property value limitation effective in the third year, which in this case is the 2016-17 school year. The results of this model are identified as “Value Limitation Revenue Model” under the revenue protection provisions of the proposed agreement (see Table 3). A summary of the differences between these models is shown in Table 4.

Under these assumptions, CISD would experience a revenue loss of \$5.3 million as a result of the implementation of the value limitation in the 2016-17 school year. The revenue reduction results chiefly from the mechanics of the one-year lag associated with the state property value study.

The formula loss of \$5,339,763 cited above between the base and the limitation models is based on an assumption that Equistar would receive \$4.9 million in M&O taxes savings when the \$20 million limitation is implemented. Given CISD’s position as a formula district, there is no state aid offset for this reduction until the 2017-18 school year. In addition, the District is expected to lose \$416,403 in Tier II state aid as a result of the lower M&O tax effort as a result of the first-year value limitation in 2016-17.

The Comptroller’s state property value study influences these calculations, as noted previously. At the school-district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect. Two state property value determinations are made for school districts granting Chapter 313 agreements, consistent with local practice. A consolidated single state property value had been provided previously.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.17 per \$100 of taxable value M&O rate is assumed in 2013-14 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$35.5 million over the life of the agreement. In addition, Equistar would be eligible for a tax credit for M&O taxes paid on value in excess of the value limitation in each of the first two qualifying years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$0.7 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key CISD revenue losses are expected to total approximately \$5.4 million over the course of the agreement, concentrated in the initial value limitation year under current law. The potential

total net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to reach \$30.8 million over the life of the agreement.

Facilities Funding Impact

The Equistar project remains fully taxable for debt services taxes, with CISD currently levying a \$0.1885 per \$100 I&S rate. The value of the Equistar project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value is expected to increase the District's projected wealth per ADA to a level that exceeds the level of support provided by the two state facilities programs. This should provide the option for tax relief as a result of the construction of the Equistar program.

The Equistar project is not expected to affect CISD in terms of enrollment. Continued expansion of the project and related development could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

Conclusion

The proposed Equistar manufacturing project enhances the tax base of CISD. It reflects continued capital investment in keeping with the goals of Chapter 313 of the Tax Code.

Under the assumptions outlined above, the potential tax savings for the applicant under a Chapter 313 agreement could reach an estimated \$30.8 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of CISD in meeting its future debt service obligations.

Table 1 – Base District Information with Equistar Chemicals, LP Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
Pre-Year 1	2013-14	3,741.08	4,898.00	\$1.1700	\$0.1885	\$1,115,614,128	\$1,115,614,128	\$1,102,090,075	\$1,102,090,075	\$224,962	\$224,962
1	2014-15	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,267,614,128	\$1,267,614,128	\$1,102,090,075	\$1,102,090,075	\$224,995	\$224,995
2	2015-16	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,337,914,128	\$1,337,914,128	\$1,254,090,075	\$1,254,090,075	\$256,026	\$256,026
3	2016-17	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,576,414,128	\$1,155,614,128	\$1,324,390,075	\$1,324,390,075	\$270,378	\$270,378
4	2017-18	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,578,304,128	\$1,155,614,128	\$1,562,890,075	\$1,142,090,075	\$319,069	\$233,161
5	2018-19	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,560,596,128	\$1,155,614,128	\$1,564,780,075	\$1,142,090,075	\$319,454	\$233,161
6	2019-20	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,543,597,128	\$1,155,614,128	\$1,547,072,075	\$1,142,090,075	\$315,839	\$233,161
7	2020-21	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,527,278,128	\$1,155,614,128	\$1,530,073,075	\$1,142,090,075	\$312,369	\$233,161
8	2021-22	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,511,612,128	\$1,155,614,128	\$1,513,754,075	\$1,142,090,075	\$309,037	\$233,161
9	2022-23	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,496,572,128	\$1,155,614,128	\$1,498,088,075	\$1,142,090,075	\$305,839	\$233,161
10	2023-24	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,482,134,128	\$1,155,614,128	\$1,483,048,075	\$1,142,090,075	\$302,769	\$233,161
11	2024-25	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,524,274,128	\$1,524,274,128	\$1,468,610,075	\$1,142,090,075	\$299,821	\$233,161
12	2025-26	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,503,367,128	\$1,503,367,128	\$1,510,750,075	\$1,510,750,075	\$308,424	\$308,424
13	2026-27	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,482,993,128	\$1,482,993,128	\$1,489,843,075	\$1,489,843,075	\$304,156	\$304,156
14	2027-28	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,463,130,128	\$1,463,130,128	\$1,469,469,075	\$1,469,469,075	\$299,996	\$299,996
15	2028-29	3,741.08	4,898.29	\$1.1700	\$0.1885	\$1,443,757,128	\$1,443,757,128	\$1,449,606,075	\$1,449,606,075	\$295,941	\$295,941

Table 2-- "Baseline Revenue Model"--Project Value Added with No Value Limitation*

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$11,008,438	\$14,709,850	\$0	\$0	\$1,871,434	\$1,808,657	\$0	\$29,198,379
1	2014-15	\$12,498,038	\$15,163,563	\$0	\$0	\$2,124,666	\$1,888,287	\$0	\$31,674,554
2	2015-16	\$13,186,978	\$13,643,563	\$0	\$0	\$2,241,787	\$1,502,322	\$0	\$30,574,650
3	2016-17	\$15,608,438	\$12,940,563	\$0	\$0	\$2,653,434	\$1,542,346	\$0	\$32,744,781
4	2017-18	\$15,627,338	\$10,555,563	\$0	\$0	\$2,656,647	\$903,507	\$0	\$29,743,055
5	2018-19	\$15,450,258	\$10,536,663	\$0	\$0	\$2,626,543	\$888,290	\$0	\$29,501,754
6	2019-20	\$15,280,268	\$10,713,743	\$0	\$0	\$2,597,646	\$919,522	\$0	\$29,511,179
7	2020-21	\$15,117,079	\$10,883,733	\$0	\$0	\$2,569,904	\$948,099	\$0	\$29,518,815
8	2021-22	\$14,960,419	\$11,046,923	\$0	\$0	\$2,543,271	\$975,514	\$0	\$29,526,127
9	2022-23	\$14,810,019	\$11,203,583	\$0	\$0	\$2,517,703	\$1,001,833	\$0	\$29,533,138
10	2023-24	\$14,665,639	\$11,353,983	\$0	\$0	\$2,493,158	\$1,027,182	\$0	\$29,539,962
11	2024-25	\$15,013,306	\$11,498,363	\$0	\$0	\$2,552,262	\$1,086,944	\$0	\$30,150,875
12	2025-26	\$14,808,418	\$11,076,963	\$0	\$0	\$2,517,431	\$972,301	\$0	\$29,375,113
13	2026-27	\$14,608,753	\$11,286,033	\$0	\$0	\$2,483,488	\$1,007,207	\$0	\$29,385,481
14	2027-28	\$14,414,095	\$11,489,773	\$0	\$0	\$2,450,396	\$1,042,767	\$0	\$29,397,031
15	2028-29	\$14,224,240	\$11,688,403	\$0	\$0	\$2,418,120	\$1,075,898	\$0	\$29,406,661

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

Table 3— “Value Limitation Revenue Model”—Project Value Added with Value Limit*

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$11,008,438	\$14,709,850	\$0	\$0	\$1,871,434	\$1,608,657	\$0	\$29,198,379
1	2014-15	\$12,498,038	\$15,163,563	\$0	\$0	\$2,124,666	\$1,888,287	\$0	\$31,674,554
2	2015-16	\$13,186,978	\$13,843,563	\$0	\$0	\$2,241,787	\$1,502,322	\$0	\$30,574,650
3	2016-17	\$11,400,438	\$12,940,563	\$0	\$0	\$1,938,074	\$1,125,943	\$0	\$27,405,018
4	2017-18	\$11,400,438	\$14,763,563	\$0	\$0	\$1,938,074	\$1,616,098	\$0	\$29,718,173
5	2018-19	\$11,400,438	\$14,763,563	\$0	\$0	\$1,938,074	\$1,616,098	\$0	\$29,718,173
6	2019-20	\$11,400,438	\$14,763,563	\$0	\$0	\$1,938,074	\$1,616,098	\$0	\$29,718,173
7	2020-21	\$11,400,438	\$14,763,563	\$0	\$0	\$1,938,074	\$1,616,098	\$0	\$29,718,173
8	2021-22	\$11,400,438	\$14,763,563	\$0	\$0	\$1,938,074	\$1,616,098	\$0	\$29,718,173
9	2022-23	\$11,400,438	\$14,763,563	\$0	\$0	\$1,938,074	\$1,616,098	\$0	\$29,718,173
10	2023-24	\$11,400,438	\$14,763,563	\$0	\$0	\$1,938,074	\$1,616,098	\$0	\$29,718,173
11	2024-25	\$15,013,306	\$14,763,563	\$0	\$0	\$2,552,262	\$2,128,598	\$0	\$34,457,729
12	2025-26	\$14,808,418	\$11,076,983	\$0	\$0	\$2,517,431	\$972,301	\$0	\$29,375,113
13	2026-27	\$14,608,753	\$11,286,033	\$0	\$0	\$2,483,488	\$1,007,207	\$0	\$29,385,481
14	2027-28	\$14,414,095	\$11,489,773	\$0	\$0	\$2,450,398	\$1,042,767	\$0	\$29,397,031
15	2028-29	\$14,224,240	\$11,688,403	\$0	\$0	\$2,418,120	\$1,075,898	\$0	\$29,406,661

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

Table 4 – Value Limit less Project Value with No Limit*

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2016-17	-\$4,208,000	\$0	\$0	\$0	-\$715,360	-\$416,403	\$0	-\$5,339,763
4	2017-18	-\$4,228,900	\$4,208,000	\$0	\$0	-\$718,573	\$712,591	\$0	-\$24,882
5	2018-19	-\$4,049,820	\$4,226,900	\$0	\$0	-\$688,469	\$727,808	\$0	\$216,419
6	2019-20	-\$3,879,830	\$4,049,820	\$0	\$0	-\$659,572	\$698,578	\$0	\$208,994
7	2020-21	-\$3,716,641	\$3,879,830	\$0	\$0	-\$631,830	\$667,999	\$0	\$199,358
8	2021-22	-\$3,559,981	\$3,716,640	\$0	\$0	-\$605,197	\$640,584	\$0	\$182,046
9	2022-23	-\$3,409,581	\$3,559,980	\$0	\$0	-\$579,629	\$614,265	\$0	\$185,035
10	2023-24	-\$3,265,201	\$3,409,580	\$0	\$0	-\$555,084	\$588,916	\$0	\$178,211
11	2024-25	\$0	\$3,265,200	\$0	\$0	\$0	\$1,041,654	\$0	\$4,306,854
12	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

Table 5 - Estimated Financial Impact of the Equistar Chemicals, LP Project Property Value Limitation Request Submitted to CISD at \$1.17 M&O Tax Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
Pre-Year 1	2013-14	\$0	\$0	\$0	\$1.170	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$1.170	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$80,940,000	\$80,940,000	\$0	\$1.170	\$946,998	\$946,998	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$440,800,000	\$20,000,000	\$420,800,000	\$1.170	\$5,157,360	\$234,000	\$4,923,360	\$0	\$4,923,360	-\$5,339,763	-\$416,403
4	2017-18	\$442,690,000	\$20,000,000	\$422,690,000	\$1.170	\$5,179,473	\$234,000	\$4,945,473	\$101,857	\$5,047,330	-\$24,882	\$5,022,448
5	2018-19	\$424,982,000	\$20,000,000	\$404,982,000	\$1.170	\$4,972,289	\$234,000	\$4,738,289	\$101,857	\$4,840,146	\$0	\$4,840,146
6	2019-20	\$407,983,000	\$20,000,000	\$387,983,000	\$1.170	\$4,773,401	\$234,000	\$4,539,401	\$101,857	\$4,641,258	\$0	\$4,641,258
7	2020-21	\$391,664,000	\$20,000,000	\$371,664,000	\$1.170	\$4,582,469	\$234,000	\$4,348,469	\$101,857	\$4,450,326	\$0	\$4,450,326
8	2021-22	\$375,998,000	\$20,000,000	\$355,998,000	\$1.170	\$4,399,177	\$234,000	\$4,165,177	\$101,857	\$4,267,033	\$0	\$4,267,033
9	2022-23	\$360,958,000	\$20,000,000	\$340,958,000	\$1.170	\$4,223,209	\$234,000	\$3,989,209	\$101,857	\$4,091,065	\$0	\$4,091,065
10	2023-24	\$346,520,000	\$20,000,000	\$326,520,000	\$1.170	\$4,054,284	\$234,000	\$3,820,284	\$101,857	\$3,922,141	\$0	\$3,922,141
11	2024-25	\$332,660,000	\$332,660,000	\$0	\$1.170	\$3,892,122	\$3,892,122	\$0	\$0	\$0	\$0	\$0
12	2025-26	\$319,353,000	\$319,353,000	\$0	\$1.170	\$3,736,430	\$3,736,430	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$306,579,000	\$306,579,000	\$0	\$1.170	\$3,586,974	\$3,586,974	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$294,316,000	\$294,316,000	\$0	\$1.170	\$3,443,497	\$3,443,497	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$282,543,000	\$282,543,000	\$0	\$1.170	\$3,305,753	\$3,305,753	\$0	\$0	\$0	\$0	\$0
						\$56,253,436	\$20,783,775	\$35,469,662	\$712,998	\$36,182,660	-\$5,364,645	\$30,818,015

Tax Credit for Value Over Limit in First 2 Years

	Year 1	Year 2	Max Credits
	\$0	\$712,998	\$712,998
Credits Eamed			\$712,998
Credits Paid			\$712,998
Excess Credits Unpaid			\$0

***Note:** School District Revenue-Loss estimates are subject to change based on numerous factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year appraisals of project values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.



TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Michael Williams
Commissioner

December 13, 2013

Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency (TEA) has analyzed the revenue gains that would be realized by the proposed Equistar Chemicals LP project (application #305) for the Calallen Independent School District (CISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Equistar Chemicals LP project on CISD are correct.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Al McKenzie", with a long horizontal flourish extending to the right.

Al McKenzie, Manager
Foundation School Program Support

AM/rk

December 13, 2013

Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Equistar Chemicals LP project (application #305) on the number and size of school facilities in Calallen Independent School District (CISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the CISD superintendent, Arturo Almendarez, the TEA has found that the Equistar Chemicals LP project would not have a significant impact on the number or size of school facilities in CISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

Attachment 3

Nueces County

Population

- Total county population in 2010 for Nueces County: 323,196 , up 0.3 percent from 2009. State population increased 1.8 percent in the same time period.
- Nueces County was the state's 14th largest county in population in 2010 and the 174th fastest growing county from 2009 to 2010.
- Nueces County's population in 2009 was 33.8 percent Anglo (below the state average of 46.7 percent), 3.7 percent African-American (below the state average of 11.3 percent) and 60.0 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Nueces County:

Corpus Christi:	287,439	Robstown:	12,169
Port Aransas:	3,905	Bishop:	3,127
Driscoll:	805	Agua Dulce:	715
Petronila:	79		

Economy and Income

Employment

- September 2011 total employment in Nueces County: 159,610 , up 2.7 percent from September 2010. State total employment increased 0.9 percent during the same period.

(October 2011 employment data will be available November 18, 2011).

- September 2011 Nueces County unemployment rate: 7.8 percent, up from 7.6 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

Corpus Christi: 7.6 percent, up from 7.3 percent in September 2010.

(Note: County and state unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission city unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates).

Income

- Nueces County's ranking in per capita personal income in 2009: 58th with an average per capita income of \$37,162, down 2.4 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

- Agricultural cash values in Nueces County averaged \$80.34 million annually from 2007 to 2010. County total agricultural values in 2010 were up 755.7 percent from 2009. Major agriculture related commodities in Nueces County during 2010 included:
 - Cotton • Sesame • Nursery • Other Beef • Sorghum
- 2011 oil and gas production in Nueces County: 320,277.0 barrels of oil and 19.1 million Mcf of gas. In September 2011, there were 189 producing oil wells and 718 producing gas wells.

Taxes

Sales Tax - Taxable Sales

(County and city taxable sales data for 1st quarter 2011 is currently targeted for release in mid-September 2011).

Quarterly (September 2010 through December 2010)

- Taxable sales in Nueces County during the fourth quarter 2010: \$1.04 billion, up 15.0 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Corpus Christi:	\$938.09 million, up 10.8 percent from the same quarter in 2009.
Robstown:	\$57.65 million, up 113.2 percent from the same quarter in 2009.
Port Aransas:	\$11.99 million, up 11.1 percent from the same quarter in 2009.
Bishop:	\$1.44 million, down 2.2 percent from the same quarter in 2009.
Driscoll:	\$420,248.00, up 11.6 percent from the same quarter in 2009.
Agua Dulce:	\$296,518.00, down 2.7 percent from the same quarter in 2009.
Petronila:	\$72,807.00, up 184.8 percent from the same quarter in 2009.

Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)

- Taxable sales in Nueces County through the fourth quarter of 2010: \$3.83 billion, up 9.8 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Corpus Christi:	\$3.46 billion, up 7.2 percent from the same period in 2009.
Robstown:	\$200.33 million, up 69.6 percent from the same period in 2009.
Port Aransas:	\$70.69 million, down 1.1 percent from the same period in 2009.
Bishop:	\$5.79 million, up 1.1 percent from the same period in 2009.

Driscoll:	\$1.56 million, down 0.2 percent from the same period in 2009.
Agua Dulce:	\$1.13 million, up 5.6 percent from the same period in 2009.
Petronila:	\$211,186.00, up 54.0 percent from the same period in 2009.

Annual (2010)

- Taxable sales in Nueces County during 2010: \$3.83 billion, up 9.8 percent from 2009.
- Nueces County sent an estimated \$239.49 million (or 1.40 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Corpus Christi:	\$3.46 billion, up 7.2 percent from 2009.
Robstown:	\$200.33 million, up 69.6 percent from 2009.
Port Aransas:	\$70.69 million, down 1.1 percent from 2009.
Bishop:	\$5.79 million, up 1.1 percent from 2009.
Driscoll:	\$1.56 million, down 0.2 percent from 2009.
Agua Dulce:	\$1.13 million, up 5.6 percent from 2009.
Petronila:	\$211,186.00, up 54.0 percent from 2009.

Sales Tax – Local Sales Tax Allocations

(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)

Monthly

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Nueces County based on the sales activity month of August 2011: \$6.22 million, up 24.4 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Corpus Christi:	\$5.77 million, up 25.5 percent from August 2010.
Robstown:	\$274,860.33, up 8.9 percent from August 2010.
Port Aransas:	\$159,780.24, up 19.7 percent from August 2010.
Bishop:	\$15,632.42, up 3.1 percent from August 2010.
Driscoll:	\$4,054.43, up 3.6 percent from August 2010.
Agua Dulce:	\$2,541.27, up 18.0 percent from August 2010.
Petronila:	\$128.85, down 80.3 percent from August 2010.

Fiscal Year

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Nueces County based on sales activity months from September 2010 through August 2011: \$67.37 million, up 13.5 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Corpus Christi:	\$62.23 million, up 12.6 percent from fiscal 2010.
Robstown:	\$3.41 million, up 32.1 percent from fiscal 2010.
Port Aransas:	\$1.47 million, up 16.5 percent from fiscal 2010.
Bishop:	\$181,403.13, up 3.8 percent from fiscal 2010.
Driscoll:	\$46,574.81, up 20.7 percent from fiscal 2010.
Agua Dulce:	\$27,564.94, up 12.4 percent from fiscal 2010.
Petronila:	\$4,487.91, down 7.8 percent from fiscal 2010.

January 2011 through August 2011 (Sales Activity Year-To-Date)

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Nueces County based on sales activity months through August 2011: \$44.88 million, up 13.9 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Corpus Christi:	\$41.38 million, up 13.8 percent from the same period in 2010.
Robstown:	\$2.20 million, up 13.5 percent from the same period in 2010.
Port Aransas:	\$1.12 million, up 20.4 percent from the same period in 2010.
Bishop:	\$118,773.55, up 1.0 percent from the same period in 2010.
Driscoll:	\$32,410.79, up 24.2 percent from the same period in 2010.
Agua Dulce:	\$17,822.83, up 4.8 percent from the same period in 2010.
Petronila:	\$2,064.77, down 39.5 percent from the same period in 2010.

12 months ending in August 2011

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Nueces County based on sales activity in the 12 months ending in August 2011: \$67.37 million, up 13.5 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Corpus Christi:	\$62.23 million, up 12.6 percent from the previous 12-month period.
Robstown:	\$3.41 million, up 32.1 percent from the previous 12-month period.
Port Aransas:	\$1.47 million, up 16.5 percent from the previous 12-month period.
Bishop:	\$181,403.13, up 3.8 percent from the previous 12-month period.
Driscoll:	\$46,574.81, up 20.7 percent from the previous 12-month period.
Agua Dulce:	\$27,564.94, up 12.4 percent from the previous 12-month period.
Petronila:	\$4,487.91, down 7.8 percent from the previous 12-month period.

■ **City Calendar Year-To-Date (RJ 2011)**

- Payment to the cities from January 2011 through October 2011:

Corpus Christi:	\$52.50 million, up 13.5 percent from the same period in 2010.
Robstown:	\$2.82 million, up 23.8 percent from the same period in 2010.
Port Aransas:	\$1.27 million, up 17.3 percent from the same period in 2010.
Bishop:	\$151,640.26, up 5.2 percent from the same period in 2010.
Driscoll:	\$39,572.43, up 21.4 percent from the same period in 2010.
Agua Dulce:	\$22,637.66, up 9.1 percent from the same period in 2010.
Petronila:	\$3,017.84, down 24.5 percent from the same period in 2010.

Annual (2010)

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Nueces County based on sales activity months in 2010: \$61.89 million, up 4.6 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Corpus Christi:	\$57.20 million, up 2.9 percent from 2009.
Robstown:	\$3.15 million, up 60.8 percent from 2009.
Port Aransas:	\$1.28 million, down 3.6 percent from 2009.
Bishop:	\$180,187.04, up 2.9 percent from 2009.
Driscoll:	\$40,265.82, up 1.3 percent from 2009.
Agua Dulce:	\$26,741.96, up 10.2 percent from 2009.
Petronila:	\$5,834.13, up 11.9 percent from 2009.

Property Tax

- As of January 2009, property values in Nueces County: \$23.73 billion, up 3.6 percent from January 2008 values. The property tax base per person in Nueces County is \$73,450, below the statewide average of \$85,809. About 2.3 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Nueces County's ranking in state expenditures by county in fiscal year 2010: 11th. State expenditures in the county for FY2010: \$1.67 billion, up 0.2 percent from FY2009.
- In Nueces County, 36 state agencies provide a total of 5,862 jobs and \$44.13 million in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):

<ul style="list-style-type: none"> • Texas A & M University • Department of Family and Protective Services 	<ul style="list-style-type: none"> • Department of Aging and Disability Services (Corpus Christi State School) • Department of Transportation
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Higher Education

- Community colleges in Nueces County fall 2010 enrollment:
 - Del Mar College, a Public Community College, had 12,236 students.
- Nueces County is in the service area of the following:

- Del Mar College with a fall 2010 enrollment of 12,236 . Counties in the service area include:
 - Aransas County
 - Kenedy County
 - Kleberg County
 - Nueces County
 - San Patricio County
- Institutions of higher education in Nueces County fall 2010 enrollment:
 - Texas A&M University-Corpus Christi, a Public University (part of Texas A&M University System), had 10,033 students.

School Districts

- Nueces County had 12 school districts with 108 schools and 59,713 students in the 2009-10 school year.
(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)
 - Agua Dulce ISD had 341 students in the 2009-10 school year. The average teacher salary was \$41,075. The percentage of students meeting the 2010 TAKS passing standard for all tests was 61 percent.
 - Banquete ISD had 831 students in the 2009-10 school year. The average teacher salary was \$45,570. The percentage of students meeting the 2010 TAKS passing standard for all tests was 77 percent.
 - Bishop CISD had 1,224 students in the 2009-10 school year. The average teacher salary was \$44,028. The percentage of students meeting the 2010 TAKS passing standard for all tests was 81 percent.
 - Calallen ISD had 3,797 students in the 2009-10 school year. The average teacher salary was \$47,321. The percentage of students meeting the 2010 TAKS passing standard for all tests was 86 percent.
 - Corpus Christi ISD had 38,041 students in the 2009-10 school year. The average teacher salary was \$50,380. The percentage of students meeting the 2010 TAKS passing standard for all tests was 71 percent.
 - Driscoll ISD had 263 students in the 2009-10 school year. The average teacher salary was \$41,729. The percentage of students meeting the 2010 TAKS passing standard for all tests was 89 percent.
 - Flour Bluff ISD had 5,440 students in the 2009-10 school year. The average teacher salary was \$46,636. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
 - London ISD had 352 students in the 2009-10 school year. The average teacher salary was \$46,308. The percentage of students meeting the 2010 TAKS passing standard for all tests was 93 percent.
 - Port Aransas ISD had 548 students in the 2009-10 school year. The average teacher salary was \$47,343. The percentage of students meeting the 2010 TAKS passing standard for all tests was 84 percent.
 - Robstown ISD had 3,385 students in the 2009-10 school year. The average teacher salary was \$43,354. The percentage of students meeting the 2010 TAKS passing standard for all tests was 55 percent.
 - Tulosos-Midway ISD had 3,408 students in the 2009-10 school year. The average teacher salary was \$45,404. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
 - West Oso ISD had 2,083 students in the 2009-10 school year. The average teacher salary was \$45,631. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.

**FINDINGS
OF THE
CALLEN INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
EQUISTAR CHEMICALS, LP
(APPLICATION #305)**

DECEMBER 20, 2013

Board Findings of the Calallen Independent School District

FINDINGS OF THE CALALLEN INDEPENDENT SCHOOL
DISTRICT BOARD OF TRUSTEES UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
EQUISTAR CHEMICALS, LP
(APPLICATION #305)

STATE OF TEXAS §

COUNTY OF NUECES §

On the 20th day of December, 2013, a public meeting of the Board of Trustees of the Calallen Independent School District was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of Equistar Chemicals, LP (Application #305) (Equistar) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Calallen Independent School District makes the following findings with respect to the application of Equistar, and the economic impact of that application:

On November 6, 2013, the Texas Comptroller of Public Accounts received an Amended Application from Equistar for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached as **Attachment A**.

The Applicant, Equistar (Texas Taxpayer Id. 17605504814), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be in good standing with the Texas Comptroller of Public Accounts. See **Attachment B**.

The Board of Trustees has acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy.

Board Findings of the Calallen Independent School District

The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Nueces County Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a favorable recommendation was issued on December 16, 2013. A copy of the Comptroller's letter is attached to the findings as **Attachment C**.

After receipt of the Application, the Texas Comptroller of Public Accounts caused to be conducted an economic impact evaluation pursuant to Texas Tax Code § 313.026 and the Board of Trustees has carefully considered such evaluation. A copy of the economic impact evaluation is attached to these findings as **Attachment D**.

