CUMMINGS WESTLAKE
PROPERTY TAX ADVISORS

February 22, 2019

Dan Casey
Moak, Casey and Associates
400 West 15th Street, Suite 1410
Austin, Texas 78701

Dan;

Attached please find the hard copies of the Amended Application pages for the Phillips 66 Company (Application # 1334 in Sweeny ISD).

The original of the signature page will be mailed to your attention at Moak, Casey and Associates offices.

The changes to the original Application are as follows in response to the attached February 4, 2019 e-mail from Comptroller staff :

Section 14, Page 7
When calculating the average weekly for all jobs (all industries) in county I came up with $1,227.25. Off by a quarter – which may not seem much but when multiplying it by 52 there is a difference in pay. Please update and submit a revised Section 14.

Updated pages showing the unrounded figures for wages are attached. In addition, these pages have been amended to include 3Q 29018 which was recently released

Tab 3
The affiliate schedule provided in Tab 3 is considerably shorter than the one provided in #1185 Sweeny ISD-Phillips 66 Company – 1 page versus 27 pages . Is there a reason for the change in length?

The Affiliate List provided in this Application shows the parent firm and the Affiliate making Application. All of the other pages of the Tax Affiliates list show information relative to subsidiaries that are not relevant to this application. The truncated listing in this Application was merely done to save paper when printing the Application.

Tab 4

12837 Louetta Road, Suite 201 | Cypress, Texas 77429-5611
P: 713.266.4456 W: cwlp.net

How many acres is the project? The description mentions the site is near Fractionators 2 and 3 which are under construction. What makes this new fractionator - #? Is there a project name associated with this project? Please provide include a response in a revised Tab 4.

Please see revised Tab 4 indicating the project name and the acreage of the project area (approximately 20 acres)

Tab 5

In Section 8 of the application it asks – is the applicant evaluating other locations not in Texas for the proposed project? Tab 5 does not discuss other sites under consideration by the applicant. Please discuss what other sites are under consideration and include a response to this question in a revised Tab 5.

Revised Tab 5 language is attached listing other states under evaluation.

Tabs 4 and 7/8

Given the location of the project area upon reviewing the maps in Tab 11 we can see the site is located adjacent to the Phillips 66 Sweeny Refinery and integrated physically in some parts with project #1185 Sweeny ISD-Phillips 66 Company. Please provide more detail about pipelines (this is mentioned in as QI/QP) and/or other connecting infrastructure that will be used to link various components of the project to the Sweeny Refinery and other existing assets in Brazoria County. Does this include infrastructure not within the Sweeny ISD boundaries, such as pipelines or other interconnection facilities? What are the items? Please include responses in revised Tabs 4, 7 and 8.

Please see revised Tabs 4, 7 and 8

Please provide a map showing the proposed project areas and the interconnections with Phillips 66 assets mentioned. Please include in Tab 4

Please see attached Tab 4 maps. One map shows the area interconnection infrastructure that would link various components of the project to other existing assets in Brazoria County. **Under separate cover Phillips 66 will submit a block flow diagram of the project and the relationship of the project to existing assets. P66 is requesting that under Section 552.110 of the Texas Government Code related to trade secrets that this block diagram be kept confidential and has marked the diagram as such.**

Tab 11

The third map provided with a box that says Land Location within Vicinity. This is the first map we can legible see the reinvestment zone boundaries. Please resubmit the map and label the boundaries as the reinvestment zone in Tab 11.

Please see revised map.

The last map provided shows the project site up with the reinvestment zone boundaries and the equipment outlined in blue as the qualified investment for this application. Please provide a new map or schematic that labels the equipment for #1334 in Tab 11. There is qualified property from #1185 that runs between equipment for project for #1334 – please explain what equipment is running through the middle of the project area outlined in blue? Either label it or provide a response in the transmittal letter.

