

**FINDINGS OF SABINE PASS
INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
PORT ARTHUR LNG HOLDINGS, LLC (#1117)**



October 24, 2016

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STATE OF TEXAS §

COUNTY OF JEFFERSON §

On the 24th day of October, 2016, a public meeting of the Board of Trustees of the Sabine Pass Independent School District (“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 Port Arthur LNG Holdings, LLC (“Applicant”) 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. The Board of Trustees has considered the economic impact analysis and the project certification issued by the Texas Comptroller of Public Accounts. After hearing presentations from the District’s administrative staff, and from consultants retained by the District to advise the Board in this matter, and after considering the relevant documentary evidence, the Board of Trustees makes the following findings with respect to application from Applicant, and the economic impact of that application:

On December 14, 2015, the Superintendent of the District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts (“Comptroller”) received an Application from Applicant 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, (Texas Taxpayer Id. 12012553108; 32037013102), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be an active franchise taxpayer by the Comptroller. See **Attachment B**.

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

The Application was delivered to the Comptroller for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Sabine Pass Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054. On February 16, 2016, the Comptroller determined the Application to be complete.

The Application was reviewed by the Comptroller pursuant to Texas Tax Code §313.026, and a Comptroller Certificate was issued on May 16, 2016 in which the Comptroller has determined, inter alia, that: 1) Application is subject to the provisions of Chapter 171, Texas Tax Code; 2) the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised values; 3) the proposed project is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period; and, 4) the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. A copy of the Certificate is attached to the findings as **Attachment C**.

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

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

The Texas Education Agency has evaluated the impact of the project on the District's facilities. TEA's determination is attached to these findings as **Attachment F**.

The Board has adopted the Texas Economic Development Agreement (Form 50-826) as promulgated by the Comptroller's Office. Form 50-826 has been altered only in accordance only the provisions of the template that the Comptroller permitted. The proposed Agreement is attached to these findings as **Attachment G**.

After review of the Comptroller's Certificate and economic analysis, and in consideration of its own studies the Board finds:

Board Finding Number 1.

The Board finds that the property described in the Application meets the requirements of Tex. Tax Code §313.024 for eligibility for a limitation on appraised value.

In support of Finding 1, the Application indicates that:

Port Arthur LNG Holding is proposing to add a liquefaction project in Jefferson County.

Property used for manufacturing is eligible for a limitation under §313.024(b)(1).

Board Finding Number 2.

The project proposed by the applicant is reasonably likely to generate, before the 27th anniversary of the beginning of the limitation period, tax revenue, including state tax revenue, school district maintenance and operations ad valorem tax revenue attributable to the project, and any other tax revenue attributable to the effect of the project on the economy of the state, in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement.

In support of Finding 2, the Comptroller's Economic Impact Evaluation and Certification, Attachment C, states:

This represents the Comptroller's determination that Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC (project) is not reasonably likely to generate, before the 27th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy and direct, indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2019	\$106,285	\$106,285	\$0	\$0
	2020	\$4,447,193	\$4,553,477	\$0	\$0
	2021	\$16,535,757	\$21,089,235	\$0	\$0
	2022	\$30,276,882	\$51,366,117	\$0	\$0
Limitation Period (10 Years)	2023	\$312,000	\$51,678,117	\$50,195,441	\$50,195,441
	2024	\$312,000	\$51,990,117	\$53,952,794	\$104,148,235
	2025	\$312,000	\$52,302,117	\$50,544,246	\$154,692,481
	2026	\$312,000	\$52,614,117	\$47,316,533	\$202,009,015
	2027	\$312,000	\$52,926,117	\$44,260,493	\$246,269,508
	2028	\$312,000	\$53,238,117	\$41,367,390	\$287,636,898
	2029	\$312,000	\$53,550,117	\$38,628,893	\$326,265,792
	2030	\$312,000	\$53,862,117	\$36,037,151	\$362,302,943
	2031	\$312,000	\$54,174,117	\$33,584,675	\$395,887,618
	2032	\$312,000	\$54,486,117	\$31,264,352	\$427,151,970
Maintain Viable Presence (5 Years)	2033	\$29,381,432	\$83,867,549	\$0	\$427,151,970
	2034	\$27,305,488	\$111,173,037	\$0	\$427,151,970
	2035	\$25,342,457	\$136,515,494	\$0	\$427,151,970
	2036	\$23,486,556	\$160,002,049	\$0	\$427,151,970
	2037	\$21,732,273	\$181,734,323	\$0	\$427,151,970
Additional Years as Required by 313.026(c)(1) (10 Years)	2038	\$20,074,409	\$201,808,732	\$0	\$427,151,970
	2039	\$18,508,003	\$220,316,735	\$0	\$427,151,970
	2040	\$17,028,374	\$237,345,110	\$0	\$427,151,970
	2041	\$15,631,041	\$252,976,150	\$0	\$427,151,970
	2042	\$14,311,769	\$267,287,920	\$0	\$427,151,970
	2043	\$13,066,525	\$280,354,445	\$0	\$427,151,970
	2044	\$11,891,502	\$292,245,948	\$0	\$427,151,970
	2045	\$11,317,138	\$303,563,086	\$0	\$427,151,970
	2046	\$10,771,191	\$314,334,277	\$0	\$427,151,970
	2047	\$10,252,255	\$324,586,532	\$0	\$427,151,970
		\$324,586,532	is less than	\$427,151,970	
Analysis Summary					
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?					No
NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.					

Source: CPA, Port Arthur LNG, L.L.C and affiliate Port Arthur LNG Holdings, L.L.C

Employment Indirect and Induced Tax Effects

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2018	231	1,218	1,449	\$15,407,700	\$76,592,300	\$92,000,000	10330200	-2662659	\$12,992,859
2019	1385	7,129	8514	\$92,379,500	\$472,620,500	\$565,000,000	60096741	-14556885	\$74,653,626
2020	1385	7,158	8543	\$92,379,500	\$532,620,500	\$625,000,000	60218811	-8377075	\$68,595,886
2021	1385	6,974	8359	\$92,379,500	\$569,620,500	\$662,000,000	60035706	-2487183	\$62,522,889
2022	1385	6,670	8055	\$92,379,500	\$590,620,500	\$683,000,000	59257507	2883911	\$56,373,596
2023	331	1,690	2021	\$21,853,640	\$250,146,360	\$272,000,000	18783569	18585205	\$198,364
2024	100	386	486	\$6,445,940	\$134,554,060	\$141,000,000	9567261	20965576	-\$11,398,315
2025	100	207	307	\$6,445,940	\$98,554,060	\$105,000,000	8445740	19783020	-\$11,337,280
2026	100	160	260	\$6,445,940	\$78,554,060	\$85,000,000	7682800	18356323	-\$10,673,523
2027	100	203	303	\$6,445,940	\$70,554,060	\$77,000,000	7415771	16883850	-\$9,468,079
2028	100	283	383	\$6,445,940	\$68,554,060	\$75,000,000	7324219	15480042	-\$8,155,823
2029	100	386	486	\$6,445,940	\$73,554,060	\$80,000,000	7308960	14190674	-\$6,881,714
2030	100	488	588	\$6,445,940	\$80,554,060	\$87,000,000	7293701	13015747	-\$5,722,046
2031	100	588	688	\$6,445,940	\$91,554,060	\$98,000,000	7453918	11940002	-\$4,486,084
2032	100	681	781	\$6,445,940	\$102,554,060	\$109,000,000	7652283	11039734	-\$3,387,451
2033	100	627	727	\$6,445,940	\$101,554,060	\$108,000,000	6599426	10375977	-\$3,776,551
2034	100	636	736	\$6,445,940	\$106,554,060	\$113,000,000	6477356	9620667	-\$3,143,311
2035	100	660	760	\$6,445,940	\$112,554,060	\$119,000,000	6439209	8895874	-\$2,456,665
2036	100	673	773	\$6,445,940	\$118,554,060	\$125,000,000	6401062	8247375	-\$1,846,313
2037	100	689	789	\$6,445,940	\$126,554,060	\$133,000,000	6401062	7698059	-\$1,296,997
2038	100	701	801	\$6,445,940	\$134,554,060	\$141,000,000	6378174	7186890	-\$808,716
2039	100	713	813	\$6,445,940	\$142,554,060	\$149,000,000	6362915	6675720	-\$312,805
2040	100	714	814	\$6,445,940	\$150,554,060	\$157,000,000	6347656	6286621	\$61,035
2041	100	728	828	\$6,445,940	\$159,554,060	\$166,000,000	6439209	5897522	\$541,687
2042	100	742	842	\$6,445,940	\$170,554,060	\$177,000,000	6591797	5569458	\$1,022,339
2043	100	755	855	\$6,445,940	\$183,554,060	\$190,000,000	6790161	5325317	\$1,464,844
2044	100	779	879	\$6,445,940	\$197,554,060	\$204,000,000	6958008	5119324	\$1,838,684
2045	100	804	904	\$6,445,940	\$209,554,060	\$216,000,000	7080078	4905701	\$2,174,377
2046	100	822	922	\$6,445,940	\$224,554,060	\$231,000,000	7339478	4829407	\$2,510,071
2047	100	851	951	\$6,445,940	\$241,554,060	\$248,000,000	7522583	4745483	\$2,777,100
						Total	\$438,995,361	\$236,419,677	\$202,575,684
							\$527,162,216	is greater than	\$427,151,970

Analysis Summary

Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?

Yes

Source: CPA, Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC

Board Finding Number 3.

The limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.

The Comptroller is able to determine that the limitation on appraised value is a determining factor in the Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC's decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

Per the applicant:

Without the Chapter 313 property tax valuation limit, Sempra (the parent company) can turn its investment and project development efforts to another project in another state and/or country where the economics better meet the company's investment and economic objectives. These include: Cameron Parish in Louisiana and Ensenada in Mexico.

Without the economic benefits of Chapter 313, the company's ability to market the project to third party off-takers and prospective equity investors becomes more challenging.

- Cameron Parish LNG has been approved for the Louisiana's Industrial Tax Exemption for ten years with 100% property tax exemption. However, the applicant has not made a final decision to invest in the proposed expansion.
- Chapter 313 value limitation is critical to the successful development of the project in Texas.
- On March 23, 2015, the applicant issued a press release asserting that the development of Port Arthur liquefaction project is contingent on completing the required commercial agreements, securing all the necessary permits and approvals, obtaining financing and incentive, reaching a final investment decision and other factors associated with the investment.
- On June 3, 2015, the applicant issued a second press release indicating that the company had executed a non-binding memorandum of understanding with an affiliate Woodside Petroleum Limited with respect to the preliminary diligence and discussions regarding a potential joint development of the proposed project.
- On June 4, 2015, The Sydney Morning Herald article reported that, Scott Chrisman, Sempra Vice President of Commercial Development said that,

the combination of Woodside and Sempra would create an extraordinary complementary set of experiences and skills.

- On February 25, 2016, the PRNewswire article reported that, the new agreement expands on the memorandum of understanding previously signed by the parties in June 2015 and provides a framework regarding how Sempra LNG and Midstream and Woodside will contribute their experience and share the costs related to the development, technical design, permitting and commercial development of the liquefaction project.

Board Finding Number 4.

The Board finds that the Application Fee received was reasonable and only in such an amount as was necessary to cover the District's costs of processing the Application under consideration.

In support of Finding 4, the Board reviewed the Application Fee payment included in the Application at Attachment A, the contract with the District's consultants and the internal costs for processing the application, if any.

Board Finding Number 5.

Based upon the Application and in the Comptroller's Economic Impact Evaluation and Certification, Attachment B, the Board finds that that the number of jobs to be created and the wages to be paid comply with the requirements of statute; and, the Board further finds that the Chapter 313 Tax Limitation Agreement (Attachment G) contains all required provisions and information related to job creation requirements, to wit: the provisions set forth in Subsections 9.1C&D of such Agreement.

In its Application, Applicant has committed to creating eighty (80) new qualifying jobs. The average salary level of qualifying jobs will be at least \$66,830 per year. The review of the application by the Comptroller's indicated that this amount—based on Texas Workforce Commission data—complies with current Tex. Tax Code §313.021(3) requirement that qualifying jobs must pay 110 percent of the county average manufacturing wage. As defined in Section 313.021 of the Tax Code, "Qualifying Job" means a permanent full-time job that:

- (A) requires at least 1,600 hours of work a year;
- (B) is not transferred from one area in this state to another area in this state;
- (C) is not created to replace a previous employee;
- (D) is covered by a group health benefit plan for which the business offers to pay at least 80 percent of the premiums or other charges assessed for employee-only coverage under the plan, regardless of whether an employee may voluntarily waive the coverage; and
- (E) pays at least 110 percent of the county average weekly wage for manufacturing jobs in the county where the job is located.

Board Finding Number 6.

The Applicant intends to create twenty (20) non-qualifying jobs.

In its Application, Applicant has indicated that it intends to create twenty (20) non-qualifying jobs. For all non-qualifying jobs the Applicant will be required to pay at least the county average wage of \$54,977 for all jobs in the county in accordance with the provisions of Tex. Tax Code §313.024(d).

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 \$5.2 billion to the tax base for debt service purposes at the peak investment level for the 2024-25 school year. The project remains fully taxable for debt services taxes, with the District currently levying a \$0.1589 per \$100 I&S rate. While the value of the Project is expected to depreciate over the life of the agreement and beyond, full access to the additional value is expected to increase the District's projected I&S taxable value well above the level available through the state's facility programs. As a result, local taxpayers should benefit from the addition of the Project to the local I&S tax roll.

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 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 project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in the District as stated in **Attachment F**.

Board Finding Number 9.

The Board finds that with the adoption of District Policy CCG (Local), implemented in conformance with both Comptroller and Texas Education Agency Rules governing Chapter 313 Agreements, it has developed a process to verify, either directly or through its consultants, the accuracy and completeness of information in annual eligibility reports and biennial progress reports regarding (1) the reported number of jobs created and (2) the reported amount invested in the property.

Board Finding Number 10.

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

The Board has developed a written policy CCG (Local) which requires, upon the filing of an Application under Tax Code Chapter 313, the retention of consultants in order to verify: (1) that Applicant's information contained in the Application as to existing facts is true and correct; (2) that Applicant's information contained in the Application with respect to projections of future events are commercially reasonable and within the ability of Applicant to execute; (3) that information related to job creation is commercially reasonable and within the ability of Applicant to execute; (4) that Applicant's representations concerning and economic incentives being offered, if any, and (5) the proposed project meets eligibility requirements.

As a part of its verification process the Board notes that the Chapter 313 Application for which these Findings are being made has been submitted by the Applicant under oath. Chapter 313 Applications are governmental records under Tex. Penal Code §37.01(2)(A); as a result, all statements contained therein are representations of fact within the meaning of Tex. Penal Code § 37.01(3). Since Board action upon the adoption of these Findings and the approval of the Chapter 313 Tax Limitation Agreement (**Attachment G**) is an “official proceeding,” a false statement on a Chapter 313 application constitutes perjury under Tex. Penal Code § 37.03.

The Board finds that sworn statements are routinely used as an acceptable verification method for reliance by fact finders in each of the three separate branches of government, including trials.

The consultants have prepared signed statements that the consultants have reviewed and verified the contents of the Application and have determined that the current statements of fact contained in the Application are true and correct. (**Attachment H**) The Board finds that reliance by the Board and its consultants upon verified statements of the Applicant, especially as to Applicant’s future intentions which cannot be objectively verified is reasonable and within the intent of Chapter 313, Texas Tax Code.

Board Finding Number 11.

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

The Board finds that the Chapter 313 Tax Limitation Agreement (**Attachment G**), in accordance with Comptroller’s Form 50-826, contains all required provisions and information related to the required investment amount, to wit: the amount set forth in Section 2.5 of said Agreement. According to the Texas Comptroller of Public Accounts’ School and Appraisal Districts’ Property Value Study 2015 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F.

The total industrial value for the District is \$574.5 million. The District 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. The District is classified as a "rural" district due to its placement in a strategic investment area. Given that the value of industrial property is more than \$200 million, it is classified as a Category I district which can offer a minimum value limitation of \$30 million.

Board Finding Number 12.

The Board finds that the Chapter 313 Tax Limitation Agreement (Attachment G) contains all necessary provisions and information related to establishing the required investment amount, to wit: the amount set forth in Section 2.5 of said Agreement.

The Board relies on the certifications of its consultants and the Comptroller's Approval of the Agreement form to make this Finding. (**Attachment I**)

Board Finding Number 13.

The Applicant (Taxpayer No. 12012553108; 32037013102) is eligible for the limitation on appraised value of qualified property as an active franchise-tax paying entity.

The Applicant, (Texas Taxpayer No. 12012553108; 32037013102), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be an active franchise tax payer by the Comptroller. See **Attachment B**. The Board also finds that the Chapter 313 Tax Limitation Agreement (**Attachment G**) contains all required provisions necessary for the Board to assess eligibility of any business to which an agreement is transferred.

Board Finding Number 14.

The project will be located within an area that is designated as a reinvestment zone, pursuant to Chapter 312 of the Texas Tax Code.

Board Finding Number 15.

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, and such provisions comply with the specific terms of Texas Tax Code, Chapter 313.

In support of this finding, the report of Moak, Casey & Associates, Inc. shows that the District will incur a revenue loss in the first and subsequent years 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. The Agreement contains adequate revenue protection measures for the duration of the Agreement. In support of this Finding, the Board relies upon the recommendation of its consultants. (Attachment H)

Board Finding Number 16.

The Board finds that the Chapter 313 Tax Limitation Agreement (Attachment G) contains all required provisions necessary for the Board to assess performance standards and to require periodic deliverables that will enable it to hold businesses accountable for achieving desired results, to wit: the reporting requirements set forth in Article VIII of said Agreement.

Board Finding Number 17.

The Board finds that there are no conflicts of interest at the time of considering the agreement.

The Board finds that with the adoption of District Policies BBFA and BBFB, both (Legal) and (Local), set forth at <http://pol.tasb.org/Home/Index/727>, that it has taken appropriate action to ensure that all District Trustees and the Superintendent, have disclosed any potential conflicts of interest, and that such disclosures will be made if any conflict of interest arises in the future, in compliance with the requirements of Texas Local Gov't Code §171.004.

In addition, at the public hearing, the Board caused the statement set forth in **Attachment J** to be read into the public record and that only Board members audibly responding that

no conflict of interest existed either deliberated or voted on the Tax Limitation Agreement, these Findings or any matter relating to the Application upon which these Findings have been premised.

The Board finds that with the adoption of District Policies DBD, DGA, DH, and BBFB, both (Legal) and (Local) that it has taken appropriate action to ensure that all District employees and/or consultants, have disclosed any potential conflicts of interest, and that such disclosures will be made if any conflict of interest arises in the future, in compliance with the requirements of Texas Local Gov't Code §171.004.

The Board finds that that no non-disclosed conflicts of interest exist as to the Application for which these Findings are being made, as of the time of action on these Findings.

Board Finding Number 18.

The Board directs that a link on its Web site to the Comptroller's Office's Web site where appraisal limitation related documents are made available to the public.

Board Finding Number 19.

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 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 District.

Dated the 24th day of October 2016.

SABINE PASS INDEPENDENT SCHOOL DISTRICT

By: 
Lane Plauche, President, Board of Trustees

ATTEST:

By: _____
Phyllis Almond, Secretary, Board of Trustees

Billie Vice President


Attachment A

Application

O'HANLON, McCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE
AUSTIN, TEXAS 78701
TELEPHONE: (512) 494-9949
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KEVIN O'HANLON
CERTIFIED, CIVIL APPELLATE
CERTIFIED, CIVIL TRIAL

LESLIE McCOLLOM
CERTIFIED, CIVIL APPELLATE
CERTIFIED, LABOR AND EMPLOYMENT
TEXAS BOARD OF LEGAL SPECIALIZATION

JUSTIN DEMERATH

December 17, 2015

Local Government Assistance & Economic Analysis
Texas Comptroller of Public Accounts
P.O. Box 13528
Austin, Texas 78711-3528

RE: Application to the Sabine Pass Independent School District from Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC

(First Qualifying Year 2021; First Year of Value Limitation 2023)

To the Local Government Assistance & Economic Analysis Division:

By copy of this letter transmitting the application for review to the Comptroller's Office, the Sabine Pass Independent School District is notifying Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC of its intent to consider the application for appraised value limitation on qualified property should a positive certificate be issued by the Comptroller. The company has provided the schedules in both electronic format and paper copies. The electronic copy is identical to the hard copy that will be hand delivered. The Applicant has requested that the value limitation begin in 2023.

The Applicant submitted the Application to the school district on December 14, 2015. The Board voted to accept the application on December 14, 2015. The application has been determined complete as of December 17, 2015. Please prepare the economic impact report.

Letter to Local Government Assistance & Economic Analysis Division
December 17, 2015
Page 2 of 2

A copy of the application will be submitted to the Jefferson County Appraisal District.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin O'Hanlon", written in a cursive style.

Kevin O'Hanlon
School District Consultant

Cc: Jefferson County Appraisal District

Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC

Sabine Pass Independent School District



Application for Appraised Value Limitation on Qualified Property (Tax Code, Chapter 313, Subchapter B or C)

Economic Development
and Analysis
Form 50-296-A

INSTRUCTIONS: This application must be completed and filed with the school district. In order for an application to be processed, the governing body (school board) must elect to consider an application, but — by Comptroller rule — the school board may elect to consider the application only after the school district has received a completed application. Texas Tax Code, Section 313.025 requires that any completed application and any supplemental materials received by the school district must be forwarded within seven days to the Comptroller of Public Accounts.

If the school board elects to consider the application, the school district must:

- notify the Comptroller that the school board has elected to consider the application. This notice must include:
 - the date on which the school district received the application;
 - the date the school district determined that the application was complete;
 - the date the school board decided to consider the application; and
 - a request that the Comptroller prepare an economic impact analysis of the application;
- provide a copy of the notice to the appraisal district;
- must complete the sections of the application reserved for the school district and provide information required in the Comptroller rules located at 34 Texas Administrative Code (TAC) Section 9.1054; and
- forward the original hard copy of the completed application to the Comptroller in a three-ring binder with tabs, as indicated on page 9 of this application, separating each section of the documents, in addition to an electronic copy on CD. See 34 TAC Chapter 9, Subchapter F.

The governing body may, at its discretion, allow the applicant to supplement or amend the application after the filing date, subject to the restrictions in 34 TAC Chapter 9, Subchapter F.

When the Comptroller receives the notice and required information from the school district, the Comptroller will publish all submitted application materials on its website. The Comptroller is authorized to treat some application information as confidential and withhold it from publication on the Internet. To do so, however, the information must be segregated and comply with the other requirements set out in the Comptroller rules. For more information, see guidelines on Comptroller's website.

The Comptroller will independently determine whether the application has been completed according to the Comptroller's rules (34 TAC Chapter 9, Subchapter F). If the Comptroller finds the application is not complete, the Comptroller will request additional materials from the school district. Pursuant to 9.1053(a)(1)(C), requested information shall be provided within 20 days of the date of the request. When the Comptroller determines that the application is complete, it will send the school district a notice indicating so. The Comptroller will determine the eligibility of the project, issue a certificate for a limitation on appraised value to the school board regarding the application and prepare an economic impact evaluation by the 90th day after the Comptroller receives a complete application—as determined by the Comptroller.

The school board must approve or disapprove the application not later than the 150th day after the application review start date (the date the application is finally determined to be complete), unless an extension is granted. The Comptroller and school district are authorized to request additional information from the applicant that is reasonably necessary to issue a certificate, complete the economic impact evaluation or consider the application at any time during the application review period.

Please visit the Comptroller's website to find out more about the program at www.texasahead.org/tax_programs/chapter313/. There are links to the Chapter 313 statute, rules, guidelines and forms. Information about minimum limitation values for particular districts and wage standards may also be found at that site.

SECTION 1: School District Information

1. Authorized School District Representative

December 14, 2015

Date Application Received by District

Kristi

First Name

Superintendent

Title

Sabine Pass Independent School District

School District Name

5641 S. Gulfway Dr.

Street Address

P.O. Box 1148

Mailing Address

Sabine Pass

City

(409) 971-2321

Phone Number

Heid

Last Name

TX

State

(409) 971-2120

Fax Number

kheid@sabinepass.net

Email Address

77655

ZIP

2. Does the district authorize the consultant to provide and obtain information related to this application?

Yes

No

SECTION 1: School District Information (continued)

3. Authorized School District Consultant (If Applicable)

Daniel T. _____ Casey _____
 First Name Last Name
 Partner _____
 Title _____
 Moak, Casey & Associates LLP _____
 Firm Name _____
 512-485-7878 _____ 512-485-7888 _____
 Phone Number Fax Number
 _____ dcasey@moakcasey.com _____
 Mobile Number (optional) Email Address

4. On what date did the district determine this application complete? December 17, 2015
5. Has the district determined that the electronic copy and hard copy are identical? Yes No

SECTION 2: Applicant Information

1. Authorized Company Representative (Applicant)

James _____ Asay _____
 First Name Last Name
 Vice President - Tax _____ Port Arthur LNG, LLC _____
 Title Organization
 488 8th Ave., HQ08N1 _____
 Street Address _____
 488 8th Ave., HQ08N1 _____
 Mailing Address _____
 San Diego _____ CA _____ 92101 _____
 City State ZIP
 (619) 696-4836 _____ (619) 696-3060 _____
 Phone Number Fax Number
 _____ jasay@sempra.com _____
 Mobile Number (optional) Business Email Address

2. Will a company official other than the authorized company representative be responsible for responding to future information requests? Yes No
- 2a. If yes, please fill out contact information for that person.

Marvin _____ Ivey _____
 First Name Last Name
 Director - Commercial Development _____ Sempra LNG _____
 Title Organization
 2925 Briarpark Drive, Suite 900 _____
 Street Address _____
 2925 Briarpark Drive, Suite 900 _____
 Mailing Address _____
 Houston _____ TX _____ 77042 _____
 City State ZIP
 (832) 460-6580 _____ _____
 Phone Number Fax Number
 _____ mivey@sempra.com _____
 Mobile Number (optional) Business Email Address

3. Does the applicant authorize the consultant to provide and obtain information related to this application? Yes No

SECTION 2: Applicant Information (continued)

4. Authorized Company Consultant (If Applicable)

Greg _____ Maxim _____
First Name Last Name
 Partner _____
Title
 Cummings Westlake LLC _____
Firm Name
 (713) 266-4456 _____ (713) 266-2333 _____
Phone Number Fax Number
 gmaxim@cwlp.net _____
Business Email Address

SECTION 3: Fees and Payments

1. Has an application fee been paid to the school district? Yes No

The total fee shall be paid at time of the application is submitted to the school district. Any fees not accompanying the original application shall be considered supplemental payments.

1a. If yes, attach in **Tab 2** proof of application fee paid to the school district.

For the purpose of questions 2 and 3, "payments to the school district" include any and all payments or transfers of things of value made to the school district or to any person or persons in any form if such payment or transfer of thing of value being provided is in recognition of, anticipation of, or consideration for the agreement for limitation on appraised value.

2. Will any "payments to the school district" that you may make in order to receive a property tax value limitation agreement result in payments that are not in compliance with Tax Code §313.027(i)? Yes No N/A
3. If "payments to the school district" will only be determined by a formula or methodology without a specific amount being specified, could such method result in "payments to the school district" that are not in compliance with Tax Code §313.027(i)? Yes No N/A

SECTION 4: Business Applicant Information

1. What is the legal name of the applicant under which this application is made? Port Arthur LNG, LLC and affiliate: Port Arthur LNG Holdings, LLC
2. List the Texas Taxpayer I.D. number of entity subject to Tax Code, Chapter 171 (11 digits) 12012553108; 32037013102
3. List the NAICS code 325120
4. Is the applicant a party to any other pending or active Chapter 313 agreements? Yes No
- 4a. If yes, please list application number, name of school district and year of agreement

SECTION 5: Applicant Business Structure

1. Identify Business Organization of Applicant (corporation, limited liability corporation, etc) Limited Liability Company
2. Is applicant a combined group, or comprised of members of a combined group, as defined by Tax Code §171.0001(7)? Yes No
- 2a. If yes, attach in **Tab 3** a copy of Texas Comptroller Franchise Tax Form No. 05-165, No. 05-166, or any other documentation from the Franchise Tax Division to demonstrate the applicant's combined group membership and contact information.
3. Is the applicant current on all tax payments due to the State of Texas? Yes No
4. Are all applicant members of the combined group current on all tax payments due to the State of Texas? Yes No N/A
5. If the answer to question 3 or 4 is no, please explain and/or disclose any history of default, delinquencies and/or any material litigation, including litigation involving the State of Texas. (If necessary, attach explanation in **Tab 3**)

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? Yes No
2. The property will be used for one of the following activities:
 - (1) manufacturing Yes No
 - (2) research and development Yes No
 - (3) a clean coal project, as defined by Section 5.001, Water Code Yes No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code Yes No
 - (5) renewable energy electric generation Yes No
 - (6) electric power generation using integrated gasification combined cycle technology Yes No
 - (7) nuclear electric power generation Yes No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) Yes No
 - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 Yes No
3. Are you requesting that any of the land be classified as qualified investment? Yes No
4. Will any of the proposed qualified investment be leased under a capitalized lease? Yes No
5. Will any of the proposed qualified investment be leased under an operating lease? Yes No
6. Are you including property that is owned by a person other than the applicant? Yes No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? Yes No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

<input checked="" type="checkbox"/> Land has no existing improvements	<input type="checkbox"/> Land has existing improvements (<i>complete Section 13</i>)
<input type="checkbox"/> Expansion of existing operation on the land (<i>complete Section 13</i>)	<input type="checkbox"/> Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? Yes No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? Yes No
3. Does the applicant have current business activities at the location where the proposed project will occur? Yes No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? Yes No
5. Has the applicant received any local or state permits for activities on the proposed project site? Yes No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? Yes No
7. Is the applicant evaluating other locations not in Texas for the proposed project? Yes No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? Yes No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? Yes No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? Yes No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Application for Appraised Value Limitation on Qualified Property



SECTION 9: Projected Timeline

- | | |
|---|---|
| 1. Application approval by school board | May 2016 |
| 2. Commencement of construction | Q4 - 2018 |
| 3. Beginning of qualifying time period | 2021 |
| 4. First year of limitation | 2023 |
| 5. Begin hiring new employees | Q2 - 2023 |
| 6. Commencement of commercial operations | Q2 - 2023 |
| 7. Do you propose to construct a new building or to erect or affix a new improvement after your application review start date <i>(date your application is finally determined to be complete)</i> ? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Note: Improvements made before that time may not be considered qualified property. | |
| 8. When do you anticipate the new buildings or improvements will be placed in service? | Q4 - 2022 |

SECTION 10: The Property

1. Identify county or counties in which the proposed project will be located Jefferson County
2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property Jefferson CAD
3. Will this CAD be acting on behalf of another CAD to appraise this property?