The Board of Trustees also directed that a specific financial analysis be conducted of the impact of the proposed value limitation on the finances of the Calallen Independent School District. A copy of a report prepared by Moak, Casey & Associates, Inc. is attached to these findings as **Attachment E**.

The Board of Trustees has confirmed that the taxable value of property in the Calallen Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in **Attachment F**.

After receipt of the Application, the District entered into negotiations with Equistar, over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The proposed Agreement is attached to these findings as **Attachment G**.

After review of the Comptroller's recommendation, and in consideration of its own economic impact study the Board finds:

Board Finding Number 1.

There is a strong relationship between the Applicant's industry and the types of qualifying jobs to be created by the Applicant and the long-term economic growth plan of this State as described in the strategic plan for economic development (ED Plan) submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Texas Government Code.

In support of Finding 1, the economic impact evaluation states:

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Equistar Chemicals, LP project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

Board Finding Number 2.

The economic condition of Calallen ISD is in need of long-term improvement, based on the state's analysis of Nueces County data.

Based on information provided by the Comptroller's Office that focused on the county level, Nueces County is the 14th largest county in the state in terms of population. Population growth in Nueces County is up slightly; the population of Nueces County grew by 0.3 percent between 2009 and 2010, compared with the state average of 1.8 percent.

September 2011 employment for Nueces County was up 2.7 percent from September 2010, above the state's 0.9 percent increase in total employment during the same period, based on information provided by the Comptroller's Office. The unemployment rate in Nueces County was 7.8 percent in September 2011, lower than the state average of 8.5 percent.

Nueces County has a lower per capita personal income than the state as a whole. In terms of per capita income, Nueces County's \$37,162 in 2009 ranked 58th among the 254 counties in Texas, while the Texas average was \$38,609 for the same period.

The local economy in Nueces County will benefit from economic activity like that associated with the Equistar project. Major capital investments like this project are beneficial to the community on a number of fronts, including direct and indirect employment, expanded opportunities for existing businesses and increased local tax bases.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least \$65,000 per year. The review of the application by the State Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs must pay 110 percent of the regional average manufacturing wage. Equistar indicates that total employment will be approximately three (3) new qualifying jobs.

In support of Finding 3, the economic impact evaluation states:

After construction, the project will create three new jobs when fully operational. All three jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Coastal Bend Council of Governments Region, where Nueces County is located was \$47,786 in 2012. The annual average manufacturing wage for 2012 through 2013 for Nueces County is \$69,615. That same year, the county annual average wage for all industries was \$43,277. In addition to an annual average salary of \$65,000 each qualifying position will receive benefits such as the company pays 80% of employee health insurance premiums, dental plan, group life insurance, paid holidays, paid vacation and 401(k) retirement savings plan.

Board Finding Number 4.

The level of the applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$155.3 million on the basis of the goal of 3 new qualifying positions for the Equistar project.

In support of Finding 4, the economic impact evaluation states:

The project's total investment is \$465.9 million, resulting in a relative level of investment per qualifying job of \$155.3 million.

Board Finding Number 5.

Based upon the information provided to the District with regard to the industry standard for staffing ratios of similar projects in the State of Texas, the District has determined that if the job creation requirement set forth in Texas Tax Code § 313.021(2)(A)(iv)(b) was applied, for the size and scope of the project described in the Application, the required number of jobs meets or exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility.

Board Finding Number 6.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region.

In support of Finding 5, the economic impact evaluation states:

Table 1 depicts Equistar Chemicals, LP's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Equistar Chemicals, LP

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	0	435	435	\$0	\$27,000,000	\$27,000,000
2014	200	1,966	2166	\$20,000,000	\$120,000,000	\$140,000,000
2015	338	8,365	8703	\$33,695,000	\$551,305,000	\$585,000,000
2016	3	11,118	11121	\$195,000	\$800,805,000	\$801,000,000
2017	3	4,829	4832	\$195,000	\$421,805,000	\$422,000,000
2018	3	304	307	\$195,000	\$109,805,000	\$110,000,000
2019	3	(73)	-70	\$195,000	\$65,805,000	\$66,000,000
2020	3	(222)	-219	\$195,000	\$39,805,000	\$40,000,000
2021	3	(253)	-250	\$195,000	\$23,805,000	\$24,000,000
2022	3	(208)	-205	\$195,000	\$15,805,000	\$16,000,000
2023	3	(124)	-121	\$195,000	\$15,805,000	\$16,000,000
2024	3	(87)	-84	\$195,000	\$12,805,000	\$13,000,000
2025	3	(9)	-6	\$195,000	\$15,805,000	\$16,000,000
2026	3	65	68	\$195,000	\$20,805,000	\$21,000,000
2027	3	136	139	\$195,000	\$26,805,000	\$27,000,000
2028	3	198	201	\$195,000	\$33,805,000	\$34,000,000

Source: CPA, REMI, Equistar Chemicals, LP

The statewide average ad valorem tax base for school districts in Texas was \$1.7 billion in 2012 to 2013. Calallen ISD’s ad valorem tax base in 2012 to 2013 was \$1.1 billion. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012 to 2013. During that same year, Calallen ISD’s estimated wealth per WADA was \$225,858. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Nueces County, Nueces County Hospital District and Del Mar College with all property tax incentives sought being granted using estimated market value from Equistar Chemicals, LP’s application. Equistar Chemicals, LP has only applied for a value limitation under Chapter 313, Tax Code. Table 3 illustrates the estimated tax impact of the Equistar Chemicals, LP project on the region if all taxes are assessed.

Board Findings of the Calallen Independent School District

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Calallen ISD I&S Levy	Calallen ISD M&O Levy	Calallen ISD M&O and I&S Tax Levies (Before Credit Credited)	Calallen ISD M&O and I&S Tax Levies (After Credit Credited)	Nueces County Tax Levy	Del Mar College Distric Tax Levy	Nueces County Hospital District Tax Levy	Estimated Total Property Taxes
2014	\$0	\$0		0.188500	1.170000	\$0	\$0	0.340999	0.250666	0.148077	\$0
2015	\$80,940,000	\$80,940,000		\$152,572	\$946,998	\$1,099,570	\$1,099,570	\$276,005	\$202,889	\$119,854	\$1,698,317
2016	\$440,800,000	\$20,000,000		\$830,908	\$234,000	\$1,064,908	\$1,064,908	\$1,503,124	\$1,104,936	\$652,723	\$4,325,691
2017	\$442,690,000	\$20,000,000		\$834,471	\$234,000	\$1,068,471	\$966,614	\$1,509,568	\$1,109,673	\$655,522	\$4,241,378
2018	\$424,982,000	\$20,000,000		\$801,091	\$234,000	\$1,035,091	\$933,234	\$1,449,184	\$1,065,285	\$629,301	\$4,077,004
2019	\$407,983,000	\$20,000,000		\$769,048	\$234,000	\$1,003,048	\$901,191	\$1,391,218	\$1,022,675	\$604,129	\$3,919,213
2020	\$391,664,000	\$20,000,000		\$738,287	\$234,000	\$972,287	\$870,430	\$1,335,570	\$981,768	\$579,964	\$3,767,733
2021	\$375,998,000	\$20,000,000		\$708,756	\$234,000	\$942,756	\$840,899	\$1,282,149	\$942,499	\$556,767	\$3,622,314
2022	\$360,958,000	\$20,000,000		\$680,406	\$234,000	\$914,406	\$812,549	\$1,230,863	\$904,799	\$534,496	\$3,482,707
2023	\$346,520,000	\$20,000,000		\$653,190	\$234,000	\$887,190	\$785,333	\$1,181,630	\$868,608	\$513,116	\$3,348,687
2024	\$332,660,000	\$332,660,000		\$627,064	\$3,892,122	\$4,519,186	\$4,519,186	\$1,134,367	\$833,866	\$492,593	\$6,980,012
2025	\$319,353,000	\$319,353,000		\$601,980	\$3,736,430	\$4,338,411	\$4,338,411	\$1,088,991	\$800,509	\$472,888	\$6,700,799
2026	\$306,579,000	\$306,579,000		\$577,901	\$3,586,974	\$4,164,876	\$4,164,876	\$1,045,431	\$768,489	\$453,973	\$6,432,769
2027	\$294,316,000	\$294,316,000		\$554,786	\$3,443,497	\$3,998,283	\$3,998,283	\$1,003,615	\$737,750	\$435,814	\$6,175,462
2028	\$282,543,000	\$282,543,000		\$532,594	\$3,305,753	\$3,838,347	\$3,838,347	\$963,469	\$708,239	\$418,381	\$5,928,436
						Total	\$29,133,829	\$16,395,184	\$12,051,986	\$7,119,521	\$64,700,521

Assumes School Value Limitation and no other property tax incentives

Source: CPA, Equistar Chemicals, LP

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Calallen ISD I&S Levy	Calallen ISD M&O Levy	Calallen ISD M&O and I&S Tax Levies	Nueces County Tax Levy	Del Mar College District Tax Levy	Nueces County Hospital District Tax Levy	Estimated Total Property Taxes	
2014	\$0	\$0		0.188500	1.170000	\$0	0.340999	0.250666	0.148077	\$0	
2015	\$80,940,000	\$80,940,000		\$152,572	\$946,998	\$1,099,570	\$276,005	\$202,889	\$119,854	\$1,578,464	
2016	\$440,800,000	\$440,800,000		\$830,908	\$5,157,360	\$5,988,268	\$1,503,124	\$1,104,936	\$652,723	\$8,596,327	
2017	\$442,690,000	\$442,690,000		\$834,471	\$5,179,473	\$6,013,944	\$1,509,568	\$1,109,673	\$655,522	\$8,633,185	
2018	\$424,982,000	\$424,982,000		\$801,091	\$4,972,289	\$5,773,380	\$1,449,184	\$1,065,285	\$629,301	\$8,287,850	
2019	\$407,983,000	\$407,983,000		\$769,048	\$4,773,401	\$5,542,449	\$1,391,218	\$1,022,675	\$604,129	\$7,956,342	
2020	\$391,664,000	\$391,664,000		\$738,287	\$4,582,469	\$5,320,755	\$1,335,570	\$981,768	\$579,964	\$7,638,094	
2021	\$375,998,000	\$375,998,000		\$708,756	\$4,399,177	\$5,107,933	\$1,282,149	\$942,499	\$556,767	\$7,332,581	
2022	\$360,958,000	\$360,958,000		\$680,406	\$4,223,209	\$4,903,614	\$1,230,863	\$904,799	\$534,496	\$7,039,277	
2023	\$346,520,000	\$346,520,000		\$653,190	\$4,054,284	\$4,707,474	\$1,181,630	\$868,608	\$513,116	\$6,757,712	
2024	\$332,660,000	\$332,660,000		\$627,064	\$3,892,122	\$4,519,186	\$1,134,367	\$833,866	\$492,593	\$6,487,419	
2025	\$319,353,000	\$319,353,000		\$601,980	\$3,736,430	\$4,338,411	\$1,088,991	\$800,509	\$472,888	\$6,227,910	
2026	\$306,579,000	\$306,579,000		\$577,901	\$3,586,974	\$4,164,876	\$1,045,431	\$768,489	\$453,973	\$5,978,796	
2027	\$294,316,000	\$294,316,000		\$554,786	\$3,443,497	\$3,998,283	\$1,003,615	\$737,750	\$435,814	\$5,739,648	
2028	\$282,543,000	\$282,543,000		\$532,594	\$3,305,753	\$3,838,347	\$963,469	\$708,239	\$418,381	\$5,510,055	
						Total	\$65,316,490	\$16,395,184	\$12,051,986	\$7,119,521	\$93,763,660

Source: CPA, Equistar Chemicals, LP

¹Tax Rate per \$100 Valuation

Board Finding Number 7.

The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.

In support of this finding, the analysis prepared by Moak, Casey & Associates projects that the project would initially add \$442.6 million to the tax base for debt service purposes at the peak investment level for the 2017-18 school year. The Equistar project remains fully taxable for debt services taxes, with Calallen ISD currently levying a \$0.1885 per \$100 I&S rate. While the value of the Equistar project is expected to depreciate over the life of the agreement and beyond, full access to the additional value will add to the District's I&S tax base and assist it in meeting its debt service needs.

Board Finding Number 8.

The effect of the applicant's proposal, if approved, on the number or size of needed school district instructional facilities is not expected to increase the District's facility needs, with current trends suggest little underlying enrollment growth based on the impact of the Equistar project.

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the new manufacturing project and its 3 permanent jobs once it begins operations. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Calallen ISD as stated in **Attachment D**.

Board Finding Number 9.

The ability of the applicant to locate the proposed facility in another state or another region of this state is substantial, as a result of the highly competitive marketplace for economic development.

In support of Finding 8, the economic impact evaluation states:

According to Equistar Chemicals, LP's application, "Equistar Chemicals, LP is wholly owned indirectly by LyondellBasell Industries, N.V. (a Netherlands entity), a global manufacturer of petrochemicals. The Corpus Christi plant is an olefins plant that

produces ethylene, propylene, and other related hydrocarbon byproducts. Equistar Chemicals, LP has other plants that produce similar products in Channelview, Texas, La Porte, Texas, Morris, Illinois, and Clinton, Iowa.” The application also states “LyondellBasell has the ability to and does invest in new or existing facilities in many countries around the world including the United States.”

Board Finding Number 10.

During the past two years, 14 projects in the Coast Bend Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

Board Finding Number 11.

The Board of Trustees hired consultants to review and verify the information in the Application from Equistar. Based upon the consultants’ review, the Board has determined that the information provided by the Applicant is true and correct.