Please see attached map that shows only the project area which is the subject of this application and removes reference to other applications. The Qualified Property that runs between the equipment for #1334 is a line that runs to the flare.

Schedules A1 and C/Tab 14

Please refer to line – Total Qualified Investment. The value listed is $495 million. When confirming the number the total of the sum of the green cell was different – it should be $410 million. Pease fix the school years for QTP1 and 2. When complete submit a revised Schedule A1.

Please see revised schedules in excel as well as PDF of revised schedule A1

Schedule C – I notices tax year 2021 was entered as QTP year and first year of the limitation in Schedule C. I just wanted to confirm.

Yes, the spend pattern will allow the project to begin the VL at the end of the stub year so the VL Agreement would begin in 2021

Signature Page

Please include a new signature page. On an application amendment, we do not need an original copy.

Please see attached signature page.

Please let me know if you have questions or need additional information.

Sincerely,

Sam A. Gregson
Senior Consultant

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 2018 (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)? 3,982

   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? 10

5. What is the number of new non-qualifying jobs you are estimating you will create? 0

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 1,135.00

   b. 110% of the average weekly wage for manufacturing jobs in the county is 2,611.68

   c. 110% of the average weekly wage for manufacturing jobs in the region is 1,273.50

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? 66,222.20

10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 66,222.20

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**.

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.

Phillips 66 Company is currently evaluating projected economics for a project (Fractionator #4 Project) to construct a natural gas liquids (NGL) fractionator and related facilities. This proposed project is being evaluated to meet growing market demand for purity products. The proposed site is on the parcels indicated on the attached exhibits. The Fractionator #4 project would be constructed near Fractionators 2 and 3 which are under construction in approximately 20 acres of the area already designated as Brazoria County Reinvestment Zone 7. The proposed Fractionator #4 project, capable of producing up to 150,000 barrels per day, would include property and equipment necessary to process raw make (y-grade) natural gas liquids into marketable purity products. Such products include ethane, iso-butane, normal butane, propane and natural gasoline.

The source of the y-grade supply for the new fractionator would likely originate from field gas plants in Texas and/or Oklahoma. Product placement of the purity products would include domestic and international markets. These aspects hold true regardless of the final location decision.

The proposed site is within Brazoria County Reinvestment Zone 7 for Phillips 66, approved by the Brazoria County Commissioners' Court on February 28, 2017. Similar to Fractionators 2 and 3, Fractionator #4 would be largely a standalone facility with some support and integration synergies with the Refinery. While specific design details involving integration with the Sweeny Refinery have not been fully defined, those synergies are primarily utilities (i.e. power) and connection to a flare stack that runs from the Refinery through Fractionators 2, 3 and this proposed Fractionator. Other assets that could be integrated with the proposed project include pipelines to the Clemens Storage Facility and to the Freeport Terminal. A map showing that integration is attached.

Estimated Construction Schedule

Construction Start:	Q3 2019
Construction Complete:	Q2 2021

Improvements and Fixed Equipment for which Abatement is Requested

Air Cooling Exchangers
Amine System
Control Room and Building

Control System
Control Valves
Electrical and Instrumentation
Fire Protection/Deluge System
Flare System
Fractionation Columns
Gasoline Treatment
Heat Exchanges
Heat Pump Compressors
Instrument Air Package and Supply System
Manifolds and Pipelines
Nitrogen Skid
Piping
Power Substation
Process Air Package and Supply System
Pumps
Refrigerant Compressor
Waste Water Treatment
Water Purification

TAB 5

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

This Tab is intended to assist the Comptroller in compliance with Tax Code 313.026 to determine 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." Phillips 66 management approves most capital investment in the following categories:

- Unfunded Mandates – As state and local government have unfunded mandates, businesses are also given unfunded mandates as a requirement to stay in business. A common example of this category is a requirement to install new facilities, which also generally increases operating cost, to comply with environmental law and regulations.
- Sustaining Operations – Significant capital investment is needed for periodic replacements of equipment and other property nearing the end of its ability to operate physically, efficiently, and safely. After a review of anticipated economic performance with current operations, company management will decide whether to fully sustain, downsize, or occasionally, close the facility. The amount of approved capital investment will align with the level of planned operations.
- Growth – Growth projects are often near existing operations but may be in a new area. Phillips 66's existing facilities are:
  - Refining – 11 U.S. refineries in eight states and 2 in Europe;
  - Midstream – 21,000 miles of pipelines, 40 finished product terminals, 38 storage locations, 19 crude oil terminals, and 5 liquefied petroleum gas terminals in 21 states and 50% equity investment in DCP Midstream, LLC;
  - Chemicals – 50% equity investment in Chevron Phillips Chemical Company, LLC with 30 manufacturing facilities in seven states and five other countries; and
  - Marketing and Specialties – The Marketing segment includes sales through approximately 7,550 independently owned outlets in 48 states and company owned, leased or joint venture outlets in four European countries. The Specialties segment includes lubricants, petroleum coke, waxes, solvents, and polypropylene.

  The following map of U.S. operations is intended as a quick reference indication that Phillips 66 has many options of where to place capital investment.

All Phillips 66 major capital investments must go through a structured review by the project team and management. The final management decision of whether and/or where to build the proposed

major project is based on technical feasibility, projected economics, and financial risk. This project is competing with opportunities for similar scale projects at the Company's other refining locations in Louisiana, Washington, Oklahoma and Illinois.

The proposed fractionator in this application is also in intense competition with many unrelated projects in the Company. Because property taxes in Texas are a significantly large portion of annual operating cost versus other areas of the country where Phillips 66 operates, the project team is requesting approval of all available property tax abatements and incentives to help move the project through the next management decision "gate" and closer to final approval. Approval of Chapter 312 non-school abatements and a Chapter 313 school value limitation are determining factors in management's decision to invest or not invest in this proposed project in Texas.

TAB 7

Description of Qualified Investment

Phillips 66 Company is currently evaluating projected economics to construct a natural gas liquids (NGL) fractionator and related facilities to meet market demand for purity products. The proposed site is on the parcels indicated on the attached exhibits. The proposed fractionator is near Fractionators 2 and 3 which are under construction in Brazoria County Reinvestment Zone 7. The proposed fractionator, capable of producing up to 150,000 barrels per day, would include property and equipment necessary to process raw make (y-grade) natural gas liquids into marketable purity products. Such products include ethane, iso-butane, normal butane, propane and natural gasoline. The source of the y-grade supply for the new fractionator would likely originate from field gas plants in Texas and/or Oklahoma. Product placement of the purity products would include domestic and international markets. These aspects hold true regardless of the final location decision.

The proposed site is within Brazoria County Reinvestment Zone 7 for Phillips 66, approved by the Brazoria County Commissioners' Court on February 28, 2017. Similar to Fractionators 2 and 3, Fractionator #4 would be largely a standalone facility with some support and integration synergies with the Refinery. While specific design details involving integration with the Sweeny Refinery have not been fully defined, those synergies are primarily utilities (i.e. power) and connection to a flare stack that runs from the Refinery through Fractionators 2, 3 and this proposed Fractionator. Other assets that could be integrated with the proposed project include pipelines to the Clemens Storage Facility and to the Freeport Terminal.