	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	---

4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:

County: <u>Jefferson County, \$0.365, 100%</u> <small><i>(Name, tax rate and percent of project)</i></small>	City: <u>City of Port Arthur, \$0.792, 50%</u> <small><i>(Name, tax rate and percent of project)</i></small>
Hospital District: <u>N/A</u> <small><i>(Name, tax rate and percent of project)</i></small>	Water District: <u>N/A</u> <small><i>(Name, tax rate and percent of project)</i></small>
Other <i>(describe)</i> : <u>Port of Sabine Pass, \$0.256673, 100%</u> <small><i>(Name, tax rate and percent of project)</i></small>	Other <i>(describe)</i> : <u>Sabine Neches Nav. Dist., \$0.089374, 100%</u> <small><i>(Name, tax rate and percent of project)</i></small>
5. Is the project located entirely within the ISD listed in Section 1?

	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
--	---

5a. If no, attach in **Tab 6** additional information on the project scope and size to assist in the economic analysis.

6. Did you receive a determination from the Texas Economic Development and Tourism Office that this proposed project and at least one other project seeking a limitation agreement constitute a single unified project (SUP), as allowed in §313.024(d-2)?

	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	---

6a. If yes, attach in **Tab 6** supporting documentation from the Office of the Governor.

SECTION 11: Investment

NOTE: The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as Subchapter B or Subchapter C, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's website at www.texasahead.org/tax_programs/chapter313/.

1. At the time of application, what is the estimated minimum qualified investment required for this school district?

	30,000,000.00
--	---------------

2. What is the amount of appraised value limitation for which you are applying?

	30,000,000.00
--	---------------

Note: The property value limitation amount is based on property values available at the time of application and may change prior to the execution of any final agreement.

3. Does the qualified investment meet the requirements of Tax Code §313.021(1)?

	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
--	---

4. Attach a description of the qualified investment [See §313.021(1).] The description must include:
 - a. a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (**Tab 7**);
 - b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your minimum qualified investment (**Tab 7**); and
 - c. a detailed map of the qualified investment showing location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period, with vicinity map (**Tab 11**).
5. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or §313.053 for Subchapter C school districts) for the relevant school district category during the qualifying time period?

	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
--	---

SECTION 12: Qualified Property

1. Attach a detailed description of the qualified property. [See §313.021(2)] (If qualified investment describes qualified property exactly, you may skip items a, b and c below.) The description must include:
 - 1a. a specific and detailed description of the qualified property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (Tab 8);
 - 1b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your qualified property (Tab 8); and
 - 1c. a map of the qualified property showing location of new buildings or new improvements with vicinity map (Tab 11).
2. Is the land upon which the new buildings or new improvements will be built part of the qualified property described by §313.021(2)(A)? Yes No
 - 2a. If yes, attach complete documentation including:
 - a. legal description of the land (Tab 9);
 - b. each existing appraisal parcel number of the land on which the new improvements will be constructed, regardless of whether or not all of the land described in the current parcel will become qualified property (Tab 9);
 - c. owner (Tab 9);
 - d. the current taxable value of the land. Attach estimate if land is part of larger parcel (Tab 9); and
 - e. a detailed map showing the location of the land with vicinity map (Tab 11).
3. Is the land on which you propose new construction or new improvements currently located in an area designated as a reinvestment zone under Tax Code Chapter 311 or 312 or as an enterprise zone under Government Code Chapter 2303? Yes No
 - 3a. If yes, attach the applicable supporting documentation:
 - a. evidence that the area qualifies as a enterprise zone as defined by the Governor's Office (Tab 16);
 - b. legal description of reinvestment zone (Tab 16);
 - c. order, resolution or ordinance establishing the reinvestment zone (Tab 16);
 - d. guidelines and criteria for creating the zone (Tab 16); and
 - e. a map of the reinvestment zone or enterprise zone boundaries with vicinity map (Tab 11)
 - 3b. If no, submit detailed description of proposed reinvestment zone or enterprise zone with a map indicating the boundaries of the zone on which you propose new construction or new improvements to the Comptroller's office within 30 days of the application date. What is the anticipated date on which you will submit final proof of a reinvestment zone or enterprise zone? January 2016

SECTION 13: Information on Property Not Eligible to Become Qualified Property

1. In Tab 10, attach a specific and detailed description of all **existing property**. This includes buildings and improvements existing as of the application review start date (the date the application is determined to be complete by the Comptroller). The description must provide sufficient detail to locate all existing property on the land that will be subject to the agreement and distinguish existing property from future proposed property.
2. In Tab 10, attach a specific and detailed description of all **proposed new property that will not become new improvements** as defined by TAC 9.1051. This includes proposed property that: functionally replaces existing or demolished/removed property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property; or is otherwise ineligible to become qualified property. The description must provide sufficient detail to distinguish existing property (question 1) and all proposed new property that cannot become qualified property from proposed qualified property that will be subject to the agreement (as described in Section 12 of this application).
3. For the property not eligible to become qualified property listed in response to questions 1 and 2 of this section, provide the following supporting information in Tab 10:
 - a. maps and/or detailed site plan;
 - b. surveys;
 - c. appraisal district values and parcel numbers;
 - d. inventory lists;
 - e. existing and proposed property lists;
 - f. model and serial numbers of existing property; or
 - g. other information of sufficient detail and description.
4. Total estimated market value of existing property (that property described in response to question 1): \$ 0.00
5. In Tab 10, include an appraisal value by the CAD of all the buildings and improvements existing as of a date within 15 days of the date the application is received by the school district.
6. Total estimated market value of proposed property not eligible to become qualified property (that property described in response to question 2): \$ 10,000,000.00

Note: Investment for the property listed in question 2 may count towards qualified investment in Column C of Schedules A-1 and A-2, if it meets the requirements of 313.021(1). Such property cannot become qualified property on Schedule B.

SECTION 14: Wage and Employment Information

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0
2. What is the last complete calendar quarter before application review start date:
 First Quarter Second Quarter Third Quarter Fourth Quarter of 2015
(year)
3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? 0
Note: For job definitions see TAC §9.1051 and Tax Code §313.021(3).
4. What is the number of new qualifying jobs you are committing to create? 80
5. What is the number of new non-qualifying jobs you are estimating you will create? 20
6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? Yes No
 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.
7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).
 - a. Average weekly wage for all jobs (all industries) in the county is 1,050.50
 - b. 110% of the average weekly wage for manufacturing jobs in the county is 2,093.30
 - c. 110% of the average weekly wage for manufacturing jobs in the region is 1,285.18
8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? §313.021(5)(A) or §313.021(5)(B)
9. What is the minimum required annual wage for each qualifying job based on the qualified property? 66,829.00
10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 66,830.00
11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? Yes No
12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? Yes No
 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).
13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? Yes No
 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

SECTION 15: Economic Impact

1. Complete and attach Schedules A1, A2, B, C, and D in **Tab 14**. Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.
2. Attach an Economic Impact Analysis, if supplied by other than the Comptroller's Office, in **Tab 15**. (*not required*)
3. If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, attach a separate schedule showing the amount for each year affected, including an explanation, in **Tab 15**.

APPLICATION TAB ORDER FOR REQUESTED ATTACHMENTS

TAB	ATTACHMENT
1	Pages 1 through 11 of Application
2	Proof of Payment of Application Fee
3	Documentation of Combined Group membership under Texas Tax Code 171.0001(7), history of tax default, delinquencies and/or material litigation <i>(if applicable)</i>
4	Detailed description of the project
5	Documentation to assist in determining if limitation is a determining factor
6	Description of how project is located in more than one district, including list of percentage in each district and, if determined to be a single unified project, documentation from the Office of the Governor <i>(if applicable)</i>
7	Description of Qualified Investment
8	Description of Qualified Property
9	Description of Land
10	Description of all property not eligible to become qualified property <i>(if applicable)</i>
11	<p>Maps that clearly show:</p> <ul style="list-style-type: none"> a) Project vicinity b) Qualified investment including location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period c) Qualified property including location of new buildings or new improvements d) Existing property e) Land location within vicinity map f) Reinvestment or Enterprise Zone within vicinity map, showing the actual or proposed boundaries and size <p>Note: Electronic maps should be high resolution files. Include map legends/markers.</p>
12	Request for Waiver of Job Creation Requirement and supporting information <i>(if applicable)</i>
13	Calculation of three possible wage requirements with TWC documentation
14	Schedules A1, A2, B, C and D completed and signed Economic Impact <i>(if applicable)</i>
15	Economic Impact Analysis, other payments made in the state or other economic information <i>(if applicable)</i>
16	<p>Description of Reinvestment or Enterprise Zone, including:</p> <ul style="list-style-type: none"> a) evidence that the area qualifies as a enterprise zone as defined by the Governor's Office b) legal description of reinvestment zone* c) order, resolution or ordinance establishing the reinvestment zone* d) guidelines and criteria for creating the zone* <p>* To be submitted with application or before date of final application approval by school board</p>
17	Signature and Certification page, signed and dated by Authorized School District Representative and Authorized Company Representative <i>(applicant)</i>

Port Arthur LNG, LLC

Chapter 313 Application to Sabine Pass ISD

Cummings Westlake, LLC

TAB 3

Documentation of Combined Group membership under Texas Tax Code 171.0001(7), history of tax default, delinquencies and/or material litigation (if applicable)

See Attached

Texas Franchise Tax Affiliate Schedule

Tcode 13253 Annual

Reporting entity taxpayer number: 13307326275
Report year: 2014
Reporting entity taxpayer name: Sempra Energy & Subsidiaries

Reporting entity must be included on Affiliate Schedule. Affiliate reporting period dates must be within combined group's accounting period dates.

1. Legal name of affiliate Port Arthur LNG Holdings, LLC		2. Affiliate taxpayer number (if none, use FEI number) 32037013102		3. Affiliate NAICS code 551112	
4. Check box if entity is disregarded for franchise tax <input checked="" type="checkbox"/>	5. Check box if this affiliate does NOT have NEXUS in Texas <input type="checkbox"/>	6. Affiliate reporting begin date m m d d y y 022713		7. Affiliate reporting end date m m d d y y 123113	
8. Gross receipts subject to throwback in other states (before eliminations) 0 .00		9. Gross receipts everywhere (before eliminations) 0 .00			
10. Gross receipts in Texas (before eliminations) 0 .00		11. Cost of goods sold or compensation (before eliminations) 0 .00			
Check box if this is a Corporation or Limited Liability Company <input checked="" type="checkbox"/>			Check box if this is an Entity other than a Corporation or Limited Liability Company <input type="checkbox"/>		
1. Legal name of affiliate Port Arthur LNG, LLC		2. Affiliate taxpayer number (if none, use FEI number) 12012553108		3. Affiliate NAICS code 493100	
4. Check box if entity is disregarded for franchise tax <input checked="" type="checkbox"/>	5. Check box if this affiliate does NOT have NEXUS in Texas <input type="checkbox"/>	6. Affiliate reporting begin date m m d d y y 010113		7. Affiliate reporting end date m m d d y y 123113	
8. Gross receipts subject to throwback in other states (before eliminations) 0 .00		9. Gross receipts everywhere (before eliminations) 0 .00			
10. Gross receipts in Texas (before eliminations) 0 .00		11. Cost of goods sold or compensation (before eliminations) 0 .00			
Check box if this is a Corporation or Limited Liability Company <input checked="" type="checkbox"/>			Check box if this is an Entity other than a Corporation or Limited Liability Company <input type="checkbox"/>		
1. Legal name of affiliate Port Arthur Pipeline, LLC		2. Affiliate taxpayer number (if none, use FEI number) 18611181662		3. Affiliate NAICS code 486000	
4. Check box if entity is disregarded for franchise tax <input checked="" type="checkbox"/>	5. Check box if this affiliate does NOT have NEXUS in Texas <input type="checkbox"/>	6. Affiliate reporting begin date m m d d y y 010113		7. Affiliate reporting end date m m d d y y 123113	
8. Gross receipts subject to throwback in other states (before eliminations) 0 .00		9. Gross receipts everywhere (before eliminations) 0 .00			
10. Gross receipts in Texas (before eliminations) 0 .00		11. Cost of goods sold or compensation (before eliminations) 0 .00			
Check box if this is a Corporation or Limited Liability Company <input checked="" type="checkbox"/>			Check box if this is an Entity other than a Corporation or Limited Liability Company <input type="checkbox"/>		

The reporting entity of a combined group with a temporary credit for business loss carryforwards preserved for itself and/or affiliates must submit common owner information. This information must be provided to satisfy franchise tax reporting requirements. Learn more at www.window.texas.gov/commonowner/.
An information report (Form 05-102 or Form 05-167) must be filed for each affiliate that is organized in Texas or that has a physical presence in Texas.

Texas Comptroller Official Use Only



VE/DE FM



TAB 4

Detailed Description of the Project

Provide a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.

Port Arthur LNG, LLC (PALNG) is requesting an appraised value limitation from Sabine Pass Independent School District (ISD) for the Port Arthur LNG Project (the "Project"), a proposed liquefaction facility in Jefferson County. The proposed Sabine ISD Project (this application) will be constructed within a Reinvestment Zone that will be created by Jefferson County in January of 2016. A map showing the location of the project is included in TAB 11.

As nations increasingly search for alternative sources of energy besides oil and coal for power generation and other applications, demand for LNG will continue to grow. The U.S. has an opportunity to expand its participation in the global market for natural gas, as the country's more than 100 years of reserves are well positioned to contribute to meeting this growing demand. Port Arthur LNG's production and export of LNG represents a long-term economic stimulus to the nation's natural gas-producing regions, including Texas and the entire Gulf Coast. Port Arthur LNG's proposed liquefaction facility and export terminal will take advantage of the huge natural gas reserves that have been unlocked in recent years to provide substantial job creation and economic stimulus to the U.S. at large. New natural gas production and export of LNG represents a long-term economic lift to the nation's natural gas-producing regions and the overall U.S. economy.

The Project site is located approximately five miles south of the intersection of SH 87 and SH 82 near the City of Port Arthur, along the west side of the Sabine-Neches Ship Channel, south of the Gulf Intracoastal Waterway.

Natural gas will be delivered to the Project through proposed new pipelines and associated facilities being developed by Port Arthur Pipeline, LLC, which is not part of this Chapter 313 application. The natural gas will be cooled into a liquid form and stored in three 160,000 m³ LNG storage tanks. The maximum proposed production capacity of the liquefaction process is approximately 10 MTPA (5 MTPA per train). A marine facility, consisting of two berths, will be used to transfer LNG onto ships.

A Chapter 313 Value Limitation Agreement is requested on all the proposed new improvements and fixed equipment associated with this project as described below. The proposed project primarily consists of property classified by Jefferson CAD as real estate improvements including, but not limiting to the following:

- Two liquefaction trains, each with a maximum production capacity of 5 MTPA, and each with its own gas treatment facilities;
- A natural gas liquids (NGL) and refrigerant storage area;

- A marine facility, including two LNG berths, each with three liquid loading arms, one vapor loading arm, and one spare hybrid loading arm;
- An NGL and refrigerant truck loading/unloading facility;
- Three 160,000 m³ LNG storage tanks; and
- Operations, control, maintenance, warehouse and all other necessary buildings.

Also included in this application, but not limited to, are all of the associated concrete foundations, pipe supports, piping, instrumentation, power feeds, control loops, safety systems, fire water protection, pollution control equipment and facilities', insulation, and utilities necessary to safely operate the new equipment.

The following non-jurisdictional facilities and activities are also envisioned as part of the Project:

- Combustion turbine generators to provide self-power generation for the Project;
- State Highway 87 road and utility corridor relocation.

**The Port Arthur Pipeline, LLC system will include two 42-inch diameter feed gas pipelines and associated compressor stations and interconnect facilities. One pipeline will be approximately 7 miles long and will extend south, southeast from the proposed LNG terminal. The other pipeline will be 27 miles long and extend north, northwest from the proposed LNG terminal. Both pipelines are proposed to be owned and operated by PAPL and have a total operating capacity of approximately 1.6 Bcfd.

The pipeline facilities will include:

- Two underground, feed gas supply pipelines as described;
- Two compressor stations, one north and one south, as needed;
- Receipt metering stations; and
- Other above and below ground appurtenances, including valves and launchers/receivers.

Full construction of the Project is anticipated to begin in Q4 - 2018 with completion by Q2 - 2023.

**Port Arthur Pipeline, LLC system is specifically excluded and not part of this Application for Limitation on Appraised Value of Qualified Property.

TAB 5

Documentation to assist in determining if limitation is a determining factor.

Port Arthur LNG, LLC's (PALNG) parent company, Sempra Energy ("Sempra") is a Fortune 500 energy services company that develops energy infrastructure, operates utilities, and provides related products and services to more than 32 million consumers worldwide. The decision to invest in a particular state depends on the economics of the investment. In the case of PALNG's proposed natural gas liquefaction project (the "Project") in Jefferson County, there are a number of financial considerations, including the ability to obtain relief regarding local property taxes, which make the proposed investment meet certain economic requirements. Obtaining the local property tax abatements and valuation limitations prior to making a final decision to construct the Project in order to have certainty with respect to future property tax obligations is part of the necessary pre-development activity that the company must undertake before making a commitment to build the Project. The energy commodities market is very competitive. The Project must compete internally and externally for equity capital investment and worldwide for viable markets. Without the Chapter 313 property tax valuation limit, Sempra can turn its investment and project development efforts to another project in another state and/or country where the economics better meet the company's investment and economic objectives. Similarly, without the economic benefit of the Chapter 313 property tax valuation limit, Sempra's ability to market the project to third party offtakers and prospective equity investors becomes more challenging.

The proposed Project is still in an evaluation stage; only preliminary development activities have begun. The company acknowledges that it has undertaken certain development and permitting activities, has made public statements about the proposed project and has hosted meetings in the Port Arthur area to gauge public reaction to the project. On February 8, 2015 KPLC, a news station in Port Arthur, published an article regarding renewed internal Sempra interest in this project site following the prior cancellation of a Sempra LNG regasification project at the site in 2008. This article is attached as Exhibit 1 to this Tab. On February 26, 2015, Sempra issued its 2014 Annual Report and filed a Form 10-K for 2014. The proposed Port Arthur Liquefaction Project was mentioned in both reports and those pages are attached as Exhibits 2 and 3. On March 23, 2015, Sempra issued a press release to announce that it had requested the Federal Energy Regulatory Commission to initiate pre-filing review of the Port Arthur Liquefaction Project and that PALNG had filed a permit application with the U.S. Department of Energy for authorization to export LNG to be produced from the proposed Project to countries that have a free trade agreement with the U.S. The press release, from Sempra's website, is attached to this Tab as Exhibit 4a. Note that the press release states that "[d]evelopment of the Port Arthur liquefaction project is contingent on... obtaining financing and incentives" among other things. Based on the press release, various articles were published on March 23rd and 24th of 2015. See Exhibits 4b, 4c, 4d, 4e, and 4f to this Tab. Another article, included as Exhibit 4g, appeared in a local news publication on May 20, 2015 after a Sempra representative spoke about the project at a Port Arthur Chamber of Commerce meeting. On June 3, 2015, Sempra issued a second press release regarding the Port Arthur Liquefaction Project, stating that the company had executed a non-binding memorandum of understanding with an affiliate of Woodside Petroleum Ltd (the "Woodside MOU") with respect to preliminary diligence and discussions regarding a potential

joint development of the Project. This press release, which is attached in this Tab as Exhibit 5, states that development of the project is contingent upon "securing ... potential tax incentives." On August 20, 2015, the DOE approved PALNG's application for export to free trade countries. In addition, FERC recently announced its intent to prepare an environmental impact statement for the project. Notwithstanding any public statement or any on-going development activity, or any action by DOE or FERC, no final decision about whether or not to invest in the Project has been made by Sempra or any other party.

Neither Sempra nor PALNG have entered into any contracts to construct the proposed project. Although Port Arthur LNG Holdings, LLC owns the land that the proposed project would be built on, there is significant work that would need to be done to prepare the site, which would include the relocation of a portion of State Highway 87 at a significant cost (the benefit to the local community will also be significant), currently estimated to be approximately \$25 million. This land has been owned by Sempra or predecessor entities since 1969 and Sempra has twice attempted to develop projects on this site without success. Sempra has other potential LNG liquefaction projects under consideration that are competing for internal funding. If developed and constructed, these projects may be located in Cameron Parish, Louisiana and/or Ensenada, Mexico. Both sites already have LNG regasification infrastructure in place.

The Cameron Parish project is owned by Cameron LNG, LLC ("CLNG"), of which Sempra is a 50.2% majority owner. CLNG is currently constructing a three-train natural gas liquefaction project at a site adjacent to its existing LNG regasification facility. CLNG is in the process of permitting an expansion of that three train liquefaction facility to include a fourth and fifth train. Both CLNG's LNG regasification facility and its natural gas liquefaction project have been approved for Louisiana's Industrial Tax Exemption ("ITE"), a ten-year, 100% property tax exemption. CLNG fully expects any expansion project to also be approved for the ITE. No final decision to invest in the proposed expansion has been made.

The Ensenada, Mexico project, owned by Sempra's Mexico affiliate IEnova, is also competing for internal approvals to develop a natural gas liquefaction expansion at the company's existing Energia Costa Azul ("ECA") regasification facility. On February 19, 2015, IEnova announced that it had entered into an agreement with a subsidiary of PEMEX to collaborate in the development of the liquefaction project. The press release is included in this Tab as Exhibit 6.

PALNG, a Texas project, is competing both internally for Sempra's development dollars, and also for prospective third party offtake and equity investment in a worldwide LNG marketplace with liquefaction projects proposed by other companies. Going forward, we believe the LNG projects that will be successfully developed and constructed will be those that can offer the lowest LNG price to a global market and can demonstrate the best economic value for prospective investors' equity capital.

PALNG is a greenfield project in comparison to many of the facilities proposed in the U.S. and elsewhere, which have in place existing LNG regasification infrastructure, such as berthing facilities and LNG storage tanks. This could potentially create the impression for third party investors and offtakers that the greenfield Port Arthur Liquefaction Project stands at a relative competitive disadvantage from a cost perspective. The ability to secure available property tax

*ATTACHMENT TO APPLICATION FOR APPRAISED VALUE LIMITATION ON QUALIFIED PROPERTY
BY PORT ARTHUR LNG, LLC TO SABINE PASS ISD*

incentives, including, particularly, a Chapter 313 value limitation, is therefore critical to the successful development of the Project in Texas.

An economic factor comparison of the various proposed sites for Sempra’s various LNG development projects is shown in the table below.

Chapter 313 Application to Sabine Pass ISD			
Facility	Port Arthur LNG	Cameron LNG Expansion	Energia Costa Azul
Location	Port Arthur, TX	Cameron, LA	Ensenada, Baja California, Mexico
Economic Factors:			
Natural Gas Supply	Centrally located on the Texas Gulf Coast with pipeline connections to many shale gas production areas.	Centrally located on the Louisiana Gulf Coast with pipeline connections to many shale gas production areas.	Likely to utilize natural gas from the Permian Basin or Rocky Mountains and imported into Mexico from the U.S.
Inbound Pipeline Access	Will need to acquire ROW and build 27 miles of 42 inch diameter pipeline	Has an existing 42 inch pipeline interconnecting the project to multiple interstate trunklines.	Existing pipeline may require an upgrade to handle sufficient gas volumes.
Water Access	Will need to build new berthing and loading facilities.	Existing facility has two berthing and loading jetties.	Existing facility is strategically located on the west coast of North America near Ensenada, Mexico and has an existing berthing and loading jetty.
Proximity of Product Market	Project is located on the Central Gulf Coast on the Sabine-Neches Waterway in Texas.	Project is located on the Central Gulf Coast on the Calcasieu Waterway in Louisiana.	Strategic location on the west coast of North America eliminates Panama Canal passage for LNG shipments to Asia cutting significant ship time and costs.

Port Arthur LNG, LLC

Chapter 313 Application to Sabine Pass ISD

Cummings Westlake, LLC

Site Preparation	Greenfield project with no existing facilities - more foundation work and relocation of existing highway will be required	Brownfield project with an existing LNG facility, which includes three LNG storage tanks, and marine facilities with two loading/unloading jetties.	Brownfield project with an existing LNG import facility, which includes two LNG storage tanks, and marine facilities with one loading/unloading jetty.
Utilities	Although there is an existing dual 230 kV transmission line and an existing 16-inch city water line on site, investment in additional utility infrastructure will be required.	A dual 230kV transmission line installed to the project. The local water district has an existing water line dedicated to the project	All power is provided by on-site generators and is not connected to the public grid.
Environmental	Area has moved from non-attainment to attainment for air permit purposes but may reverse under new EPA rulings.	Located in an attainment area for air permit purposes.	Subject to applicable Mexican federal, state and local environmental laws and regulations.
Availability of Tax Incentives	Chapter 312/380/IDA tax abatement; Chapter 313 value limitation with school district and state approval	Industrial Tax Exemption provides 100% tax abatement for ten years for all taxing jurisdictions	Property taxes not a significant annual expense in Mexico



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Sempra Energy revisiting Port Arthur LNG project

Posted: Dec 10, 2014 4:13 PM CST
Updated: Feb 08, 2015 4:13 PM CST

By Anne Robicheaux [CONNECT](#)

PORT ARTHUR, TEXAS (KPLC) - Sempra Energy is revisiting plans for a liquefied natural gas (LNG) facility in Port Arthur.

According to [KBMT](#), Sempra officials are in talks with local leaders, and all permits are expected to be in by spring 2015, but no groundbreaking date has been set.

The company applied for federal permits for the project in April 2004 and received authorization in June 2006 from the Federal Energy Regulatory Commission (FERC) to move forward with its development. The project was put on hold in 2008.

The planned facility would be built along the Port Arthur Ship Channel and would consist of three storage tanks, two berths and two send-out pipes. The facility would be capable of processing up to three billion cubic feet of natural gas per day.

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balance sheet and credit ratings, but also to reduce risk and create new investment opportunities.

A great example of a successful partnership is the Cameron LNG liquefaction-export project in Louisiana. In 2014, we finalized a joint venture with our project partners, secured the last of our required regulatory permits and launched construction activities. The facility now is on schedule to become one of the first U.S. gas export facilities to begin operating, when completed in 2018. Fully contracted for 20 years, Cameron LNG will have an export capability of approximately 1.7 billion cubic feet per day (Bcfd) of LNG for international markets. Beginning in 2019, it is expected to generate \$300 million to \$350 million annually in earnings for us.

With the success of the launch of the Cameron LNG project, we and our partners are considering adding two more liquefaction trains to the current three trains under development. Initial permitting work on the potential expansion already has begun. We are also exploring other LNG development opportunities. **We have a large land position on the Gulf Coast of Texas, in Port Arthur,**



In October 2014, federal, state and local officials joined the Cameron LNG partners to break ground on their landmark liquefaction-export facility, due to start operations in 2018.

that could host a liquefaction-export terminal. Additionally, we are evaluating the economics of converting our Energía Costa Azul LNG terminal into an export facility. The terminal, located in Baja California, Mexico, currently is 100-percent contracted through 2028 as an import facility.

Despite volatile oil and natural gas prices over the past year, there remains a need to increase LNG supply to meet growing demand in the future. U.S. LNG projects have unique advantages in meeting this demand, due to their flexibility and lower cost. While some exploration and production activity may decline, we have structured our business model to minimize our exposure to commodity cycles, primarily through long-term contracting of our facilities.

Several of the largest U.S. shale plays are in the Northeast and Midwest. This is reversing the traditional flows of natural gas in the country, with new pipeline capacity needed to move shale gas from the producing regions to consumers. Sempra U.S. Gas & Power is a 25-percent owner of the Rockies Express Pipeline, a 1,698-mile transcontinental pipeline originally designed to transport natural gas west to east, from the Rocky Mountain region to Ohio. We and our partners in the pipeline are taking advantage of the new market demand by adding pipeline laterals and compression to allow Rockies Express Pipeline gas to flow bidirectionally. Toward this end, the partners have secured long-term contracts for 1.8 Bcfd of east-to-west capacity on the pipeline. We are exploring other related development opportunities, as well.

With the majority of states adopting renewable energy standards or goals, Sempra U.S. Gas & Power has continued to expand its portfolio of solar and wind facilities in 50-50 joint ventures. The company now owns or has under development more than 1,000 megawatts (MW) of renewable energy at facilities stretching from Hawaii to Pennsylvania.

TAB5 - EXHIBIT 3

project. As we do not control Cameron LNG Holdings, we are dependent on reaching a consensus with one or more of our joint venture partners to resolve a variety of issues that could transpire. The inability to timely resolve issues, including construction issues, could cause substantial delays to the completion of this project. A substantial delay could result in cost overruns, substantially postpone the earnings we anticipate deriving from this facility, and require additional cash investments by us and our joint venture partners. The anticipated cost of this project is based on a number of assumptions that may prove incorrect, and the ultimate cost could significantly exceed the current estimate of approximately \$7 billion of incremental investment, excluding capitalized interest and other financing costs. These risks could have a material adverse effect on our business, results of operations, cash flows, financial condition, and/or prospects.

We face many challenges to develop and complete our contemplated LNG export facilities.

In addition to the three-train Cameron liquefaction facility described above, we are looking at several other LNG export terminal development opportunities, including a greenfield project in Port Arthur, Texas, a brownfield project at our existing Energía Costa Azul regasification facility in Baja California, Mexico and an expansion of up to two additional liquefaction trains to the Cameron facility. Each of these contemplated projects faces numerous risks and must overcome significant hurdles before we can proceed with construction. Common to all of these projects is the risk that an extended decline in current and forward projections of crude oil prices could reduce the demand for natural gas in some sectors and cause a corresponding reduction in projected global demand for LNG. This could result in increased competition among those working on projects in an environment of declining LNG demand, such as the Semptra Energy-sponsored export initiatives. Such reduction in natural gas demand could also occur from higher penetration of coal in new power generation, which could also lead to increased competition among the LNG suppliers for the declining LNG demand. Oil prices at certain moderate levels, could also make LNG projects in other parts of the world still feasible and competitive with LNG projects from North America, thus increasing supply and the competition for the available LNG demand. A decline in natural gas prices outside the United States (which in many foreign countries are based on the price of crude oil) may also materially adversely affect the relative pricing advantage that has existed in recent years in favor of domestic natural gas prices (based on Henry Hub pricing). In addition, all of our proposed projects require the receipt of a number of permits and regulatory approvals, finding suitable partners and customers, obtaining financing, and negotiating suitable construction contracts.

