
FINDINGS OF THE

BOARD OF TRUSTEES OF THE
CULBERSON COUNTY-ALLAMOORE
INDEPENDENT SCHOOL DISTRICT

UNDER THE TEXAS ECONOMIC DEVELOPMENT ACT

ON THE APPLICATION SUBMITTED BY
DELAWARE PROCESSING, LLC
TEXAS TAXPAYER I.D. 32063721370
APPLICATION #1359

November 18, 2019

**FINDINGS OF THE BOARD OF TRUSTEES OF THE CULBERSON COUNTY
ALLAMOORE INDEPENDENT SCHOOL DISTRICT
UNDER THE TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY DELAWARE PROCESSING, LLC**

STATE OF TEXAS

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COUNTIES OF CULBERSON AND HUDSPETH

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On the 18th day of November, 2019, a public meeting of the Board of Trustees of the **CULBERSON COUNTY-ALLAMOORE INDEPENDENT SCHOOL DISTRICT**, a political subdivision of the State of Texas (“*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 of the District (“*Board*”) took up and considered Application #1359 for Appraised Value Limitation on Qualified Property (“*Application*”) of **DELAWARE PROCESSING, LLC**, a foreign limited-liability company, with its principal office located at 1722 Routh Street, Suite 1300, Dallas, Texas 75201 (“*Applicant*”), pursuant to Chapter 313 of the Texas Tax Code. The Board solicited public comments about its deliberations on the Application. After hearing presentations from the District’s administrative staff, and from attorneys and consultants retained by the District to advise the Board in this matter, the Board hereby makes the following findings relating to the Application and the economic impact of same:

On April 1, 2019, the Superintendent of Schools of the District, acting as agent of the Board, and the Texas Comptroller of Public Accounts received the Application, submitted pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is posted on the Texas Comptroller’s Internet website at: <https://comptroller.texas.gov/economy/local/ch313/agreement-docs-details.php?id=1359>. The Applicant consists of entities subject to Chapter 171, Texas Tax Code, and is otherwise in compliance with state and local regulations as determined by the Texas Comptroller of Public Accounts. The Board acknowledges receipt of the Application, along with the required application fee, as established pursuant to Texas Tax Code § 313.025(a)(1) and Board Policy CCGB(LOCAL).

The Application was delivered to the Texas Comptroller’s Office for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Culberson County Central Appraisal District for review pursuant to 34 Texas Administrative Code § 9.1054(c). The Application was reviewed by the Texas Comptroller’s Office pursuant to Texas Tax Code § 313.026, and a determination that the Application was complete was issued on June 27, 2019.

After determining that property identified in the Application is eligible for limitation for appraised value and upon request from the District, the Texas Comptroller of Public Accounts conducted an economic impact evaluation of the investment proposed by such Application, pursuant to Texas Tax Code §§ 313.025(b) and 313.026. The Board has carefully considered the evaluation, dated August 14, 2019 and attached to these findings as **Exhibit A**.

The Board also directed Jigsaw School Finance Solutions LLC to conduct a financial impact analysis of the requested limitation for appraised value on the finances of the District, a copy of which is attached to these findings as **Exhibit B**. The Texas Commissioner of Education has determined that the project will not impact school enrollment.

The Board 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 the 2017 ISD Summary Worksheet posted on the Texas Comptroller's Internet website at: <https://comptroller.texas.gov/data/property-tax/pvs/2017p/0490499051D.php>.

After receiving the Application, the District submitted to the Texas Comptroller of Public Accounts a form of agreement ("*Agreement*") for the implementation of the limitation on appraised value under Chapter 313 of the Texas Tax Code, in a form approved by the Comptroller. The proposed Agreement and letter approving same are attached to these findings as **Exhibit C**.

After reviewing the Comptroller's recommendation, and in consideration of the District's separate financial impact analysis, the Board finds:

Board Finding Number 1.

The Applicant qualifies for a limitation on appraised value of qualified property under Texas Tax Code § 313.024 in the eligibility category of Manufacturing.

Board Finding Number 2.

The Applicant's entire proposed investment in the District is \$125,000,000 - \$125,000,000 of which is proposed to be qualified investment under Texas Tax Code § 313.021.

Board Finding Number 3.