Qualified Investment for which Abatement is Requested

Air Cooling Exchangers
Amine System
Control Room and Building
Control System
Control Valves
Electrical and Instrumentation
Fire Protection/Deluge System
Flare System
Fractionation Columns
Gasoline Treatment
Heat Exchanges
Heat Pump Compressors
Instrument Air Package and Supply System

Manifolds and Pipelines
Nitrogen Skid
Piping
Power Substation
Process Air Package and Supply System
Pumps
Refrigerant Compressor
Waste Water Treatment
Water Purification

TAB 8

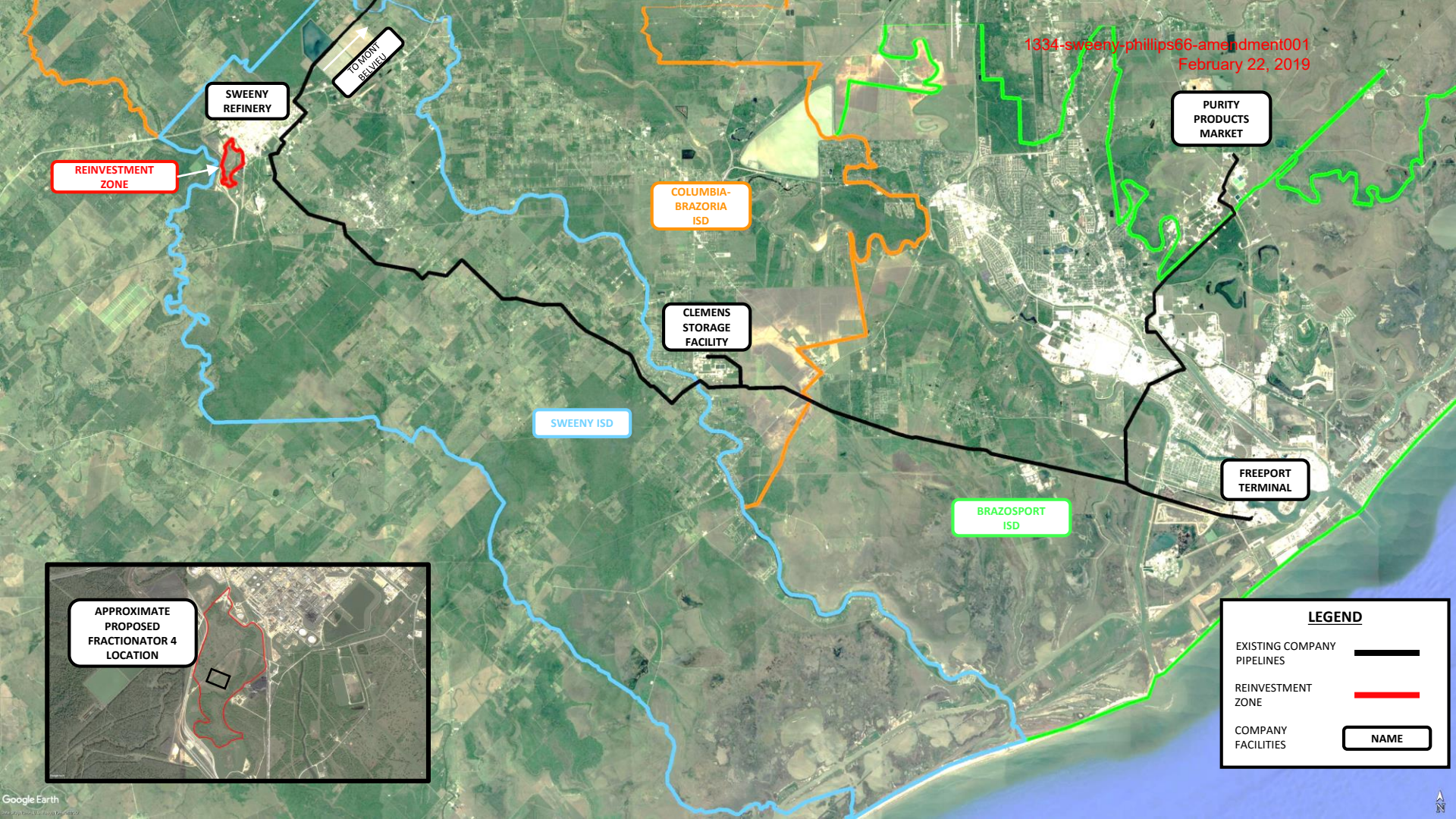
Description of Qualified Property