Board Finding Number 12.

The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Twenty Million Dollars, which is consistent with the minimum values currently set out by Tax Code, § 313.054(a).

According to the Texas Comptroller of Public Accounts’ School and Appraisal Districts’ Property Value Study 2012 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2012 industrial value for Calallen ISD is \$170 million. Calallen ISD is categorized as Subchapter C, which applies only to a school district that has territory in a strategic investment area, as defined under Subchapter O, Chapter 171, Tax Code or in a county: (1) that has a population of less than 50,000 and (2) in which, from 1990 to 2000, according to the federal decennial census, the population: (A) remained the same; (B) decreased; or (C) increased, but at a rate of not more than three percent per annum. Calallen ISD is classified as a “rural” district due to its demographic characteristics. It is classified as a Category II district which can offer a minimum value limitation of \$20 million.

Board Finding Number 13.

The Applicant (Taxpayer Id. 17605504814) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its “good standing” certification as a franchise-tax paying entity.

Board Finding Number 14.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment G, includes adequate and appropriate revenue protection provisions for the District.

In support of this finding, the report of Moak, Casey & Associates, Inc. shows that the District will incur a revenue loss under current law in the initial year that the value limitation is in effect without the proposed Agreement. However, with this Agreement, the negative consequences of granting the value limitation are offset through the revenue protection provisions agreed to by the Applicant and the District. Revenue protection measures are in place for the duration of the Agreement.

Board Finding Number 15.

Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

It is therefore ORDERED that the Agreement attached hereto as **Attachment G** is approved and hereby authorized to be executed and delivered by and on behalf of the Calallen Independent School District. It is further ORDERED that these findings and the Attachments referred to herein be attached to the Official Minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the Calallen Independent School District.

Board Findings of the Calallen Independent School District

Dated the 20th day of December 2013.

CALLEN INDEPENDENT SCHOOL DISTRICT

By: _____
Paul Peeler
President, Board of Trustees

ATTEST:

By: _____
Brent Burkhart
Secretary, Board of Trustees

TABLE 1. Estimated Financial Impact of the Equistar Chemicals, LP Project Property Value Limitation Request Submitted to Calallen ISD at \$1.17 M&O Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to			Estimated Net Tax Benefits	School District Tax Benefit	
										Company Before Revenue Protection	School District Revenue Losses	Lesser of \$100 per ADA or 40%		Company Tax Benefit	
Pre-Year 1	2013-14	\$0	\$0	\$0	\$1.170	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$1.170	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$80,940,000	\$80,940,000	\$0	\$1.170	\$946,998	\$946,998	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$440,800,000	\$20,000,000	\$420,800,000	\$1.170	\$5,157,360	\$234,000	\$4,923,360	\$0	\$4,923,360	-\$5,339,763	-\$416,403	\$0	-\$416,403	
4	2017-18	\$442,690,000	\$20,000,000	\$422,690,000	\$1.170	\$5,179,473	\$234,000	\$4,945,473	\$101,857	\$5,047,330	-\$24,882	\$5,022,448	\$1,870,538	\$3,151,910	
5	2018-19	\$424,982,000	\$20,000,000	\$404,982,000	\$1.170	\$4,972,289	\$234,000	\$4,738,289	\$101,857	\$4,840,146	\$0	\$4,840,146	\$374,108	\$4,466,039	
6	2019-20	\$407,983,000	\$20,000,000	\$387,983,000	\$1.170	\$4,773,401	\$234,000	\$4,539,401	\$101,857	\$4,641,258	\$0	\$4,641,258	\$374,108	\$4,267,150	
7	2020-21	\$391,664,000	\$20,000,000	\$371,664,000	\$1.170	\$4,582,469	\$234,000	\$4,348,469	\$101,857	\$4,450,326	\$0	\$4,450,326	\$374,108	\$4,076,218	
8	2021-22	\$375,998,000	\$20,000,000	\$355,998,000	\$1.170	\$4,399,177	\$234,000	\$4,165,177	\$101,857	\$4,267,033	\$0	\$4,267,033	\$374,108	\$3,892,926	
9	2022-23	\$360,958,000	\$20,000,000	\$340,958,000	\$1.170	\$4,223,209	\$234,000	\$3,989,209	\$101,857	\$4,091,065	\$0	\$4,091,065	\$374,108	\$3,716,958	
10	2023-24	\$346,520,000	\$20,000,000	\$326,520,000	\$1.170	\$4,054,284	\$234,000	\$3,820,284	\$101,857	\$3,922,141	\$0	\$3,922,141	\$374,108	\$3,548,033	
11	2024-25	\$332,660,000	\$332,660,000	\$0	\$1.170	\$3,892,122	\$3,892,122	\$0	\$0	\$0	\$0	\$0	\$374,108	-\$374,108	
12	2025-26	\$319,353,000	\$319,353,000	\$0	\$1.170	\$3,736,430	\$3,736,430	\$0	\$0	\$0	\$0	\$0	\$374,108	-\$374,108	
13	2026-27	\$306,579,000	\$306,579,000	\$0	\$1.170	\$3,586,974	\$3,586,974	\$0	\$0	\$0	\$0	\$0	\$374,108	-\$374,108	
14	2027-28	\$294,316,000	\$294,316,000	\$0	\$1.170	\$3,443,497	\$3,443,497	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
15	2028-29	\$282,543,000	\$282,543,000	\$0	\$1.170	\$3,305,753	\$3,305,753	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
						\$56,253,436	\$20,783,775	\$35,469,662	\$712,998	\$36,182,660	-\$5,364,645	\$30,818,015	\$5,237,506	\$25,580,508	

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Tax Credit for Value Over Limit in First 2 Years

	Year 1	Year 2	Max Credits
	\$0	\$712,998	\$712,998
Credits Earned			\$712,998
Credits Paid			<u>\$712,998</u>
Excess Credits Unpaid			\$0

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE
OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES**

by and between

CALLEN INDEPENDENT SCHOOL DISTRICT

and

EQUISTAR CHEMICALS, LP

(Texas Taxpayer ID # 17605504814)

TEXAS COMPTROLLER APPLICATION NUMBER 305

Dated

December 20, 2013

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR
SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES**

STATE OF TEXAS §

COUNTY OF NUECES §

THIS AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES, hereinafter referred to as this “Agreement,” is executed and delivered by and between the **CALLEN INDEPENDENT SCHOOL DISTRICT**, hereinafter referred to as the “District,” a lawfully created independent school district within the State of Texas operating under and subject to the Texas Education Code, and **EQUISTAR CHEMICALS, LP**, a Delaware limited partnership (*Texas Taxpayer Identification Number 17605504814*), hereinafter referred to as the “Applicant.” The Applicant and the District are each hereinafter sometimes referred to individually as a “Party” and collectively as the “Parties.” Certain capitalized and other terms used in this Agreement shall have the meanings ascribed to them in Section 1.3.

RECITALS

WHEREAS, on June 17, 2013, the Superintendent of Schools of the Calallen Independent School District (the “Superintendent”), acting as agent of the Board of Trustees of the District (the “Board of Trustees”), received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, on June 17, 2013, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from Equistar Chemicals, LP, a Delaware limited partnership (*Texas Taxpayer Identification Number 17605504814*); and,

WHEREAS, on June 21, 2013, the Superintendent acknowledged receipt of the Application and the requisite application fee as established pursuant to Texas Tax Code §313.025(a)(1) and Local District Policy CCG (Local), and determined the Application to be complete; and,

WHEREAS, the Application was delivered to the office of the Texas Comptroller of Public Accounts (hereinafter referred to as the “Comptroller”) for review pursuant to Texas Tax Code §313.025(d); and,

WHEREAS, on or about November 1, 2013, the Superintendent, acting as agent of the Board of Trustees, received from the Applicant an amended Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, which was delivered to the Comptroller for review pursuant to Texas Tax Code §313.025(d); and,

WHEREAS, the Comptroller, via letter, has established November 6, 2013, as the completed Application date; and,

WHEREAS, pursuant to 34 Texas Administrative Code §9.1054, the Application was delivered for review to the Nueces County Appraisal District established in Nueces County, Texas (the “Appraisal District”), pursuant to Texas Tax Code §6.01; and,

WHEREAS, the Comptroller reviewed the Application pursuant to Texas Tax Code §313.025(d), and on _____, 2013, the Comptroller, via letter, recommended that the Application be approved; and,

WHEREAS, the Comptroller conducted an economic impact evaluation pursuant to Chapter 313 of the Texas Tax Code, which was presented to the Board of Trustees at a public hearing held on December 20, 2013, in connection with the Board of Trustees’ consideration of the Application; and,

WHEREAS, the Board of Trustees has carefully reviewed the economic impact evaluation pursuant to Texas Tax Code § 313.026 and has carefully considered the Comptroller’s positive recommendation for the project; and,

WHEREAS, on December 20, 2013, the District received written notification, pursuant to 34 Texas Administrative Code §9.1055(e)(2)(A), that the Comptroller reviewed this Agreement and reaffirmed the recommendation previously made on _____, 2013, that the Application be approved: and,

WHEREAS, on December 20, 2013, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

WHEREAS, on December 20, 2013, the Board of Trustees made factual findings pursuant to Texas Tax Code §313.025(f), including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the limitation on appraised value of the Applicant’s Qualified Property; and (iv) each criterion listed in Texas Tax Code §313.025(e) has been met; and,

WHEREAS, on December 20, 2013, pursuant to the provisions of Texas Tax Code §313.025(f-1), the Board of Trustees waived the new jobs creation requirement set forth in Texas Tax Code §313.051(b) based upon its factual finding, made on December 20, 2013, that if the new jobs creation requirement in Texas Tax Code §313.051(b) (*i.e.* ten (10) new jobs) was applied to the Applicant’s project, given its size and scope as described in the Application and in **EXHIBIT 3**, the new jobs creation requirement in Texas Tax Code §313.051(b) will exceed the

industry standard for the number of employees reasonably necessary for the operation of the facility that is described in the Application; and,

WHEREAS, under the provisions of Texas Tax Code §313.051(a)(1), the District qualifies as a rural school district subject to Subchapter C of Chapter 313 of the Texas Tax Code; and,

WHEREAS, on December 20, 2013, the Board of Trustees determined that the Tax Limitation Amount requested by the Applicant, and as defined in Sections 1.2 and 1.3, below, is consistent with the minimum values set out by Texas Tax Code §313.052, as such Tax Limitation Amount was computed for the effective date of this Agreement; and,

WHEREAS, on December 20, 2013, the Board of Trustees approved the Application and the form of this Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the President and Secretary of the Board of Trustees to execute and deliver this Agreement to the Applicant;

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

ARTICLE I

AUTHORITY, TERM, DEFINITIONS, AND GENERAL PROVISIONS

Section 1.1. AUTHORITY

This Agreement is executed by the District as its written agreement with the Applicant pursuant to the provisions and authority granted to the District in Texas Tax Code § 313.027.

Section 1.2. TERM OF THE AGREEMENT

This Agreement shall commence and first become effective on the Commencement Date, as defined in Section 1.3, below. In the event that the Applicant makes a Qualified Investment in the amount defined in Section 2.6 below, or greater, between the Commencement Date and the end of the Qualifying Time Period, the Applicant will be entitled to the Tax Limitation Amount defined in Section 1.3 below, for the following Tax Years: 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023. The limitation on the local ad valorem property values for Maintenance and Operations purposes shall commence with the property valuations made as of January 1, 2016, the appraisal date for the third full Tax Year following the Commencement Date.

The period beginning with the Commencement Date of December 20, 2013 and ending on December 31, 2015, will be referred to herein as the “Qualifying Time Period,” as that term is defined in Texas Tax Code § 313.021(4). The Applicant shall not be entitled to a tax limitation during the Qualifying Time Period.

Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2023. Except as otherwise provided herein, this Agreement will terminate, in full, on the Final Termination Date. The termination of this Agreement shall not (i) release any obligations, liabilities, rights and remedies arising out of any breach of, or failure to comply with, this Agreement occurring prior to such termination, or (ii) affect the right of a Party to enforce the payment of any amount, including any earned Tax Credit, to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination.

Except as otherwise provided herein, the Tax Years for which this Agreement is effective are as set forth below and set forth opposite each such Tax Year are the corresponding year in the term of this Agreement, the date of the Appraised Value determination for such Tax Year, and a summary description of certain provisions of this Agreement corresponding to such Tax Year (it being understood and agreed that such summary descriptions are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement):

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
Partial Year Beginning on the Commencement Date (12/10/13)	January 1, 2013	2013-14	2013	Start of Qualifying Time Period beginning with Commencement Date. No limitation on value. First year for computation of Annual Limit.
1	January 1, 2014	2014-15	2014	Qualifying Time Period. No limitation on value. Possible Tax Credit in future years.
2	January 1, 2015	2015-16	2015	Qualifying Time Period. No limitation on value. Possible Tax Credit in future years.
3	January 1, 2016	2016-17	2016	\$ 20 Million property value limitation.
4	January 1, 2017	2017-18	2017	\$ 20 Million property value limitation. Possible Tax Credit due to Applicant.
5	January 1, 2018	2018-19	2018	\$ 20 Million property value limitation. Possible Tax Credit

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
				due to Applicant.
6	January 1, 2019	2019-20	2019	\$ 20 Million property value limitation. Possible Tax Credit due to Applicant.
7	January 1, 2020	2020-21	2020	\$ 20 Million property value limitation. Possible Tax Credit due to Applicant.
8	January 1, 2021	2021-22	2021	\$ 20 Million property value limitation. Possible Tax Credit due to Applicant.
9	January 1, 2022	2022-23	2022	\$ 20 Million property value limitation. Possible Tax Credit due to Applicant.
10	January 1, 2023	2023-24	2023	\$ 20 Million property value limitation. Possible Tax Credit due to Applicant.
11	January 1, 2024	2024-25	2024	No tax limitation. Possible Tax Credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
12	January 1, 2025	2025-26	2025	No tax limitation. Possible Tax Credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
13	January 1, 2026	2026-27	2026	No tax limitation. Possible Tax Credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.