The minimum annual wage for qualifying jobs is \$42,186.10. Pursuant to the review by the Texas Comptroller of Public Accounts, this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs pay more than the minimum weekly wage required for qualified jobs under Texas Tax Code § 313.021.

Board Finding Number 4.

The Applicant's expected investment per qualifying job over the term of the Agreement is estimated to be \$12,500,000 based on the 10 new qualifying jobs committed to by the Applicant. The project's total investment is \$137,500,000 resulting in a relative level of investment per qualifying job of 12,500,000.

Board Finding Number 5.

The Applicant has not requested a waiver of the job creation requirement under Texas Tax Code § 313.25(f-1), and the Board finds that the project meets state job creating requirements.

Board Finding Number 6.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region. In support of Finding 6, the economic impact evaluation states:

Table 2 depicts this project’s estimated economic impact to the State of Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Texas Comptroller of Public Accounts calculated the economic impact based on 15 years of annual investment and employment levels.

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2019	200	244	444	\$8,437,220	\$21,562,780	\$30,000,000
2020	210	288	498	\$8,859,081	\$28,140,919	\$37,000,000
2021	10	66	76	\$421,861	\$9,578,139	\$10,000,000
2022	10	48	58	\$421,861	\$7,578,139	\$8,000,000
2023	10	30	40	\$421,861	\$5,578,139	\$6,000,000
2024	10	22	32	\$421,861	\$4,578,139	\$5,000,000
2025	10	21	31	\$421,861	\$3,578,139	\$4,000,000
2026	10	23	33	\$421,861	\$3,578,139	\$4,000,000
2027	10	26	36	\$421,861	\$4,578,139	\$5,000,000
2028	10	31	41	\$421,861	\$4,578,139	\$5,000,000
2029	10	35	45	\$421,861	\$5,578,139	\$6,000,000
2030	10	38	48	\$421,861	\$5,578,139	\$6,000,000
2031	10	39	49	\$421,861	\$6,578,139	\$7,000,000
2032	10	41	51	\$421,861	\$6,578,139	\$7,000,000
2033	10	42	52	\$421,861	\$6,578,139	\$7,000,000

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Culberson County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county. The difference noted in the last line is the difference between Table 3 and Table 4:

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Culberson County-Allamore ISD I&S Tax Levy	Culberson County-Allamore ISD M&O Tax Levy	Culberson County-Allamore M&O and I&S Tax Levies	Culberson County Tax Levy	Culberson County Hospital District Tax Levy	Culberson County Groundwater District Tax Levy	Estimated Total Property Taxes
				0.4566	0.9700		0.1853	0.1442	0.0525	
2020	\$22,000,000	\$22,000,000		\$100,448	\$213,400	\$313,848	\$40,768	\$31,715	\$11,554	\$386,331
2021	\$125,000,000	\$30,000,000		\$570,726	\$291,000	\$861,726	\$92,655	\$180,200	\$65,650	\$1,134,581
2022	\$125,000,000	\$30,000,000		\$570,726	\$291,000	\$861,726	\$92,655	\$180,200	\$65,650	\$1,134,581
2023	\$120,000,000	\$30,000,000		\$547,897	\$291,000	\$838,897	\$88,949	\$172,992	\$63,024	\$1,100,838
2024	\$117,500,000	\$30,000,000		\$536,483	\$291,000	\$827,483	\$87,096	\$169,388	\$61,711	\$1,083,966
2025	\$115,000,000	\$30,000,000		\$525,068	\$291,000	\$816,068	\$85,243	\$165,784	\$60,398	\$1,067,095
2026	\$112,500,000	\$30,000,000		\$513,654	\$291,000	\$804,654	\$83,390	\$162,180	\$59,085	\$1,050,223