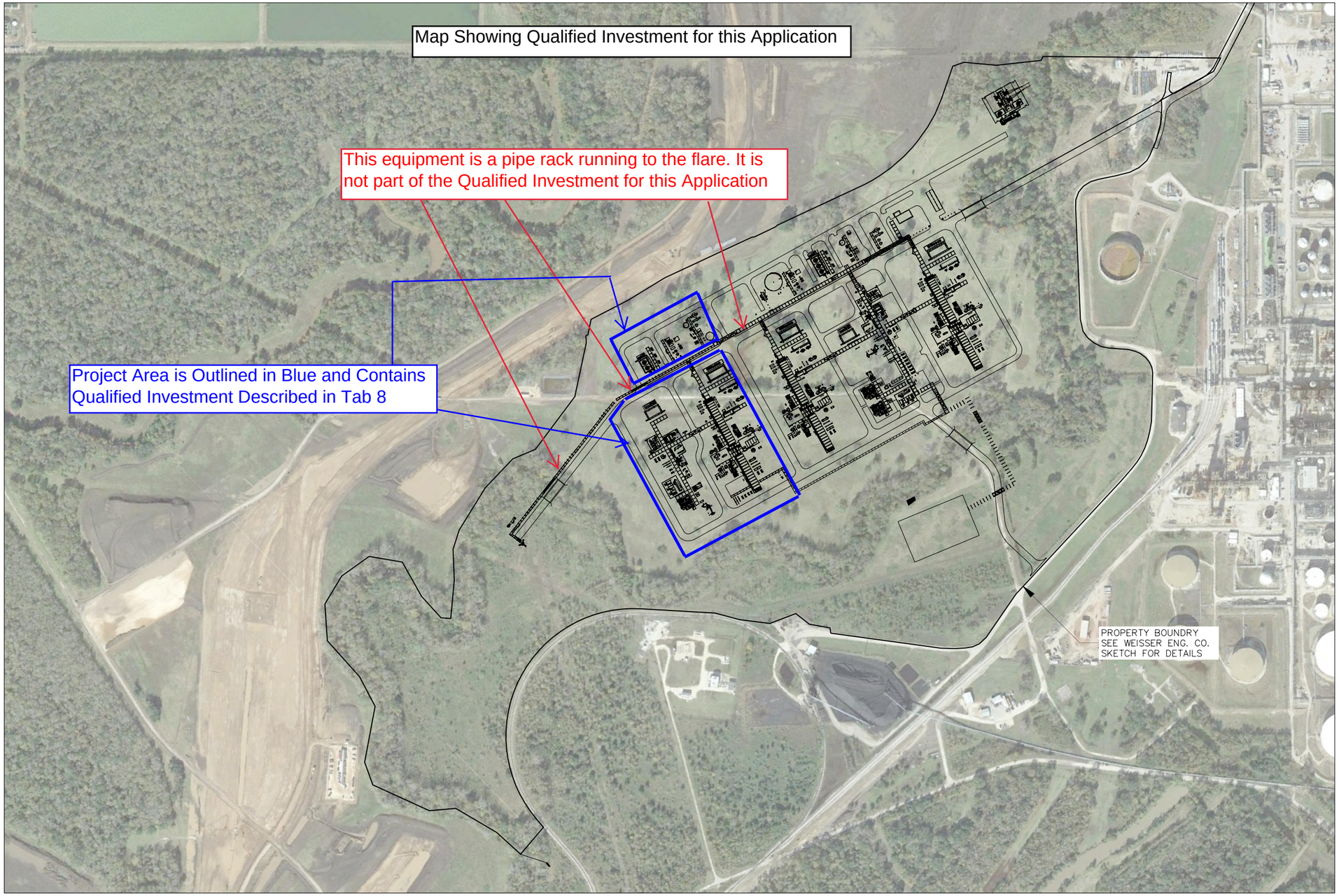
The proposed Fractionator #4 project, capable of producing up to 150,000 barrels per day, would include property and equipment necessary to process raw make (y-grade) natural gas liquids into marketable purity products. While specific design details involving integration with the Sweeny Refinery have not been fully defined, those synergies are primarily utilities (i.e. power) and connection to a flare stack that runs from the Refinery through Fractionators 2, 3 and the Fractionator #4 Project proposed in this Application.