Expansion of the Cameron LNG facility beyond the first three trains is subject to certain restrictions and conditions under the joint venture project financing agreements. Furthermore, there are a number of potential new projects contemplated by various developers in North America, in addition to ours, and given the projected global demand for LNG, the vast majority of these projects likely will not be completed. With respect to our Port Arthur, Texas project, this is a greenfield site, and therefore it may not have the cost advantages often associated with brownfield sites. The Energía Costa Azul facility in Mexico is subject to on-going land and permitting disputes that could make project financing difficult as well as finding suitable partners and customers. In addition, while we have completed the regulatory process for an LNG export facility in the U.S., the regulatory process in Mexico and the overlay of U.S. regulations for natural gas exports to an LNG export facility in Mexico are not well developed. There can be no assurance that such a facility could be permitted and constructed without facing significant legal challenges and uncertainties, which in turn could make project financing difficult as well as finding suitable partners and customers. Finally, Energía Costa Azul has profitable long-term regasification contracts for 100 percent of the facility, making the decision to pursue a new liquefaction facility dependent in part on whether the investment in a new liquefaction facility would be more profitable than just continuing to supply regasification services under our existing contracts.

There can be no assurance that our contemplated LNG export facilities will be completed, and our inability to complete one or more of our contemplated LNG export facilities could have a material adverse effect on our future cash flows, results of operations and prospects.

Increased competition could materially adversely affect us.

The markets in which we operate are characterized by numerous strong and capable competitors, many of whom may have extensive and diversified developmental and/or operating experience (including both domestic and international) and financial resources similar to or greater than ours. Further, in recent years, the natural gas pipeline, storage and LNG market segments have been characterized by strong and increasing competition both with respect to winning new development projects and acquiring existing assets. In Mexico, despite the commissioning of many new energy infrastructure projects by the Federal Electricity Commission (Comisión Federal de Electricidad, or CFE) and other governmental agencies in connection with energy reforms, competition for recent pipeline projects has been intense with numerous bidders competing aggressively for these projects. There can be no assurance that we will be successful in bidding for new development

TAB5 - EXHIBIT 3 (cont.)

Arizona and California for potential development of solar electric generation facilities. Sempra Mexico leases properties in Mexico for current and potential development of wind electric generation facilities.

In 2006, Sempra Natural Gas and ProLiance Transportation and Storage, LLC acquired three existing salt caverns representing 10 Bcf to 12 Bcf of potential natural gas storage capacity in Cameron Parish, Louisiana, with plans for development of a natural gas storage facility, LA Storage.

The Sempra Natural Gas segment owns and operates Mobile Gas, a natural gas distribution utility located in Mobile and Baldwin counties in Alabama. Its property consists of distribution mains, service lines and regulating equipment.

The Sempra Natural Gas segment also owns and operates Willmut Gas, a natural gas distribution utility headquartered in Forrest County, Mississippi, serving Forrest, Simpson, Lamar, Jones, Covington and Rankin counties. Its property consists of distribution mains, service lines and regulating equipment.

In Washington County, Alabama, Sempra Natural Gas operates a 20 Bcf natural gas storage facility, Bay Gas, under a land lease, with the potential to expand total working capacity to 26 Bcf. Sempra Natural Gas also owns land in Simpson County, Mississippi, on which it operates a 22 Bcf natural gas storage facility, Mississippi Hub, with the potential to expand total working capacity to 30 Bcf.

Sempra Natural Gas owns land in Port Arthur, Texas, for potential development. Sempra Natural Gas also has an equity interest in the Cameron LNG Holdings joint venture, which owns land and an LNG regasification terminal and has a land lease in Hackberry, Louisiana. The joint venture is constructing a liquefaction terminal at the facility.

OTHER PROPERTIES

Sempra Energy occupies its 19-story corporate headquarters building in San Diego, California, pursuant to an operating lease that expires in 2015. In August 2013, Sempra Energy entered into a 25-year, build-to-suit lease for its future San Diego, California, headquarters. The lease has five five-year renewal options. We discuss the details of this lease further in Note 15 of the Notes to Consolidated Financial Statements in the Annual Report.

SoCalGas leases approximately one-fourth of a 52-story office building in downtown Los Angeles, California, pursuant to an operating lease expiring in 2026. The lease has four five-year renewal options.

SDG&E occupies a six-building office complex in San Diego pursuant to two separate operating leases, both ending in December 2024. One lease has four five-year renewal options and the other lease has three five-year renewal options.

Sempra International and Sempra U.S. Gas & Power own or lease office facilities at various locations in the United States, Mexico, Chile and Peru, with the leases ending from 2015 to 2021.

Sempra Energy, SDG&E and SoCalGas own or lease other land, easements, rights of way, warehouses, offices, operating and maintenance centers, shops, service facilities and equipment necessary to conduct their businesses.

ITEM 3. LEGAL PROCEEDINGS

We are not party to, and our property is not the subject of, any material pending legal proceedings (other than ordinary routine litigation incidental to our businesses) except for the matters (1) described in Notes 13, 14 and 15 of the Notes to Consolidated Financial Statements in the Annual Report, or (2) referred to in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Sempra Energy Submits Port Arthur Liquefaction-Export Facilities For Pre-File Review With FERC

Mar 23, 2015

SAN DIEGO, March 23, 2015 /PRNewswire/ -- Sempra Energy (NYSE: SRE) today announced its subsidiary, Port Arthur LNG, has requested that the Federal Energy Regulatory Commission (FERC) initiate the pre-filing review for the company's proposed Port Arthur LNG natural gas liquefaction and export facility in Port Arthur, Texas.

The proposed liquefaction project is designed to include: two natural gas liquefaction trains with a total export capability of approximately 10 million tons per annum, or 1.4 billion cubic feet per day; two 160,000-cubic-meter storage tanks; marine facilities for vessel berthing and loading; natural gas liquids and refrigerant storage; feed gas pre-treatment; truck loading and unloading areas; and combustion turbine generators for self-generation of electrical power.

On March 20, Port Arthur LNG also filed a permit application with the U.S. Department of Energy (DOE) for authorization to export the LNG produced from the proposed project to all current and future Free Trade Agreement (FTA) countries and expects to submit to the DOE an application for authorization to export the LNG produced from Port Arthur LNG to non-FTA countries in the coming months.

"We have gained valuable experience working with the FERC during the permitting process for the Cameron LNG liquefaction project in Louisiana," said Octavio M. Simoes, president of Sempra LNG. "If we are successful, this project would provide long-term economic benefits and create new jobs in the region, while strengthening America's role as a global energy leader."

The proposed project would utilize a portion of Sempra's approximately 2,900 acres of property with 3 miles of waterfront on the Sabine-Neches Ship Channel and 1.25 miles of waterfront on the Intracoastal Waterway.

The company's Port Arthur LNG site previously was evaluated and certified by the FERC in 2006 for a proposed import regasification facility and pipeline and also was permitted by the Texas Department of Transportation for the potential relocation of a portion of State Highway 87.

Development of the Port Arthur LNG liquefaction project is contingent on completing the required commercial agreements, securing all necessary permits and approvals, obtaining financing and incentives, reaching a final investment decision and other factors associated with the investment.

Sempra U.S. Gas & Power, another subsidiary of Sempra Energy, is proposing to develop a natural gas pipeline project consisting of two separate 42-inch diameter pipeline segments that would interconnect with intra- and interstate pipelines to the north and south of the proposed Port Arthur LNG liquefaction project.

Sempra LNG successfully permitted Cameron LNG, which is now in construction. Port Arthur LNG is one of three liquefaction projects being developed by Sempra Energy. The other projects include the proposed expansion of Cameron LNG with trains No. 4 and No. 5 and liquefaction facilities at Energia Costa Azul in Baja California, Mexico.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2014 revenues of \$11 billion. The Sempra Energy companies' 17,000 employees serve more than 32 million consumers worldwide.

This press release contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words like "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "contemplates," "intends," "depends," "should," "could," "would," "will," "confident," "may," "potential," "target," "pursue," "goals," "outlook," "maintain" or similar expressions, or discussions of guidance, strategies, plans, goals, opportunities, projections, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements. Factors among others that could cause our actual results and future

TAB 5 - EXHIBIT 4a (cont.)

actions to differ materially from those described in our forward-looking statements include: local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions and the timing of actions, including issuances of permits to construct and licenses for operation, by the California Public Utilities Commission, California State Legislature, U.S. Department of Energy, Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Atomic Safety and Licensing Board, California Energy Commission, U.S. Environmental Protection Agency, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction, maintenance and capital projects, including risks in obtaining, maintaining or extending permits, licenses, certificates and other authorizations on a timely basis and risks in obtaining adequate and competitive financing for such projects; energy markets, including the timing and extent of changes and volatility in commodity prices, and the impact of any protracted reduction in oil prices from historical averages; the impact on the value of our natural gas storage assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for natural gas storage services; delays in the timing of costs incurred and the timing of the regulatory agency authorization to recover such costs in rates from customers; capital markets conditions, including the availability of credit and the liquidity of our investments; inflation, interest and currency exchange rates; the impact of benchmark interest rates, generally Moody's A-rated utility bond yields, on our California Utilities' cost of capital; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the North American transmission grid, pipeline explosions and equipment failures and the decommissioning of San Onofre Nuclear Generating Station; cybersecurity threats to the energy grid, natural gas storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers, terrorist attacks that threaten system operations and critical infrastructure, and wars; the ability to win competitively bid infrastructure projects against a number of strong competitors willing to aggressively bid for these projects; weather conditions, conservation efforts, natural disasters, catastrophic accidents, and other events that may disrupt our operations, damage our facilities and systems, and subject us to third-party liability for property damage or personal injuries; risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; risks posed by decisions and actions of third parties who control the operations of investments in which we do not have a controlling interest; risks inherent with nuclear power facilities and radioactive materials storage, including the catastrophic release of such materials, the disallowance of the recovery of the investment in, or operating costs of, the nuclear facility due to an extended outage and facility closure, and increased regulatory oversight; business, regulatory, environmental and legal decisions and requirements; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of San Diego Gas & Electric Company's (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates of the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E's electric transmission and distribution system; the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements due to insufficient market interest, unattractive pricing or other factors; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond our control. These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the Securities and Exchange Commission. These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov, and on the company's website at www.sempra.com. Investors should not rely unduly on any forward-looking statements. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new information, future events or otherwise. Sempra International, LLC, and Sempra U.S. Gas & Power, LLC, are not the same companies as the California utilities, San Diego Gas & Electric (SDG&E) or Southern California Gas Company (SoCalGas), and Sempra International, LLC, and Sempra U.S. Gas & Power, LLC, are not regulated by the California Public Utilities Commission. Sempra International's underlying entities include Sempra Mexico and Sempra South American Utilities. Sempra U.S. Gas & Power's underlying entities include Sempra Renewables and Sempra Natural Gas.

Sempra Energy Submits Port Arthur Liquefaction-Export Facilities For Pre-File Review With FERC

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SAN DIEGO, March 23, 2016 /PRNewswire/ — Sempra Energy (NYSE: SRE (<http://studio-5.financialcontent.com/prnews?Page=Quote&Ticker=SRE>)) today announced its subsidiary, Port Arthur LNG, has requested that the Federal Energy Regulatory Commission (FERC) initiate the pre-filing review for the company's proposed Port Arthur LNG natural gas liquefaction and export facility in Port Arthur, Texas.

The proposed liquefaction project is designed to include: two natural gas liquefaction trains with a total export capability of approximately 10 million tons per annum, or 1.4 billion cubic feet per day; two 160,000-cubic-meter storage tanks; marine facilities for vessel berthing and loading; natural gas liquids and refrigerant.

storage; feed gas pre-treatment; truck loading and unloading areas; and combustion turbine generators for self-generation of electrical power.

On March 20, Port Arthur LNG also filed a permit application with the U.S. Department of Energy (DOE) for authorization to export the LNG produced from the proposed project to all current and future Free Trade Agreement (FTA) countries and expects to submit to the DOE an application for authorization to export the LNG produced from Port Arthur LNG to non-FTA countries in the coming months.

"We have gained valuable experience working with the FERC during the permitting process for the Cameron LNG liquefaction project in Louisiana," said Octavio M. Simoes, president of Sempra LNG. "If we are successful, this project would provide long-term economic benefits and create new jobs in the region, while strengthening America's role as a global energy leader."

The proposed project would utilize a portion of Sempra's approximately 2,900 acres of property with 3 miles of waterfront on the Sabine-Neches Ship Channel and 1.25 miles of waterfront on the Intracoastal Waterway.

The company's Port Arthur LNG site previously was evaluated and certified by the FERC in 2006 for a proposed import regasification facility and pipeline and also was permitted by the Texas Department of Transportation for the potential relocation of a portion of State Highway 87.

Development of the Port Arthur LNG liquefaction project is contingent on completing the required commercial agreements, securing all necessary permits and approvals, obtaining financing and incentives, reaching a final investment decision and other factors associated with the investment.

Sempra U.S. Gas & Power, another subsidiary of Sempra Energy, is proposing to develop a natural gas pipeline project consisting of two separate 42-inch diameter pipeline segments that would interconnect with intra- and interstate pipelines to the north and south of the proposed Port Arthur LNG liquefaction project.

Sempra LNG successfully permitted Cameron LNG, which is now in construction. Port Arthur LNG is one of three liquefaction projects being developed by Sempra Energy. The other projects include the proposed expansion of Cameron LNG with trains No. 4 and No. 5 and liquefaction facilities at Energia Costa Azul in Baja California, Mexico.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2014 revenues of \$11 billion. The Sempra Energy companies' 17,000 employees serve more than 32 million consumers worldwide.

This press release contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words like "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "contemplates," "intends," "depends," "should," "could," "would," "will," "confident," "may," "potential," "target," "pursue," "goals," "outlook," "maintain" or similar expressions, or discussions of guidance, strategies, plans, goals, opportunities, projections, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements. Factors among others that could cause our actual results and future actions to differ materially from those described in our forward-looking statements include: local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions and the timing of actions, including issuances of permits to construct and licenses for

operation, by the California Public Utilities Commission, California State Legislature, U.S. Department of Energy, Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Atomic Safety and Licensing Board, California Energy Commission, U.S. Environmental Protection Agency, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction, maintenance and capital projects, including risks in obtaining, maintaining or extending permits, licenses, certificates and other authorizations on a timely basis and risks in obtaining adequate and competitive financing for such projects; energy markets, including the timing and extent of changes and volatility in commodity prices, and the impact of any protracted reduction in oil prices from historical averages; the impact on the value of our natural gas storage assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for natural gas storage services; delays in the timing of costs incurred and the timing of the regulatory agency authorization to recover such costs in rates from customers; capital markets conditions, including the availability of credit and the liquidity of our investments; inflation, interest and currency exchange rates; the impact of benchmark interest rates, generally Moody's A-rated utility bond yields, on our California Utilities' cost of capital; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the North American transmission grid, pipeline explosions and equipment failures and the decommissioning of San Onofre Nuclear Generating Station; cybersecurity threats to the energy grid, natural gas storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers, terrorist attacks that threaten system operations and critical infrastructure, and wars; the ability to win competitively bid infrastructure projects against a number of strong competitors willing to aggressively bid for these projects; weather conditions, conservation efforts, natural disasters, catastrophic accidents, and other events that may disrupt our operations, damage our facilities and systems, and subject us to third-party liability for property damage or personal injuries; risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; risks posed by decisions and actions of third parties who control the operations of investments in which we do not have a controlling interest; risks inherent with nuclear power facilities and radioactive materials storage, including the catastrophic release of such materials, the disallowance of the recovery of the investment in, or operating costs of, the nuclear facility due to an extended outage and facility closure, and increased regulatory oversight; business, regulatory, environmental and legal decisions and requirements; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of San Diego Gas & Electric Company's (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates of the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E's electric transmission and distribution system; the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements due to insufficient market interest, unattractive pricing or other factors; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond our control. These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the Securities and Exchange Commission. These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov (<http://www.sec.gov>), and on the company's website at www.sempra.com (<http://www.sempra.com>). Investors should not rely unduly on any forward-looking statements. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new

information, future events or otherwise. Sempra International, LLC, and Sempra U.S. Gas & Power, LLC, are not the same companies as the California utilities, San Diego Gas & Electric (SDG&E) or Southern California Gas Company (SoCalGas), and Sempra International, LLC, and Sempra U.S. Gas & Power, LLC, are not regulated by the California Public Utilities Commission. Sempra International's underlying entities include Sempra Mexico and Sempra South American Utilities. Sempra U.S. Gas & Power's underlying entities include Sempra Renewables and Sempra Natural Gas.

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Sempra moves forward with Port Arthur LNG plans

Posted on March 23, 2016 | By Rhannon Meyers



Sempra Energy is pressing forward with plans to build a liquefied natural gas plant and export facility in Port Arthur.

The San Diego-based energy company has asked the federal government to start reviewing the plans for its proposed LNG project on a portion of the company's existing 2,900 acres in Port Arthur, the company announced Monday.

Before the shale boom flooded the market with cheap, abundant supplies of natural gas, Sempra Energy planned to import the supercooled liquefied gas to its Fort Arthur site, warm it back to its gaseous state and ship it out via pipeline. The Federal Energy Regulatory Commission certified the company's plans in 2006 to build the regasification facility and pipeline.

The company now is proposing to build two natural gas liquefaction trains capable of producing 1.4 billion cubic feet of liquefied gas per day, or 10 million tons per year. Plans also call for two 180,000-cubic-meter storage tanks, facilities for marine vessel berthing and loading and turbine generators so the plant can make its own electricity.

Port Arthur LNG, a subsidiary of Sempra, has asked FERC to start the pre-filing review, a necessary first step before construction can begin. The company has also asked the federal government for permission to export to countries with which the United States has free trade agreements, and plans to submit another application in the coming months to request approval to export to non-Free Trade Agreement countries.

"If we are successful, the project would provide long-term economic benefits and create new jobs in the region, while strengthening America's role as a global energy leader," Sempra LNG President Octavio M. Simoes said in a statement.

The Port Arthur plant is the latest LNG project for Sempra Energy, which is building a three-train liquefaction plant at its existing import terminal in Hackberry, Louisiana. The \$10 billion Cameron LNG project has the capacity to produce 9.97 million metric tons per year of liquefied gas. The company last month asked for federal approval to expand the project to five trains capable of producing 24.92 million metric tons of gas per year.

Before starting construction in Port Arthur, the company needs to secure all the necessary permits and approvals, obtain financing and complete commercial agreements to sell its gas, Sempra Energy said in its announcement.

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Sempra seeks FERC pre-filing review for Port Arthur LNG project

Houston (Platts)—23 Mar 2015 6:03 pm EDT/22:03 GMT

Sempra Energy has asked the Federal Energy Regulatory Commission to initiate a pre-filing review for the company's proposed Port Arthur LNG liquefaction and export facility in Texas, the company said Monday.

The site is the same as proposed by Sempra for an LNG import terminal almost 10 years ago.

The new proposed LNG project is designed to include two gas liquefaction trains with a total export capability of 10 million metric tons/year of LNG, or 1.4 Bcfd of gas; two 160,000 cu m storage tanks; marine facilities for vessel berthing and loading; natural gas liquids and refrigerant storage; feed gas pre-treatment; truck loading and unloading areas; and combustion turbine generators for self-generation of electrical power.

The FERC pre-filing is the latest step in securing necessary permits for the project.

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LNG Daily is essential reading as LNG supply dynamics continue to change in big markets like Japan, China, India and the U.S. This premier independent news publication for the global LNG industry gives readers information on every aspect of the global market from new LNG supply projects to gas quality issues.

On March 20, Port Arthur LNG filed a permit application with the US Department of Energy for authorization to export LNG produced from the proposed project to countries that have a free trade agreement with the US.

The company said it expects to submit to the DOE an application for authorization to export to non-FTA countries within the next several months.

"We have gained valuable experience working with the FERC during the permitting process for the Cameron LNG liquefaction project in Louisiana," Octavio Simoes, president of Sempra LNG, said in a statement.

Sempra proposes to build the project on the Sabine-Neches Ship Channel and 1.25 miles of waterfront on the Intracoastal Waterway, where the company holds about 2,900 acres of property with three miles of waterfront.

FERC had already evaluated and certified the site once, in 2006 for the import regasification facility and pipeline that Sempra was proposing to build at the time.

The proposed import terminal was one of three projects the company had on the books to import LNG to North America almost a decade ago.

Sempra abandoned plans to build the import terminal when it became obvious that, because of the dramatic ramp-up of production of shale gas, the US would no longer need to import large volumes of LNG.

The company said the development of the Port Arthur export project "is contingent on completing the required commercial agreements, securing all necessary permits and approvals, obtaining financing and incentives, reaching a final investment decision and other factors associated with the investment."

Sempra US Gas & Power, another Sempra Energy subsidiary, is proposing to develop a gas pipeline project consisting of two separate 42-inch-diameter pipeline segments that would interconnect with intra- and interstate gas pipelines to the north and south of the proposed Port Arthur LNG liquefaction project.

Port Arthur LNG is one of three liquefaction projects being developed by Sempra Energy. The other projects are adding a fourth and fifth train to its proposed expansion of its Cameron LNG plant in Hackberry, Louisiana, and liquefaction facilities at its Energia Costa Azul project in Baja California Norte, Mexico.

—Jim Magill, jim.magill@platts.com

—Edited by Richard Rubln, richard.rubln@platts.com





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Two Texas LNG Projects Make FERC Prefiling Requests

[Joe Fisher](#)

March 23, 2015

Sempra Energy has asked FERC to begin the prefiling review of its proposed liquefied natural gas (LNG) export terminal in Port Arthur, TX, and associated natural gas pipeline project. NextDecade LLC made a similar filing for its LNG project in Brownsville, TX.

The Port Arthur LNG project is designed to include two liquefaction trains with a total export capability of 10 million tons per annum of LNG, or 1.4 Bcf/d of natural gas; two 160,000-cubic-meter storage tanks; marine facilities for vessel berthing and loading; natural gas liquids and refrigerant storage; feed gas pre-treatment; truck loading and unloading areas; and combustion turbine generators for self-generation of electricity.

Port Arthur also last week filed a permit application with the U.S. Department of Energy for free trade agreement (FTA) export authorization. It said it also plans to file in the coming months for non-FTA export authorization.

Sempra LNG successfully permitted Cameron LNG, which is now in construction. Port Arthur LNG is one of three other liquefaction projects being developed by Sempra Energy. The other projects are the proposed expansion of Cameron LNG with trains No. 4 and No. 5 and liquefaction facilities at the existing Energia Costa Azul in Baja California, Mexico (see *Daily GPI*, [Feb. 19](#); [Nov. 5, 2014](#)).

"We have gained valuable experience working with the FERC [Federal Energy Regulatory Commission] during the permitting process for the Cameron LNG liquefaction project in Louisiana," said Sempra LNG President Octavio M. Simoes.

The Port Arthur project would use a portion of Sempra's 2,900 acres of property with three miles of waterfront on the Sabine-Neches Ship Channel and 1.25 miles of waterfront on the Intracoastal Waterway [[PF15-18](#)]. The site previously was evaluated and certified by FERC in 2006 for a proposed import regasification facility and pipeline and also was permitted by the Texas Department of Transportation for the potential relocation of a portion of State Highway 87.

Port Arthur Pipeline LLC is proposing to develop a natural gas pipeline project consisting of two separate 42-inch diameter segments that would interconnect with intra- and interstate pipelines to the north and south of the liquefaction project. A prefiling application for the pipeline was also made last week [[PF15-19](#)].

Separately last Friday, NextDecade LLC made a prefiling request at FERC for its Rio Grande Liquefied Natural Gas terminal proposed for the Port of Brownsville, TX, and associated Rio Bravo Pipeline

project (see *Daily GPI*, [March 9](#)).

Rio Grande LNG, a wholly owned subsidiary of NextDecade, is a multi-billion dollar land-based LNG export project located on a 1,000-acre site along the Brownsville Shipping Channel [[PF15-20](#)].

NextDecade's proposal includes up to six liquefaction trains with a nominal output capacity of 4.5 million tonnes of LNG per train a year. The facility would be constructed in phases timed to meet market demand. The proposed 129-mile Rio Bravo Pipeline would supply the facility with its feed-gas, connecting the terminal to the Agua Dulce natural gas market hub.

"With its position on the Gulf of Mexico, access to abundant gas supplies, and existing infrastructure, the Rio Grande Valley presents a fantastic opportunity for our project," said NextDecade CEO Kathleen Eisbrenner.

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Sempra moves forward on Port Arthur LNG project

By Eric Besson Published 10:50 am, Tuesday, March 24, 2015



Sempra Energy is designing a natural gas liquefaction plant capable of exporting up to 10 million tons of LNG annually from its Port Arthur property, the company said in filings with federal regulators.

Sempra, under the new subsidiary Port Arthur LNG, has officially started the long, expensive process to obtain a **Federal Energy Regulatory Commission** permit. Though the company has flirted publicly with the idea for the past year, the paperwork submitted as part of the FERC pre-filing process offers the first glimpse of its specific plans.

The company owns about 3,000 acres along the Gulf Intracoastal Waterway, west of the Sabine-Neches Waterway. Years ago, Sempra obtained a FERC permit to export natural gas from that property, but increased drilling activity turned the United States into a natural gas export market.

Port Arthur LNG would install and own two 42-inch pipelines to supply the facility with natural gas. One pipeline would extend 7 miles south and east into Louisiana, according to filings. The other would run 27 miles north and east into Orange County.

The company would feed the gas into two liquefaction trains on site, cool it to liquid form and then load it onto ships for international trade.

Part of the plan includes rerouting a portion of Texas Highway 87 around the proposed facility.

Sempra is already building a \$10 billion liquefaction plant and export facility in Cameron Parish, which officials said would generate 3,000 construction jobs and 200 full-time jobs.

Cameron LNG will be capable of exporting 12 million tons of LNG per year, 20 percent more than the Port Arthur proposal, and the company has requested regulators to allow them to expand their capacity by 9 million tons.

"If we are successful, this (Port Arthur) project would provide long-term economic benefits and create new jobs in the region, while strengthening America's role as a global energy leader," Sempra President **Octavio M. Simoes** said in a printed statement.

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Sempra moving toward LNG export business

Published 11:14 am Wednesday, May 20, 2015



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A glut in United States natural gas production, while it means hard times for those in the oil and gas industry, here in Southeast Texas the push to find a source for the stockpiles could mean even more of a boon to an area that is already benefiting from the nation's energy renaissance.

In 2003-2204 when Sempra Energy first proposed development of a liquefied natural gas facility in Port Arthur, the company could not have guessed that abundant supplies of shale gas produced by hydraulic fracturing technology and horizontal drilling would derail the company's plans to build a regasification terminal to import sub-zero cooled liquefied natural gas to Port Arthur, Marvin L. Ivey, Commercial Development of Sempra Energy, said Tuesday.

A decade later, those plans have changed with the focus shifting from importing the product to exporting it.

Ivey detailed Sempra's latest plans to build a natural gas liquefaction and export terminal in Port Arthur Tuesday as guest speaker at the Greater Port Arthur Chamber of Commerce Leadership Breakfast. "If you first don't succeed, go big," Ivey said, adding that it was a tough climate to work in today for a big project.

Sempra, a San Diego-based energy company, has come back to look at its Port Arthur property with plans of investing from \$4 to \$10 billion for a project that would include two natural gas liquefaction trains for a total export capacity of approximately 10 million tons per year.

Ivey said the Port Arthur 2,900 acre site, which includes 3 miles of waterfront property, is ideal because of its proximity to the Gulf of Mexico.

"This site is well situated to the project as we move forward," he said.

In March, the company filed for its Free Trade Agreement, and anticipates filing for Federal Energy Regulatory Commission permits in Fourth Quarter 2015.

In 2017, the company hopes to start construction. At its peak, the construction process is expected to create an estimated 3,000 jobs to the area, with 200 permanent jobs for ongoing operations when the project is completed in 2021 or 2022.

"There's a lot of risk dollars going into a project like this," Ivey said.

As part of the proposed project, Ivey said the company planned to move a 3-mile portion of Texas 87 between the Intracoastal Canal Bridge and the Keith Lake Bridge.

With the advent of the shale gas production mostly from Pennsylvania and New York, Ivey said the U.S. is now in the position to no longer be energy dependent on other nations.

"What's changing the world today is what's happening in natural gas. The drop in prices is devastating to the oil and gas industry," Ivey said. "If we don't find a place to move the gas, then it does not come out of the ground, and those people in the oil and gas industry do not work. We are trying to find a liquid market where we can move the gas."

The Port Arthur LNG project dovetails with the company's \$10 billion three-train plant at its existing import terminal in Hackberry, La.

If the Sempra LNG facility is successful, it would be the third LNG project to be built in the area.

Sabine Pass' Golden Pass LNG Terminal is among the largest terminals in the world, capable of importing approximately 2 billion cubic feet of natural gas per day. The company is proposing to add export capabilities to its existing LNG import terminal. The company's website stated.

Construction of Cheniere's Sabine Liquefaction Project is expected to be completed by the last quarter of 2015, according to the company's website.

Development of the Port Arthur LNG liquefaction project is contingent on completing the required commercial agreements, securing all necessary permits and approvals, obtaining financing and incentives, reaching a final investment decision and other factors associated with the investment

On May 28, the Port Arthur LNG project and FERC will host an open house to present information and to answer any concerns the public might have about the project.

The public hearing is scheduled in two sessions to allow everyone the opportunity to attend, from 11:30 a.m. until 1:30 p.m. and from 5:30 p.m. until 7:30 p.m. at the Carl Parker Center.

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Sempra LNG And Woodside Sign Memorandum Of Understanding For Potential Development Of Natural Gas Liquefaction Facility At Port Arthur, Texas

Jun 3, 2015

SAN DIEGO, June 3, 2015 /PRNewswire/ -- Sempra LNG, a unit of Sempra Energy (NYSE: SRE), today announced it has executed a non-binding Memorandum of Understanding (MOU) with an affiliate of Woodside Petroleum Ltd. (Woodside) (ASX: WPL, OTC: WOPEY) to commence discussions and assessments for the potential development of Sempra LNG's proposed Port Arthur liquefaction project in Port Arthur, Texas.