Board Findings of the Culberson County-Allamore Independent School District

2027	\$110,000,000	\$30,000,000		\$502,239	\$291,000	\$793,239	\$81,536	\$158,576	\$57,772	\$1,033,352
2028	\$107,500,000	\$30,000,000		\$490,825	\$291,000	\$781,825	\$79,683	\$154,972	\$56,459	\$1,016,480
2029	\$105,000,000	\$30,000,000		\$479,410	\$291,000	\$770,410	\$77,830	\$151,368	\$55,146	\$999,608
2030	\$102,500,000	\$30,000,000		\$467,996	\$291,000	\$758,996	\$75,977	\$147,764	\$53,833	\$982,737
2031	\$100,000,000	\$100,000,000		\$456,581	\$970,000	\$1,426,581	\$185,310	\$144,160	\$52,520	\$1,756,051
2032	\$97,500,000	\$97,500,000		\$445,166	\$945,750	\$1,390,916	\$180,677	\$140,556	\$51,207	\$1,712,150
2033	\$95,000,000	\$95,000,000		\$433,752	\$921,500	\$1,355,252	\$176,045	\$136,952	\$49,894	\$1,668,248
2034	\$92,500,000	\$92,500,000		\$422,337	\$897,250	\$1,319,587	\$171,412	\$133,348	\$48,581	\$1,624,347
2035	\$90,000,000	\$90,000,000		\$410,923	\$873,000	\$1,283,923	\$166,779	\$129,744	\$47,268	\$1,580,446
			Total	\$7,474,231	\$7,730,900	\$15,205,131	\$1,766,004	\$2,359,899	\$859,752	\$19,331,034
			Diff	\$0	\$8,148,000	\$8,148,000	\$1,267,520	\$0	\$0	\$10,275,273

¹Tax Rate per \$100 Valuation

Table 3 illustrates the estimated tax impact of the Applicant’s project on the region if all taxes are assessed.

Table 3 – Estimated Direct Ad Valorem Taxes without Property Tax Incentives

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Culberson County-Allamore ISD I&S Tax Levy	Culberson County-Allamore ISD M&O Tax Levy	Culberson County-Allamore M&O and I&S Tax Levies	Culberson County Tax Levy	Culberson County Hospital District Tax Levy	Culberson County Groundwater District Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.4566	0.9700		0.1853	0.1442	0.0525	
2020	\$22,000,000	\$22,000,000		\$100,448	\$213,400	\$313,848	\$40,768	\$31,715	\$11,554	\$397,886
2021	\$125,000,000	\$125,000,000		\$570,726	\$1,212,500	\$1,783,226	\$231,638	\$180,200	\$65,650	\$2,260,714
2022	\$125,000,000	\$125,000,000		\$570,726	\$1,212,500	\$1,783,226	\$231,638	\$180,200	\$65,650	\$2,260,714
2023	\$120,000,000	\$120,000,000		\$547,897	\$1,164,000	\$1,711,897	\$222,372	\$172,992	\$63,024	\$2,170,285
2024	\$117,500,000	\$117,500,000		\$536,483	\$1,139,750	\$1,676,233	\$217,739	\$169,388	\$61,711	\$2,125,071
2025	\$115,000,000	\$115,000,000		\$525,068	\$1,115,500	\$1,640,568	\$213,107	\$165,784	\$60,398	\$2,079,857
2026	\$112,500,000	\$112,500,000		\$513,654	\$1,091,250	\$1,604,904	\$208,474	\$162,180	\$59,085	\$2,034,642
2027	\$110,000,000	\$110,000,000		\$502,239	\$1,067,000	\$1,569,239	\$203,841	\$158,576	\$57,772	\$1,989,428
2028	\$107,500,000	\$107,500,000		\$490,825	\$1,042,750	\$1,533,575	\$199,208	\$154,972	\$56,459	\$1,944,214
2029	\$105,000,000	\$105,000,000		\$479,410	\$1,018,500	\$1,497,910	\$194,576	\$151,368	\$55,146	\$1,899,000
2030	\$102,500,000	\$102,500,000		\$467,996	\$994,250	\$1,462,246	\$189,943	\$147,764	\$53,833	\$1,853,785
2031	\$100,000,000	\$100,000,000		\$456,581	\$970,000	\$1,426,581	\$185,310	\$144,160	\$52,520	\$1,808,571
2032	\$97,500,000	\$97,500,000		\$445,166	\$945,750	\$1,390,916	\$180,677	\$140,556	\$51,207	\$1,763,357
2033	\$95,000,000	\$95,000,000		\$433,752	\$921,500	\$1,355,252	\$176,045	\$136,952	\$49,894	\$1,718,142
2034	\$92,500,000	\$92,500,000		\$422,337	\$897,250	\$1,319,587	\$171,412	\$133,348	\$48,581	\$1,672,928
2035	\$90,000,000	\$90,000,000		\$410,923	\$873,000	\$1,283,923	\$166,779	\$129,744	\$47,268	\$1,627,714
	\$87,500,000									
			Total	\$7,474,231	\$15,878,900	\$23,353,131	\$3,033,525	\$2,359,899	\$859,752	\$29,606,307

¹Tax Rate per \$100 Valuation

Board Finding Number 7.