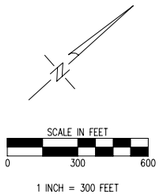
Qualified Investment for which Abatement is Requested

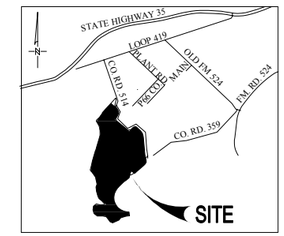
Air Cooling Exchangers
Amine System
Control Room and Building
Control System
Control Valves
Electrical and Instrumentation
Fire Protection/Deluge System
Flare System
Fractionation Columns
Gasoline Treatment
Heat Exchanges
Heat Pump Compressors
Instrument Air Package and Supply System
Manifolds and Pipelines
Nitrogen Skid
Piping
Power Substation
Process Air Package and Supply System
Pumps
Refrigerant Compressor
Waste Water Treatment
Water Purification

1334-sweeny-phillips66-amendment001
February 22, 2019









VICINITY MAP
N.T.S.

JOB. NO. C-1683

S&B ENGINEERS and CONSTRUCTORS, LTD.
HOUSTON, TEXAS

NO.	REVISION	BY	CHK.	DATE
A	ISSUED FOR INFORMATION – SWEENY ABATEMENT	RDP	KD	11/2018

NOTES
1. EQUIPMENT SIZING, SPACING, AND DRAWING LIMITS ARE PRELIMINARY AND SUBJECT TO CHANGE BASED ON PROCESS REQUIREMENTS.
2. DRAWING LIMIT COORDINATES TO BE ESTABLISHED LATER.

DRAWING NO.	REFERENCE

DRAWN BY	RDP	11/2018
DRAFT.CHK'D.		
MECHANICAL		
CIVIL/STRUCT.		
ELECTRICAL		
INSTRUMENT		
PROJ.ENGR.		

APPROVED FOR CONSTRUCTION
BY _____ DATE _____

S&B ENGINEERS and CONSTRUCTORS
HOUSTON, TEXAS

TITLE OF DRAWING: ABATEMENT
SWEENY FRAC 4 PROJECT
FRAC 4 WITH FRAC 2/3 AND COMMONS
NAME OF OWNER: PHILLIPS 66
LOCATION OF PROJECT: SWEENY REFINERY, OLD OCEAN, TX

JOB NO. C-1683	DWG.NO. SK-C1683-4000-0013	SHEET 1/1	REV. A
SCALE 1" = 300'-0"			

S&B FORM G-101 (1-92) AUTOCAD GENERATED DRAWING

Phillips 66 Fractionator #4 Project - Reinvestment Zone
1334-sweeny-phillips66-amendment001
February 22, 2019
35
359
Old Ocean
Markle Lake
nville Creek Reservoir
Reinvestment Zone Boundary is Outlined in Red
Google Earth
© 2018 Google

PHILLIPS 66 FRACTIONATOR #4 - SWEENY ISD
TAB 13 TO CHAPTER 313 APPLICATION

BRAZORIA COUNTY
CHAPTER 313 WAGE CALCULATION - ALL JOBS - ALL INDUSTRIES

QUARTER	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
FIRST	2018	$ 1,206	$ 62,712
SECOND	2018	$ 1,097	$ 57,044
THIRD	2017	$ 1,100	$ 57,200
FOURTH	2017	$ 1,137	$ 59,124
	AVERAGE	$ 1,135.00	$ 59,020.00