"Sempra Energy and Woodside bring together an extraordinary complementary set of experience and skills from two world-class organizations," said E. Scott Chrisman, vice president of commercial & development for Sempra LNG. "We look forward to engaging Woodside in discussions regarding the proposed Port Arthur liquefaction project."

Woodside has a track record of more than 30 years of experience in the development and safe and reliable operations in the LNG industry with the North West Shelf and Pluto projects in Australia. Sempra LNG, as lead sponsor of the Cameron liquefaction project in Louisiana and currently in construction, has demonstrated its ability to develop high-value, low-cost liquefied natural gas (LNG) projects in North America.

The non-binding MOU is the initial step for Sempra LNG and Woodside to explore this opportunity and undertake due diligence for the potential development of the Port Arthur liquefaction project. Any decision to proceed with a binding agreement between Woodside and Sempra LNG in relation to the potential development of the project, including the establishment of any joint venture or partnership between Sempra LNG and Woodside, is contingent upon completing project assessments and achieving other necessary internal and external approvals for each party.

The proposed Port Arthur liquefaction project would be located at a site previously permitted for an LNG regasification terminal and would be designed to include two natural gas liquefaction trains with a total export capability of approximately 10 million metric tons per annum, or 1.4 billion cubic feet per day, as well as LNG storage tanks and marine facilities for LNG ship berthing and loading.

In March 2015, Sempra LNG's affiliate, Port Arthur LNG, LLC, initiated the Federal Energy Regulatory Commission pre-filing review for the proposed natural gas liquefaction facility and filed its permit application with the U.S. Department of Energy for authorization to export LNG produced from the proposed project to all current and future Free Trade Agreement countries.

Any development of the project remains contingent upon completing required commercial agreements; acquiring all necessary permits and approvals; securing financing commitments and potential tax incentives; achieving other customary conditions; and making a final investment decision to proceed.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2014 revenues of \$11 billion. The Sempra Energy companies' 17,000 employees serve more than 32 million consumers worldwide.

Woodside is an Australian oil and gas company with a global presence, recognized for its world-class capabilities, as an explorer, a developer, a producer and a supplier. Woodside is Australia's most experienced LNG operator and largest independent oil and gas company.

This press release contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words like "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "contemplates," "intends," "depends," "should," "could," "would," "will," "confident," "may," "potential," "possible," "proposed," "target," "pursue," "goals," "outlook," "maintain" or similar expressions, or discussions of guidance, strategies, plans, goals, opportunities, projections, initiatives, objectives or intentions. Forward-looking statements are not guarantees of

TAB 5 - EXHIBIT 5 (cont.)

performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements. **Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others: local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments;** actions and the timing of actions, including issuances of permits to construct and licenses for operation, by the California Public Utilities Commission, California State Legislature, U.S. Department of Energy, Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Atomic Safety and Licensing Board, California Energy Commission, U.S. Environmental Protection Agency, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction, maintenance and capital projects, including risks in obtaining, maintaining or extending permits, licenses, certificates and other authorizations on a timely basis and risks in obtaining adequate and competitive financing for such projects; energy markets, including the timing and extent of changes and volatility in commodity prices, and the impact of any protracted reduction in oil prices from historical averages; the impact on the value of our natural gas storage assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for natural gas storage services; delays in the timing of costs incurred and the timing of the regulatory agency authorization to recover such costs in rates from customers; capital markets conditions, including the availability of credit and the liquidity of our investments; inflation, interest and currency exchange rates; the impact of benchmark interest rates, generally Moody's A-rated utility bond yields, on our California Utilities' cost of capital; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the North American transmission grid, pipeline explosions and equipment failures and the decommissioning of San Onofre Nuclear Generating Station (SONGS); cybersecurity threats to the energy grid, natural gas storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers, terrorist attacks that threaten system operations and critical infrastructure, and wars; the ability to win competitively bid infrastructure projects against a number of strong competitors willing to aggressively bid for these projects; weather conditions, conservation efforts, natural disasters, catastrophic accidents, and other events that may disrupt our operations, damage our facilities and systems, and subject us to third-party liability for property damage or personal injuries; risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; risks posed by decisions and actions of third parties who control the operations of investments in which we do not have a controlling interest; risks inherent with nuclear power facilities and radioactive materials storage, including the catastrophic release of such materials, the disallowance of the recovery of the investment in, or operating costs of, the nuclear facility due to an extended outage and facility closure, and increased regulatory oversight; business, regulatory, environmental and legal decisions and requirements; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of San Diego Gas & Electric Company's (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates of the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E's electric transmission and distribution system; the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements due to insufficient market interest, unattractive pricing or other factors; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond our control. These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the Securities and Exchange Commission. These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov, and on the company's website at www.sempra.com.

Investors should not rely unduly on any forward-looking statements. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new information, future events or otherwise.

Sempra International, LLC, and Sempra U.S. Gas & Power, LLC, are not the same companies as the California utilities, San Diego Gas & Electric (SDG&E) or Southern California Gas Company (SoCalGas),

TAB 5 - EXHIBIT 5 (cont.)

and Sempra International, LLC, and Sempra U.S. Gas & Power, LLC, are not regulated by the California Public Utilities Commission. Sempra International's underlying entities include Sempra Mexico and Sempra South American Utilities. Sempra U.S. Gas & Power's underlying entities include Sempra Renewables and Sempra Natural Gas.

SOURCE Sempra LNG

For further information: Media Contact: Paty Ortega Mitchell, Sempra LNG, (866) 257-1298, press@sempraglobal.com, www.SempraLNG.com, Financial Contact: Kendall Helm, Sempra Energy, (877) 736-7727, investor@sempra.com

[RSS](#)



TAB 6

Description of how project is located in more than one district, including list of percentage in each district and, if determined to be a single unified project, documentation from the Office of the Governor (if applicable)

- 1) Jefferson County - 100%
- 2) City of Port Arthur - 50%
- 3) Port of Sabine Pass - 100%
- 4) Sabine Neches Navigation Dist. - 100%
- 5) Sabine Pass ISD - 100%

TAB 7

Description of Qualified Investment

A Chapter 313 Value Limitation Agreement is requested on all the proposed new improvements and fixed equipment associated with this project as described below. The proposed project primarily consists of property classified by Jefferson CAD as real estate improvements including, but not limiting to the following:

- Two liquefaction trains, each with a maximum production capacity of 5 MTPA, and each with its own gas treatment facilities;
- A natural gas liquids (NGL) and refrigerant storage area;
- A marine facility, including two LNG berths, each with three liquid loading arms, one vapor loading arm, and one spare hybrid loading arm;
- An NGL and refrigerant truck loading/unloading facility;
- Three 160,000 m³ LNG storage tanks.
- Operations, control, maintenance, warehouse and all other necessary buildings.

Also included in this application, but not limited to, are all of the associated concrete foundations, pipe supports, piping, instrumentation, power feeds, control loops, safety systems, fire water protection, insulation, and utilities necessary to safely operate the new equipment.

TAB 8

Description of Qualified Property

A Chapter 313 Value Limitation Agreement is requested on all the proposed new improvements and fixed equipment associated with this project as described below. The proposed project primarily consists of property classified by Jefferson CAD as real estate improvements including, but not limiting to the following:

- Two liquefaction trains, each with a maximum production capacity of 5 MTPA, and each with its own gas treatment facilities;
- A natural gas liquids (NGL) and refrigerant storage area;
- A marine facility, including two LNG berths, each with three liquid loading arms, one vapor loading arm, and one spare hybrid loading arm;
- An NGL and refrigerant truck loading/unloading facility;
- Three 160,000 m³ LNG storage tanks.
- Operations, control, maintenance, warehouse and all other necessary buildings.

Also included in this application, but not limited to, are all of the associated concrete foundations, pipe supports, piping, instrumentation, power feeds, control loops, safety systems, fire water protection, insulation, utilities necessary to safely operate the new equipment and the land detailed in Tab 9 of this application that is owned by Port Arthur Holding, LLC.

TAB 9

Description of Land

See Attached

JCAD Property ID	Legal Description	Owner Name	Appraised Value
127156	PT TR 1 12 N COLEMAN 154.358 (PT TR 2 N ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$30,870
127157	PT TR 1 12 N COLEMAN 215.622 (PT TR 2N ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$43,120
127158	TR 2 12 N COLEMAN .254 (TR 11 ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$8,890
127159	TR 2-A 12 N COLEMAN 3.519 (TR 12 ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$123,170
127161	SUBMERGED CANAL W BANK ONLY 12 N COLEMAN 9.64	PORT ARTHUR LNG HOLDINGS LLC	\$1,930
135396	PT TR 2 71 JNO BENNETT 102.787 (PT TR 1 ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$20,560
135397	PT TR 2 71 JNO BENNETT 20.603 (PT TR 1 ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$4,120
135424	PT TR 32 71 JNO BENNETT 23.458 (PT TR 2N ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$4,690
135425	PT TR 32 71 JNO BENNETT 7.123 (PT TR 2N ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$1,430
138597	TR 1 185 P B O CONNOR 289.500 (PT TR 1 ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$57,900
138601	PT TR 7 185 P B O CONNOR 17.547 (PT TR 2N ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$3,510
138602	1 PT TR 7 185 P B O CONNOR 143.543 (PT TR 2N ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$28,710
139549	PT TR 1 251 T&NO 76.382 (PT TR 2N ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$15,280
139550	PT TR 1 251 T&NO 238.124 (PT TR 1 ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$47,630
140424	TR 2 PEDRO DE LA 438 GARZA 63.050 (PT TR 2N ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$12,610
140433	TR 11 PEDRO DE LA 438 GARZA 1.890 (PT TR 13 ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$380
140878	TR 1 488 T&NO 259.380 (PT TR 1 ON DEED)	PORT ARTHUR LNG HOLDINGS LLC	\$51,880

TAB 10

Description of all property not eligible to become qualified property (if applicable)

Currently, the proposed temporary construction dock will be located outside of Sabine Pass ISD. Therefore, Port Arthur LNG will not be requesting that it be covered by this Value Limitation Agreement. Port Arthur LNG estimates the cost of the temporary construction dock to be approximately \$10,000,000.

10a) Map of Property that will not be Qualified Property



TAB 11

Maps that clearly show:

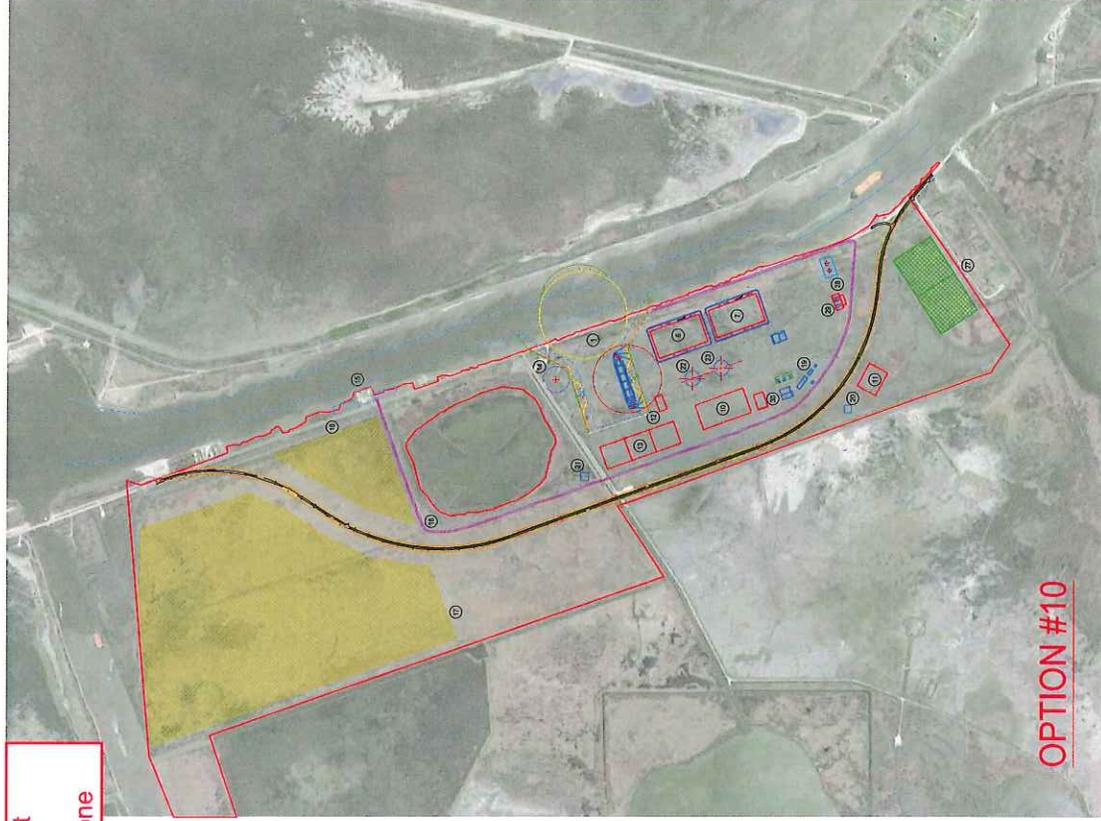
- a) Project vicinity
- b) Qualified investment including location of new building or new improvements
- c) Qualified property including location of new building or new improvements
- d) Existing property
- e) Land location within vicinity map
- f) Reinvestment or Enterprise Zone within vicinity map, showing the actual or proposed boundaries and size

11 d) THERE IS NO EXISTING PROPERTY

11a,d & f) Vicinity Map of Project, Land Location & Proposed Reinvestment Zone



11b&c) Map of Qualified Investment and Property



Proposed Project Boundary and Reinvestment Zone

- KEY AREA LEGEND**
- 1 LIQUIDATION TRAIN 1
 - 2 LIQUIDATION TRAIN 2
 - 3 UTILITY AREA
 - 4 PROCESS CONDITION AREA - ENERGY SUBSTATION
 - 5 STORAGE FLARE
 - 6 PROCESS FLARE AREA
 - 7 PROPOSED AIRS LOCATION (2 MARINE BERTHS)
 - 8 CONSTRUCTION LAYDOWN AREA #1 (450 ACRES)
 - 9 CONSTRUCTION LAYDOWN AREA #2 (450 ACRES)
 - 10 PROPOSED HEAVY HAUL ROAD
 - 11 MAIN BUILDING AREA
 - 12 SOUTH FLEET GAS METROLOGY AREA
 - 13 NORTH FLEET GAS METROLOGY AREA
 - 14 STORAGE TANK #1
 - 15 LNG STORAGE TANK #2
 - 16 RETENTION POND (1-30 ACRES - 50% FILL REQUIRED)
 - 17 CONDENSATE STORAGE & TRUCK LOADING
 - 18 REINVESTMENT STORAGE & TRUCK UNLOADING
 - 19 POWER DISTRIBUTION CENTER

Please note that all qualified property is located within the proposed Reinvestment Zone

PRELIMINARY

Port Arthur LNG
SEMPRA/PORT ARTHUR - REF. NUMBER
PAL-PIP-DWG-0005



PORT ARTHUR LNG PROJECT
PORT ARTHUR LNG, LLC
PRELIMINARY SITE PLAN
OPTION #10

PORT ARTHUR, TX	
UTAH	ENGINEER - SCALE
TX	DATE
SEMPRA/PORT ARTHUR	PROJECT NUMBER
DH038117-000-DW-0051-1003	OPTION #10

REV	DATE	BY	DESCRIPTION
A	3/26/2015	ON	ISSUED FOR INFORMATION

DATE	BY	DESCRIPTION

DATE	BY	DESCRIPTION

DATE	BY	DESCRIPTION

DATE	BY	DESCRIPTION

DATE	BY	DESCRIPTION

DATE	BY	DESCRIPTION

DATE	BY	DESCRIPTION

DATE	BY	DESCRIPTION

DATE	BY	DESCRIPTION

DATE	BY	DESCRIPTION

DATE	BY	DESCRIPTION

PROJECT ID: PAL-PIP-DWG-0005
PROJECT NAME: PORT ARTHUR LNG PROJECT
PROJECT NUMBER: DH038117-000-DW-0051-1003
PROJECT DATE: 3/26/2015
PROJECT BY: ON

TAB 12

Request for Waiver of Job Creation Requirement and supporting information (if applicable)

Not Applicable

TAB 13

Calculation of three possible wage requirements with TWC documentation

- Jefferson County average weekly wage for all jobs (all industries)
- Jefferson County average weekly wage for all jobs (manufacturing)
- See attached Council of Governments Regional Wage Calculation and Documentation

**PORT ARTHUR LNG, LLC
TAB 13 TO CHAPTER 313 APPLICATION**

**JEFFERSON COUNTY
CHAPTER 313 WAGE CALCULATION - ALL JOBS - ALL INDUSTRIES**

QUARTER	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
FIRST	2015	\$ 1,104	\$ 57,408
SECOND	2015	\$ 1,017	\$ 52,884
THIRD	2014	\$ 974	\$ 50,648
FOURTH	2014	\$ 1,107	\$ 57,564
AVERAGE		\$ 1,050.50	\$ 54,626

**JEFFERSON COUNTY
CHAPTER 313 WAGE CALCULATION - MANUFACTURING JOBS**

QUARTER	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
FIRST	2015	\$ 2,176	\$ 113,152
SECOND	2015	\$ 1,810	\$ 94,120
THIRD	2014	\$ 1,753	\$ 91,156
FOURTH	2014	\$ 1,873	\$ 97,396
AVERAGE		\$ 1,903	\$ 98,956
X		110%	110%
		\$ 2,093.30	\$ 108,851.60

CHAPTER 313 WAGE CALCULATION - REGIONAL WAGE RATE

	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
South East	2014	\$ 1,168	\$ 60,754
X		110%	110%
		\$ 1,285.18	\$ 66,829

* SEE ATTACHED TWC DOCUMENTATION

Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2015	1st Qtr	Jefferson County	Private	00	0	10	Total, All Industries	\$1,104
2015	2nd Qtr	Jefferson County	Private	00	0	10	Total, All Industries	\$1,017
2014	3rd Qtr	Jefferson County	Private	00	0	10	Total, All Industries	\$974
2014	4th Qtr	Jefferson County	Private	00	0	10	Total, All Industries	\$1,107

Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2015	1st Qtr	Jefferson County	Private	31	2	31-33	Manufacturing	\$2,176
2015	2nd Qtr	Jefferson County	Private	31	2	31-33	Manufacturing	\$1,810
2014	3rd Qtr	Jefferson County	Private	31	2	31-33	Manufacturing	\$1,753
2014	4th Qtr	Jefferson County	Private	31	2	31-33	Manufacturing	\$1,873

**2014 Manufacturing Average Wages by Council of Government Region
Wages for All Occupations**

COG	Wages	
	Hourly	Annual
Texas	\$24.18	\$50,305
1. Panhandle Regional Planning Commission	\$21.07	\$43,821
2. South Plains Association of Governments	\$16.75	\$34,834
3. NORTEX Regional Planning Commission	\$20.23	\$42,077
4. North Central Texas Council of Governments	\$25.32	\$52,672
5. Ark-Tex Council of Governments	\$17.80	\$37,017
6. East Texas Council of Governments	\$19.87	\$41,332
7. West Central Texas Council of Governments	\$19.41	\$40,365
8. Rio Grande Council of Governments	\$17.82	\$37,063
9. Permian Basin Regional Planning Commission	\$23.65	\$49,196
10. Concho Valley Council of Governments	\$18.70	\$38,886
11. Heart of Texas Council of Governments	\$20.98	\$43,636
12. Capital Area Council of Governments	\$28.34	\$58,937
13. Brazos Valley Council of Governments	\$17.57	\$36,547
14. Deep East Texas Council of Governments	\$17.76	\$36,939
15. South East Texas Regional Planning Commission	\$29.21	\$60,754
16. Houston-Galveston Area Council	\$26.21	\$54,524
17. Golden Crescent Regional Planning Commission	\$23.31	\$48,487
18. Alamo Area Council of Governments	\$19.46	\$40,477
19. South Texas Development Council	\$13.91	\$28,923
20. Coastal Bend Council of Governments	\$25.12	\$52,240
21. Lower Rio Grande Valley Development Council	\$16.25	\$33,808
22. Texoma Council of Governments	\$20.51	\$42,668
23. Central Texas Council of Governments	\$18.02	\$37,486
24. Middle Rio Grande Development Council	\$20.02	\$41,646

110% x \$60,754
= \$66,829

Source: Texas Occupational Employment and Wages

Data published: July 2015

Data published annually, next update will be July 31, 2016

Note: Data is not supported by the Bureau of Labor Statistics (BLS).

Wage data is produced from Texas OES data, and is not to be compared to BLS estimates.

Data intended for TAC 313 purposes only.

Port Arthur LNG, LLC

Chapter 313 Application to Sabine Pass ISD

Cummings Westlake, LLC

TAB 14

Schedules A1, A2, B, C and D completed and signed Economic Impact (if applicable)

See attached Schedules A1, A2, B, C and D

Schedule A1: Total Investment for Economic Impact (through the Qualifying Time Period)

PROPERTY INVESTMENT AMOUNTS

		(Estimated Investment in each year. Do not put cumulative totals.)							
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year only) (YYYY)	Column A New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	Column B New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property	Column C Other new investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Column D Other new investment made during this year that may become Qualified Property [SEE NOTE]	Column E Total Investment (Sum of Columns A+B+C+D)	
Investment made before filing complete application with district	-	2017-2018	2017	\$0	\$0	\$0	\$0	\$0	
Investment made after filing complete application with district, but before final board approval of application	-	2018-2019	2018	\$202,384,615	\$3,000,000	\$10,000,000	\$0	\$215,384,615	
Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period	-	2019-2020	2019	\$1,274,307,692	\$16,000,000	\$0	\$0	\$1,292,307,692	
	-	2020-2021	2020	\$1,274,307,692	\$16,000,000	\$0	\$0	\$1,292,307,692	
	QTP1	2021-2022	2021	\$1,274,307,692	\$16,000,000	\$0	\$0	\$1,292,307,692	
	QTP2	2022-2023	2022	\$1,274,307,692	\$16,000,000	\$0	\$0	\$1,292,307,692	
	Total Investment through Qualifying Time Period [ENTER this row in Schedule A2]				\$5,299,615,385	\$75,000,000	\$10,000,000	\$0	\$5,384,615,385
Total Qualified Investment (sum of green cells)				\$2,584,615,385	Enter amounts from TOTAL row above in Schedule A2				

For All Columns: List amount invested each year, not cumulative totals.
 Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application. Only tangible personal property that is specifically described in the application can become qualified property.
 Column B: The total dollar amount of planned investment each year in buildings or nonremovable components of buildings. Examples of other investment that will not become qualified property include investment meeting the definition of §15.02(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is added to existing property—described in SECTION 13, question #5 of the application.
 Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.
 Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.
 Total Investment: Add together each cell in a column and enter the sum in the blue total investment row. Enter the data from this row into the first row in Schedule A2.
 Qualified Investment: For the green qualified investment cell, enter the sum of all the green-shaded cells.

Schedule B: Estimated Market And Taxable Value (of Qualified Property Only)

Date: 10/28/2015
 Applicant Name: PORT ARTHUR LNG, LLC
 ISD Name: Sabine Pass Independent School District

Form 50-296A
 Revised May 2014

Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Estimated Market Value of Land	Qualified Property		Estimated Taxable Value		
				Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new buildings or "in or on the new improvements"	Market Value less any exemptions (such as pollution control) and before limitation	Final taxable value for I&S after all reductions	Final taxable value for M&O after all reductions
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2019-2020	\$456,680	\$150,000	\$10,119,000	\$10,219,680	\$10,219,680	\$10,219,680
	0	2020-2021	\$456,680	\$6,300,000	\$443,008,000	\$427,614,680	\$427,614,680	\$427,614,680
	0	2021-2022	\$456,680	\$21,450,000	\$1,650,600,000	\$1,589,976,680	\$1,589,976,680	\$1,589,976,680
	0	2022-2023	\$456,680	\$42,750,000	\$3,018,981,000	\$2,911,238,680	\$2,911,238,680	\$2,911,238,680
Value Limitation Period	1	2023-2024	\$456,680	\$73,125,000	\$5,034,635,000	\$4,856,484,680	\$4,856,484,680	\$30,000,000
	2	2024-2025	\$456,680	\$74,250,000	\$5,413,750,000	\$5,217,768,680	\$5,217,768,680	\$30,000,000
	3	2025-2026	\$456,680	\$73,136,250	\$5,069,926,750	\$4,890,023,680	\$4,890,023,680	\$30,000,000
	4	2026-2027	\$456,680	\$72,039,206	\$4,744,390,794	\$4,579,666,680	\$4,579,666,680	\$30,000,000
	5	2027-2028	\$456,680	\$70,958,618	\$4,436,212,382	\$4,285,816,680	\$4,285,816,680	\$30,000,000
	6	2028-2029	\$456,680	\$69,894,239	\$4,144,507,761	\$4,007,633,680	\$4,007,633,680	\$30,000,000
	7	2029-2030	\$456,680	\$68,845,825	\$3,868,436,175	\$3,744,316,680	\$3,744,316,680	\$30,000,000
	8	2030-2031	\$456,680	\$67,813,138	\$3,607,200,862	\$3,495,110,680	\$3,495,110,680	\$30,000,000
	9	2031-2032	\$456,680	\$66,795,941	\$3,360,045,059	\$3,259,295,680	\$3,259,295,680	\$30,000,000
	10	2032-2033	\$456,680	\$65,794,002	\$3,126,248,998	\$3,036,187,680	\$3,036,187,680	\$30,000,000
Continue to maintain viable presence	11	2033-2034	\$456,680	\$64,807,092	\$2,905,129,908	\$2,825,137,680	\$2,825,137,680	\$2,825,137,680
	12	2034-2035	\$456,680	\$63,834,985	\$2,696,038,015	\$2,625,527,680	\$2,625,527,680	\$2,625,527,680
	13	2035-2036	\$456,680	\$62,877,461	\$2,498,358,539	\$2,436,774,680	\$2,436,774,680	\$2,436,774,680
	14	2036-2037	\$456,680	\$61,934,299	\$2,311,506,701	\$2,258,322,680	\$2,258,322,680	\$2,258,322,680
	15	2037-2038	\$456,680	\$61,005,284	\$2,134,925,716	\$2,089,641,680	\$2,089,641,680	\$2,089,641,680
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2038-2039	\$456,680	\$60,090,205	\$1,968,088,795	\$1,930,231,680	\$1,930,231,680	\$1,930,231,680
	17	2039-2040	\$456,680	\$59,188,852	\$1,810,495,148	\$1,779,615,680	\$1,779,615,680	\$1,779,615,680
	18	2040-2041	\$456,680	\$58,301,019	\$1,661,668,981	\$1,637,343,680	\$1,637,343,680	\$1,637,343,680
	19	2041-2042	\$456,680	\$57,426,504	\$1,521,159,496	\$1,502,984,680	\$1,502,984,680	\$1,502,984,680
	20	2042-2043	\$456,680	\$56,565,106	\$1,388,536,894	\$1,376,131,680	\$1,376,131,680	\$1,376,131,680
	21	2043-2044	\$456,680	\$55,716,630	\$1,263,393,370	\$1,256,396,680	\$1,256,396,680	\$1,256,396,680
	22	2044-2045	\$456,680	\$54,880,880	\$1,145,343,120	\$1,143,413,680	\$1,143,413,680	\$1,143,413,680
	23	2045-2046	\$456,680	\$54,057,667	\$1,088,076,000	\$1,088,186,347	\$1,088,186,347	\$1,088,186,347
	24	2046-2047	\$456,680	\$53,246,802	\$1,033,672,000	\$1,035,691,482	\$1,035,691,482	\$1,035,691,482
	25	2047-2048	\$456,680	\$52,448,100	\$981,988,000	\$985,793,780	\$985,793,780	\$985,793,780

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.
 Only include market value for eligible property on this schedule.

Schedule C: Employment Information

Form 50-296A
Revised May 2014

Date 10/28/2015

Applicant Name PORT ARTHUR LNG, LLC

ISD Name Sabine Pass Independent School District

	Construction				Non-Qualifying Jobs		Qualifying Jobs		
	Column A	Column B	Column C	Column D	Column E	Column F	Column G		
	Number of Construction FTE's or man-hours (specify)	Average annual wage rates for construction workers	Number of non-qualifying jobs applicant estimates it will create (cumulative)	Number of new qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Average annual wage of new qualifying jobs				
Year	School Year (YYYY-YYYY)	Tax Year (Actual tax year) YYYY							
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2018-2019	2018	231 FTE's	\$66,700	0	0	\$0	
	0	2019-2020	2019	1,385 FTE's	\$66,700	0	0	\$0	
	0	2020-2021	2020	1,385 FTE's	\$66,700	0	0	\$0	
	0	2021-2022	2021	1,385 FTE's	\$66,700	0	0	\$0	
	0	2022-2023	2022	1,385 FTE's	\$66,700	0	0	\$0	
	1	2023-2024	2023	231 FTE's	\$66,700	20	80	\$66,830	
	2	2024-2025	2024	0	\$0	20	80	\$66,830	
	3	2025-2026	2025	0	\$0	20	80	\$66,830	
	4	2026-2027	2026	0	\$0	20	80	\$66,830	
	5	2027-2028	2027	0	\$0	20	80	\$66,830	
Value Limitation Period <i>The qualifying time period could overlap the value limitation period.</i>	6	2028-2029	2028	0	\$0	20	80	\$66,830	
	7	2029-2030	2029	0	\$0	20	80	\$66,830	
	8	2030-2031	2030	0	\$0	20	80	\$66,830	
	9	2031-2032	2031	0	\$0	20	80	\$66,830	
	10	2032-2033	2032	0	\$0	20	80	\$66,830	
	11 through 25	2033-2048	2033-2047	0	\$0	20	80	\$66,830	
	Years Following Value Limitation Period								

Notes: See TAC 9.1051 for definition of non-qualifying jobs. Only include jobs on the project site in this school district.