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

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 suggesting little underlying enrollment growth based on the impact of the project.

Board Finding Number 9.

The Applicant’s project is reasonably likely to generate, before the 25th 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 directly related to this project, using estimated taxable values provided in the application. Attachment B of the economic impact study contains a year-by-year analysis as depicted in the following table:

	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	2018	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0
	2020	\$213,400	\$213,400	\$0	\$0
Limitation Period (10 Years)	2021	\$291,000	\$504,400	\$921,500	\$921,500
	2022	\$291,000	\$795,400	\$921,500	\$1,843,000
	2023	\$291,000	\$1,086,400	\$873,000	\$2,716,000
	2024	\$291,000	\$1,377,400	\$848,750	\$3,564,750
	2025	\$291,000	\$1,668,400	\$824,500	\$4,389,250
	2026	\$291,000	\$1,959,400	\$800,250	\$5,189,500
	2027	\$291,000	\$2,250,400	\$776,000	\$5,965,500
	2028	\$291,000	\$2,541,400	\$751,750	\$6,717,250
	2029	\$291,000	\$2,832,400	\$727,500	\$7,444,750
	2030	\$291,000	\$3,123,400	\$703,250	\$8,148,000
Maintain Viable Presence (5 Years)	2031	\$970,000	\$4,093,400	\$0	\$8,148,000
	2032	\$945,750	\$5,039,150	\$0	\$8,148,000
	2033	\$921,500	\$5,960,650	\$0	\$8,148,000
	2034	\$897,250	\$6,857,900	\$0	\$8,148,000
	2035	\$873,000	\$7,730,900	\$0	\$8,148,000
Additional Years as Required by 313.026(c)(1) (10 Years)	2036	\$848,750	\$8,579,650	\$0	\$8,148,000
	2037	\$824,500	\$9,404,150	\$0	\$8,148,000
	2038	\$800,250	\$10,204,400	\$0	\$8,148,000
	2039	\$776,000	\$10,980,400	\$0	\$8,148,000
	2040	\$751,750	\$11,732,150	\$0	\$8,148,000
	2041	\$727,500	\$12,459,650	\$0	\$8,148,000
	2042	\$703,250	\$13,162,900	\$0	\$8,148,000
	2043	\$679,000	\$13,841,900	\$0	\$8,148,000
	2044	\$654,750	\$14,496,650	\$0	\$8,148,000
	2045	\$630,500	\$15,127,150	\$0	\$8,148,000
		\$15,127,150	is greater than	\$8,148,000	

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
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Board Finding Number 10.

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

Board Finding Number 11.

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

In support of Findings 10 and 11, **Attachment C** of the economic impact study states:

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. This is based on information available, including information provided by the Applicant. Specifically, the comptroller noted the following:

- I. Per Delaware Processing, LLC in Tab 5 of their Application:
 - A. "Delaware Processing, LLC is a subsidiary of EnLink Midstream, LLC."
 - B. "EnLink Midstream, LLC is always evaluating various manufacturing projects for development and where to commit substantial long-term investment based on economic rate of return on investment in the proposed projects. In regard to the Tiger Plant, EnLink Midstream, LLC is considering areas in New Mexico, specifically Eddy or Lea County for the establishment of this site."
 - C. "With the property tax liabilities making up a substantial ongoing cost of operation that directly impacts the rate of return on the investment for the Tiger Plant. Without the tax incentives, the economics of this project will be less competitive with other capital-intensive projects and the viability of the proposed project becomes uncertain."
 - D. "EnLink Midstream, LLC evaluates the rate of return with the proposed project's 313 appraised value limitation agreement and without the value limitation agreement. If the rate of return with the value limitation agreement exceeds the minimum rate of return, they can proceed with the investment. Therefore, receiving a value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize EnLink Midstream, LLC to invest capital in the proposed project rather than making an alternative investment. This makes the ability to enter into a Chapter 313 appraised value limitation agreement with the school district "the determining factor" to invest in this project."