Section 1.3. DEFINITIONS

Wherever used herein, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning, to-wit:

“Act” means the Texas Economic Development Act set forth in Chapter 313 of the Texas Tax Code, as amended.

“Affiliate” of any specified person or entity means any other person or entity which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under direct or indirect common control with such specified person or entity. For purposes of this definition, “control” when used with respect to any person or entity means (i) the ownership, directly or indirectly, or fifty percent (50%) or more of the voting securities of such person or entity, or (ii) the right to direct the management or operations of such person or entity, directly or indirectly, whether through the ownership (directly or indirectly) of securities, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Aggregate Limit” means, for any Tax Year during the term of this Agreement, the cumulative total of the Annual Limit amount for such Tax Year and for all previous Tax Years during the term of this Agreement, less all amounts paid by the Applicant to or on behalf of the District under Article IV.

“Agreement” means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented from time to time in accordance with Section 8.3.

“Annual Limit” means the maximum annual benefit which can be paid directly to the District as a Supplemental Payment under the provisions of Texas Tax Code §313.027(i). For purposes of this Agreement, the amount of the Annual Limit shall be calculated for each year by multiplying the District’s average daily attendance for the applicable school year, as calculated pursuant to Texas Education Code §42.005, times the greater of \$100, or any larger amount allowed by Texas Tax Code §313.027(i), if such limit amount is increased for any future year of this Agreement. The Annual Limit shall first be computed for Tax Year 2013, which, by virtue of the Commencement Date, is the first Tax Year that includes the date on which the Qualifying Time Period commences under this Agreement.

“Applicant” means Equistar Chemicals, LP (*Texas Taxpayer Identification Number ID #17605504814*), the company listed in the Preamble of this Agreement who, on June 17, 2013, filed the Original Application with the District for an Appraised Value Limitation on Qualified Property, and on or about November 1, 2013, filed the Amended Application with the District for an Appraised Value Limitation on Qualified Property, all pursuant to Chapter 313 of the Texas Tax Code. The term “Applicant” shall also include the Applicant’s assigns and successors-in-interest, and its direct and indirect subsidiaries.

“Applicable School Finance Law” means Chapters 41 and 42 of the Texas Education Code, the Texas Economic Development Act (Chapter 313 of the Texas Tax Code), Chapter 403, Subchapter M, of the Texas Government Code applicable to the District, and the Constitution and general laws of the State applicable to the independent school districts of the State, including specifically, the applicable rules and regulations of the agencies of the State having jurisdiction over any matters relating to the public school systems and school districts of the State, and judicial decisions construing or interpreting any of the above. The term also includes any amendments or successor statutes that may be adopted in the future that could impact or alter the calculation of the Applicant’s ad valorem tax obligation to the District, either with or without the limitation of property values made pursuant to this Agreement.

“Application” means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) filed with the District by the Applicant on June 17, 2013 (the “Original Application”), as amended by the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) filed with the District by the Applicant on or about November 1, 2013 (the “Amended Application”), which have been certified by the Comptroller to collectively constitute a complete final Application as of the date of November 6, 2013. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by the Applicant to the District or the Comptroller for the purpose of obtaining an Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

“Appraised Value” shall have the meaning assigned to such term in Section 1.04(8) of the Texas Tax Code.

“Appraisal District” means the Nueces County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Calallen Independent School District.

“Commencement Date” means December 20, 2013, the date upon which this Agreement was approved by the District’s Board of Trustees and the Qualifying Time Period begins.

“Completed Application Date” means November 6, 2013, the date upon which the Comptroller determined to be the date of its receipt of a completed Application for Appraised Value Limitation on Qualified Property (Tax Code, Chapter 313, Subchapter B or C), Comptroller Form 50-296, from the Applicant.

“Comptroller” means the Texas Comptroller of Public Accounts, or the designated representative of the Texas Comptroller of Public Accounts acting on behalf of the Comptroller.

“Comptroller’s Rules” means the applicable rules and regulations of the Comptroller set forth at Title 34 of the Texas Administrative Code, Part 1, Chapter 9, Subchapter F, together with any court or administrative decisions interpreting same.

“County” means Nueces County, Texas.

“Determination of Breach and Notice of Contract Termination” shall have the meaning assigned to such term in Section 7.8 of this Agreement.

“District” or “School District” means the Calallen Independent School District, being a duly authorized and operating independent school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter C of the Act applies. The term also includes any successor independent school district or other successor governmental authority having the power to levy and collect ad valorem taxes for school purposes on the Applicant’s Qualified Property or the Applicant’s Qualified Investment.

“Final Termination Date” means December 31, 2026. However, any payment obligations of any Party arising under this Agreement prior to the Final Termination Date will survive until paid by the Party owing same, and any right of a Party to enforce payment of any amount to which such Party was entitled prior to the Final Termination Date will survive until paid by the Party owing same.

“Force Majeure” means a failure caused by (a) provisions of law, or the operation or effect of rules, regulations or orders promulgated by any governmental authority having jurisdiction over the Applicant, the Applicant’s Qualified Property or the Applicant’s Qualified Investment or any upstream, intermediate or downstream equipment or support facilities as are necessary to the operation of the Applicant’s Qualified Property or the Applicant’s Qualified Investment; (b) any demand or requisition, arrest, order, request, directive, restraint or requirement of any government or governmental agency whether federal, state, military, local or otherwise; (c) the action, judgment or decree of any court; (d) floods, storms, hurricanes, evacuation due to threats of hurricanes, lightning, earthquakes, washouts, high water, fires, acts of God or public enemies, wars (declared or undeclared), blockades, epidemics, riots or civil disturbances, insurrections, strikes, labor disputes (it being understood that nothing contained in this Agreement shall require the Applicant to settle any such strike or labor dispute), explosions, breakdown or failure of plant, machinery, equipment, lines of pipe or electric power lines (or unplanned or forced outages or shutdowns of the foregoing for inspections, repairs or maintenance), inability to obtain, renew or extend franchises, licenses or permits, loss, interruption, curtailment or failure to obtain electricity, gas, steam, water, wastewater disposal, waste disposal or other utilities or utility services, inability to obtain or failure of suppliers to deliver feedstock, raw materials, equipment, parts or material, or inability of the Applicant to ship or failure of carriers to transport to or from the Applicant’s facilities, products (finished or otherwise), feedstock, raw materials, equipment, parts or material; or (e) any other cause (except financial), whether similar or dissimilar, over which the Applicant has no reasonable control and which forbids or prevents performance.

“Land” shall have the meaning assigned to such term in Section 2.2.

“Maintain Viable Presence” means, after the development and construction of the project described in the Application and in the description of the Applicant’s Qualified Investment and Qualified Property as set forth in Section 2.3 below, (i) the operation over the term of this Agreement of the facility or facilities for which the tax limitation is granted, as the same may from time to time be expanded, upgraded, improved, modified, changed, remodeled, repaired, restored, reconstructed, reconfigured, and/or reengineered; (ii) the maintenance over the term of this Agreement of at least the number of New Jobs set forth in the Application; and (iii) the maintenance over the term of this Agreement of at least eighty percent (80%) of such New Jobs as Qualifying Jobs.

“M&O Amount” shall have the meaning assigned to such term in Section 3.2 of this Agreement.

“Maintenance and Operations Revenue” or “M&O Revenue” means (i) those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Texas Education Code § 45.002 and Article VII § 3 of the Texas Constitution, plus (ii) all State revenues to which the District is or may be entitled under Chapter 42 of the Texas Education Code or any other statutory provision as well as any amendment or successor statute to these provisions, plus (iii) any indemnity payments received by the District under other agreements similar to this Agreement to the extent that such payments are designed to replace District M&O Revenue lost as a result of such similar agreements, less (iv) any amounts necessary to reimburse the State of Texas or another school district for the education of additional students pursuant to Chapter 41 of the Texas Education Code.

“Market Value” shall have the meaning assigned to such term in Section 1.04(7) of the Texas Tax Code.

“Net Tax Benefit” means an amount (but not less than zero) equal to: (i) the sum of (A) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for all Tax Years during the term of this Agreement if this Agreement had not been entered into by the Parties; plus (B) any Tax Credits received by the Applicant under this Agreement; minus (ii) an amount equal to the sum of (A) all maintenance and operations ad valorem school taxes actually due to the District or any other governmental entity, including the State of Texas, for all Tax Years during the term of this Agreement, plus (B) any and all payments due to the District under Article III of this Agreement.

“New Jobs” means the total number of “new jobs,” as defined by 34 Texas Administrative Code § 9.1051(14)(C), which the Applicant will create in connection with the project described in the Application and in the description of the Applicant’s Qualified Investment and Qualified Property as set forth in Section 2.3 below. In accordance with the

requirements of Texas Tax Code §313.024(d), at least eighty percent (80%) of all New Jobs shall also be Qualifying Jobs, as defined below.

“Qualified Investment” has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by the Comptroller’s Rules, as these provisions existed on the date of this Agreement, and applying any specific requirements for rural school districts imposed by Subchapter C of Chapter 313 of the Texas Tax Code and by the Comptroller’s Rules.

“Qualifying Jobs” means at least eighty percent (80%) of all New Jobs, which must meet the requirements of Texas Tax Code §313.021(3). For the avoidance of doubt, at least eighty percent (80%) of all New Jobs must be Qualifying Jobs (that is, eighty percent (80%) of all New Jobs must meet the requirements of Texas Tax Code §313.021(3)).

“Qualified Property” has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by the Comptroller’s Rules and the Texas Attorney General, as these provisions existed on the date of this Agreement, and applying any specific requirements for rural school districts imposed by Subchapter C of Chapter 313 of the Texas Tax Code and by the Comptroller’s Rules.

“Qualifying Time Period” means the period that begins on the Commencement Date (i.e., December 20, 2013) and ends on December 31, 2015.

“State” means the State of Texas.

“Substantive Document” means a document or other information or data in electronic media determined by the Comptroller to substantially involve or include information or data significant to an application, the evaluation or consideration of an application, or the agreement or implementation of an agreement for limitation of appraised value pursuant to Texas Tax Code, Chapter 313. The term includes, but is not limited to, any application requesting a limitation on appraised value and any amendments or supplements, any economic impact evaluation made in connection with an application, any agreement between the Applicant and the school district and any subsequent amendments or assignments, any school district written finding or report filed with the Comptroller as required under Texas Tax Code, Chapter 313, and any application requesting school Tax Credits under Texas Tax Code §313.103.

“Supplemental Payments” shall have the meaning assigned to such term in Section 4.1(a).

“Tax Credit” means the tax credit, either to be paid by the District to the Applicant, or to be applied against any taxes that the District imposes on the Applicant’s Qualified Property, as computed under the provisions of Subchapter D of the Act and rules adopted by the Comptroller and/or the Texas Education Agency, provided that the Applicant complies with the requirements imposed on the Applicant under such provisions, including the timely filing of a completed application under Texas Tax Code §313.103 and the duly adopted administrative rules relating thereto.

“Tax Limitation Amount” means the maximum amount which may be placed as the Appraised Value on Qualified Property/Qualified Investment for years three (3) through ten (10) of this Agreement pursuant to Texas Tax Code §313.054. That is, for each of the eight (8) Tax Years 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant’s Qualified Investment for the District’s maintenance and operations ad valorem tax purposes shall not exceed, and the Tax Limitation Amount shall be, the lesser of:

- (a) the Market Value of the Applicant’s Qualified Investment; or
- (b) Twenty Million Dollars (\$20,000,000.00).

The amount set forth in the immediately preceding clause (b) is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Texas Tax Code, §313.022(b) or §313.052, as applicable.

“Tax Year” shall have the meaning assigned to such term in Section 1.04(13) of the Texas Tax Code (*i.e.*, the calendar year).

“Taxable Value” shall have the meaning assigned to such term in Section 1.04(10) of the Texas Tax Code.

“Texas Education Agency Rules” means the applicable rules and regulations adopted by the Texas Commissioner of Education in relation to the administration of Chapter 313, Texas Tax Code, which are set forth at Title 19 – Part 2, Texas Administrative Code (including, but not limited to, §61.1019), together with any court or administrative decisions interpreting same.

ARTICLE II

PROPERTY DESCRIPTION

Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE

The Applicant’s Qualified Property and the Applicant’s Qualified Investment will be located within an area designated as a reinvestment zone under Chapter 312 of the Texas Tax Code. The legal description of the reinvestment zone in which the Applicant’s Qualified Property is located is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

Section 2.2. LOCATION OF QUALIFIED PROPERTY

The location of the Qualified Property upon which the Applicant’s Qualified Investment will be located (the “Applicant’s Qualified Property”) is described in the legal description which is attached to this Agreement as **EXHIBIT 2** and is incorporated herein by reference for all

purposes. The land described in **EXHIBIT 2** (the “Land”) qualifies as Qualified Property, and the Parties expressly agree that the boundaries of the Land may not be materially changed from the configuration described in **EXHIBIT 2** without the express authorization of each of the Parties.

Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT AND QUALIFIED PROPERTY

The Qualified Investment and/or Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 3**, which is attached hereto and incorporated herein by reference for all purposes (the “Applicant’s Qualified Investment”). The Applicant’s Qualified Investment shall be that property, described in **EXHIBIT 3** which is placed in service under the terms of the Application, during the Qualifying Time Period described in both Section 1.2 above and the definition of Qualifying Time Period set forth in Section 1.3 above. The Applicant’s Qualified Property shall be all property, described in **EXHIBIT 3**, including, but not limited to the Applicant’s Qualified Investment, together with the Land described in **EXHIBIT 2**, which: (1) is owned or leased under a capitalized lease by the Applicant or any member of the “combined group” (as defined in Texas Tax Code §171.0001(7)) of which the Applicant is a member; (2) is first placed in service after November 6, 2013, the Completed Application Date established by the Comptroller; and (3) is used in connection with the activities described in the Application. Property which is not specifically described in **EXHIBIT 3** shall not be considered by the District or the Appraisal District to be part of the Applicant’s Qualified Investment or the Applicant’s Qualified Property for purposes of this Agreement, unless pursuant to Texas Tax Code § 313.027(e) and Section 8.3 of this Agreement, the Board of Trustees, by official action, provides that such other property is a part of the Applicant’s Qualified Investment for purposes of this Agreement.

Property owned by the Applicant which is not described on **EXHIBIT 3** may not be considered to be Qualified Property unless the Applicant:

- (a) submits to the District and the Comptroller a written request to add such property to this Agreement, which request shall include a specific description of the additional property to which the Applicant requests that the Tax Limitation Amount apply;
- (b) notifies the District and the Comptroller of any other changes to the information that was provided in the Application approved by the District; and
- (c) provides any additional information reasonably requested by the District or the Comptroller that is necessary to re-evaluate the economic impact analysis for the new or changed conditions.

Notwithstanding the foregoing, any replacement property that meets the definition of Qualified Property (including, but not limited to, any such replacement property installed as part of the project in connection with turnarounds, outages, planned, unplanned and emergency shutdowns, and scheduled and unscheduled maintenance, repairs, restorations, modifications or inspections)

shall not be subject to the foregoing restrictions and shall be considered Qualified Property hereunder.

Section 2.4. APPLICANT'S OBLIGATIONS TO PROVIDE CURRENT INVENTORY OF QUALIFIED PROPERTY

At the end of the Qualifying Time Period, or at any other time when there is a material change in the Applicant's Qualified Property located on the Land described in **EXHIBIT 2**, or upon a reasonable request by the District, the Comptroller, or the Appraisal District, the Applicant shall provide to the District, the Comptroller, and the Appraisal District a reasonably specific and detailed description of the material tangible personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Applicant's Qualified Property to which the Tax Limitation Amount applies, including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property which is subject to this Agreement.

Section 2.5. QUALIFYING USE

The Parties agree that the Applicant's Qualified Investment described above in Section 2.3 qualifies for a Tax Limitation Agreement under Texas Tax Code §313.024(b)(1) as a manufacturing facility.

Section 2.6. LIMITATION ON APPRAISED VALUE

So long as the Applicant makes a Qualified Investment in the amount of Twenty Million Dollars (\$20,000,000.00), or greater, during the Qualifying Time Period, and unless this Agreement has been terminated as provided herein before such Tax Year, for each of the eight (8) Tax Years 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Twenty Million Dollars (\$20,000,000.00).

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Texas Tax Code §313.054(a).

ARTICLE III

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 3.1. INTENT OF THE PARTIES

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in accordance with the provisions of Texas Tax Code §313.027(f)(1), be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue solely as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to, such other payments as are set forth in Article IV. Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the risk of any negative financial consequence to the District in making the decision to enter into this Agreement will be borne by the Applicant and not by the District.

Section 3.2. CALCULATING THE AMOUNT OF LOSS OF REVENUES BY THE DISTRICT

Subject to the provisions of Sections 5.1 and 5.2, the amount to be paid by the Applicant to compensate the District for loss of Maintenance and Operations Revenue resulting from, or on account of, this Agreement for each year during the term of this Agreement (the "M&O Amount") shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

The M&O Amount owed by the Applicant to the District means the Original M&O Revenue *minus* the New M&O Revenue;

Where:

- i. "Original M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Applicant's Qualified Property and/or the Applicant's Qualified Investment been subject to the ad valorem maintenance and operations tax at the tax rate actually adopted by the District for the applicable year.
- ii. "New M&O Revenue" means the total State and local Maintenance and Operations Revenue that the District actually received for such school year, after all adjustments have been made to such Maintenance and Operations Revenue because of any portion of this Agreement.

In making the calculations required by this Section 3.2:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.
- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property and/or the Applicant's Qualified Investment will be presumed to be one hundred percent (100%).
- iii. If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue as calculated under this Section 3.2 results in a negative number, the negative number will be considered to be zero.
- iv. All calculations made for years three (3) through ten (10) of this Agreement under Section 3.2, Subsection *ii*, of this Agreement relating to the definition of "New M&O Revenue" will reflect the Tax Limitation Amount for such year.
- v. All calculations made under this Section 3.2 shall be made by a methodology which isolates only the revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements or any other factors not contained in this Agreement.

Section 3.3. COMPENSATION FOR LOSS OF OTHER REVENUES

In addition to the amounts determined pursuant to Section 3.2 above, and to the extent provided in Section 6.3, the Applicant, on an annual basis, shall also indemnify and reimburse the District for the following:

- (a) All non-reimbursed costs incurred by the District in paying or otherwise crediting to the account of the Applicant, any applicable Tax Credit to which the Applicant may be entitled pursuant to Chapter 313, Subchapter D of the Texas Tax Code, and for which the District does not receive reimbursement from the State pursuant to Texas Education Code §42.2515, or other similar or successor statute.
- (b) All non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses related to the Applicant's Qualified Investment that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the Applicant's Qualified Investment. The Applicant

may contest any such costs certified by the District's external auditor under the provisions of Section 3.8.

- (c) Any other loss of the District's revenues which directly result from, or are reasonably attributable to, any payment made by the Applicant to or on behalf of any third party beneficiary of this Agreement.

Section 3.4. CALCULATIONS TO BE MADE BY THIRD PARTY

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") jointly approved each year by the District and the Applicant. If the Parties cannot agree on the Third Party, then the Third Party shall be selected by the mediator provided in Section 7.9 of this Agreement.

Section 3.5. DATA USED FOR CALCULATIONS

The calculations for payments under this Agreement shall be initially based upon the valuations placed upon the Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Tax Code § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 3.4. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

Section 3.6. DELIVERY OF CALCULATIONS

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 3.4 of this Agreement shall forward to the Parties a certification containing the calculations required under Sections 3.2 and/or 3.3, Article IV, and/or Section 5.1 of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed, which fees shall be the sole responsibility of the District, subject to the provisions of Section 3.7. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the

calculation and fee for a period of five (5) years after payment. The Applicant shall not be liable for any of the Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement or the fee paid by the Applicant to the Third Party pursuant to Section 3.7, if such fee is timely paid.

Section 3.7. PAYMENT BY APPLICANT

The Applicant shall pay any amount determined to be due and owing to the District under this Article III on or before the January 31 next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any reasonable amount billed by the Third Party under Section 3.6, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or Tax Credit or other reimbursement applications filed with or sent to the State of Texas which are, or may be required under the terms or because of the execution of this Agreement. For no Tax Year during the term of this Agreement shall the Applicant be responsible for the payment of an aggregate amount of fees and expenses under this Section 3.7 and Section 3.6 which exceeds Ten Thousand Dollars (\$10,000.00).

Section 3.8. RESOLUTION OF DISPUTES

Pursuant to Sections 3.3(b), 3.4, 3.6 and 3.9, should the Applicant disagree with the certification containing the calculations, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days following the later of (i) receipt of the certification, or (ii) the date the Applicant is granted access to the books, records and other information in accordance with Section 3.6 for purposes of auditing or reviewing the information in connection with the certification. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Thereafter, the Applicant may appeal the final determination of certification containing the calculations to the District. Any appeal by the Applicant of the final determination of the Third Party may be made, in writing, to the Board of Trustees within thirty (30) days of the final determination of certification containing the calculations, and shall be without limitation of the Applicant's other rights and remedies available hereunder, at law or in equity.

Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT

If at the time the Third Party selected under Section 3.4 makes its calculations under this Agreement the Applicant has appealed any matter relating to the valuations placed by the Appraisal District on the Applicant's Qualified Property and/or the Applicant's Qualified Property and such appeal remains unresolved, the Third Party shall base its calculations upon the values placed upon the Applicant's Qualified Property and/or the Applicant's Qualified Property by the Appraisal District.

If as a result of an appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed, once the

determination of the new Taxable Value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years using the new Taxable Value. In the event the new calculations result in a change in any amount paid or payable by the Applicant under this Agreement, the Party from whom the adjustment is payable shall remit such amounts to the other Party within thirty (30) days of the receipt of the new calculations from the Third Party. Any dispute by Applicant with respect to this new calculation shall be appealable to the Board of Trustees in accordance with the provisions of Section 3.8.

Section 3.10. EFFECT OF STATUTORY CHANGES

Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 5.1, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District reasonably determines that it will receive less Maintenance and Operations Revenue, or, if applicable, will be required to increase its payment of funds to the State, because of its participation in this Agreement, the Applicant shall make payments to the District, up to the revenue protection amount limit set forth in Section 5.1, that are necessary to offset any actual negative impact on the District as a result of its participation in this Agreement. Such calculation shall take into account any adjustments to the amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District.

ARTICLE IV

SUPPLEMENTAL PAYMENTS

Section 4.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS

(a) Amounts Exclusive of Indemnity Amounts

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the supplemental payments set forth in this Article IV (the “Supplemental Payments”). The Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Texas Tax Code, unless it is explicitly set forth in this Agreement. It is the express intent of the Parties that the Applicant’s obligation to make Supplemental Payments under this Article IV is separate and independent of the obligation of the Applicant to pay the amounts described in Article III; *provided, however*, that all payments under Articles III and IV are subject to the limitations contained in

Section 5.1, and that all payments under this Article IV are subject to the separate limitations contained in Section 4.4.

(b) Adherence to Statutory Limits on Supplemental Payments

It is the express intent of the Parties that any Supplemental Payments made to or on behalf of the District by the Applicant under this Article IV shall exceed neither (i) the limit imposed by the provisions of Texas Tax Code §313.027(i), as such limit is allowed to be increased by the Legislature for any future year of this Agreement, nor (ii) the lesser of the amounts described in Section 4.2(a) and (b).

Section 4.2. STIPULATED SUPPLEMENTAL PAYMENT AMOUNT - SUBJECT TO AGGREGATE LIMIT

During the term of this Agreement, the District shall not be entitled to receive Supplemental Payments that exceed the lesser of:

- (a) the “Applicant’s Stipulated Supplemental Payment Amount,” which is hereby defined as forty percent (40%) of the “Net Tax Benefit,” as such term is defined in Section 1.3 above; or
- (b) the “Aggregate Limit,” as such term is defined in Section 1.3 above.

Section 4.3. ANNUAL CALCULATION OF STIPULATED SUPPLEMENTAL PAYMENT AMOUNT

The Parties agree that for each Tax Year during the term of this Agreement, beginning with the third full Tax Year following the Commencement Date (Tax Year 2016), the Applicant’s Stipulated Supplemental Payment Amount, as defined in Section 4.2, will be calculated annually based upon the then most current estimate of tax savings to the Applicant, which will be made, based upon assumptions of student counts, tax collections, and other applicable data, including the District’s maintenance and operations tax rate adopted for such Tax Year, in accordance with the following formula:

The Taxable Value of the Applicant’s Qualified Property for such Tax Year had this Agreement not been entered into by the Parties (i.e., the Taxable Value of the Applicant’s Qualified Property used for the District’s interest and sinking fund tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

Minus,

The Taxable Value of the Applicant’s Qualified Property for such Tax Year after giving effect to this Agreement (i.e., the Taxable Value of the Applicant’s

Qualified Property used for the District's maintenance and operations tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

Multiplied by,

The District's maintenance and operations tax rate for such Tax Year, or the school tax rate of any other governmental entity, including the State of Texas, for such Tax Year;

Plus,

Any Tax Credit received by the Applicant with respect to such Tax Year;

Minus,

Any amounts previously paid to the District under Article III with respect to such Tax Year;

Minus,

The aggregate amount of the excesses of any amounts previously paid to the District under Article III with respect to each previous Tax Year over the tax savings to the Applicant for such previous Tax Year before any reduction for such amounts previously paid, but only to the extent of the portion of such aggregate amount that was not previously taken into account as a reduction in the calculations under this Section 4.4 for any previous Tax Year;

Multiplied by,

The number 0.4;

Minus,

Any amounts previously paid to the District under Section 4.2 and this Section 4.3 with respect to such Tax Year.

In the event that there are changes in the data upon which the calculations set forth herein are made, the Third Party described in Section 3.4, above, shall adjust the Applicant's Stipulated Supplemental Payment Amount calculation to reflect such changes in the data.

Section 4.4. CALCULATION OF ANNUAL SUPPLEMENTAL PAYMENTS TO THE DISTRICT AND APPLICATION OF AGGREGATE LIMIT

For each Tax Year during the term of this Agreement beginning with the fourth full Tax Year following the Commencement Date (Tax Year 2017) and continuing thereafter through the thirteenth full Tax Year following the Commencement Date (Tax Year 2026), the District, or its successor beneficiary should one be designated under Section 4.6 below shall not be entitled to receive Supplemental Payments, computed under Sections 4.2 and 4.3 above, that exceed the Aggregate Limit.