C1. Are the cumulative number of qualifying jobs listed in Column D less than the number of qualifying jobs required by statute? (25) Yes No

C1a. Will the applicant request a job waiver, as provided under 313.025(f-1)? Yes No

C1b. Will the applicant avail itself of the provision in 313.021(3)(F)? Yes No

Schedule D: Other Incentives (Estimated)

Date: 10/28/2015
 Applicant Name: PORT ARTHUR LNG, LLC
 ISD Name: Sabine Pass Independent School District

State and Local Incentives for which the Applicant intends to apply (Estimated)						
Incentive Description	Taxing Entity (as applicable)	Beginning Year of Benefit	Duration of Benefit	Annual Tax Levy without Incentive	Annual Incentive	Annual Net Tax Levy
Tax Code Chapter 311	County: City: Other:					
Tax Code Chapter 312	County: Jefferson County City: City of Port Arthur Other: Sabine-Neches Nav District Other: Sabine Pass Port	2023 10 Years 2023 10 Years 2023 10 Years 2023 10 Years		\$14,700,000 \$32,800,000 \$3,700,000 \$10,600,000	100% 50% 75% 75%	\$0 \$16,400,000 \$925,000 \$2,650,000
Local Government Code Chapters 380/381	County: City: N/A Other: N/A					
Freeport Exemptions						
Non-Annexation Agreements						
Enterprise Zone/Project						
Economic Development Corporation						
Texas Enterprise Fund						
Employee Recruitment						
Skills Development Fund						
Training Facility Space and Equipment						
Infrastructure Incentives						
Permitting Assistance						
Other:						
Other:						
Other:						
Other:						
TOTAL				\$61,800,000		\$19,975,000

Additional information on incentives for this project:

[No 312 agreements have been entered into at the time this application was submitted. All incentives are proposed estimates.]

Port Arthur LNG, LLC

Chapter 313 Application to Sabine Pass ISD

Cummings Westlake, LLC

TAB 15

Economic Impact Analysis, other payments made in the state or other economic information (if applicable)

None

TAB 16

Description of Reinvestment Zone or Enterprise Zone, including:

- a) Evidence that the area qualifies as an enterprise zone as defined by the Governor's office*
- b) Legal description of reinvestment zone**
- c) Order, resolution, or ordinance established the reinvestment zone**
- d) Guidelines and criteria for creating the zone**

16 a) Not Applicable

16 b) Will be submitted once Jefferson County creates the Reinvestment Zone

16 c) Will be submitted once Jefferson County creates the Reinvestment Zone



JEFFERSON COUNTY AMENDED UNIFORM TAX ABATEMENT POLICY-2014

ADMONTORY PROVISIONS

The final determination of value to be abated is vested with the Jefferson County Appraisal District (JCAD), an agency autonomous from Jefferson County. The Procedures used by JCAD are attached as Exhibit "A" and incorporated and adopted in this Abatement Policy for all purposes. These provisions are illustrative only and shall not limit the Appraisal District in making determinations in any manner otherwise allowed by law.

Businesses applying for tax abatement with the County are advised that any agreement with the County applies only to taxes assessed by Jefferson County. Any abatement agreement with other taxing entities must be negotiated directly with such entities. In addition, each individual or business receiving an abatement retains the responsibility for annually applying to the Jefferson County Appraisal District for recognition and implementation of such abatement agreement.

STATEMENT OF PURPOSE

SECTION I

(a) The Commissioners Court of Jefferson County, Texas adopts this tax abatement policy to provide incentives to the owner of real property, who proposes a Project to develop, redevelop or improve eligible facilities. The incentives will consist of a limited special exemption from certain taxes provided that the Owner agrees to accept and abide by this Policy and provided that the real property is located in a lawfully created Reinvestment or Enterprise Zone.

(b) This policy is intended to improve the quality of life in economically depressed areas and throughout the County by stimulating industrial development, and job creation and retention provided that the taxable value of the property of the owner is not adversely affected..

DEFINITIONS

SECTION II

(a) "**Abatement**" means the full or partial exemption from ad valorem taxes of certain real property values in a reinvestment or enterprise zone designated by the County for economic development purposes.

(b) **"Agreement"** means a contractual agreement between a property owner and/or lessee and the County.

(c) **"Base Year"** means the calendar year in which the abatement contract is executed (signed).

(d) **"Base Year Value"** means the taxable value of eligible industrial realty improvements of the owner within Jefferson County on January 1 preceding the execution of the abatement agreement and which property is owned by the owner, co-owner and/or its parent companies, subsidiaries, partner or joint ventures or any entity exercising legal control over the owner or subject to control by the owner. Owner will attach as Exhibit "F-Affiliates" those properties which are co-owned or which are parent companies, partnerships, joint-ventures or other entities in Jefferson County over which the Owner herein exercises legal control.

(e) **"Deferred Maintenance"** means improvements necessary for continued operation which that do not improve productivity, or alter the process technology, reduce pollution or conserve resources.

(f) **"Distribution Center"** means buildings and structures, including fixed machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials owned by the Facility operator where a majority of the goods or services are distributed to points beyond Jefferson County.

(g) **"Eligible Facilities"** or "Eligible Projects" means new, expanded or modernized buildings and structures, as defined in the Texas Property Tax Code, including fixed machinery and equipment, which is reasonably likely as a result of granting abatement to contribute to the retention or expansion of primary employment or to attract major investment in the reinvestment or enterprise zone that would be a benefit to the property and that would contribute to the economic development within the County, but does not include facilities which are intended primarily to provide goods or services to residents or existing businesses located in the County such as, but not limited to, restaurants and retail sales establishments. Eligible facilities may include, but shall not be limited to, industrial buildings and warehouses. Eligible facilities may also include facilities designed to serve a regional population greater than the County for medical, scientific, recreational or other purposes.

(h) **"Eligible Property"** means realty improvements, the on-site buildings, structures, fixed machinery and equipment, storage tanks, process units (including all integral components necessary for operations), site improvements, and infrastructure included in the PROJECT, and the permanent office space and related fixed improvements necessary to the operation and administration of the PROJECT, as defined in the Tax Code, but does not include personal property.

(i) **"Expansion"** means the addition of buildings, structures, machinery, tangible personal property, equipment, payroll or other taxable value for purposes of increasing production capacity.

(j) "**Modernization**" means a complete or partial demolition of facilities and the complete or partial reconstruction or installation of a facility of similar or expanded production capacity. Modernization may result from the construction, alteration, or installation of buildings, structures, machinery, equipment, pollution control devices or resource conservation equipment. Modernization shall include improvements for the purpose of increasing productivity or updating the technology of machinery and equipment, or both.

(k) "**Facility**" means property improvements completed or in the process of construction which together comprise an integral whole.

(l) "**New Facility**" means a property previously undeveloped which is placed into service by means other than in conjunction with Expansion or Modernization.

(m) "**Productive Life**" means the number of years a property improvement is expected to be in service in a facility.

WHEN ABATEMENT AUTHORIZED

SECTION III

(a) **Eligible Facilities.** Upon application, Eligible Facilities shall be considered for tax abatement as hereinafter provided.

(b) **Creation of New Value.** Abatement may only be granted for the creation of additional value to eligible facilities made subsequent to and specified in an abatement agreement between the County and the property owner or lessee, subject to such limitations as the County may require. Under no circumstances will abatements be considered or granted once construction on a facility or project has begun.

(c) **New and Existing Facilities.** Abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.

(d) **Eligible Property.** Abatement may be extended to the increase in value of buildings, structures, fixed machinery and equipment, site improvements, and related fixed improvements necessary to the operation and administration of the facility.

(e) **Ineligible Property.** The following types of property shall be fully taxable and ineligible for tax abatement: land, supplies, inventory, vehicles, vessels, housing, improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion; any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; deferred maintenance, property to be rented or leased (except as provided in Section III(f)), property which has a productive life of less than ten years, or any other property for which abatement is not allowed by state law.

(f) **Owned/Leased Facilities.** If a leased facility is granted abatement, both the owner/lessor and the lessee shall be parties to the abatement contract with the County.

(g) **Economic Qualification.** In order for an Eligible Facility to receive tax abatement the planned improvement:

(1) Must create an increased appraised ad valorem tax value based upon the Jefferson County

Appraisal District's assessment of the eligible property; and

(2) Must prevent the loss of payroll or retain, increase or create payroll (full-time employment) on a permanent basis in the County.

(3) Must not have the effect of displacing workers or transferring employment from one part of the County to another.

(4) Must demonstrate by an independent economic impact analysis that the local economic benefit will be substantially in excess of the amount of anticipated foregone tax revenues resulting from the abatement.

Factors Considered By County In Considering Abatement Requests

Section IV

(a) **Standards For Tax Abatement.** The following non-exclusive factors may be considered in determining whether to grant tax abatements for an Eligible Facility or Project, and if so, the percentage of value to be abated and the duration of the tax abatement:

(1) Existing improvements, if any;

(2) Type and value of proposed improvements;

(3) Productive life of proposed improvements;

(4) Number of existing jobs to be retained by proposed improvements;

(5) Number and types of new jobs to be created by proposed improvements;

(6) The extent to which new jobs to be created will be filled by persons who are economically disadvantaged, including residents of a Reinvestment or Enterprise Zone;

(7) The extent to which local labor, local subcontractors and local vendors and suppliers will be used in the construction phase of the project;

(8) The amount of local taxes to be generated directly;

(9) The amount the property tax base valuation will be increased during term of abatement and after abatement;

- (10) The amount of economic impact the Eligible Facility will provide to the local community;
- (11) The costs to be incurred by the County to provide facilities or services directly resulting from the new improvements;
- (12) The amount of ad valorem taxes to be paid to the County during the abatement period considering (a) the existing values; (b) the percentage of new value abated; (c) the abatement period; and (d) the value after expiration of the abatement period;
- (13) The population growth of the County projected to occur directly as a result of new improvements;
- (14) The types and values of public improvements, if any, to be made by the applicant seeking abatement;
- (15) Whether the proposed improvements compete with existing businesses to the detriment of the local economy;
- (16) The impact of the proposed project on the business opportunities of existing businesses;
- (17) The attraction of other new businesses to the area as a result of the project;
- (18) The overall compatibility with the zoning ordinances and comprehensive plan for the area;
- (19) Whether the project is environmentally compatible with no negative impact on quality of life perceptions; Each application for tax abatement shall be reviewed on its merits utilizing the factors provided above. After such review, abatement may be denied entirely or may be granted to the extent deemed appropriate after full evaluation.

(b) **Local Employment.** For purposes of evaluating Section III(h)(7): Local labor is defined as those laborers or skilled craftsmen who are residents and domiciliaries of the nine county region comprised of Jefferson, Orange, Hardin, Jasper, Newton, Liberty, Tyler and Chambers counties, as well as the Bolivar Peninsula area of Galveston County. Local vendors and suppliers shall include only those located or having a principal office in Jefferson County. Local Subcontractors shall include only those located or having a principal office in Jefferson County.

Each recipient of property tax abatement shall additionally agree to give preference and priority to local manufacturers, suppliers, vendors, contractors and labor, except where not reasonably possible to do so without significant added expense, substantial inconvenience, or sacrifice in operating efficiency. In any such exception, cases involving purchases over \$10,000.00, a justification for such purchase shall be included in the annual report. Each recipient shall further acknowledge that is a legal and moral obligation of persons receiving property tax abatement to favor local manufacturers, suppliers, contractors and labor, all other factors being equal. In the event of breach of the "buy-local" provision, the percentage of abatement shall be proportionately reduced in an amount equal to the amount the disqualified contract bears to the total construction cost for the project.

(c) Each recipient of a property tax abatement must also provide bidding information to local contractors, manufacturers and labor to allow them to have sufficient information and time to submit their bids and pre-bid meetings must be held between the owner and potential local bidders and suppliers of services and materials.

(d) Historically Underutilized Businesses/Disadvantaged Business Enterprises.

The County will also strongly consider the extent to which the project will encourage and promote the utilization of Historically Underutilized Businesses (HUBs) (also known as Disadvantaged Business Enterprises, or DBEs) by the owner and general contractor by ensuring that qualified HUB vendors and contractors are given an opportunity to bid on all contracts.

1. A Historically Underutilized Business (HUB) is a business owned or controlled by Socially and Economically Disadvantaged Individuals as defined by all applicable federal or state laws and local policies, including Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Asian-Indian Americans, women and individuals with disabilities. A HUB is one that is at least 51 percent owned or controlled by one or more women or Socially and Economically Disadvantaged Individuals who actively participate in the conduct of the business or, in the case of a publicly owned business, one in which at least 51 percent of the stock is controlled by one or more women or Socially and Economically Disadvantaged Individuals. A business that has been certified as a HUB/DBE by an agency of the federal government or the State of Texas is presumed to be a HUB/DBE for purposes of this policy. Only a HUB/DBE with its principal office in Jefferson, Hardin, and Orange, County will be recognized as a HUB/DBE for purposes of this policy. Jefferson County will supply a Minority Business Directory to each applicant.

2. The County will require that each abatement contract between itself and any individual or entity seeking the abatement of ad valorem taxes contain a provision requiring the owner, on at least a quarterly basis, and at owner's cost, to allow the full examination by County or its designated representative(s) of all documents necessary for County to assure that best efforts have been used by owner to utilize local labor, subcontractors, vendors, suppliers and HUB's/DBE's. The County will also require that such contracts contain provisions binding the engineering/construction firms utilized as general contractors on the Project to the terms of the abatement contract.

(e) Denial of Abatement. Neither a reinvestment or enterprise zone nor abatement agreement shall be authorized if it is determined that:

(1) There would be a substantial adverse affect on the provision of government service or tax base;

(2) The applicant has insufficient financial capacity;

(3) Planned or potential use of the property would constitute a substantial hazard to public safety, health or morals;

(4) The project would cause a violation of state or federal laws; or

(5) For any other reason deemed appropriate by the County including the pendency of

litigation between the individual or entity requesting the creation of the reinvestment or enterprise zone and the County.

(f) **"Taxability"** From the execution of the abatement agreement to the end of the agreement period, taxes shall be payable as follows:

- (1) The value of ineligible property as provided in Section II(e) shall be fully taxable; and
- (2) The base year value of existing eligible property as determined each year shall be fully taxable.

APPLICATION PROCESS

SECTION V

(a) Any present owner, potential owner or Lessee of taxable property in the County may request the creation of a reinvestment or enterprise zone and tax abatement by filing a written request with the County Judge.

(b) The application shall consist of a completed application form which shall provide detailed information on the items described in Section III(h) hereof; a map and property description with specific metes and bounds; a time schedule for undertaking and completing the planned improvements. In the case of modernization, a statement of the assessed value of the facility, separately stated for real and personal property, shall be given for the tax year immediately preceding the application. The application form may require such financial and other information as may be deemed appropriate for evaluating the financial capacity and other factors of the applicant. The County shall also require a non-refundable application fee in the amount of \$1,000.00 to be submitted with the application.

(c) Prior to the adoption of an ordinance order designating a reinvestment or application by the County for designation of an enterprise zone, the County shall: (1) give written notice to the presiding officer of the governing body of each taxing unit in which the property to be subject to the agreement is located not later than seventh (7th) day before the public hearing; and (2) publish notice of a public hearing in a newspaper of general circulation within such taxing jurisdiction not later than the seventh (7th) day before the public hearing. Before acting upon the application, the County shall, through public hearing, afford the applicant and the designated representative of any governing body referenced hereinabove opportunity to show cause why the abatement should or should not be granted.

(d) The County shall make every reasonable effort to either approve or disapprove the application for tax abatement within forty-five (45) days after receipt of the application. The County shall notify the applicant of approval or disapproval.

(e) The County shall not establish a reinvestment or enterprise zone or enter into an abatement agreement if it finds that the request for the abatement was filed after the commencement of construction, alteration, or installation or improvements related to a proposed modernization, expansion or new facility.

(f) Information that is provided to the County in connection with an application or request for tax abatement and that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property for which a tax abatement agreement is requested is confidential and not subject to public disclosure pursuant to the Texas Public Information Act until the tax abatement agreement is executed. That information in the possession of a taxing unit after the agreement is executed is not confidential and is subject to disclosure.

AGREEMENT

SECTION VI

(a) Not later than the seventh (7th) day before the date on which the County enters into the abatement agreement, the County shall deliver to the presiding officer of the governing body of each other taxing unit in which the property is located a written notice that the County intends to enter into the agreement. The notice shall include a copy of the prepared agreement.

(b) The County shall formally pass a resolution and execute an agreement with the owner of the facility and lessee, as the case may be, which shall include at least the following terms:

- (1) Estimated value to be abated and the base year value;
- (2) Percent of value to be abated each year as provided in Section III(g);
- (3) The commencement date and the termination date of abatement;
- (4) The proposed use of the facility, nature of construction, time schedule, map, property description and improvement list as provided in application, Section IV(b);
- (5) Contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, or assignment;
- (6) Provision for access to and authorization for inspection of the property by County employees to ensure that the improvements or repairs are made according to the specifications and conditions of the agreement;
- (7) Limitations on the uses of the property consistent with the general purpose of encouraging development or redevelopment of the zone during the period that property tax exemptions are in effect;
- (8) Provision for recapturing property tax revenue lost as a result of the agreement if the owner of the property fails to make the improvements or repairs as provided by the agreement;
- (9) Provision that all permanent jobs be registered with the Texas Workforce Commission and that all contractors shall give preference to and to seek qualified workers through the Texas Workforce Commission.
- (10) Contain each and every term agreed to by the owner of the property;
- (11) Requirement that the owner or lessee of the property certify annually to the governing body of each taxing unit that the owner or lessee is in compliance with each applicable term of the agreement; and
- (12) All terms required by Texas Tax Code §312.205, as amended; Such agreement shall normally be executed within sixty (60) days after the applicant has forwarded all necessary information and documentation to the County.

RECAPTURE

SECTION VII

(a) In the event that the company or individual (1) allows its ad valorem taxes owed the County to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest; or (2) violates any of the terms and conditions of the abatement agreement; and fails to cure during the cure period, or discontinues production the agreement then may be terminated and all taxes previously abated by virtue of the agreement will be recaptured and paid within thirty (30) days of the termination.

(b) Should the County determine that the company or individual is in default according to the terms and conditions of its agreement, the County shall notify the company or individual of such default in writing at the address stated in the agreement; and if such is not cured within thirty (30) days from the date of such notice ("Cure Period"), then the agreement may be terminated. Alternatively, County may, as a penalty for default or non-compliance with the provisions of an abatement contract, reduce the term of the abatement period and/or the annual percentage abatements available thereunder.

(c) Payment in Lieu of Taxes: If, during the period of this abatement, any Federal or State law provides an additional tax exemption for the property that is already the subject of this agreement, Applicant agrees to decline that tax exemption during the period of this abatement. If Applicant is unable to decline that tax exemption, Applicant agrees to pay the taxes, or payment in lieu of taxes, on the reduction of property tax revenue to the County that is the result of said exemption. Any payment in lieu of taxes shall be due on or before November 15 of the year in which payment is due.

(d) By this, it is understood and agreed that if the party granted this abatement avails itself of a Foreign Trade Zone exemption, the abated value subject to this contract will be reduced dollar for dollar and taxed.

(e) It is understood and agreed by the owner that, if at any time during the abatement, the owner prevails in an action to contest the taxable value of the property of owner that is the subject of the abatement for Unequal Appraisal or revision thereof pursuant to Section 42.26, Texas Tax Code, the County shall reduce the amount of abatement dollar for dollar for each dollar that the taxable value is reduced as a result of that contest.

ADMINISTRATION

SECTION VIII

(a) The Chief Appraiser of the Jefferson County Appraisal District will annually determine an assessment of the real and personal property subject to each abatement agreement. Each year, the company or individual receiving abatement shall furnish the appraiser with such information as may be necessary to determine compliance with the abatement

agreement. Once value has been established, the Chief Appraiser will notify the County of the amount of the assessment.

(b) The abatement agreement shall stipulate that employees and/or designated representatives of the County will have access to the facility during the term of the abatement to inspect the facility to determine if the terms and conditions of the agreement are being met. Inspections will only be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the facility. All inspections will be made with one or more representative of the company or individual and in accordance with its safety standards.

(c) Upon completion of construction, the designated representative of the Owner shall annually evaluate each facility receiving abatement to insure compliance with the agreement, and a formal report shall be made to the County.

(d) During the course of construction of the Project, Owner and it's general contractor and/or subcontractors shall, on at least a quarterly basis, meet with designated County representatives for an onsite inspection to assure compliance with the terms of the abatement agreement. Owner shall be responsible to County for the payment of costs associated with such monitoring. In the event it is determined that Owner or its contractors have failed to comply with the terms of the abatement agreement, then County may terminate the abatement agreement or, in County's discretion, reduce the duration or annual percentages of such abatement.

(e) During construction, the Applicant shall maintain appropriate records of the employees affected by this abatement, including but not limited to, proof of employees' legal residence, proof of immigration-resident status, and, if applicable, such other documentation that may be required to document compliance with the Agreement

(f) The Chief Appraiser of the Jefferson County Appraisal District shall timely file with the Texas Department of Economic Development and the State Property Tax Board all information required by the Tax Code.

(g) All requirements of the Abatement Agreement shall apply to Applicant's contractors/subcontractors and Applicant shall ensure that they abide by the terms of the Agreement.

AGREEMENT

SECTION IX

Abatement may be transferred, assumed and assigned in whole or in part by the holder to a new owner or lessee of the same facility upon the approval by resolution of the Commissioners' Court; subject to the financial capacity of the assignee and provided that all conditions and obligations in the abatement agreement are guaranteed. No assignment or transfer shall be approved if the parties to the existing agreement, the new owner or new lessee are liable to any jurisdiction for outstanding taxes or other obligations. Approval shall not be unreasonably withheld. As a condition of transfer, an assignment fee of \$10,000.00 may be required, with the maximum fee being \$10,000.00

SUNSET PROVISION

SECTION X

These guidelines and criteria are effective upon the date of their adoption and will remain in force for two years, unless amended by three-quarters of the Commissioners' Court at which time all reinvestment and enterprise zones and tax abatement agreements created pursuant to these provisions will be reviewed to determine whether the goals have been achieved. Based on that review, the guidelines and criteria may be modified, renewed or eliminated.

DISCRETION OF THE COUNTY

SECTION XI

The adoption of these guidelines and criteria by the County does not:

- (1) Limit the discretion of the County to decide whether to enter into a specific tax abatement agreement;
- (2) Limit the discretion of the County to delegate to its employees the authority to determine whether or not the County should consider a particular application or request for tax abatement; or
- (3) Create any property, contract, or other legal rights in any person to have the County consider or grant a specific application or request for tax abatement.

QUESTIONS TO BE ANSWERED IN ORDER TO DEVELOP AN APPLICATION AND ECONOMIC IMPACT STATEMENT FOR VALUE ADDED TAX ABATEMENTS IN JEFFERSON COUNTY

General:

Jefferson County will provide a representative to assist in preparation and presentation of all documents and to guide them through the abatement process.

Opening Paragraph:

The application should include a summary statement about the company and its operations. This information can come from an annual report, corporate 10K or other document provided by the company. (Please include these documents with this questionnaire.)

Economic Impact Analysis:

The application must include the attachment of an independently prepared economic impact analysis of the proposed facility as it impacts the local economy detailing the information referred in Section III herein.

Maps and Plats

Provide maps, plats, and drawings necessary to establish the location of the improvements and their relationships to the boundaries of cities, ETJ's, and reinvestment or enterprise zone boundaries.

Questions to be Answered

(1) Is your project within a city limit? _____. Name of City

(2) Is your project within an ETJ? . Name of City ETJ

(3) Is your project within an Enterprise or Reinvestment Zone? Which?

(4) Will you own the realty or lease the realty?

(5) Present Appraisal District value of land and any EXISTING improvements owned by the

OWNER:

(Answer this question based on Appraisal District records for the specific site you select.)

Cost of Land (If you are purchasing): \$ _____

Number of Acres: _____ or Square Feet: _____

(6) Type and value of proposed improvements:

Type of construction:

(Tiltwall, Build-Out of Existing Facility, Etc.)

Value of Construction:

Value of Equipment:

Value of Pollution Control Devices: It is understood and agreed that Applicant. will not seek a tax exemption for any equipment or portion of the facility which merely reduces the pollution characteristics of the finished product produced by the facility and that an exemption will only be sought for equipment and technology utilized to reduce pollution at or around the facility.

(7) Productive life of proposed improvements: _____ years, or term of initial lease: _____

(8) Number of existing jobs to be retained by proposed improvements:

_____ (Answer only if the location is already in or near Jefferson County and now employs Jefferson residents.)

(9) Number and types of new jobs to be created by proposed improvements: _____

Include in this answer the number of Jefferson County residents that will be employed.

(10) Amount of Annual local payroll to be created: _____.

(11) What percentage and type of jobs to be created will Jefferson residents have the opportunity to fill?

(12) Amount property tax base valuation will be increased:

During term of abatement: _____

After term of abatement: _____

(13) The costs to be incurred by local government to provide facilities or services directly resulting from the new improvements: _____

(Explain any costs for development or depletion of infrastructure the city is being asked to absorb, if any.)

(14) The amount of ad valorem taxes to be paid to the county during the abatement period considering: (a) the existing values; (b) the percentage of new value abated; (c) the abatement period; and (d) the value after expiration of the abatement period.

(15) The population growth of the county that will occur directly as a result of new improvements: _____

(If you relocate to Jefferson County, how many of your employees do you anticipate to relocate?)

(16) The types and values of public improvements, if any, to be made by applicant seeking abatement:

_____ (List any facilities from which the public might benefit.)

(17) Do the proposed improvements compete with existing businesses to the detriment of the local economy:

(18) The impact on the business opportunities of existing businesses:

(Are there possibilities for local businesses to become suppliers? Any new retail opportunities? If you have previously conducted business within Jefferson County, please provide a list of any and all local/non-local HUB/DBE companies with whom you have worked and the extent of that work relationship)

(19) The attraction of other new businesses to the area:

(Will any of your suppliers, customers, parent, or sister companies relocate because of your relocation?)

(20) The overall compatibility with the zoning ordinances and comprehensive plan for the area:

(21) Describe, including the estimated value, all pollution control devices and other improvements for which you intend to seek TNRCC exemption from taxation:

NOTE: Failure to accurately disclose exempted property may result in a total default under the Abatement Contract, resulting in recapture of previously abated taxes and forfeiture of future abatement.

EXHIBIT "A"

JEFFERSON COUNTY APPRAISAL DISTRICT PROCEDURE FOR CALCULATING ABATEMENTS

Purpose

The purpose of this procedure is to clarify the method used in calculating a tax abatement. This procedure requires calculation of the Current Year Market Value, Base Year Value, and Taxable Value as these terms are defined below. -In accordance with the Jefferson County Uniform Tax Abatement Policy, the Real Property Owner's Current Taxable Value shall not be less than the Base Year Value in order for a project to receive the full amount of abatement.

Calculation of "Base Year Value"

"Base Year Value" for each taxing entity executing an abatement contract is the Taxable Value of all industrial realty improvements of a property owner and/or its affiliates located within that entity for the tax period defined as the "Base Year". "Base year" is defined as the calendar year in which the abatement contract is executed (signed).

Calculation of "Current Year Market Value"

"Current Year Market Value" for each taxing entity executing an abatement agreement is determined by calculating for the Current Tax Year the Market Value of all industrial realty improvements of a property owner and/or its affiliates that comprise the "Base Year Value."

Calculation of "Taxable Value"

"Taxable Value" for each taxing entity executing an abatement agreement is determined by deducting from the Market Value of all industrial realty improvements of a property

owner and/or its affiliates the amount of any applicable exemptions and abatements granted for that Tax Year.

Calculation of Abated Value

The following procedures are followed for each project for which a tax abatement contract has been executed and for each taxing entity granting the abatement.

VALUE POTENTIALLY ELIGIBLE FOR ABATEMENT:

The Base Year Value is subtracted from the Current Year Market Value. If the difference is greater than zero (0), then the remaining value is the value potentially eligible for abatement. If the difference is zero (0) or less, then the project is not eligible for an abatement for that Tax Year.

VALUE AVAILABLE FOR ABATEMENT:

For each project that remains potentially eligible for abatement, a preliminary calculation of the abated value of all other projects for the owner and/or its affiliates, if any, must be made. This calculation must first be done based on a preliminary abated value for subsequent projects since the full calculation has yet to be performed. For multiple abated projects, the calculations of the preliminary abated values are made in chronological order based on the date the contract was executed. Once the abated value for the subsequent project is calculated, if the actual abated value differs from the preliminary abated value, this calculation must be redone in order to reflect the actual abated value.

Once all calculations have been completed, the abated value of other projects for the owner and/or its affiliates, if any, is subtracted from the Value Potentially Available for Abatement. If the difference is greater than zero (0), then the remaining value is the Value Available for Abatement.

If the difference is zero (0) or less, then the project is not eligible for an abatement for that Tax Year.

VALUE SUBJECT TO ABATEMENT:

The project base value, if applicable, is subtracted from the current year project value, and the percentage of abatement to be granted is then applied to the net amount to determine the Value Subject to Abatement.

ABATED VALUE:

Any applicable reductions for Foreign Trade Zone or Pollution Control restrictions are subtracted from the Value Subject to Abatement. If the difference is less than the Value Available for Abatement, then this is the Abated Value.

If the difference is greater than the Value Available for Abatement, then the Value Available for Abatement becomes the Abated Value.

Port Arthur LNG, LLC

Chapter 313 Application to Sabine Pass ISD

Cummings Westlake, LLC

TAB 17

Signature and Certification page, signed and dated by Authorized School District Representative and Authorized Company Representative (applicant)

See Attached

SECTION 16: Authorized Signatures and Applicant Certification

When the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in Tab 17. NOTE: If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

1. Authorized School District Representative Signature

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

print here Kristi Heid
Print Name (Authorized School District Representative)

Superintendent
Title

sign here [Handwritten Signature]
Signature (Authorized School District Representative)

12-14-15
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application and schedules is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print here James Asay
Print Name (Authorized Company Representative (Applicant))

Vice President - Tax
Title

sign here [Handwritten Signature]
Signature (Authorized Company Representative (Applicant))

12/8/2015
Date

GIVEN under my hand and seal of office this, the

day of

See attached.

(Notary Seal)

See attached all-purpose Acknowledgment
Notary Public In and for the State of Texas

My Commission expires: Nov 15, 2018

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.

ALL-PURPOSE ACKNOWLEDGMENT

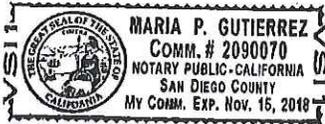
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this Certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of San Diego } SS.