II. “According to the EnLink Midstream, LLC news release dated May 2, 2019, ‘[w]e plan to construct a 200 MMcf/d gas processing plant in the Delaware Basin. We expect the plant to be operational in 2020.’”

III. “Per EnLink Midstream, LLC’s First Quarter Results Announcement dated April 30, 2019, EnLink Midstream ‘[a]ccelerated growth plans in the Permian’s Delaware Basin with the planned construction of a new, 200 million cubic feet per day (MMcf/d) natural gas processing plant in response to increased production estimates by a key producer customer.’”

Supporting Information

- a) Section 8 of the Application
- b) Attachments provided in Tab 5 of the Application
- c) Additional information provided by the Applicant or located by the Comptroller

Board Finding Number 12.

The Board of Trustees of the Culberson County-Allamore Independent School District hired consultants to review and verify the information in Application #1359. Based upon the consultants’ review, the Board has determined that the information provided by the Applicant appears to be true and correct.

Board Finding Number 13.

The Board has determined that the tax limitation amount requested by the Applicant is currently \$30,000,000 Million Dollars, which is consistent with the minimum values currently set out by Texas Tax Code § 313.054(a).

Board Finding Number 14.

The Applicant (Taxpayer I.D. 32063721370) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its “good standing” certification as a franchise-tax paying entity.

Board Finding Number 15.

The Agreement entered into by and between the Applicant and the District under Chapter 313 of the Texas Tax Code, attached to these findings as Exhibit C, includes adequate and appropriate revenue protection provisions for the District.

Board Finding Number 16.

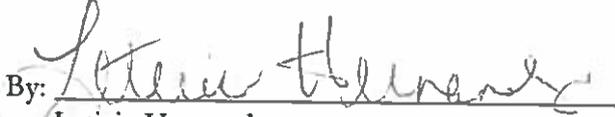
Considering the purpose and effect of the law and the terms of the Agreement, it is in the best interest of the District and the State of Texas to enter into the attached Agreement.

Board Findings of the Culberson County-Allamoore Independent School District

It is therefore ORDERED that the Agreement attached to these findings as Exhibit C is approved and hereby authorized to be executed and delivered by and on behalf of the Culberson County-Allamoore Independent School District. It is further ORDERED that these findings and the attachments referred to herein be attached to the official minutes of this meeting and maintained in the permanent records of the Board of Trustees of the Culberson County-Allamoore Independent School District.

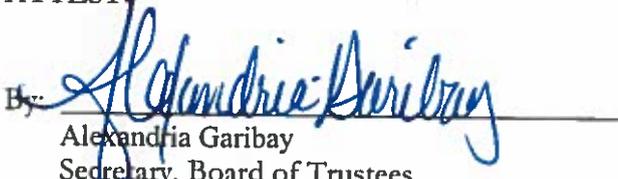
Dated the 18th day of November, 2019.

**CULBERSON COUNTY-ALLAMOORE
INDEPENDENT SCHOOL DISTRICT,**
a political subdivision of the State of Texas

By: 

Leticia Hernandez
President, Board of Trustees

ATTEST:

By: 

Alexandria Garibay
Secretary, Board of Trustees

Findings and Order of the Culberson County-Allamoore Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Delaware Processing, LLC (Tax I.D. 32063721370) (Application #1359)

EXHIBIT A

Comptroller's Economic Impact Analysis



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

August 14, 2019

Kenneth Baugh
Superintendent
Culberson County-Allamore Independent School District
400 West 7th Street
Van Horn, TX 79855

Re: Certificate for Limitation on Appraised Value of Property for School District
Maintenance and Operations taxes by and between Culberson County-Allamore
Independent School District and Delaware Processing, LLC, Application 1359

Dear Superintendent Baugh:

On June 27, 2019 the Comptroller issued written notice that Delaware Processing, LLC (applicant) submitted a completed application (Application 1359) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on April 1, 2019, to the Culberson County-Allamore Independent School District (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.

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

- 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 1359.

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.

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'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, 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).

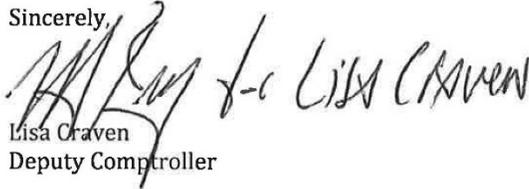
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed 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 by December 31, 2019.