If, for any Tax Year during the term of this Agreement the amount of the Applicant's Stipulated Supplemental Payment Amount, calculated under sections 4.2 and 4.3 above for such Tax Year, exceeds the Aggregate Limit for such Tax Year, the difference between the Applicant's Stipulated Supplemental Payment Amount so calculated and the Aggregate Limit for such Tax Year, shall be carried forward from year-to-year into subsequent Tax Years during the term of this Agreement, and to the extent not limited by the Aggregate Limit in any subsequent Tax Year during the term of this Agreement, shall be paid to the District. If there are changes in Chapter 313 of the Texas Tax Code that increase or decrease the limit on the amount of the Supplemental Payments that may be made to or on behalf of the District by the Applicant under this Article IV, any higher or lower amount of Supplemental Payments that first became due hereunder prior to the effective date of any such statutory change will not be adjusted.

Any of the Applicant's Stipulated Supplemental Payment Amounts which cannot be paid to the District prior to the end of the thirteenth full Tax Year following the Commencement Date (Tax Year 2026) because such payment would exceed the Aggregate Limit will be deemed to have been cancelled by operation of law, and the Applicant shall have no further obligation with respect thereto.

Section 4.5. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS

- (a) All calculations required by this Article IV, including but not limited to: (i) the calculation of the Applicant's Stipulated Supplemental Payment Amount; (ii) the determination of both the Annual Limit and the Aggregate Limit; (iii) the effect, if any, of the Aggregate Limit upon the actual amount of Supplemental Payments eligible to be paid to the District by the Applicant; and (iv) the carry forward and accumulation of any of the Applicant's Stipulated Supplemental Payment Amounts unpaid by the Applicant due to the Aggregate Limit in previous years, shall be calculated by the Third Party selected pursuant to Section 3.4.
- (b) The calculations made by the Third Party shall be made at the same time and on the same schedule as the calculations made pursuant to Section 3.6.

- (c) The payment of all amounts due under this Article IV shall be made at the time set forth in Section 3.7.

Section 4.6. DISTRICT’S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY

At any time during this Agreement, the Board of Trustees may, in its sole discretion, direct that the Applicant’s payments under this Article IV be made to the District’s educational foundation or to a similar entity, provided that such decision and direction of the Board of Trustees does not result in additional costs to the Applicant. Such foundation or entity may only use such funds received under this Article IV to support the educational mission of the District and its students. Any designation of such a foundation or entity must be made by recorded vote of the Board of Trustees at a properly posted public meeting of the Board of Trustees. Any such designation will become effective after such public vote and the delivery of notice of said vote to the Applicant in conformance with the provisions of Section 8.1. Such designation may be rescinded by the Board of Trustees, by Board action, at any time, and any such rescission will become effective after delivery of notice of such action to the Applicant in conformance with the provisions of Section 8.1.

Any designation of a successor beneficiary under this Section 4.6 shall not alter the Aggregate Limit on Supplemental Payments described in Section 4.4 above.

Notwithstanding the foregoing, any payments made by the Applicant shall be made in the manner and to the party designated in this Agreement unless the Applicant receives unambiguous written notice from the District that such payments are to be made to a different party.

ARTICLE V

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 5.1. ANNUAL LIMITATION AFTER FIRST THREE YEARS

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year during the portion of the term of this Agreement beginning after the Tax Year 2016 and ending on the Final Termination Date, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Articles III and IV with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District’s actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Sections 3.4 and 3.6, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from

the Applicant to the District under Articles III and IV shall be reduced until such excess is eliminated.

Section 5.2. OPTION TO CANCEL AGREEMENT

In the event that any payment otherwise due from the Applicant to the District under Article III and/or Article IV with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 5.1 above, then the Applicant shall have the option to terminate this Agreement. The Applicant may exercise such option to cancel this Agreement by notifying the District of its election in writing not later than the July 31 of the year next following the Tax Year with respect to which a reduction under Section 5.1 is applicable. Any cancellation of this Agreement under the foregoing provisions of this Section 5.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred. In addition to the foregoing, in the event the Applicant determines that it will not commence or complete construction of the Applicant's Qualified Investment, the Applicant shall have the option, during the Qualifying Time Period, to terminate this Agreement by notifying the District in writing of its exercise of such option. Any termination of this Agreement under the immediately preceding sentence shall be effective immediately prior to the beginning of the Tax Year immediately following the Tax Year during which such notification is delivered to the District. Upon any termination of this Agreement under this Section 5.2, this Agreement shall terminate and be of no further force or effect; *provided, however*, that the Parties' respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged.

ARTICLE VI

TAX CREDITS

Section 6.1. APPLICANT'S ENTITLEMENT TO TAX CREDITS

The Applicant shall be entitled to Tax Credits from the District under and in accordance with the provisions of Subchapter D of the Act and the Comptroller's Rules, provided that the Applicant complies with the requirements under such provisions, including the filing of a completed application under Section 313.103 of the Texas Tax Code and the Comptroller's Rules.

Section 6.2. DISTRICT'S OBLIGATIONS WITH RESPECT TO TAX CREDITS

The District shall timely comply and shall cause the District's collector of taxes to timely comply with their respective obligations under Subchapter D of the Act and the Comptroller's Rules, including, but not limited to, such obligations set forth in Section 313.104 of the Texas Tax Code and the Comptroller's Rules and/or the Texas Education Agency's rules, as applicable.

Section 6.3. COMPENSATION FOR LOSS OF TAX CREDIT PROTECTION REVENUES

If after the Applicant has actually received the benefit of a Tax Credit under Section 6.1, the District does not receive aid from the State pursuant to Texas Education Code § 42.2515 or other similar or successor statute with respect to all or any portion of such Tax Credit for reasons other than the District's failure to comply with the requirements for obtaining such aid, then the District shall notify the Applicant in writing thereof and the circumstances surrounding the State's failure to provide such aid to the District. The Applicant shall pay to the District the amount of such Tax Credit for which the District did not receive such aid within thirty (30) calendar days after receipt of such notice. If the District receives aid from the State for all or any portion of a Tax Credit with respect to which the Applicant has made a payment to the District under this Section 6.3, then the District shall pay to the Applicant the amount of such aid within thirty (30) calendar days after the District's receipt thereof.

ARTICLE VII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 7.1. DATA REQUESTS

During the term of this Agreement, and upon the written request of one Party or by the Comptroller (the "Requesting Party"), the other Party shall provide the Requesting Party with all information reasonably necessary for the Requesting Party to determine whether the other Party is in compliance with its obligations, including any employment obligations which may arise under this Agreement. The Applicant shall allow authorized employees of the District, the Comptroller, and/or the Appraisal District to have access to the Applicant's Qualified Property and/or business records, in accordance with Texas Tax Code §22.07, during the term of this Agreement, in order to inspect the project to determine compliance with the terms hereof. All inspections will be made at a mutually agreeable time after the giving of not less than five (5) business days hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property or with the Applicant's adjacent or surrounding property or operations. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards and rules. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide the District, the Comptroller, or the Appraisal District with any technical or business information that is private personnel data, proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party or any other information that is not necessary for the District to determine the Applicant's compliance with this Agreement.

Section 7.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES

The Applicant shall timely make any and all reports that are or may be required under the provisions of law or administrative regulation as a result of this Agreement, including, but not limited to, the annual report or certifications that may be required to be submitted by the Applicant to the Comptroller under the provisions of Texas Tax Code § 313.032. The Applicant shall forward a copy of all such required reports or certifications to the District contemporaneously with the filing thereof. The obligation to make all such required filings shall be a material obligation under this Agreement.

Section 7.3. APPLICANT’S OBLIGATION TO MAINTAIN VIABLE PRESENCE

By entering into this Agreement, the Applicant warrants that:

- (a) it will abide by all of the terms of this Agreement;
- (b) if it does not cancel the Agreement prior to the end of the Qualifying Time Period under Section 5.2 of this Agreement, it will Maintain Viable Presence in the District through the Final Termination Date of this Agreement; *provided, however,* that notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of this Agreement, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure, provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure; and
- (c) it will meet the applicable minimum eligibility requirements under Texas Tax Code, Chapter 313, throughout the period from and including the Tax Year 2016 through and including the last Tax Year during the term of this Agreement with respect to which the Applicant receives the benefit of a Tax Credit.

Section 7.4. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT

(a) In the event of a Material Breach of this Agreement (as hereinafter defined), except as provided in Section 5.2 or to the extent such Material Breach of this Agreement is caused by Force Majeure, after the notice and cure period provided by Section 7.8, then the District shall be entitled, as its sole and exclusive remedy, to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of interest, as calculated in accordance with Section 7.5, on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV.

(b) Notwithstanding Section 7.4(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of this Agreement, then the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of such termination notice. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem maintenance and operations taxes for all of the Tax Years for which the Tax Limitation Amount was allowed pursuant to this Agreement that are prior to the Tax Year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including interest, as calculated in accordance with Section 7.5. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV. Upon payment of such liquidated damages, the Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy. Notwithstanding the foregoing, penalties shall only be due to the extent it is determined that the breach of this Agreement by the Applicant was willful and without a good faith, reasonable belief by the Applicant that its action or omission constituting such breach was in compliance with this Agreement.

Section 7.5. CALCULATION OF INTEREST

In determining the amount of interest due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 7.4 for each Tax Year during the term of this Agreement since the Commencement Date. The District shall calculate interest for each Tax Year during the term of this Agreement since the Commencement Date in accordance with the methodology set forth in Chapter 33 of the Texas Tax Code, as if the base amount calculated for such Tax Year less all credits under Section 7.4 had become due and payable on February 1 of the calendar year following such Tax Year. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute.

Section 7.6 MATERIAL BREACH OF AGREEMENT

The Applicant shall be in "Material Breach of this Agreement" (herein so called) if it commits one or more of the following acts or omissions:

- (a) The Applicant is determined to have failed to meet its obligations to have made accurate material representations of fact in the submission of its Application as is required by Section 8.14 below.
- (b) Subject to Section 5.2, the Applicant fails to Maintain Viable Presence in the District, as required by Section 7.3 of this Agreement, through the Final Termination Date.

- (c) The Applicant fails to make any payment required under Articles III or IV of this Agreement on or before its due date.
- (d) Subject to Section 5.2, the Applicant fails to create and maintain at least the number of New Jobs it committed to create and maintain as set forth on Schedule C, Column C of the Application.
- (e) Subject to Section 5.2, the Applicant fails to create and maintain at least eighty percent (80%) of all such New Jobs as Qualifying Jobs which meet the requirements of Texas Tax Code §313.021(3).
- (f) The Applicant makes any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement in excess of the amounts set forth in Articles III and IV above. Such payments to any other person or persons do not include payments to attorneys, consultants, or advisors retained by the Applicant in connection with applying for, negotiating and entering into this Agreement. Voluntary donations made by the Applicant to the District after the date of execution of this Agreement, and not mandated by this Agreement or made in recognition of or in consideration for this Agreement are not barred by this provision.
- (g) The Applicant fails to materially comply in any material respect with any other material term of this Agreement, or the Applicant materially fails to meet its obligations under the applicable Comptroller's Rules and under the Act.

Section 7.7 LIMITED STATUTORY CURE OF MATERIAL BREACH

In accordance with the provisions of Texas Tax Code §313.0275, for any full Tax Year which commences after the project has become operational, the Applicant may cure any Material Breach of this Agreement described in Subsections 7.6(d) and 7.6(e) or 7.6(f) above, without the termination of the remaining term of this Agreement. In order to cure any such non-compliance with Subsections 7.6(d) and 7.6(e) or 7.6(f) for any such Tax Year, the Applicant may make the liquidated damages payment required by Texas Tax Code §313.0275(b), in accordance with the provisions of Texas Tax Code §313.0275(c).

Section 7.8. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT

Prior to making a determination under Section 7.4 or Section 7.6 that the Applicant is in Material Breach of this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the Material Breach of this Agreement, and if cure is possible, the cure proposed by the District. After receipt of the notice, the Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that a

Material Breach of this Agreement has not occurred and/or that it has cured or undertaken to cure any such Material Breach of this Agreement.

If the Board of Trustees is not reasonably satisfied with such response and/or that such Material Breach of this Agreement has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such Material Breach of this Agreement has occurred and, if so, whether such Material Breach of this Agreement has been cured. At any such hearing, the Applicant shall have the opportunity, together with its counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to whether or not a Material Breach of this Agreement has occurred, the date such Material Breach of this Agreement occurred, if any, and whether or not any such Material Breach of this Agreement has been cured. Except as otherwise provided in Section 7.7, in the event that the Board of Trustees determines that such a Material Breach of this Agreement has occurred and has not been cured, it shall also terminate this Agreement and determine the amount of recaptured taxes under Section 7.4 (net of all credits under Section 7.4), and the amount of any interest under Section 7.5 that are owed to the District.

After making its determination regarding any alleged Material Breach of this Agreement, the Board of Trustees shall cause the Applicant to be notified in writing of its determination (a "Determination of Breach and Notice of Contract Termination").

Section 7.9. DISPUTE RESOLUTION

After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, the Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after the Applicant's receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then presiding in Nueces County, Texas. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator's fees and expenses and the Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such ninety (90) days, the District shall have the remedies for the collection of the amounts determined under Section 7.8 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes. In the event that the

District successfully prosecutes legal proceedings under this Section 7.9, the Applicant shall also be responsible for the payment of reasonable attorney's fees and a tax lien on the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Texas Tax Code §33.07 to the attorneys representing the District pursuant to Texas Tax Code §6.30. In the event that the Applicant is a prevailing party in any such legal proceedings under this section, the District shall be responsible for the payment of the Applicant's reasonable attorney's fees.