On December 8, 2015, before me, MARIA P. GUTIERREZ, Notary Public,
DATE

personally appeared James Asay, who proved to me on the

basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the same in his/~~her~~/their authorized capacity(ies), and that by his/~~her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Maria P. Gutierrez
NOTARY'S SIGNATURE

PLACE NOTARY SEAL IN ABOVE SPACE

OPTIONAL INFORMATION

The information below is optional. However, it may prove valuable and could prevent fraudulent attachment of this form to an unauthorized document.

CAPACITY CLAIMED BY SIGNER (PRINCIPAL)

- INDIVIDUAL
- CORPORATE OFFICER Vice President - Tax
TITLE(S)
- PARTNER(S)
- ATTORNEY-IN-FACT
- GUARDIAN/CONSERVATOR
- SUBSCRIBING WITNESS
- OTHER: _____

DESCRIPTION OF ATTACHED DOCUMENT

Application for Appraised Value Limitation on Qualifial Property
TITLE OR TYPE OF DOCUMENT

81 - (Eighty-one)
NUMBER OF PAGES

December 8, 2015
DATE OF DOCUMENT

SIGNER (PRINCIPAL) IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

RIGHT
THUMBPRINT
OF
SIGNER

OTHER

Top of thumbprint here

Attachment B

Franchise Tax Account Status



Franchise Tax Account Status

As of : 10/18/2016 15:33:13 PM

This Page is Not Sufficient for Filings with the Secretary of State

PORT ARTHUR LNG, LLC	
Texas Taxpayer Number	12012553108
Mailing Address	488 8TH AVE ATTNHQ08N1 SAN DIEGO, CA 92101-7123
Right to Transact Business in Texas	ACTIVE
State of Formation	DE
Effective SOS Registration Date	07/26/2006
Texas SOS File Number	0800686144
Registered Agent Name	CORPORATION SERVICE COMPANY D/B/A CSC-LAWYERS INCO
Registered Office Street Address	211 E. 7TH STREET SUITE 620 AUSTIN, TX 78701



Franchise Tax Account Status

As of : 10/18/2016 15:33:54 PM

This Page is Not Sufficient for Filings with the Secretary of State

PORT ARTHUR LNG HOLDINGS, LLC	
Texas Taxpayer Number	32037013102
Mailing Address	488 8TH AVE ATTNHQ08N1 SAN DIEGO, CA 92101-7123
Right to Transact Business in Texas	ACTIVE
State of Formation	DE
Effective SOS Registration Date	05/09/2008
Texas SOS File Number	0800976196
Registered Agent Name	CORPORATION SERVICE COMPANY D/B/A CSC-LAWYERS INCO
Registered Office Street Address	211 E. 7TH STREET SUITE 620 AUSTIN, TX 78701

Attachment C

State Comptroller's Certification



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

May 16, 2016

Kristi Heid
Superintendent
Sabine Pass Independent School District
P.O. Box 1148
Sabine Pass, Texas 77655

Dear Superintendent Heid:

On February 16, 2016, the Comptroller issued written notice that Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC (the applicant) submitted a completed application (Application #1117) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on December 14, 2015, to the Sabine Pass Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 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 issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application #1117.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

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

Certificate decision required by 313.025(d)

Determination required by 313.026(c) (1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

Determination required by 313.026(c) (2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

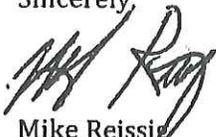
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of February 16, 2016, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Korry Castillo, Director, Data Analysis & Transparency, by email at korry.castillo@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-3806, or direct in Austin at 512-463-3806.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Korry Castillo

Attachment D

Summary of Financial Impact

**CHAPTER 313 PROPERTY VALUE LIMITATION
FINANCIAL IMPACT OF THE PROPOSED PORT ARTHUR
LNG, LLC PROJECT IN THE SABINE PASS INDEPENDENT
SCHOOL DISTRICT
(PROJECT # 1117)**

PREPARED BY



JUNE 3, 2016

Executive Summary

Port Arthur LNG, LLC (Company) has requested that the Sabine Pass Independent School District (SPISD) 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 SPISD on December 14, 2015 the Company plans to invest \$5.4 billion to construct an LNG manufacturing facility. Moak, Casey & Associates (MCA) has been retained to prepare an analysis of this value limitation and help the district navigate the overall application and agreement process.

The Port Arthur LNG 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, SPISD may offer a minimum value limitation of \$30 million. This value limitation, under the proposed application, will begin in the 2023-24 school year and remain at that level of taxable value for Maintenance and Operations (M&O) tax purposes for ten years. The entire project value will remain taxable for I&S or debt service purposes for the term of the agreement.

MCA's initial school finance analysis is detailed in this report, incorporating the major legislative changes adopted in May. The overall conclusions are as follows, but please read all of the subsequent details in the report below for more information.

Total Revenue Loss Payment owed to SPISD	\$19.0 million
Total Savings to Company after Revenue Loss Payment. (This does not include any supplemental benefit payments to the district.)	\$408.1 million

Application Process

After the school district has submitted an application to the Comptroller's Office (Comptroller), the Comptroller begins reviewing the application for completeness. The purpose of this review is to ensure all necessary information and attachments are included in the application before moving forward with the formal review process. The Comptroller's Office issued a Completeness Letter for the application on February 16, 2016.

The issuance of a Completeness Letter is important because it sets the timeline for the rest of process. From the date of issuance, the Comptroller has 90 days to conduct its full review of the project and provide its certificate for a limitation on appraised value. The Comptroller issued the Certificate for the Port Arthur LNG project on May 16, 2016.

Each value limitation agreement is unique and to ensure the proper revenue-loss protection and maximum supplemental benefits are in place, an understanding of the school district's finances and a thorough knowledge of the Ch. 313 statute are required. MCA and O'Hanlon, McCollom & Demerath will ensure the best interests of SPISD are secured. After the Comptroller's certificate is received, a participation agreement was negotiated with the Company, in consultation with the District. A final version of the agreement was submitted to the Comptroller for review prior to final adoption by the school district's board of trustees.

At the final board meeting, the school board will review the Value Limitation Agreement and Findings of Fact that detail the project's conformance with state law. In some instances, the school board will also be required to create a reinvestment zone during this meeting, in the board's consideration of the Port Arthur LNG application. Prior to this meeting, O'Hanlon, McCollom & Demerath will provide the district with the necessary agenda language and any additional action items.

How the 313 Agreement Interacts with Texas School Finance

M&O funding for Texas schools relies on two methods of finance: local school district property taxes and state aid. State aid consists of three components: Tier I, Tier II and additional state aid for tax reduction (ASATR), although ASATR is currently scheduled to be eliminated by the 2017-18 school year. (For more detailed information on the school finance funding system, please review the Texas Education Agency's [School Finance 101: Funding of Texas Public Schools](#).)

Tier I provides state funding based on ADA and special student populations, as well as transportation. The local funds for Tier I are M&O taxes raised at the compressed tax rate—\$1.00 per \$100 of taxable value for most school districts (less any recapture payments owed to the state from high property-wealth school districts).

Tier II guarantees a specific amount of funding per student in weighted average daily attendance for each penny of a school district's tax effort above a specified level. There are two levels of Tier II funding—funding under the six so-called golden pennies and the eleven so-called copper pennies. Voter approval is required in most cases to access the last two golden pennies and the eleven copper pennies.

Additional State Aid for Tax Reduction (ASATR) guarantees a school district a set amount of state and local M&O funds per student in weighted average daily attendance to compensate for the mandatory reduction in, or compression of, the local M&O tax rate that was adopted in 2005 or 2006. ASATR funding is expected to be eliminated by the 2017-18 school year under current law and is not a factor in the estimates shown below.

For a school district that approves a Chapter 313 value limitation, the first year is often problematic financially. The implementation of the value limitation often results in an M&O revenue loss to the school district in the first year of the limitation that would not be reimbursed by the state, but require some type of compensation from the Company under the revenue protection provisions of the agreement. This is because the general school finance formula system calculates state aid entitlements using the property value for the preceding year as certified by the Comptroller.

In most instances smaller revenue losses would be anticipated in years 2-10 of the limitation 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. **If the full value of the project increases significantly during the value limitation period, the revenue losses may be greater than originally estimated.**

A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 1-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter).

Future legislative action on school funding could potentially affect the impact of the value limitation on the school district's finances and result in revenue-loss estimates that differ from the estimates presented in this report.

Underlying School District Data Assumptions

A key element in any analysis of the school finance implications of a Chapter 313 agreement is the provision for revenue protection in the agreement between the school district and the applicant. The agreement calls for a calculation of the revenue impact of the value limitation in years 1-10 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. This approach also reduces guess work as to future changes in school finance and property tax laws.

The general approach used here to analyze the future revenue stream of the school district under a value limitation is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. Student enrollment counts are held constant at 341 students in average daily attendance (ADA) in analyzing the effects of the project on the finances of SPISD. The District's local tax base reached \$563.6 million for the 2015 tax year (the most recent year available) and is maintained for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.04 per \$100 is used throughout this analysis. The impact of any previously-approved Chapter 313 projects is factored into the M&O tax bases used for both models presented below.

SPISD has estimated 2015-16 state property wealth per weighted ADA or WADA of approximately \$981.8 million. As a result, SPISD is considered a Chapter 41 or recapture district under the school finance system. Table 1 summarizes the enrollment and property value assumptions for the 15 years that are the subject of this analysis.

Recent legislative changes are incorporated into these estimates. The basic allotment was raised from \$5,040 to \$5,140 per WADA, which is used throughout the state aid calculations. The Tier II guaranteed yield level for up to six cents of tax effort was increased from \$61.86 in 2014-15 to \$74.28 and \$77.53, respectively, for the 2015-16 and 2016-17 school years.

The mandated school district homestead exemption increase from \$15,000 to \$25,000 has been incorporated into the analysis. Given that the models below focus exclusively on the Port Arthur LNG, LLC project values, however, the homestead exemption change does not have a significant impact on this analysis.

The M&O tax rate is maintained at \$1.04 per \$100. Although the impact of the Chapter 313 project value returning to the total tax roll for M&O funding purposes could result in a lower M&O tax rate that analysis is beyond the scope of this revenue report.

Table 1 – Base District Information with Port Arthur LNG 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
QTP0	2020-21	347.40	656.05	\$1.0400	\$0.1727	\$5,292,950,293	\$5,292,950,293	\$2,690,397,863	\$2,690,397,863	\$4,100,879	\$4,100,879
QTP1	2021-22	347.40	656.05	\$1.0400	\$0.1727	\$3,699,762,293	\$3,699,762,293	\$5,288,262,543	\$5,288,262,543	\$8,060,712	\$8,060,712
QTP2	2022-23	347.40	656.05	\$1.0400	\$0.1727	\$3,930,974,293	\$3,930,974,293	\$3,695,074,543	\$3,695,074,543	\$5,632,272	\$5,632,272
VL1	2023-24	347.40	656.05	\$1.0400	\$0.1727	\$5,876,220,293	\$1,049,735,613	\$3,926,286,543	\$3,926,286,543	\$5,984,700	\$5,984,700
VL2	2024-25	347.40	656.05	\$1.0400	\$0.1727	\$6,237,504,293	\$1,049,735,613	\$5,871,532,543	\$1,045,047,863	\$8,949,770	\$1,592,930
VL3	2025-26	347.40	656.05	\$1.0400	\$0.1727	\$5,909,759,293	\$1,049,735,613	\$6,232,816,543	\$1,045,047,863	\$9,500,463	\$1,592,930
VL4	2026-27	347.40	656.05	\$1.0400	\$0.1727	\$5,599,402,293	\$1,049,735,613	\$5,905,071,543	\$1,045,047,863	\$9,000,893	\$1,592,930
VL5	2027-28	347.40	656.05	\$1.0400	\$0.1727	\$5,305,552,293	\$1,049,735,613	\$5,594,714,543	\$1,045,047,863	\$8,527,826	\$1,592,930
VL6	2028-29	347.40	656.05	\$1.0400	\$0.1727	\$5,027,369,293	\$1,049,735,613	\$5,300,864,543	\$1,045,047,863	\$8,079,921	\$1,592,930
VL7	2029-30	347.40	656.05	\$1.0400	\$0.1727	\$8,777,138,770	\$5,062,822,090	\$5,022,681,543	\$1,045,047,863	\$7,655,897	\$1,592,930
VL8	2030-31	347.40	656.05	\$1.0400	\$0.1727	\$9,991,105,297	\$6,525,994,617	\$8,772,451,020	\$5,058,134,340	\$13,371,538	\$7,709,936
VL9	2031-32	347.40	656.05	\$1.0400	\$0.1727	\$9,532,779,677	\$6,303,483,997	\$9,986,417,547	\$6,521,306,867	\$15,221,944	\$9,940,198
VL10	2032-33	347.40	656.05	\$1.0400	\$0.1727	\$9,096,057,986	\$6,089,870,306	\$9,528,091,927	\$6,298,796,247	\$14,523,335	\$9,601,033
VP1	2033-34	347.40	656.05	\$1.0400	\$0.1727	\$8,679,935,439	\$8,679,935,439	\$9,091,370,236	\$6,085,182,556	\$13,857,655	\$9,275,429
VP2	2034-35	347.40	656.05	\$1.0400	\$0.1727	\$8,283,450,489	\$8,283,450,489	\$8,675,247,689	\$8,675,247,689	\$13,223,374	\$13,223,374
VP3	2035-36	347.40	656.05	\$1.0400	\$0.1727	\$7,905,692,443	\$7,905,692,443	\$8,278,762,739	\$8,278,762,739	\$12,619,026	\$12,619,026
VP4	2036-37	347.40	656.05	\$1.0400	\$0.1727	\$7,545,790,710	\$7,545,790,710	\$7,901,004,693	\$7,901,004,693	\$12,043,223	\$12,043,223
VP5	2037-38	347.40	656.05	\$1.0400	\$0.1727	\$7,202,913,270	\$7,202,913,270	\$7,541,102,959	\$7,541,102,959	\$11,494,638	\$11,494,638

QTP=	Qualifying Time Period
VL=	Value Limitation
VP=	Viable Presence

M&O Impact of the Port Arthur LNG project on SPISD

School finance models were prepared for SPISD under these assumptions through the 2037-38 school year. Under the proposed agreement, a model is established to make a calculation of the “Baseline Revenue Model” by adding the total value of the project to the model, but without assuming that a value limitation is approved. These model results are detailed in Table 2.

Additionally, a separate model is established to make a calculation of the “Value Limitation Revenue Model” by adding the project’s limited value of \$30 million to the model. These results are shown in Table 3.

Table 4 displays the results of the comparison between the Baseline Revenue Model and the Value Limitation Revenue Model (Tables 2 and 3). The difference between the two models indicates there will be a total revenue loss of \$19.0 million over the course of the Agreement,

with much of this loss reflected in the first limitation year (2023-24). Nearly all of the reduction in M&O taxes under the limitation agreement is offset through a reduction in recapture costs owed to the state under current law.

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	Homestead Hold Harmless	Other State Aid	Total General Fund
QTP0	2020-21	\$51,795,578	\$126,708	\$0	-\$43,998,031	\$2,071,823	\$0	\$0	\$2,992	\$10,125	\$10,009,195
QTP1	2021-22	\$36,182,336	\$126,708	\$0	-\$33,368,862	\$1,447,293	\$0	\$0	\$2,090	\$10,125	\$4,399,690
QTP2	2022-23	\$38,448,213	\$126,708	\$0	-\$34,203,675	\$1,537,929	\$0	\$0	\$2,221	\$10,125	\$5,921,521
VL1	2023-24	\$58,502,186	\$126,708	\$0	-\$52,452,430	\$2,340,087	\$0	\$0	\$3,379	\$10,125	\$8,530,055
VL2	2024-25	\$62,115,026	\$126,708	\$0	-\$57,800,706	\$2,484,601	\$0	\$0	\$3,588	\$10,125	\$6,939,342
VL3	2025-26	\$58,837,576	\$126,708	\$0	-\$54,980,717	\$2,353,503	\$0	\$0	\$3,398	\$10,125	\$6,350,594
VL4	2026-27	\$55,734,006	\$126,708	\$0	-\$51,877,805	\$2,229,360	\$0	\$0	\$3,219	\$10,125	\$6,225,614
VL5	2027-28	\$52,795,506	\$126,708	\$0	-\$48,939,969	\$2,111,820	\$0	\$0	\$3,049	\$10,125	\$6,107,240
VL6	2028-29	\$50,013,676	\$126,708	\$0	-\$46,158,810	\$2,000,547	\$0	\$0	\$2,889	\$10,125	\$5,995,135
VL7	2029-30	\$86,708,753	\$126,708	\$0	-\$79,709,853	\$3,468,350	\$0	\$0	\$5,008	\$10,125	\$10,609,092
VL8	2030-31	\$98,555,784	\$126,708	\$0	-\$93,978,132	\$3,942,231	\$0	\$0	\$5,692	\$10,125	\$8,662,409
VL9	2031-32	\$94,017,030	\$126,708	\$0	-\$90,170,403	\$3,760,681	\$0	\$0	\$5,430	\$10,125	\$7,749,572
VL10	2032-33	\$89,692,536	\$126,708	\$0	-\$85,846,313	\$3,587,701	\$0	\$0	\$5,181	\$10,125	\$7,575,938
VP1	2033-34	\$85,013,297	\$126,708	\$0	-\$81,192,173	\$3,400,532	\$0	\$0	\$4,910	\$10,125	\$7,363,400
VP2	2034-35	\$81,127,745	\$126,708	\$0	-\$77,306,362	\$3,245,110	\$0	\$0	\$4,686	\$10,125	\$7,208,013
VP3	2035-36	\$77,425,716	\$126,708	\$0	-\$73,604,054	\$3,097,029	\$0	\$0	\$4,472	\$10,125	\$7,059,997
VP4	2036-37	\$73,898,679	\$126,708	\$0	-\$70,076,718	\$2,955,947	\$0	\$0	\$4,268	\$10,125	\$6,919,010
VP5	2037-38	\$70,538,480	\$126,708	\$0	-\$66,716,200	\$2,821,539	\$0	\$0	\$4,074	\$10,125	\$6,784,727

22*Basic Allotment: \$5,140; AISD Yield: \$77.53; Equalized Wealth: \$514,000 per WADA

QTP= Qualifying Time Period
 VL= Value Limitation
 VP= Viable Presence

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	Homestead Hold Harmless	Other State Aid	Total General Fund
QTP0	2020-21	\$51,820,843	\$126,708	\$0	-\$44,019,525	\$2,072,834	\$0	\$0	\$2,993	\$10,125	\$10,013,979
QTP1	2021-22	\$36,207,600	\$126,708	\$0	-\$33,392,207	\$1,448,304	\$0	\$0	\$2,091	\$10,125	\$4,402,622
QTP2	2022-23	\$38,473,478	\$126,708	\$0	-\$34,226,194	\$1,538,939	\$0	\$0	\$2,222	\$10,125	\$5,925,278
VL1	2023-24	\$10,237,339	\$126,708	\$0	-\$9,124,563	\$409,494	\$0	\$0	\$591	\$10,125	\$1,659,695
VL2	2024-25	\$10,237,339	\$126,708	\$0	-\$6,237,472	\$409,494	\$0	\$0	\$591	\$10,125	\$4,546,786
VL3	2025-26	\$10,237,339	\$126,708	\$0	-\$6,237,472	\$409,494	\$0	\$0	\$591	\$10,125	\$4,546,786
VL4	2026-27	\$10,237,339	\$126,708	\$0	-\$6,237,472	\$409,494	\$0	\$0	\$591	\$10,125	\$4,546,786
VL5	2027-28	\$10,237,339	\$126,708	\$0	-\$6,237,472	\$409,494	\$0	\$0	\$591	\$10,125	\$4,546,786
VL6	2028-29	\$10,237,339	\$126,708	\$0	-\$6,237,472	\$409,494	\$0	\$0	\$591	\$10,125	\$4,546,786
VL7	2029-30	\$49,565,586	\$126,708	\$0	-\$30,451,671	\$1,982,623	\$0	\$0	\$2,863	\$10,125	\$21,236,235
VL8	2030-31	\$63,904,677	\$126,708	\$0	-\$58,765,022	\$2,556,187	\$0	\$0	\$3,691	\$10,125	\$7,836,366
VL9	2031-32	\$61,724,073	\$126,708	\$0	-\$57,857,166	\$2,468,963	\$0	\$0	\$3,565	\$10,125	\$6,476,269
VL10	2032-33	\$59,630,659	\$126,708	\$0	-\$55,762,946	\$2,385,226	\$0	\$0	\$3,444	\$10,125	\$6,393,217
VP1	2033-34	\$85,013,297	\$126,708	\$0	-\$79,336,881	\$3,400,532	\$0	\$0	\$4,910	\$10,125	\$9,218,692
VP2	2034-35	\$81,127,745	\$126,708	\$0	-\$77,306,362	\$3,245,110	\$0	\$0	\$4,686	\$10,125	\$7,208,013
VP3	2035-36	\$77,425,716	\$126,708	\$0	-\$73,604,054	\$3,097,029	\$0	\$0	\$4,472	\$10,125	\$7,059,997
VP4	2036-37	\$73,898,679	\$126,708	\$0	-\$70,076,718	\$2,955,947	\$0	\$0	\$4,268	\$10,125	\$6,919,010
VP5	2037-38	\$70,538,480	\$126,708	\$0	-\$66,716,200	\$2,821,539	\$0	\$0	\$4,074	\$10,125	\$6,784,727

*Basic Allotment: \$5,140; AISD Yield: \$77.53; Equalized Wealth: \$514,000 per WADA

QTP= Qualifying Time Period
 VL= Value Limitation
 VP= Viable Presence

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	Homestead Hold Harmless	Other State Aid	Total General Fund
QTP0	2020-21	\$25,265	\$0	\$0	-\$21,493	\$1,011	\$0	\$0	\$1	\$0	\$4,784
QTP1	2021-22	\$25,264	\$0	\$0	-\$23,345	\$1,011	\$0	\$0	\$1	\$0	\$2,931
QTP2	2022-23	\$25,265	\$0	\$0	-\$22,519	\$1,010	\$0	\$0	\$1	\$0	\$3,758
VL1	2023-24	-\$48,264,847	\$0	\$0	\$43,327,867	-\$1,930,593	\$0	\$0	-\$2,788	\$0	-\$6,870,360
VL2	2024-25	-\$51,877,687	\$0	\$0	\$51,563,234	-\$2,075,107	\$0	\$0	-\$2,996	\$0	-\$2,392,556
VL3	2025-26	-\$48,600,237	\$0	\$0	\$48,743,246	-\$1,944,009	\$0	\$0	-\$2,807	\$0	-\$1,803,807
VL4	2026-27	-\$45,496,667	\$0	\$0	\$45,640,333	-\$1,819,866	\$0	\$0	-\$2,628	\$0	-\$1,678,828
VL5	2027-28	-\$42,558,167	\$0	\$0	\$42,702,497	-\$1,702,326	\$0	\$0	-\$2,458	\$0	-\$1,560,454
VL6	2028-29	-\$39,776,337	\$0	\$0	\$39,921,339	-\$1,591,053	\$0	\$0	-\$2,297	\$0	-\$1,448,349
VL7	2029-30	-\$37,143,167	\$0	\$0	\$49,258,182	-\$1,485,727	\$0	\$0	-\$2,145	\$0	\$10,627,143
VL8	2030-31	-\$34,651,107	\$0	\$0	\$35,213,110	-\$1,386,044	\$0	\$0	-\$2,001	\$0	-\$826,043
VL9	2031-32	-\$32,292,957	\$0	\$0	\$32,313,237	-\$1,291,718	\$0	\$0	-\$1,865	\$0	-\$1,273,304
VL10	2032-33	-\$30,061,877	\$0	\$0	\$30,083,367	-\$1,202,475	\$0	\$0	-\$1,736	\$0	-\$1,182,721
VP1	2033-34	\$0	\$0	\$0	\$1,855,292	\$0	\$0	\$0	\$0	\$0	\$1,855,292
VP2	2034-35	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP3	2035-36	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP4	2036-37	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP5	2037-38	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

QTP=	Qualifying Time Period
VL=	Value Limitation
VP=	Viable Presence

M&O Impact on the Taxpayer

Table 5 summarizes the impact of the property value limitation in terms of the potential tax savings to the taxpayer under the property value limitation agreement. The focus of this table is on the M&O tax rate only. A \$1.04 per \$100 M&O tax rate is assumed in 2015-16 (the most recent year available) and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$427.2 million over the life of the agreement. The SPISD revenue losses are expected to total approximately \$19.0 million over the course of the agreement. In total, the potential net tax benefits (after hold-harmless payments are made) are estimated to total \$408.1 million, prior to any negotiations with Port Arthur LNG on supplemental payments.

Table 5 - Estimated Financial Impact of the Port Arthur LNG Project Property Value Limitation Request Submitted to SPISD at \$1.04 per \$100 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	School District Revenue Losses	Estimated Net Tax Benefits
QTP0	2020-21	\$427,614,680	\$427,614,680	\$0	\$1.040	\$4,447,193	\$4,447,193	\$0	\$0	\$0
QTP1	2021-22	\$1,589,976,680	\$1,589,976,680	\$0	\$1.040	\$16,535,757	\$16,535,757	\$0	\$0	\$0
QTP2	2022-23	\$2,911,238,680	\$2,911,238,680	\$0	\$1.040	\$30,276,882	\$30,276,882	\$0	\$0	\$0
VL1	2023-24	\$4,856,484,680	\$30,000,000	\$4,826,484,680	\$1.040	\$50,507,441	\$312,000	\$50,195,441	-\$6,870,360	\$43,325,080
VL2	2024-25	\$5,217,768,680	\$30,000,000	\$5,187,768,680	\$1.040	\$54,264,794	\$312,000	\$53,952,794	-\$2,392,556	\$51,560,238
VL3	2025-26	\$4,890,023,680	\$30,000,000	\$4,860,023,680	\$1.040	\$50,856,246	\$312,000	\$50,544,246	-\$1,803,807	\$48,740,439
VL4	2026-27	\$4,579,666,680	\$30,000,000	\$4,549,666,680	\$1.040	\$47,628,533	\$312,000	\$47,316,533	-\$1,678,828	\$45,637,706
VL5	2027-28	\$4,285,816,680	\$30,000,000	\$4,255,816,680	\$1.040	\$44,572,493	\$312,000	\$44,260,493	-\$1,560,454	\$42,700,040
VL6	2028-29	\$4,007,633,680	\$30,000,000	\$3,977,633,680	\$1.040	\$41,679,390	\$312,000	\$41,367,390	-\$1,448,349	\$39,919,041
VL7	2029-30	\$3,744,316,680	\$30,000,000	\$3,714,316,680	\$1.040	\$38,940,893	\$312,000	\$38,628,893	\$0	\$38,628,893
VL8	2030-31	\$3,495,110,680	\$30,000,000	\$3,465,110,680	\$1.040	\$36,349,151	\$312,000	\$36,037,151	-\$826,043	\$35,211,108
VL9	2031-32	\$3,259,295,680	\$30,000,000	\$3,229,295,680	\$1.040	\$33,896,675	\$312,000	\$33,584,675	-\$1,273,304	\$32,311,372
VL10	2032-33	\$3,036,187,680	\$30,000,000	\$3,006,187,680	\$1.040	\$31,576,352	\$312,000	\$31,264,352	-\$1,182,721	\$30,081,631
VP1	2033-34	\$2,825,137,680	\$2,825,137,680	\$0	\$1.040	\$29,381,432	\$29,381,432	\$0	\$0	\$0
VP2	2034-35	\$2,625,527,680	\$2,625,527,680	\$0	\$1.040	\$27,305,488	\$27,305,488	\$0	\$0	\$0
VP3	2035-36	\$2,436,774,680	\$2,436,774,680	\$0	\$1.040	\$25,342,457	\$25,342,457	\$0	\$0	\$0
VP4	2036-37	\$2,258,322,680	\$2,258,322,680	\$0	\$1.040	\$23,486,556	\$23,486,556	\$0	\$0	\$0
VP5	2037-38	\$2,089,641,680	\$2,089,641,680	\$0	\$1.040	\$21,732,273	\$21,732,273	\$0	\$0	\$0
						\$587,797,058	\$160,645,088	\$427,151,970	-\$19,036,421	\$408,115,549

QTP= Qualifying Time Period
 VL= Value Limitation
 VP= Viable Presence

I&S Funding Impact on School District

The project remains fully taxable for debt services taxes, with SPISD currently levying a \$0.1727 per \$100 I&S rate. While the value of the Port Arthur LNG project is expected to depreciate over the life of the agreement and beyond, local taxpayers should see a significant benefit from the addition of the Port Arthur LNG project to the local I&S tax roll.

The project is not expected to affect SPISD in terms of enrollment. Continued expansion of the project and related development could result in additional employment and housing 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.

Note: School district revenue-loss estimates are subject to change based on numerous factors, including:

- Legislative and Texas Education Agency administrative changes to the underlying school finance formulas used in these calculations.
- Legislative changes addressing property value appraisals and exemptions.
- Year-to-year appraisals of project values and district taxable values.
- Changes in school district tax rates and student enrollment.

Attachment E

Taxable Value of Property

 **Taxes**

Property Tax

**SCHOOL AND APPRAISAL DISTRICTS PROPERTY VALUE
STUDY 2015 REPORT**

2015 ISD Summary Worksheet

123/Jefferson

123-913/Sabine Pass ISD

Category	Local Tax Roll Value	2015 WTD Mean Ratio	2015 PTAD Value Estimate	2015 Value Assigned
A. Single-Family Residences	13,662,550	N/A	13,662,550	13,662,550
B. Multi-Family Residences	0	N/A	0	0
C1. Vacant Lots	6,211,845	N/A	6,211,845	6,211,845
C2. Colonia Lots	0	N/A	0	0
D1. Rural Real(Taxable)	3,921,986	N/A	3,921,986	3,921,986
D2. Real Prop Farm & Ranch	43,560	N/A	43,560	43,560
E. Real Prop NonQual Acres	11,881,754	N/A	11,881,754	11,881,754
F1. Commercial Real	8,268,450	N/A	8,268,450	8,268,450
F2. Industrial Real	770,486,710	N/A	770,486,710	770,486,710
G. Oil, Gas, Minerals	51,562,506	N/A	51,562,506	51,562,506
J. Utilities	28,685,950	N/A	28,685,950	28,685,950
L1. Commercial Personal	7,822,290	N/A	7,822,290	7,822,290
L2. Industrial Personal	152,008,850	N/A	152,008,850	152,008,850
M. Other Personal	265,550	N/A	265,550	265,550
N. Intangible Personal Prop	0	N/A	0	0

O. Residential Inventory	0	N/A	0	0
S. Special Inventory	0	N/A	0	0
Subtotal	1,054,822,001		1,054,822,001	1,054,822,001
Less Total Deductions	480,234,042		480,234,042	480,234,042
Total Taxable Value	574,587,959		574,587,959	574,587,959 T2

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T4 will be the same as T7 through T10.