BRAZORIA COUNTY
CHAPTER 313 WAGE CALCULATION - MANUFACTURING JOBS

QUARTER	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
FIRST	2018	$ 2,962	$ 154,024
SECOND	2018	$ 2,108	$ 109,616
THIRD	2017	$ 2,077	$ 108,004
FOURTH	2017	$ 2,350	$ 122,200
	AVERAGE	$ 2,374.25	$ 123,461
	X	110%	110%
		$ 2,611.68	$ 135,807.10

CHAPTER 313 WAGE CALCULATION - REGIONAL WAGE RATE

	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
	2017	$ 1,158	$ 60,202
	X	110%	110%
		$ 1,273.50	$ 66,222.20

**** SEE ATTACHED TWC DOCUMENTATION***

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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
2018	1st Qtr	Brazoria County	Total All	00	0	10	Total, all industries	$1,206
2018	2nd Qtr	Brazoria County	Total All	00	0	10	Total, all industries	$1,097
2018	3rd Qtr	Brazoria County	Total All	00	0	10	Total, all industries	$1,100
2017	4th Qtr	Brazoria County	Total All	00	0	10	Total, all industries	$1,137

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Quarterly Employment and Wages (QCEW)

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Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2018	1st Qtr	Brazoria County	Private	31	2	31-33	Manufacturing	$2,962
2018	2nd Qtr	Brazoria County	Private	31	2	31-33	Manufacturing	$2,108
2018	3rd Qtr	Brazoria County	Private	31	2	31-33	Manufacturing	$2,077
2017	4th Qtr	Brazoria County	Private	31	2	31-33	Manufacturing	$2,350

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

Date 1/8/2019
Applicant Name PHILLIPS 66
ISD Name SWEENY ISD

Form 50-296A
Revised May 2014

1334-sweeny-phillips66-amendment001
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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 below) 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 not 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	--	Year preceding the first complete tax year of the qualifying time period (assuming no deferrals of qualifying time period)	2019	Not eligible to become Qualified Property			[The only other investment made before filing complete application with district that may become Qualified Property is land.]	0
Investment made after filing complete application with district, but before final board approval of application	--			0	0	0	0	0
Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period				85,000,000	0	0	0	85,000,000
	Stub	2020-2021	2020	320,000,000	0	0	0	320,000,000
Complete tax years of qualifying time period	QTP1	20201-2022	2021	85,000,000	5,000,000	0	0	90,000,000
	QTP2	20222-2023	2022	0	0	0	0	0
Total Investment through Qualifying Time Period [ENTER this row in Schedule A2]				490,000,000	5,000,000	0	0	495,000,000
				Enter amounts from TOTAL row above in Schedule A2				
Total Qualified Investment (sum of green cells)				410,000,000				

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 component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(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 affixed to existing property—described in SECTION 13, question #5 of the application.

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.

Economic Development and Analysis
Form 50-296-A

Application for Appraised Value Limitation on Qualified Property

SECTION 16: Authorized Signatures and Applicant Certification

After 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 Dr. Tory C. Hill — Print Name *(Authorized School District Representative)*

Superintendent — Title

sign here TC Hill — Signature *(Authorized School District Representative)*

2/26/2019 — 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 Chris. G. Cisneros — Print Name *(Authorized Company Representative (Applicant))*

Property Tax Senior Advisor — Title

sign here CHRIS G CISNEROS — Signature *(Authorized Company Representative (Applicant))*

2/22/2019 — Date

NOTARY PUBLIC STATE OF TEXAS
Russia Coin
My Commission Expires
01/17/2023
ID No. 10155128

(Notary Seal)

GIVEN under my hand and seal of office this, the

22nd day of February, 2019

Russia Coin
Notary Public in and for the State of Texas

My Commission expires: 1/17/23

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.