In any event where a dispute between the District and the Applicant under this Agreement cannot be resolved by the Parties, after completing the procedures required above in this Section 7.9, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in any judicial proceeding, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any covenant, agreement or undertaking made by a Party pursuant to this Agreement.

Section 7.10. LIMITATION OF OTHER DAMAGES

Notwithstanding anything contained in this Agreement to the contrary, in the event of any default or breach of this Agreement by the Applicant, the District's damages for such default or breach shall under no circumstances exceed the applicable amounts calculated under Sections 7.4 and 7.5 above. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

The Parties further agree that the limitation of damages and remedies set forth in this Section 7.10 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 7.11. BINDING ON SUCCESSORS

In the event of a merger or consolidation of the District with another school district or other governmental authority, this Agreement shall be binding on the successor school district or other governmental authority.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. INFORMATION AND NOTICES

Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (e.g., by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, or (ii) sent by facsimile

transmission, with “answer back” or other “advice of receipt” obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid; provided that, notice received by facsimile transmission after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first business day following the date of such electronic receipt.

Notices to the District shall be addressed to the District’s Authorized Representative as follows:

Dr. Arturo Almendarez, Superintendent
CALLEN INDEPENDENT SCHOOL DISTRICT
4205 Wildcat Drive
Corpus Christi, Texas 78410
Fax: (361) 242-5620
Email: aalmendarez@calallen.org

With a copy to:

Kevin O’Hanlon
O’Hanlon, McCollom & Demerath
808 West Avenue
Austin, Texas 78701
Fax: (512) 494-9919
Email: kohanlon@808west.com

or at such other address or to such other facsimile transmission number and to the attention of such other person as the District may designate by written notice to the Applicant.

Notices to the Applicant shall be addressed as follows:

Stephen R. Wessels
Assistant Secretary & Chief Tax Counsel
EQUISTAR CHEMICALS, LP
P.O. Box 3646
Houston, Texas 77253-3646
Fax: (713) 951-1628
Email: stephen.wessels@lyondellbasell.com

or at such other address or to such other facsimile transmission number and to the attention of such other person as the Applicant may designate by written notice to the District.

Section 8.2. EFFECTIVE DATE; TERMINATION OF AGREEMENT

- (a) This Agreement shall be and become effective on the date of final approval of this Agreement by the Board of Trustees.

- (b) Subject to Sections 5.2 and 7.3(b), the obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the Final Termination Date.
- (c) In the event that the Applicant fails to make a Qualified Investment in the amount of Twenty Million Dollars (\$20,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2015.

Section 8.3. 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. By official action of the Board of Trustees, this Agreement may be amended to include, in the Applicant's Qualified Investment, additional or replacement Qualified Property or Qualified Investment not specified in **EXHIBIT 3**, provided that ~~the Applicant reports~~ prior to such approval, the Applicant shall meet all requirements of 34 Tex. Administrative Code § 9.1053(f)(2)(O), or any successor rule adopted by the Comptroller, and report to the District, the Comptroller, and the Appraisal District, in the same format, style, and presentation as the Application, all relevant investment, value, and employment information that is related to the additional or replacement property.

Any amendment of this Agreement adding additional or replacement Qualified Property or Qualified Investment pursuant to this Section 8.3 shall (1) require that all property added by amendment be eligible property as defined by Texas Tax Code, §313.024; (2) clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and (3) define minimum eligibility requirements for the recipient of limited value.

Notwithstanding the foregoing, this Agreement may not be amended to extend the value limitation time period beyond its eight-year statutory term.

Section 8.4. ASSIGNMENT

The Applicant may assign this Agreement, or a portion of this Agreement, to an Affiliate or a new owner or lessee of all or a portion of the Applicant's Qualified Property and/or the Applicant's Qualified Investment, provided that the Applicant shall provide written notice of such assignment to the District. Upon such assignment, the Applicant's assignee will be liable to the District for outstanding taxes or other obligations arising under this Agreement. A recipient of limited value under Texas Tax Code, Chapter 313 shall notify immediately the District, the Comptroller, and the Appraisal District in writing of any change in address or other contact information for the owner of the property subject to the limitation agreement for the purposes of

Texas Tax Code §313.032. The assignee's or its reporting entity's Texas Taxpayer Identification Number shall be included in the notification.

Section 8.5. FORCE MAJEURE

The Applicant shall not be considered in default or breach in the performance of its obligations hereunder if such performance is prevented or delayed because of an event constituting Force Majeure, provided that the Applicant shall (i) give notice thereof to the District as soon as reasonably practicable after the occurrence of such event of Force Majeure, and (ii) use commercially reasonable efforts to overcome such event of Force Majeure. In an event constituting Force Majeure, the Parties shall consult with each other to determine how best to overcome the effect of such event of Force Majeure on the Parties' respective obligations under this Agreement.

Section 8.6. MERGER

This Agreement contains all of the terms and conditions of the understanding of the Parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence, and preliminary understandings between the Parties and others relating hereto are superseded by this Agreement.

Section 8.7. MAINTENANCE OF COUNTY APPRAISAL DISTRICT RECORDS

When appraising the Applicant's Qualified Property and the Applicant's Qualified Investment subject to a limitation on Appraised Value under this Agreement, the Chief Appraiser of the Appraisal District shall determine the Market Value thereof and include both such Market Value and the appropriate value thereof under this Agreement in its appraisal records.

Section 8.8. GOVERNING LAW

This Agreement and the transactions contemplated hereby shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law or rules that would direct the application of the laws of another jurisdiction. Venue in any legal proceeding shall be in Nueces County, Texas.

Section 8.9. 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.

Section 8.10. SEVERABILITY

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this

Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in a mutually acceptable manner so as to effect the original intent of the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 8.10, the term "Law" shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 8.11. PAYMENT OF EXPENSES

Except as otherwise expressly provided in this Agreement, or as covered by the application fee, (i) each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement, and (ii) in the event of a dispute between the Parties in connection with this Agreement, the prevailing Party in the resolution of any such dispute, whether by litigation or otherwise, shall be entitled to full recovery of all attorneys' fees (including a reasonable hourly fee for in-house legal counsel), costs and expenses incurred in connection therewith, including costs of court, from the non-prevailing Party.

Section 8.12. INTERPRETATION

When a reference is made in this Agreement to a Section, Article or Exhibit, such reference shall be to a Section or Article of, or Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words "include," "includes" and "including" when used in this Agreement shall be deemed in such case to be followed by the phrase " , but not limited to,". Words used in this Agreement, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context shall require. This Agreement is the joint product of the Parties and each provision of this Agreement has been subject to the mutual consultation, negotiation and agreement of each Party and shall not be construed for or against any Party.

Section 8.13. 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.

Section 8.14. ACCURACY OF REPRESENTATIONS CONTAINED IN APPLICATION

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application. The Applicant warrants that to the best of Applicant's knowledge all material representations, material information, and material facts contained in the Application are true and correct in all material respects. The Parties further agree that the Application and all the attachments thereto are included by reference into this Agreement as if set forth herein in full; provided, however, that to the extent of any differences or inconsistencies between the terms, conditions, representations, information, and facts contained in the Application and those contained in this Agreement, the terms, conditions, representations, information, and facts contained in this Agreement shall be controlling.

In the event that the Board of Trustees, after completing the procedures required by Sections 7.8 and 7.9 of this Agreement, makes a written determination that the Application was either incomplete or inaccurate as to any material representation, material information, or material fact, then the Board of Trustees shall notify Applicant in writing of such determination and the Applicant shall have the time periods permitted by Section 7.8 or any other section of this Agreement; if any such material representation, material information or material fact remains uncured after the written notice and cure periods specified herein, this Agreement shall be invalid and void except for the enforcement of the provisions required by 34 Texas Administrative Code § 9.1053(f)(2)(K).

Section 8.15. PUBLICATION OF DOCUMENTS

The Parties acknowledge that the District is required to publish all Substantive Documents, including the Application and its required schedules, or any amendment thereto; all economic analyses of the proposed project submitted to the District; the approved and executed copy of this Agreement or any amendment thereto; and each application requesting Tax Credits under Texas Tax Code §313.103, as follows:

- a. Within seven (7) days of the adoption, submission, or approval of any such document, the District shall submit a copy to the Comptroller for publication on the Comptroller's Internet website.
- b. The District shall provide on its website a link to the location of those documents posted on the Comptroller's website.

- c. This Section 8.15 does not require the publication of information that is confidential under Texas Tax Code §313.028.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 20th day of December, 2013.

EQUISTAR CHEMICALS, LP

CALALLEN INDEPENDENT SCHOOL DISTRICT

By: _____

Name: _____

Title: _____

By: _____

PAUL PEELER

President

Board of Trustees

Attest:

By: _____

BRENT BURKHART

Secretary

Board of Trustees

EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

The *Equistar Chemicals, LP Reinvestment Zone* was created on December 20, 2013, by action of the Board of Trustees of the Calallen Independent School District. All real property within the boundaries of the *Equistar Chemicals, LP Reinvestment Zone* is located within the boundaries of the Calallen Independent School District and Nueces County, Texas. A map of the *Equistar Chemicals, LP Reinvestment Zone* is attached as the next page following this **EXHIBIT 1**.

As a result of the action of the Board of Trustees of the Calallen Independent School District, all real property within the boundaries of the *Equistar Chemicals, LP Reinvestment Zone*, which is described in this **EXHIBIT 1**, will be eligible to be included in this Agreement. The legal description of the boundaries of the *Equistar Chemicals, LP Reinvestment Zone* is attached following the map attached as the next page following this **EXHIBIT 1**.

U.S. SURVEYOR®

A Tract of Land in Survey 412, Abstract 854, Nueces County, Texas. Being a part of the Tract of Land Recorded as Tract 3 in Document # 1998037630, Official Records of Nueces County, Texas.

Boundary Being More Fully Described by Metes and Bounds as Follows:

BEGINNING at a 5/8" Iron rod found at the northwest corner of said Survey 412, the northeast corner of a 132.49 acre tract as recorded in Document # 2005033213, Official Records of Nueces County and in the south line of a 6.567 acre tract recorded as Tract 5 in said Document # 1998037630, being the northwest corner of this tract;

THENCE, North 89°15'01" East with the north line of said survey 412, a distance of 4,251.82 feet;

THENCE, South 00°44'59" East a distance of 2093.66 feet;

Thence, South 89°15'01" West a distance of 4,230.67 feet to a point on the west line of said tract;

THENCE, North 01°19'43" West with the west line of said tract, a distance of 2,093.76 feet to the Place of Beginning, containing 203.8501 acres more or less.

This description prepared by
Michael F. Feldbusch, PLS
Texas Reg. No. 5213
November 11, 2013



EXHIBIT 2

LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property owned or leased under a capitalized lease by the Applicant and located within the boundaries of both the Calallen Independent School District and the *Equistar Chemicals, LP Reinvestment Zone* will be included in and subject to this Agreement. Specifically, all Qualified Property of the Applicant located within the area described on the map and/or legal description set forth in **EXHIBIT 1**.

EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

The Applicant plans to expand its Corpus Christi plant located at 1501 McKinzie Road, Corpus Christi, Texas by debottlenecking the existing olefins plant and changing the feed slate. New improvements will be added to seven existing cracking furnaces to increase the plant's ethylene production by an incremental 810 million pounds per year. This is a 49% increase in plant capacity. The planned total cost of the debottleneck expansion is \$465,990,000. New equipment and improvements that will be installed include, but are not limited to, the following:

Steam superheater	Residue gas rectifier	Hot water secondary coolers	Process gas aftercoolers	Demeth bottoms vaporizers
Demeth feed cooler	Subcoolers	Feed coolers	Rectifier condenser	Hydrogen cores
Demeth tower reboiler	Residue gas cooler	Effluent exchangers	Ethylene tower condenser	Refrigerant Desuperheater
Ethane vaporizers	Recycle heaters	Acetylene converter	Fuel gas coalescers	Knock out drums
Reflux drum	Hydrogen drums	Expander KO drums	Flash drums	Green oil KO drum
Suction separators	Driers	Reflux pumps	Product pumps	Circulation pumps
Hot water belt pumps	Expander/recompressor	Propylene compressor	Low NOx burners	

Existing equipment that will be replaced and/or modified to handle increased production rates includes, but is not limited to, the following:

Cracking furnace coils	Primary fractionator	Caustic scrubber	Demeth prefractionator	Ethylene tower
Aftercoolers	Caustic scrubber feed heater	Subcoolers	Suction drums	Discharge drum
Precooler separator	Surge drum	Reflux drum	Process gas dryer	Process gas compressor
Ethylene compressor				

**EXHIBIT 3
(CONTINUED)**

DESCRIPTION OF THE EXISTING PROPERTY

The Applicant has existing chemical processing units at the Corpus Christi plant within Calallen ISD. These assets consist of the following:

- Olefins unit
- Tank Farms
- Utilities
- Waste water treatment plant
- Various buildings
- Pollution Control Equipment

The improvements listed above are assessed by Nueces County Appraisal District. The Nueces County Appraisal District property account numbers, property descriptions, and appraised values for the most recent Tax Year (i.e. Tax Year 2013) and relating to the improvements listed above are shown below:

NCAD Property Account Number	Property Description	2013 Appraised Value
IE-2259500-0101	Petrochemical plant	\$123,432,300
IE-2259500-0103	Butadiene plant/loading facilities	\$1,839,330
IE-2259500-0104	BD Vent minimization project	\$98,050
IE-2259500-0105	Cooling tower	\$231,500
Total		\$125,601,180

The Applicant will request that the Nueces County Appraisal District create a new property account number or numbers for the property that is the subject of this Agreement so as to be able to track the increased value attributable to the Applicant's Qualified Property and the Applicant's Qualified Investment.