Value Taxable For M&O Purposes

T1	T2	T3	T4
575,389,684	574,587,959	574,983,320	574,181,595

Loss To the Additional \$10,000 Homestead Exemption	50% of the loss to the Local Optional Percentage Homestead Exemption
801,725	406,364

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

Value Taxable For I&S Purposes

T7	T8	T9	T10
999,539,454	998,737,729	999,133,090	998,331,365

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

The PVS found your local value to be valid, and local value was certified

Attachment F

TEA's Facilities Value

Attachment G

Participation Agreement

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

by and between

SABINE PASS INDEPENDENT SCHOOL DISTRICT

and

**PORT ARTHUR LNG, LLC AND AFFILIATE PORT ARTHUR LNG
HOLDINGS, LLC**

(Texas Taxpayer ID # 12012553108; 32037013102)

Comptroller Application # 1117

Dated

October 24, 2016

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

STATE OF TEXAS §

COUNTY OF JEFFERSON §

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 **SABINE PASS 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 **PORT ARTHUR LNG, LLC**, Taxpayer Identification Number 12012553108, AND **AFFILIATE PORT ARTHUR LNG HOLDINGS, LLC**, Texas Taxpayer Identification Number 32037013102, hereinafter referred to as the "Applicant." The Applicant and the District are hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, on December 14, 2015, the Superintendent of Schools of the Sabine Pass Independent School District, acting as agent of the Board of Trustees of the District, received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the TEXAS TAX CODE;

WHEREAS, on December 14, 2015, the Board of Trustees has acknowledged receipt of the Application, and along with the requisite application fee as established pursuant to Section 313.025(a) of the TEXAS TAX CODE and Local District Policy CCG (Local), and agreed to consider the Application;

WHEREAS, the Application was delivered to the Texas Comptroller's Office for review pursuant to Section 313.025 of the TEXAS TAX CODE;

WHEREAS, the District and the Texas Comptroller's Office have determined that the Application is complete and February 16, 2016 is the Application Review Start Date as that term is defined by 34 TEXAS ADMIN. CODE Section 9.1051;

WHEREAS, pursuant to 34 TEXAS ADMIN. CODE Section 9.1054, the Application was delivered to the Jefferson County Appraisal District established in Jefferson County, Texas (the "Jefferson County Appraisal District"), pursuant to Section 6.01 of the TEXAS TAX CODE;

WHEREAS, the Texas Comptroller's Office reviewed the Application pursuant to Section 313.025 of the TEXAS TAX CODE, conducted an economic impact evaluation pursuant to Section 313.026 of the TEXAS TAX CODE, and on May 16, 2016, issued a certificate for limitation on appraised value of the property described in the Application and provided the certificate to the District;

WHEREAS, the District's Board of Trustees, at a duly called and noticed Board meeting on October 24, 2016, voted to ratify the extension granted by the Superintendent, and extended the statutory deadline by which the District must consider the Application until October 31, 2016, and the Comptroller was provided notice of such extension as set out under 34 TEXAS ADMIN. CODE Section 9.1054(d);

WHEREAS, the Board of Trustees has reviewed and carefully considered the economic impact evaluation and certificate for limitation on appraised value submitted by the Texas Comptroller's Office pursuant to Section 313.025 of the TEXAS TAX CODE;

WHEREAS, on October 24, 2016, 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;

WHEREAS, on October 24, 2016, the Board of Trustees made factual findings pursuant to Section 313.025(f) of the TEXAS TAX CODE, including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) the Applicant is eligible for the limitation on appraised value of the Applicant's Qualified Property; (iii) the project proposed by the Applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the District's maintenance and operations ad valorem tax revenue lost as a result of the Agreement before the 25th anniversary of the beginning of the limitation period; (iv) the limitation on appraised value is a determining factor in the Applicant's decision to invest capital and construct the project in this State; and (v) this Agreement is in the best interest of the District and the State of Texas;

WHEREAS, on October 12, 2016, the Texas Comptroller's Office approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes;

WHEREAS, on October 24, 2016, the Board of Trustees approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the Board President and Secretary to execute and deliver such Agreement to the Applicant; and

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and

agreements herein contained, the Parties agree as follows:

ARTICLE I **DEFINITIONS**

Section 1.1 DEFINITIONS. Wherever used in this Agreement, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning. Words or terms defined in 34 TEXAS ADMIN. CODE Section 9.1051 and not defined in this Agreement shall have the meanings provided by 34 TEXAS ADMIN. CODE Section 9.1051.

“Act” means the Texas Economic Development Act set forth in Chapter 313 of the Texas Tax Code, including any statutory amendments that are applicable to Applicant.

“Agreement” means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented as approved pursuant to Sections 10.2 and 10.3.

“Applicant” means Port Arthur LNG, LLC (*Texas Taxpayer ID # 12012553108*) and affiliate Port Arthur LNG Holdings, LLC, (*Texas Taxpayer ID #32037013102*) the entity listed in the Preamble of this Agreement and that is listed as the Applicant on the Application as of the Application Approval Date. The term “Applicant” shall also include the Applicant’s assigns and successors-in-interest as approved according to Sections 10.2 and 10.3 of this Agreement.

“Applicant’s Qualified Investment” means the Qualified Investment of the Applicant during the Qualifying Time Period and as more fully described in **EXHIBIT 3** of this Agreement.

“Applicant’s Qualified Property” means the Qualified Property of the Applicant to which the value limitation identified in the Agreement will apply and as more fully described in **EXHIBIT 4** of 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 December 14, 2015. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by the Applicant for the purpose of obtaining an Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

“Application Approval Date” means the date that the Application is approved by the Board of Trustees of the District and as further identified in Section 2.3.B of this Agreement.

“Application Review Start Date” means the later date of either the date on which the District issues its written notice that the Applicant has submitted a completed Application or the date on which the Comptroller issues its written notice that the Applicant has submitted a completed Application and as further identified in Section 2.3.A of this Agreement.

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

TEXAS TAX CODE.

“Appraisal District” means the Jefferson County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Sabine Pass Independent School District.

“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 in Chapter 34 TEXAS ADMIN. CODE Chapter 9, Subchapter F, together with any court or administrative decisions interpreting same.

“County” means Jefferson County, Texas.

“District” or “School District” means the Sabine Pass Independent School District, being a duly authorized and operating 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 the last date of the final year in which the Applicant is required to Maintain Viable Presence and as further identified in Section 2.3.E of this Agreement.

“Force Majeure” means those causes generally recognized under Texas law as constituting impossible conditions. Each Party must inform the other in writing with proof of receipt within sixty (60) business days of the existence of such Force Majeure or otherwise waive this right as a defense.

“Land” means the real property described on **EXHIBIT 2**, which is attached hereto and incorporated herein by reference for all purposes.

“Maintain Viable Presence” means (i) the operation during the term of this Agreement of the facility or facilities for which the tax limitation is granted; and (ii) the Applicant’s maintenance of jobs and wages as required by the Act and as set forth in its Application.

“Market Value” shall have the meaning assigned to such term in Section 1.04(7) of the TEXAS TAX CODE.

“New Qualifying Jobs” means the total number of jobs to be created by the Applicant after the Application Approval Date in connection with the project that is the subject of its Application that meet the criteria of Qualifying Job as defined in Section 313.021(3) of the TEXAS TAX CODE and the Comptroller’s Rules.

“New Non-Qualifying Jobs” means the number of Non-Qualifying Jobs, as defined in 34 TEXAS ADMIN. CODE Section 9.1051(14), to be created by the Applicant after the Application Approval Date in connection with the project which is the subject of its Application.

“Qualified Investment” has the meaning set forth in Section 313.021(1) of the TEXAS TAX CODE, as interpreted by the Comptroller’s Rules.

“Qualified Property” has the meaning set forth in Section 313.021(2) of the TEXAS TAX CODE and as interpreted by the Comptroller’s Rules and the Texas Attorney General, as these provisions existed on the Application Review Start Date.

“Qualifying Time Period” means the period defined in Section 2.3.C, during which the Applicant shall make investment on the Land where the Qualified Property is located in the amount required by the Act, the Comptroller’s Rules, and this Agreement.

“State” means the State of Texas.

“Supplemental Payment” means any payments or transfers of things of value made to the District or to any person or persons in any form if such payment or transfer of thing of value being provided is in recognition of, anticipation of, or consideration for the Agreement and that is not authorized pursuant to Sections 313.027(f)(1) or (2) of the TEXAS TAX CODE, and specifically includes any payments required pursuant to Article VI of this Agreement.

“Tax Limitation Amount” means the maximum amount which may be placed as the Appraised Value on the Applicant’s Qualified Property for maintenance and operations tax assessment in each Tax Year of the Tax Limitation Period of this Agreement pursuant to Section 313.054 of the TEXAS TAX CODE.

“Tax Limitation Period” means the Tax Years for which the Applicant’s Qualified Property is subject to the Tax Limitation Amount and as further identified in Section 2.3.D of this Agreement.

“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.

Section 1.2 NEGOTIATED DEFINITIONS. Wherever used in Articles IV, V, and VI, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning or otherwise; provided however, if there is a conflict between a term defined in this section and a term defined in the Act, the Comptroller’s Rules, or Section 1.1 of Agreement, the conflict shall be resolved by reference to Section 10.9.C.

“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 VI.

“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 multiplied by the District’s Average Daily Attendance as calculated pursuant to Section 42.005 of the TEXAS EDUCATION CODE, based upon the District’s 2015-2016 Average Daily Attendance of 387, rounded to the whole number times \$100, or any larger amount in 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 the first Tax Year (including partial Tax Year) the Qualifying Time Period is to commence, which, by virtue of the deferral, shall be Tax Year 2020. The start of the Qualifying Time Period is set forth in Section 2.3(C)(i), below.

“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 District, and the Constitution and general laws of the State applicable to the school districts of the State for each and every year of this Agreement, 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 includes any and all amendments or successor statutes that may be adopted in the future that could impact or alter the calculation of Applicant’s ad valorem tax obligation to District, either with or without the limitation of property values made pursuant to this Agreement.

“Commencement Date” means January 2, 2020, by virtue of the deferral of the start of the Qualifying Time Period.

“M&O Amount” means the amount to be paid by Applicant to compensate District for loss of Maintenance and Operations Revenue resulting from, or on account of, this Agreement for each year starting in the year of the Application Review Start Date and ending on the Final Termination Date as set forth in Section 4.2 of this Agreement.

“New M&O Revenue” means the total State and local Maintenance and Operations Revenue that District actually received for such school year.

“Net Tax Benefit” means an amount equal to (but not less than zero): (i) 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; *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 Articles IV, V, and VI of this Agreement.

“Revenue Protection Amount” means the amount calculated pursuant to Section 4.2 of this

Agreement.

ARTICLE II
AUTHORITY, PURPOSE AND LIMITATION AMOUNTS

Section 2.1. 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 Section 313.027 of the TEXAS TAX CODE.

Section 2.2. PURPOSE. In consideration of the execution and subsequent performance of the terms and obligations by the Applicant pursuant to this Agreement, identified in Sections 2.5 and as more fully specified in this Agreement, the value of the Applicant's Qualified Property listed and assessed by the County Appraiser for the District's maintenance and operation ad valorem property tax shall be the Tax Limitation Amount as set forth in Section 2.4 of this Agreement during the Tax Limitation Period.

Section 2.3. TERM OF THE AGREEMENT.

A. The Application Review Start Date for this Agreement is February 16, 2016, which will be used to determine the eligibility of the Applicant's Qualified Property and all applicable wage standards.

B. The Application Approval Date for this Agreement is October 24, 2016.

C. The Qualifying Time Period for this Agreement:

- i. Starts on January 2, 2020, a date not later than January 1 of the fourth Tax Year following the Application Approval Date for deferrals, as authorized by §313.027(h) of the TEXAS TAX CODE;
- ii. End on December 31, 2022, the last day of the second complete Tax Year following the Qualifying Time Period start date.

D. The Tax Limitation Period for this Agreement:

- i. Starts on January 1, 2023, the first complete Tax Year that begins after the end of Qualifying Time Period; and
- ii. Ends on December 31, 2032, which is the year the Tax Limitation Period starts as identified in Section 2.3.D.i plus 9 years.

E. The Final Termination Date for this Agreement is December 31, 2037.

F. This Agreement, and the obligations and responsibilities created by this Agreement, shall be and become effective on the Application Approval Date identified in Section 2.3.B. This Agreement, and the obligations and responsibilities created by this Agreement, terminate on the Final

Termination Date identified in Section 2.3.E, unless extended by the express terms of this Agreement.

Section 2.4. TAX LIMITATION. So long as the Applicant makes the Qualified Investment as required by Section 2.5, during the Qualifying Time Period, and unless this Agreement has been terminated as provided herein before such Tax Year, on January 1 of each Tax Year of the Tax Limitation Period, 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 Property; or
- B. Thirty Million Dollars (\$30,000,000), based on Section 313.054 of the TEXAS TAX CODE

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the Application Approval Date, as set out by Section 313.052 of the TEXAS TAX CODE.

Section 2.5. TAX LIMITATION ELIGIBILITY. In order to be eligible and entitled to receive the value limitation identified in Section 2.4 for the Qualified Property identified in Article III, the Applicant shall:

- A. have completed the Applicant's Qualified Investment in the amount of \$30,000,000 during the Qualifying Time Period;
- B. have created and maintained, subject to the provisions of Section 313.0276 of the TEXAS TAX CODE, New Qualifying Jobs as required by the Act; and
- C. pay an average weekly wage of at least \$1,057.25 for all New Non-Qualifying Jobs created by the Applicant.

Section 2.6. TAX LIMITATION OBLIGATIONS. In order to receive and maintain the limitation authorized by Section 2.4, Applicant shall:

- A. provide payments to District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV;
- B. provide payments to the District that protect the District from the payment of extraordinary education- related expenses related to the project, as more fully specified in Article V;
- C. provide such Supplemental Payments as more fully specified in Article VI;
- D. create and Maintain Viable Presence on or with the Qualified Property and perform additional obligations as more fully specified in Article VIII of this Agreement; and
- E. No additional conditions are identified in the certificate for a limitation on appraised value by the Comptroller for this project.

ARTICLE III **QUALIFIED PROPERTY**

Section 3.1. LOCATION WITHIN ENTERPRISE OR REINVESTMENT ZONE. At the time of the Application Approval Date, the Land is within an area designated either as an enterprise zone, pursuant to Chapter 2303 of the TEXAS GOVERNMENT CODE, or a reinvestment zone, pursuant to Chapter 311 or 312 of the TEXAS TAX CODE. The legal description, and information concerning the designation, of such zone is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

Section 3.2. LOCATION OF QUALIFIED PROPERTY AND INVESTMENT. The Land on which the Qualified Property shall be located and on which the Qualified Investment shall be made is described in EXHIBIT 2, which is attached hereto and incorporated herein by reference for all purposes. The Parties expressly agree that the boundaries of the Land may not be materially changed from its configuration described in EXHIBIT 2 unless amended pursuant to the provisions of Section 10.2 of this Agreement.

Section 3.3. DESCRIPTION OF QUALIFIED PROPERTY. The Qualified Property that is subject to the Tax Limitation Amount is described in EXHIBIT 4, which is attached hereto and incorporated herein by reference for all purposes. Property which is not specifically described in EXHIBIT 4 shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Property for purposes of this Agreement, unless by official action the Board of Trustees provides that such other property is a part of the Applicant's Qualified Property for purposes of this Agreement in compliance with Section 313.027(e) of the TEXAS TAX CODE, the Comptroller's Rules, and Section 10.2 of this Agreement.

Section 3.4. CURRENT INVENTORY OF QUALIFIED PROPERTY. In addition to the requirements of Section 10.2 of this Agreement, if there is a material change in the Qualified Property described in EXHIBIT 4, then within 60 days from the date commercial operation begins, the Applicant shall provide to the District, the Comptroller, the Appraisal District or the State Auditor's Office a specific and detailed description of the tangible personal property, buildings, and/or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Land to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such described property on the Land.

Section 3.5. QUALIFYING USE. The Applicant's Qualified Property described in Section 3.3 qualifies for a tax limitation agreement under Section 313.024(b)(1) of the TEXAS TAX CODE as property used for manufacturing.

ARTICLE IV

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 4.1. INTENT OF THE PARTIES. Subject only to the limitations contained in Section 7.1 of this Agreement, it is the intent of the Parties that the District shall, in accordance with the provisions of Section 313.027(f)(1) of the TEXAS TAX CODE, be compensated by Applicant for any loss that District incurs in its Maintenance and Operations Revenue in each year of this Agreement for which this Agreement was, in any manner, a producing cause, resulting, at least in part because of or on account of, the execution of this Agreement. Such payments shall be independent of, and in addition to such other payments as set forth in Article V and Article VI in this Agreement. Subject only to the limitations contained in Section 7.1 of this Agreement, it is the intent of the Parties that the risk of any and all negative financial consequences to the District's total annual Maintenance and Operations Revenue, to which the execution of this Agreement contributed in any manner, will be borne solely by Applicant and not by District.

The Parties hereto expressly understand and agree that, for all years to which this Agreement may apply, the calculation of negative financial consequences will be defined for each applicable year in accordance with the Applicable School Finance Law, as defined in Section 1.2 above, and that such definition specifically contemplates that calculations made under this Agreement may well periodically change in accordance with changes made from time to time in the Applicable School Finance Law. The Parties further agree that the printouts and projections produced during the negotiations and approval of this Agreement are: i) for illustrative purposes only, are not intended to be relied upon, and have not been relied upon by the Parties as a prediction of future consequences to either Party to the Agreement; ii) are based upon current Applicable School Finance Law, which is subject to change by statute, by administrative regulation, or by judicial decision at any time; and, iii) may change in future years to reflect changes in the Applicable School Finance Law.

Section 4.2. CALCULATING THE AMOUNT OF LOSS OF REVENUES BY THE DISTRICT. Subject only to the provisions of Section 7.1 of this Agreement, the amount to be paid by Applicant to compensate District for loss of Maintenance and Operations Revenue resulting from, or on account of, this Agreement for each year starting in the year of the Application Review Start Date and ending on the Final Termination Date, 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:

- A. Notwithstanding any other provision in this Agreement, the M&O Amount owed by Applicant to District means the Original M&O Revenue *minus* the New M&O Revenue; based on the following definitions where:
- i. "Original M&O Revenue" means the total State and local Maintenance and Operations Revenue that District would have received for the school year, under the Applicable School Finance Law for such Tax Year, had this Agreement not been entered into by the Parties and the Applicant's Qualified Property been subject to the District's full *ad valorem* maintenance & operations tax at the rate applicable for such tax year. For purposes of this calculation, the Third Party will base its calculations upon actual local taxable values for each applicable year as certified by the County Appraisal District for all other taxable accounts in the District, save and except for the Qualified Property subject to this Agreement, *plus* the total appraised value of the Qualified Property subject to this Agreement which is or would be used for the calculation of the District's tax levy for debt tax purposes. For the calculation of Original M&O Revenue, Applicant's Taxable value for its Qualified Property for M&O purposes will not be used.
 - ii. "New M&O Revenue" means the total State and local Maintenance and Operations Revenue that District actually received or is accrued to the District in accordance with the provisions of the Applicable School Finance Law for such school year.
- B. In making the calculations required by this Section 4.2 of this Agreement:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law as that law exists for each year for which the calculation is made.
- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property 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 4.2 of this Agreement, results in a negative number, the negative number will be considered to be zero.
- iv. For all calculations made for years during the Tax Limitation Period under Section 4.2 of this Agreement, Subsection *ii* of this subsection will reflect the Tax Limitation Amount for such year.
- v. All calculations made under this Section 4.2 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 4.3. CALCULATIONS TO BE MADE BY THIRD PARTY. All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") approved each year by the District.

Section 4.4. 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 for each Tax Year 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 4.3. 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 4.5. DELIVERY OF CALCULATIONS. On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 4.3 of this Agreement shall forward to the Parties a certification containing the calculations required under Section 4.2, Article VI, and/or Section 7.1 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 fee shall be the sole

responsibility of the District, but subject to the provisions of Section 4.6, below. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's calculations, 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 until the Final Termination Date of this Agreement. 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.

Section 4.6. PAYMENT BY APPLICANT. The Applicant shall pay any amount determined by the Third Party to be due and owing to the District under this Agreement 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 amount billed by the Third Party, 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 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 4.6 which exceeds Fifteen Thousand Dollars (\$15,000.00).

Section 4.7. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT. If at the time the Third Party selected under Section 4.3 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.

Section 4.8. STATUTORY CHANGES AFFECTING M&O REVENUE. Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 7.1 of this Agreement, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, District 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, Applicant shall make payments to District, up to the revenue protection amount limit set forth in Section 7.1, that are necessary to offset any negative impact on District's Maintenance and Operations Revenue, 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 District.

Section 4.9. RESOLUTION OF DISPUTES. 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 4.6 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.

ARTICLE V

PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES

Section 5.1. EXTRAORDINARY EXPENSES. In addition to the amounts determined pursuant to Section 4.2 of this Agreement above, Applicant on an annual basis shall also indemnify and reimburse District for the following:

A. all non-reimbursed costs, certified by District's external auditor to have been incurred by 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. Applicant shall have the right to contest the findings of the District's external auditor pursuant to Section 4.10 herein.

ARTICLE VI

SUPPLEMENTAL PAYMENTS

Section 6.1. 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 Articles IV and V, 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 VI, (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

VI is separate and independent of the obligation of the Applicant to pay the amounts described in Articles IV and V; provided, however, that all payments under Articles IV and V are subject to the limitations contained in Section 7.1, and that all payments under this Article VI are subject to the separate limitations contained in Section 6.2.

(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 VI shall not exceed 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.

Section 6.2. SUPPLEMENTAL PAYMENT LIMITATION. Notwithstanding the foregoing:

A. the total of the Supplemental Payments made pursuant to this Article shall: not exceed for any calendar year of this Agreement an amount equal to the greater of One Hundred Dollars (\$100.00) per student per year in average daily attendance, as defined by Section 42.005 of the TEXAS EDUCATION CODE, or Fifty Thousand Dollars (\$50,000.00) per year times the number of years beginning with the first complete or partial year of the Qualifying Time Period identified in Section 2.3.C and ending with the year for which the Supplemental Payment is being calculated minus all Supplemental Payments previously made by the Application;

B. Supplemental Payments may only be made during the period starting the first year of the Qualifying Time Period and ending December 31 of the third year following the end of the Tax Limitation Period.

C. the limitation in Section 6.2.A does not apply to amounts described by Section 313.027(f)(1)-(2) of the TEXAS TAX CODE as implemented in Articles IV and V of this Agreement.

D. For purposes of this Agreement, the calculation of the limit of the annual Supplemental Payment shall be the greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance as calculated pursuant to Section 42.005 of the TEXAS EDUCATION CODE, based upon the District's 2015-2016 Average Daily Attendance of 388.

Section 6.3. STIPULATED SUPPLEMENTAL PAYMENT AMOUNT. Beginning with the Qualifying Time Period of this Agreement and ending the third tax year after the Tax Limitation Period expires, the District shall receive Supplemental Payments that equal:

<u>PAYMENT DUE DATE</u>	<u>PAYMENT AMOUNT</u>
January 31, 2021	\$50,000
January 31, 2022	\$50,000

January 31, 2023	\$50,000
January 31, 2024	\$50,000
January 31, 2025	\$50,000
January 31, 2026	\$50,000
January 31, 2027	\$50,000
January 31, 2028	\$50,000
January 31, 2029	\$50,000
January 31, 2030	\$50,000
January 31, 2031	\$50,000
January 31, 2032	\$50,000
January 31, 2033	\$50,000
January 31, 2034	\$50,000
January 31, 2035	\$50,000
January 31, 2036	\$50,000

Section 6.4. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS. All calculations required by this Article VI, 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 4.4.

- (a) 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 4.6.
- (b) The payment of all amounts due under this Article VI shall be made at the time set forth in Section 4.7.

Section 6.5. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY. At any time during this

Agreement, the Board of Trustees may, in its sole discretion, direct that any of the Applicant's payments under this Article VI be made to the District's educational foundation or to a similar entity. Such foundation or entity may only use such funds received under this Article VI to support the educational mission of the District and its students. Any designation of such 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 10.1 below. 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 10.1.

Any designation of a successor beneficiary under this Section 6.5 shall not alter the limits on Supplemental Payments described in Sections 6.2 and 6.3, above.

Notwithstanding the foregoing, any payments made by Applicant shall be made in the manner and to the party designated in this Agreement unless Applicant receives unambiguous written notice from the District that such payments are to be made to a different party.

ARTICLE VII

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

Section 7.1. ANNUAL LIMITATION. Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year of the Tax Limitation Period beginning after the first Tax Year of the Tax Limitation Period, 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 IV, V, and VI of this Agreement 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 Article IV of this Agreement, 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 IV, V, and VI shall be reduced until such excess is eliminated.

Section 7.2. OPTION TO TERMINATE AGREEMENT. In the event that any payment otherwise due from the Applicant to the District under Article IV, Article V, or Article VI of this Agreement with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 7.1, then the Applicant shall have the option to terminate this Agreement. The Applicant may exercise such option to terminate this Agreement by notifying the District of its election in writing not later than the July 31 of the year following the Tax Year with respect to which a reduction under Section 7.1 is applicable. Any termination of this Agreement under the foregoing provisions of this Section 7.2 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.

Section 7.3. EFFECT OF OPTIONAL TERMINATION. Upon the exercise of the option to terminate pursuant to Section 7.2, this Agreement shall terminate and be of no further force or effect; provided, however, that:

A. 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; and

B. the provisions of this Agreement regarding payments (including liquidated damages and tax payments), records and dispute resolution shall survive the termination or expiration of this Agreement.

ARTICLE VIII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 8.1. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE. In order to receive and maintain the limitation authorized by Section 2.4 in addition to the other obligations required by this Agreement, the Applicant shall Maintain Viable Presence in the District commencing at the start of the Tax Limitation Period 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, 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.

Section 8.2. REPORTS. In order to receive and maintain the limitation authorized by Section 2.4 in addition to the other obligations required by this Agreement, the Applicant shall submit all reports required from time to time by the Comptroller, listed in 34 TEXAS ADMIN. CODE Section 9.1052 and as currently located on the Comptroller's website, including all data elements required by such form to the satisfaction of the Comptroller on the dates indicated on the form or the Comptroller's website and starting on the first such due date after the Application Approval Date.

Section 8.3. COMPTROLLER'S REPORT ON CHAPTER 313 AGREEMENTS. During the term of this Agreement, both Parties shall provide the Comptroller with all information reasonably necessary for the Comptroller to assess performance under this Agreement for the purpose of issuing the Comptroller's report, as required by Section 313.032 of the TEXAS TAX CODE.

Section 8.4. DATA REQUESTS. Upon the written request of the District, the State Auditor's Office, the Appraisal District, or the Comptroller during the term of this Agreement, the Applicant, the District or any other entity on behalf of the District shall provide the requesting party with all information reasonably necessary for the requesting party to determine whether the Applicant is in compliance with its rights, obligations or responsibilities, including, but not limited to, any employment obligations which may arise under this Agreement.

Section 8.5. SITE VISITS AND RECORD REVIEW. The Applicant shall allow authorized employees of

the District, the Comptroller, the Appraisal District, and the State Auditor's Office to have reasonable access to the Applicant's Qualified Property and business records from the Application Review Start Date through the Final Termination Date, in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property.

A. All inspections will be made at a mutually agreeable time after the giving of not less than ninety-six (96) 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.

B. 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 proprietary, a trade secret, or is subject to a confidentiality agreement with any third party.

Section 8.6. RIGHT TO AUDIT; SUPPORTING DOCUMENTS; AUTHORITY OF STATE AUDITOR.

By executing this Agreement, implementing the authority of, and accepting the benefits provided by Chapter 313 of the TEXAS TAX CODE, the Parties agree that this Agreement and their performance pursuant to its terms are subject to review and audit by the State Auditor as if they are parties to a State contract and subject to the provisions of Section 2262.154 of the TEXAS GOVERNMENT CODE and Section 313.010(a) of the TEXAS TAX CODE. The Parties further agree to comply with the following requirements:

A. The District and the Applicant shall maintain and retain supporting documents adequate to ensure that claims for the Tax Limitation Amount are in accordance with applicable Comptroller and State of Texas requirements. The Applicant and the District shall maintain all such documents and other records relating to this Agreement and the State's property for a period of four (4) years after the latest occurring date of:

- i. date of submission of the final payment;
- ii. Final Termination Date; or
- iii. date of resolution of all disputes or payment.

B. During the time period defined under Section 8.6.A, the District and the Applicant shall make available at reasonable times and upon reasonable notice, and for reasonable periods, all information related to this Agreement; the Applicant's Application; and the Applicant's Qualified Property, Qualified Investment, New Qualifying Jobs, and wages paid for New Non- Qualifying Jobs such as work papers, reports, books, data, files, software, records, calculations, spreadsheets and other supporting documents pertaining to this Agreement, for purposes of inspecting, monitoring, auditing, or evaluating by the Comptroller, State Auditor's Office, State of Texas or their authorized representatives. The Applicant and the District shall cooperate with auditors and other authorized Comptroller and State of Texas representatives and shall provide them with prompt access to all of such property as requested by the Comptroller or the State of Texas. By example and not as an exclusion to other breaches or failures, the Applicant's or the District's failure to comply with this Section shall constitute a Material Breach of this Agreement.

C. In addition to and without limitation on the other audit provisions of this Agreement, the acceptance of tax benefits or funds by the Applicant or the District or any other entity or person

directly under this Agreement acts as acceptance of the authority of the State Auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, the Applicant or the District or other entity that is the subject of an audit or investigation by the State Auditor must provide the State Auditor with access to any information the State Auditor considers relevant to the investigation or audit. The Parties agree that this Agreement shall for its duration be subject to all rules and procedures of the State Auditor acting under the direction of the legislative audit committee.

D. The Applicant shall include the requirements of this Section 8.6 in its subcontract with any entity whose employees or subcontractors are subject to wage requirements under the Act, the Comptroller's Rules, or this Agreement, or any entity whose employees or subcontractors are included in the Applicant's compliance with job creation or wage standard requirement of the Act, the Comptroller's Rules, or this Agreement.

Section 8.7. FALSE STATEMENTS; BREACH OF REPRESENTATIONS. The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application, and any supplements or amendments thereto, without which the Comptroller would not have approved this Agreement and the District would not have executed this Agreement. By signature to this Agreement, the Applicant:

A. represents and warrants that all information, facts, and representations contained in the Application are true and correct to the best of its knowledge;

B. agrees and acknowledges that the Application and all related attachments and schedules are included by reference in this Agreement as if fully set forth herein; and

C. acknowledges that if the Applicant submitted its Application with a false statement, signs this Agreement with a false statement, or submits a report with a false statement, or it is subsequently determined that the Applicant has violated any of the representations, warranties, guarantees, certifications, or affirmations included in the Application or this Agreement, the Applicant shall have materially breached this Agreement and the Agreement shall be invalid and void except for the enforcement of the provisions required by Section 9.2 of this Agreement.

ARTICLE IX

MATERIAL BREACH OR EARLY TERMINATION

Section 9.1. EVENTS CONSTITUTING 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 (each a "Material Breach"):

A. The Application, any Application Supplement, or any Application Amendment on which this Agreement is approved is determined to be inaccurate as to any material representation, information, or fact or is not complete as to any material fact or representation or such application;

B. The Applicant failed to complete Qualified Investment as required by Section 2.5.A. of this Agreement during the Qualifying Time Period;

C. The Applicant failed to create and maintain the number of New Qualifying Jobs required by the Act;

D. The Applicant failed to create and maintain the number of New Qualifying Jobs specified in Schedule C of the Application;

E. The Applicant failed to pay at least the average weekly wage of all jobs in the county in which the jobs are located for all New Non-Qualifying Jobs created by the Applicant;

F. The Applicant failed to provide payments to the District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV of this Agreement;

G. The Applicant failed to provide the payments to the District that protect the District from the payment of extraordinary education-related expenses related to the project to the extent and in the amounts that the Applicant agreed to provide such payments in Article V of this Agreement;

H. The Applicant failed to provide the Supplemental Payments to the extent and in the amounts that the Applicant agreed to provide such Supplemental Payments in Article VI of this Agreement;

I. The Applicant failed to create and Maintain Viable Presence on or with the Qualified Property as more fully specified in Article VIII of this Agreement;

J. The Applicant failed to submit the reports required to be submitted by Section 8.2 to the satisfaction of the Comptroller;

K. The Applicant failed to provide the District or the Comptroller with all information reasonably necessary for the District or the Comptroller to determine whether the Applicant is in compliance with its obligations, including, but not limited to, any employment obligations which may arise under this Agreement;

L. The Applicant failed to allow authorized employees of the District, the Comptroller, the Appraisal District, or the State Auditor's Office to have access to the Applicant's Qualified Property or business records in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property under Sections 8.5 and 8.6;

M. The Applicant failed to comply with a request by the State Auditor's office to review and audit the Applicant's compliance with this Agreement;

N. The Applicant has made 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 of the TEXAS TAX CODE, in excess of the amounts set forth in Articles IV, V and VI of this Agreement;

O. The Applicant failed to comply with the conditions included in the certificate for limitation issued by the Comptroller.

Section 9.2. DETERMINATION OF BREACH AND TERMINATION OF AGREEMENT.

A. Prior to making a determination that the Applicant has failed to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the 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 breach of its obligations under this Agreement, or that it has cured or undertaken to cure any such breach.

B. If the Board of Trustees is not satisfied with such response 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:

- i. whether or not a breach of this Agreement has occurred;
- ii. whether or not such breach is a Material Breach;
- iii. the date such breach occurred, if any;
- iv. whether or not any such breach has been cured; and

C. In the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall at that time determine:

- i. the amount of recapture taxes under Section 9.4.C (net of all credits under Section 9.4.C);
- ii. the amount of any penalty or interest under Section 9.4.E that are owed to the District; and
- iii. in the event of a finding of a Material Breach, whether to terminate this Agreement.

D. 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") and provide a copy to the Comptroller.

Section 9.3. DISPUTE RESOLUTION.

A. After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 9.2, the Applicant shall have not greater than sixty (60) 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 sixty (60) days after the Applicant initiates mediation, 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 Jefferson 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.

B. In the event that any mediation is not successful in resolving the dispute or that payment is not received within the time period described for mediation in Section 9.3.A, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in a judicial proceeding in a state district court in Jefferson County, 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 contract, agreement or undertaking made by a Party pursuant to this Agreement.

C. If payments become due under this Agreement and are not received before the expiration

of the sixty (60) days provided for such payment in Section 9.3.A, and if the Applicant has not contested such payment calculations under the procedures set forth herein, including judicial proceedings, the District shall have the remedies for the collection of the amounts determined under Section 9.4 as are set forth in Chapter 33, Subchapters B and C, of the TEXAS TAX CODE 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 to the attorneys representing the District pursuant to Section 6.30 of the TEXAS TAX CODE and a tax lien shall attach to the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Section 33.07 of the TEXAS TAX CODE to secure payment of such fees.

Section 9.4. 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 7.2 of this Agreement, the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of the notice of breach.

B. In the event that the District determines that the Applicant has failed to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the Applicant shall pay to the District liquidated damages, as calculated by Section 9.4.C, prior to, and the District may terminate the Agreement effective on the later of: (i) the expiration of the sixty (60) days provided for in Section 9.3.A, and (ii) thirty (30) days after any mediation and judicial proceedings initiated pursuant to Sections 9.3.A and 9.3.B are resolved in favor of the District.

C. 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 9.4.E. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Articles IV, V, and VI. 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.

D. In the event that the District determines that the Applicant has committed a Material Breach identified in Section 9.1, after the notice and mediation periods provided by Sections 9.2 and 9.3, then the District may, in addition to the payment of liquidated damages required pursuant to Section 9.4.C, terminate this Agreement.

E. 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 less all credits under Section 9.4.C owed for each Tax Year during the Tax Limitation Period. The District shall calculate penalty or interest for each Tax Year during the Tax Limitation Period 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 9.4.C 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 Section 33.01(a) of the TEXAS TAX CODE, or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(c) of the TEXAS TAX CODE, or its successor statute.

Section 9.5. 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 amounts calculated under Section 9.4. 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 9.5 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 9.6. STATUTORY PENALTY FOR INADEQUATE QUALIFIED INVESTMENT. Pursuant to Section 313.0275 of the TEXAS TAX CODE, in the event that the Applicant fails to make \$30,000,000 of Qualified Investment, in whole or in part, during the Qualifying Time Period, the Applicant is liable to the State for a penalty. The amount of the penalty is the amount determined by: (i) multiplying the maintenance and operations tax rate of the school district for that tax year that the penalty is due by (ii) the amount obtained after subtracting (a) the Tax Limitation Amount identified in Section 2.4.B from (b) the Market Value of the property identified on the Appraisal District's records for the Tax Year the penalty is due. This penalty shall be paid on or before February 1 of the year following the expiration of the Qualifying Time Period and is subject to the delinquent penalty provisions of Section 33.01 of the TEXAS TAX CODE. The Comptroller may grant a waiver of this penalty in the event of Force Majeure which prevents compliance with this provision.

Section 9.7. REMEDY FOR FAILURE TO CREATE AND MAINTAIN REQUIRED NEW QUALIFYING JOBS. Pursuant to Section 313.0276 of the TEXAS TAX CODE, for any full Tax Year that commences after the project has become operational, in the event that it has been determined that the Applicant has failed to meet the job creation or retention requirements defined in Sections 9.1.C, the Applicant shall not be deemed to be in Material Breach of this Agreement until such time as the Comptroller has made a determination to rescind this Agreement under Section 313.0276 of TEXAS TAX CODE, and that determination is final.

Section 9.8. REMEDY FOR FAILURE TO CREATE AND MAINTAIN COMMITTED NEW QUALIFYING JOBS

A. In the event that the Applicant fails to create and maintain the number of New Qualifying Jobs specified in Schedule C of the Application, an event constituting a Material Breach as defined in Section 9.1.D, the Applicant and the District may elect to remedy the Material Breach through a penalty payment.

B. Following the notice and mediation periods provided by Sections 9.2 and 9.3, the District may request the Applicant to make a payment to the State in an amount equal to: (i) multiplying the maintenance and operations tax rate of the school district for that Tax Year that the Material Breach occurs by (ii) the amount obtained after subtracting (a) the Tax Limitation Amount identified in Section 2.4.B from (b) the market value of the property identified on the Appraisal District's records for each tax year the Material Breach occurs.

C. In the event that there is no tax limitation in place for the tax year that the Material Breach occurs, the payment to the State shall be in an amount equal to: (i) multiplying the maintenance and operations tax rate of the School District for each tax year that the Material Breach occurs by (ii) the amount obtained after subtracting (a) the tax limitation amount identified in Section 2.4.B from (b)

the Market Value of the property identified on the Appraisal District's records for the last Tax Year for which the Applicant received a tax limitation.

D. The penalty shall be paid no later than 30 days after the notice of breach and is subject to the delinquent penalty provisions of Section 33.01 of the TEXAS TAX CODE.

ARTICLE X.

MISCELLANEOUS PROVISIONS

Section 10.1. INFORMATION AND NOTICES.

A. 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 or email transmission, with notice 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 or email 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.

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

Kristi Heid
Superintendent
Sabine Pass Independent School District
5641 S. Gulfway Dr
Sabine Pass, TX 77655
Phone: (409) 971-2321
Facsimile: (409) 971-2120
Email: kheid@sabinepass.net

C. Notices to the Applicant shall be addressed to its Authorized Representative as follows:

James Asay
Vice President - Tax
Port Arthur LNG, LLC
488 8th Ave., HQ08N1
San Diego, CA 92101
Phone: (619) 696-4836
Facsimile: (619) 696-3060
Email: jasay@sempira.com

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

Section 10.2. AMENDMENTS TO APPLICATION AND AGREEMENT; WAIVERS.

Agreement for Limitation on Appraised Value
Between Sabine Pass ISD and Port Arthur LNG, LLC and affiliate
Port Arthur LNG Holdings, LLC
October 24, 2016

*Texas Economic Development Act Agreement
Comptroller Form 50-826 (Jan 2016)*

A. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties and after completing the requirements of Section 10.2.B. 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.

B. By official action of the District's Board of Trustees, the Application and this Agreement may only be amended according to the following:

i. The Applicant shall submit to the District and the Comptroller:

a. a written request to amend the Application and this Agreement, which shall specify the changes the Applicant requests;

b. any changes to the information that was provided in the Application that was approved by the District and considered by the Comptroller;

c. and any additional information requested by the District or the Comptroller necessary to evaluate the amendment or modification;

ii. The Comptroller shall review the request and any additional information for compliance with the Act and the Comptroller's Rules and provide a revised Comptroller certificate for a limitation within 90 days of receiving the revised Application and, if the request to amend the Application has not been approved by the Comptroller by the end of the 90-day period, the request is denied; and

iii. If the Comptroller has not denied the request, the District's Board of Trustees shall approve or disapprove the request before the expiration of 150 days after the request is filed.

C. Any amendment of the Application and this Agreement adding additional or replacement Qualified Property pursuant to this Section 10.2 of this Agreement shall:

i. require that all property added by amendment be eligible property as defined by Section 313.024 of the TEXAS TAX CODE;

ii. clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and

D. The Application and this Agreement may not be amended to extend the value limitation time period beyond its ten-year statutory term.

E. The Comptroller determination made under Section 313.026(c)(2) of the TEXAS TAX CODE in the original certificate for a limitation satisfies the requirement of the Comptroller to make the same determination for any amendment of the Application and this Agreement, provided that the facts upon which the original determination was made have not changed.

F. The Applicant shall amend the Application and this Agreement to identify the changes in the information that was provided in the Application and was approved by the District and as considered by the Comptroller no earlier than 180 days and no later than 90 days prior to the start of the Qualifying Time Period as identified in Section 2.3.C.i of this Agreement.

i. The Applicant shall comply with written requests from the District or the Comptroller to provide additional information necessary to prepare a Comptroller certificate for a limitation for the conditions prior to the start of the Qualifying Time Period; and

ii. If the Comptroller provides its certificate for a limitation with conditions different from

the existing agreement, the District shall hold a meeting and determine whether to amend this Agreement to include the conditions required by the Comptroller or terminate this Agreement; or

iii. If the Comptroller withdraws its certificate for a limitation based on the revised Application, the District shall terminate this Agreement

Section 10.3. ASSIGNMENT.

A. Any assignment of any rights, benefits, obligations, or interests of the Parties in this Agreement, other than a collateral assignment purely for the benefit of creditors of the project, is considered an amendment to the Agreement and such Party may only assign such rights, benefits, obligations, or interests of this Agreement after complying with the provisions of Section 10.2 regarding amendments to the Agreement. Other than a collateral assignment to a creditor, this Agreement may only be assigned to an entity that is eligible to apply for and execute an agreement for limitation on appraised value pursuant to the provisions of Chapter 313 of the TEXAS TAX CODE and the Comptroller's Rules.

B. 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.

C. In the event of an assignment to a creditor, the Applicant must notify the District and the Comptroller in writing no later than 30 days after the assignment. This Agreement shall be binding on the assignee.

Section 10.4. 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 10.5. 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 a state district court in Jefferson County.

Section 10.6. AUTHORITY TO EXECUTE AGREEMENT. Each of the Parties represents and warrants that its undersigned representative has been expressly authorized to execute this Agreement for and on behalf of such Party.

Section 10.7. 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 so that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 10.7, 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 10.8. 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 10.9. INTERPRETATION.

A. 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.

B. 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.

C. The provisions of the Act and the Comptroller's Rules are incorporated by reference as if fully set forth in this Agreement. In the event of a conflict, the conflict will be resolved by reference to the following order of precedence:

- i. The Act;
- ii. The Comptroller's Rules as they exist at the time the Agreement is executed, except as allowed in the definition of Qualified Property in Section 1.1; and
- iii. This Agreement and its Attachments including the Application as incorporated by reference.

Section 10.10. 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 10.11. PUBLICATION OF DOCUMENTS. The Parties acknowledge that the District is required to publish the Application and its required schedules, or any amendment thereto; all economic analyses of the proposed project submitted to the District; and the approved and executed copy of this Agreement or any amendment thereto, as follows:

- A. Within seven (7) days of receipt of 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 does not require the publication of information that is confidential under Section 313.028 of the TEXAS TAX CODE.

Section 10.12. CONTROL; OWNERSHIP; LEGAL PROCEEDINGS. The Applicant shall immediately notify the District in writing of any actual or anticipated change in the control or ownership of the Applicant and of any legal or administrative investigations or proceedings initiated against the Applicant related to the project regardless of the jurisdiction from which such proceedings originate.

Section 10.13. DUTY TO DISCLOSE. If circumstances change or additional information is obtained regarding any of the representations and warranties made by the Applicant in the Application or this Agreement, or any other disclosure requirements, subsequent to the date of this Agreement, the Applicant's duty to disclose continues throughout the term of this Agreement.

Section 10.14. CONFLICTS OF INTEREST.

A. The District represents that, after diligent inquiry, each local public official or local government officer, as those terms are defined in Chapters 171 and 176 of the TEXAS LOCAL GOVERNMENT CODE, has disclosed any conflicts of interest in obtaining or performing this Agreement and related activities, appropriately recused from any decisions relating to this Agreement when a disclosure has been made, and the performance of this Agreement will not create any appearance of impropriety. The District represents that it, the District's local public officials or local government officer, as those terms are defined in Chapters 171 and 176 of the TEXAS LOCAL GOVERNMENT CODE, have not given, nor intend to give, at any time hereafter, any future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant, employee, or representative of the other Party or the State of Texas in connection with this Agreement.

B. The Applicant represents that, after diligent inquiry, each of its agents, as defined in Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE, involved in the representation of the Applicant with the District has complied with the provisions of Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE. The Applicant represents that it and its agents, as defined in Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE, have not given, nor intend to give, at any time hereafter, any future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant, employee, or representative of the other Party or the State of Texas in connection with this Agreement.

C. The District and the Applicant each separately agree to notify the other Party and the Comptroller immediately upon learning of any conflicts of interest.

Section 10.15. PROVISIONS SURVIVING EXPIRATION OR TERMINATION. Notwithstanding the expiration or termination (by agreement, breach, or operation of time) of this Agreement, the provisions of this Agreement regarding payments (including liquidated damages and tax payments), reports, records, and dispute resolution of the Agreement shall survive the termination or expiration dates of this Agreement until the following occurs:

- A. all payments, including liquidated damage and tax payments, have been made;
- B. all reports have been submitted;
- C. all records have been maintained in accordance with Section 8.6.A; and

D. all disputes in controversy have been resolved.

Section 10.16. FACSIMILE OR ELECTRONIC DELIVERY.

A. This Agreement may be duly executed and delivered in person, by mail, or by facsimile or other electronic format (including portable document format (pdf) transmitted by e-mail). The executing Party must promptly deliver a complete, executed original or counterpart of this Agreement to the other executing Parties. This Agreement shall be binding on and enforceable against the executing Party whether or not it delivers such original or counterpart.

B. Delivery is deemed complete as follows:

- i. When delivered if delivered personally or sent by express courier service;
- ii. Three (3) business days after the date of mailing if sent by registered or certified U.S. mail, postage prepaid, with return receipt requested;
- iii. When transmitted if sent by facsimile, provided a confirmation of transmission is produced by the sending machine; or
- iv. When the recipient, by an e-mail sent to the e-mail address for the executing Parties acknowledges having received that e-mail (an automatic "read receipt" does not constitute acknowledgment of an e-mail for delivery purposes).

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 24th day of October, 2016.

PORT ARTHUR LNG, LLC

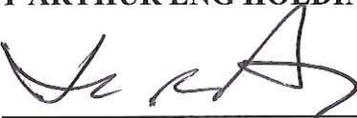
By:



JAMES ASAY
VICE PRESIDENT

PORT ARTHUR LNG HOLDINGS, LLC

By:



JAMES ASAY
VICE PRESIDENT

SABINE PASS INDEPENDENT SCHOOL DISTRICT

By:



LANE PLAUCHE
PRESIDENT, BOARD OF TRUSTEES

ATTEST:

By:

PHYLLIS ALMOND
SECRETARY, BOARD OF TRUSTEES

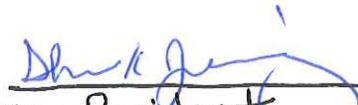
By: 
Vice President

EXHIBIT 1

DESCRIPTION AND LOCATION OF ENTERPRISE OR REINVESTMENT ZONE

At the time of the Application Approval Date, pursuant to Chapter 312 of the Texas Tax Code, the Board of the Trustees of the District has created the Port Arthur LNG Reinvestment Zone. A map of this Reinvestment Zone is attached as the last page of this **EXHIBIT 1** following the legal description of the zone. All of the Applicant's Qualified Property and Applicant's Qualified Investment will be located within the boundaries of the Port Arthur LNG Reinvestment Zone.

JCAD Property ID	Legal Description	Acres	Owner Name
127156	PT TR 1 12 N COLEMAN 154.358 (PT TR 2 N ON DEED)	154.358	PORT ARTHUR LNG HOLDINGS LLC
127157	PT TR 1 12 N COLEMAN 215.622 (PT TR 2N ON DEED)	215.622	PORT ARTHUR LNG HOLDINGS LLC
127158	TR 2 12 N COLEMAN .254 (TR 11 ON DEED)	0.254	PORT ARTHUR LNG HOLDINGS LLC
127159	TR 2-A 12 N COLEMAN 3.519 (TR 12 ON DEED)	3.519	PORT ARTHUR LNG HOLDINGS LLC
127161	SUBMERGED CANAL W BANK ONLY 12 N COLEMAN 9.64	9.64	PORT ARTHUR LNG HOLDINGS LLC
135396	PT TR 2 71 JNO BENNETT 102.787 (PT TR 1 ON DEED)	102.787	PORT ARTHUR LNG HOLDINGS LLC
135397	PT TR 2 71 JNO BENNETT 20.603 (PT TR 1 ON DEED)	20.603	PORT ARTHUR LNG HOLDINGS LLC
135424	PT TR 32 71 JNO BENNETT 23.458 (PT TR 2N ON DEED)	23.458	PORT ARTHUR LNG HOLDINGS LLC
135425	PT TR 32 71 JNO BENNETT 7.123 (PT TR 2N ON DEED)	7.123	PORT ARTHUR LNG HOLDINGS LLC
138597	TR 1 185 P B O CONNOR 289.500 (PT TR 1 ON DEED)	289.5	PORT ARTHUR LNG HOLDINGS LLC
138601	PT TR 7 185 P B O CONNOR 17.547 (PT TR 2N ON DEED)	17.547	PORT ARTHUR LNG HOLDINGS LLC
138602	1 PT TR 7 185 P B O CONNOR 143.543 (PT TR 2N ON DEED)	143.543	PORT ARTHUR LNG HOLDINGS LLC
139549	PT TR 1 251 T&NO 76.382 (PT TR 2N ON DEED)	76.382	PORT ARTHUR LNG HOLDINGS LLC
139550	PT TR 1 251 T&NO 238.124 (PT TR 1 ON DEED)	238.124	PORT ARTHUR LNG HOLDINGS LLC
140424	TR 2 PEDRO DE LA 438 GARZA 63.050 (PT TR 2N ON DEED)	63.05	PORT ARTHUR LNG HOLDINGS LLC
140433	TR 11 PEDRO DE LA 438 GARZA 1.890 (PT TR 13 ON DEED)	1.89	PORT ARTHUR LNG HOLDINGS LLC
140878	TR 1 488 T&NO 259.380 (PT TR 1 ON DEED)	259.38	PORT ARTHUR LNG HOLDINGS LLC

EXHIBIT 2

DESCRIPTION AND LOCATION OF LAND

The Land on which the Qualified Property shall be located and on which the Qualified Investment shall be made is described by the map attached to this **Exhibit 1**.

EXHIBIT 3

APPLICANT'S QUALIFIED INVESTMENT

Applicant's Qualified Investment shall be all tangible personal property first placed in service after January 2, 2020, owned by the Applicant, as more fully described in Tab 7 of the Application, and located within the boundaries of the Sabine Pass Independent School District and the project boundary shown on the map attached to **Exhibit 1**.

EXHIBIT 4

DESCRIPTION AND LOCATION OF QUALIFIED PROPERTY

This Agreement covers all qualified property within Sabine Pass ISD necessary for the commercial operations of the new liquefaction facility as more fully described in Tab 4 of the Application. Furthermore, all Qualified Property will be located within the project boundaries indicated on the map attached on the last page of this EXHIBIT 4.

Project Description

The proposed project primarily consists of property classified by Jefferson CAD as real estate improvements including, but not limiting to the following:

- Two liquefaction trains, each with a maximum production capacity of [5] MTPA, and each with its own gas treatment facilities;
- A natural gas liquids (NGL) and refrigerant storage area;
- A marine facility, including two LNG berths, each with three liquid loading arms, one vapor loading arm, and one spare hybrid loading arm;
- An NGL and refrigerant truck loading/unloading facility;
- [Three] 160,000 m3 LNG storage tanks;
- Operations, control, maintenance, warehouse and all other necessary buildings.

Also included in this application, but not limited to, are all of the associated concrete foundations, pipe supports, piping, instrumentation, power feeds, control loops, safety systems, fire water protection, insulation, utilities necessary to safely operate the new equipment and the land detailed in Tab 9 of this application that is owned by Port Arthur Holding, LLC.

EXHIBIT 5
AGREEMENT SCHEDULE

	Year	School Year	Tax Year	Summary Description
Qualifying Time Period	Partial Year Beginning on the Commencement Date (01/02/20)	2020-2021	2020	Start of Qualifying Time Period beginning with the Commencement Date (01/02/20). No limitation on appraised value. First year for computation of Annual Limit.
	1	2021-2022	2021	Qualifying Time Period. No limitation on appraised value.
	2	2022-2023	2022	Qualifying Time Period. No limitation on appraised value.
Limitation Period (10 Years)	3	2023-2024	2023	\$30 million appraised value limitation.
	4	2024-2025	2024	\$30 million appraised value limitation.
	5	2025-2026	2025	\$30 million appraised value limitation.
	6	2026-2027	2026	\$30 million appraised value limitation.
	7	2027-2028	2027	\$30 million appraised value limitation.
	8	2028-2029	2028	\$30 million appraised value limitation.
	9	2029-2030	2029	\$30 million appraised value limitation.
	10	2030-2031	2030	\$30 million appraised value limitation.
	11	2031-2032	2031	\$30 million appraised value limitation.
	12	2032-2033	2032	\$30 million appraised value limitation.
Maintain Viable Presence (5 Years)	13	2033-2034	2033	No limitation on appraised value. Applicant obligated to Maintain Viable Presence.
	14	2034-2035	2034	No limitation on appraised value. Applicant obligated to Maintain Viable Presence.
	15	2035-2036	2035	No limitation on appraised value. Applicant obligated to Maintain Viable Presence.
	16	2036-2037	2036	No limitation on appraised value. Applicant obligated to Maintain Viable Presence.
	17	2037-2038	2037	No limitation on appraised value. Applicant obligated to Maintain Viable Presence.

Attachment H

Consultant Verification Letter



LYNN M. MOAK, PARTNER

DANIEL T. CASEY, PARTNER

October 24, 2016

President and Members
Board of Trustees
Sabine Pass Independent School District
5641 S. Gulfway Dr.
Sabine Pass, Texas 77655

Re: Recommendations and Findings of the firm Concerning Application of Port Arthur LNG Holdings, LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Sabine Pass Independent School District, with respect to the pending Application of Port Arthur LNG Holdings, LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes. Since our engagement on behalf of the District, we have been actively engaged in reviewing the pending Application and verifying its contents. Based upon our review we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.
4. All applicable school finance implications arising from the contemplated Agreement have been explored.
5. The proposed Agreement contains adequate revenue protection provisions to protect the interests of the District.

As a result of the foregoing it is our recommendation that the Board of Trustees approve the Application of Port Arthur LNG Holdings, LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

A handwritten signature in blue ink that reads "Daniel T. Casey".

Daniel T. Casey

www.moakcasey.com

O'HANLON, McCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE
AUSTIN, TEXAS 78701
TELEPHONE: (512) 494-9949
FACSIMILE: (512) 494-9919

KEVIN O'HANLON
CERTIFIED, CIVIL APPELLATE
CERTIFIED, CIVIL TRIAL

LESLIE McCOLLOM
CERTIFIED, CIVIL APPELLATE
CERTIFIED, LABOR AND EMPLOYMENT
TEXAS BOARD OF LEGAL SPECIALIZATION

JUSTIN DEMERATH

October 24, 2016

President and Members
Of the Board of Trustees
Sabine Pass Independent School District
5641 S. Gulfway Dr.
Sabine Pass, Texas 77655

Re: Recommendations and Findings of the Firm Concerning Application of Port Arthur LNG Holdings, LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Sabine Pass Independent School District, with respect to the pending Application of Port Arthur LNG Holdings, LLC for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes. Since our engagement on behalf of the District, we have been actively engaged in reviewing the pending Application and verifying its contents. We have also negotiated an Agreement between the District and Port Arthur LNG Holdings, LLC Based upon our review we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.

4. All applicable school finance implications arising from the contemplated Agreement have been explored.
5. The proposed Agreement contains adequate legal provisions so as to protect the interests of the District.

As a result of the foregoing conclusions it is our recommendation that the Board of Trustees approve the Application of Port Arthur LNG Holdings, LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin O'Hanlon", written in a cursive style.

Kevin O'Hanlon
For the Firm

Attachment I

Agreement Review Letter



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

October 12, 2016

Kristi Heid
Superintendent
Sabine Pass ISD
5641 South Gulf way Drive
Sabine Pass, Texas 77655

Re: Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes by and between Sabine Pass Independent School District and Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC, Application #1117

Dear Superintendent Heid:

This office has been provided with the "Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes" by and between Sabine Pass Independent School District and Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC (the "Agreement"). As requested, the Agreement has been reviewed pursuant to 34 TAC 9.1055(e)(1).

Based on our review, this office concludes that it complies with the provisions of Tax Code, Chapter 313 and 34 TAC Chapter 9, Subchapter F.

Should you have any questions, please contact Desiree Caufield with our office. She can be reached by email at desiree.caufield@cpa.texas.gov or by phone at 1-800-531-5441, ext. 6-8597, or at 512-936-8597.

Sincerely,

A handwritten signature in black ink, appearing to read "Will Coughlin", is written over a light blue horizontal line.

Will Coughlin
Director
Data Analysis & Transparency Division

cc: Daniel T. Casey, Moak, Casey & Associates LLP
James Asay, Port Arthur LNG, LLC
Marvin Ivey, Sempra LNG
Greg Maxim, Cummings Westlake, LLC

Brandon Westlake, Cummings Westlake, LLC

Attachment J

Conflict Of Interest Disclosure

Conflicts of Interest Disclosure Procedure

In its recent audits of Chapter 313 Agreements, The Texas State Auditor's Office has required documentation of inquiries concerning Board Member conflicts of interest at critical junctions in the Chapter 313 approval process. A local public official or a person related to a local public official in the first degree by either affinity or consanguinity has a substantial interest in a business entity or in real property, the local public official, before a vote or decision on any matter involving the business entity or the real property, is required to file an affidavit with an official Board record keeper stating the nature and extent of the interest and shall abstain from further participation in the matter if:

1. In the case of a substantial interest in a business entity, the action on the matter will have a special economic effect on the business entity that is distinguishable from the effect on the public; or
2. In the case of a substantial interest in real property, it is reasonably foreseeable that an action on the matter will have a special economic effect on the value of the property, distinguishable from its effect on the public.
3. A person has a substantial interest in a business entity if:
The person owns at least:
 - a. Ten percent of the voting stock or shares of the business entity, or
 - b. Either ten percent or \$15,000 of the fair market value of the business entity; or
 - c. Funds received by the person from the business entity exceed ten percent of the person's gross income for the previous year.
4. In the case of a substantial interest in real property, it is reasonably foreseeable that an action on the matter will have a special economic effect on the value of the property, distinguishable from its effect on the public.

The Board may contract with a business entity in which a Trustee has a substantial interest if the Trustee follows the disclosure and abstention procedure set out above.

Does any Board Member have a conflict of interest as defined above?

If so, has the required Affidavit, set forth at District Policy BBFA (Exhibit) been filed?

Please have the answers to the foregoing 2 questions and a copy of this Procedure included in the minutes of this meeting.