Note that any building or improvement existing as of the application review start date of June 27, 2019, 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 Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,

A handwritten signature in black ink that reads "Lisa Craven". The signature is written in a cursive style and is positioned above the printed name and title.

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Delaware Processing, LLC (project) applying to Culberson County-Allamore Independent School District (district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Delaware Processing, LLC.

Applicant	Delaware Processing, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Culberson County-Allamore ISD
2017-2018 Average Daily Attendance	339
County	Culberson
Proposed Total Investment in District	\$125,000,000
Proposed Qualified Investment	\$125,000,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2020-2021
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$811.27
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$811.27
Minimum annual wage committed to by applicant for qualified jobs	\$42,186.10
Minimum weekly wage required for non-qualifying jobs	\$993.25
Minimum annual wage required for non-qualifying jobs	\$51,649
Investment per Qualifying Job	\$12,500,000
Estimated M&O levy without any limit (15 years)	\$15,878,900
Estimated M&O levy with Limitation (15 years)	\$7,730,900
Estimated gross M&O tax benefit (15 years)	\$8,148,000

Table 2 is the estimated statewide economic impact of Delaware Processing, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2019	200	244	444	\$8,437,220	\$21,562,780	\$30,000,000
2020	210	288	498	\$8,859,081	\$28,140,919	\$37,000,000
2021	10	66	76	\$421,861	\$9,578,139	\$10,000,000
2022	10	48	58	\$421,861	\$7,578,139	\$8,000,000
2023	10	30	40	\$421,861	\$5,578,139	\$6,000,000
2024	10	22	32	\$421,861	\$4,578,139	\$5,000,000
2025	10	21	31	\$421,861	\$3,578,139	\$4,000,000
2026	10	23	33	\$421,861	\$3,578,139	\$4,000,000
2027	10	26	36	\$421,861	\$4,578,139	\$5,000,000
2028	10	31	41	\$421,861	\$4,578,139	\$5,000,000
2029	10	35	45	\$421,861	\$5,578,139	\$6,000,000
2030	10	38	48	\$421,861	\$5,578,139	\$6,000,000
2031	10	39	49	\$421,861	\$6,578,139	\$7,000,000
2032	10	41	51	\$421,861	\$6,578,139	\$7,000,000
2033	10	42	52	\$421,861	\$6,578,139	\$7,000,000

Source: CPA REMI, Delaware Processing, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Culberson County-Allamoore ISD I&S Tax Levy	Culberson County-Allamoore ISD M&O Tax Levy	Culberson County-Allamoore M&O and I&S Tax Levies	Culberson County Tax Levy	Culberson County Hospital District Tax Levy	Culberson County Groundwater District Tax Levy	Estimated Total Property Taxes
2020	\$22,000,000	\$22,000,000		0.4566	0.9700		0.1853	0.1442	0.0525	
2021	\$125,000,000	\$125,000,000		\$100,448	\$213,400	\$313,848	\$40,768	\$31,715	\$11,554	\$397,886
2022	\$125,000,000	\$125,000,000		\$570,726	\$1,212,500	\$1,783,226	\$231,638	\$180,200	\$65,650	\$2,260,714
2023	\$120,000,000	\$120,000,000		\$570,726	\$1,212,500	\$1,783,226	\$231,638	\$180,200	\$65,650	\$2,260,714
2024	\$117,500,000	\$117,500,000		\$547,897	\$1,164,000	\$1,711,897	\$222,372	\$172,992	\$63,024	\$2,170,285
2025	\$115,000,000	\$115,000,000		\$536,483	\$1,139,750	\$1,676,233	\$217,739	\$169,388	\$61,711	\$2,125,071
2026	\$115,000,000	\$115,000,000		\$525,068	\$1,115,500	\$1,640,568	\$213,107	\$165,784	\$60,398	\$2,079,857
2027	\$112,500,000	\$112,500,000		\$513,654	\$1,091,250	\$1,604,904	\$208,474	\$162,180	\$59,085	\$2,034,642
2028	\$110,000,000	\$110,000,000		\$502,239	\$1,067,000	\$1,569,239	\$203,841	\$158,576	\$57,772	\$1,989,428
2029	\$107,500,000	\$107,500,000		\$490,825	\$1,042,750	\$1,533,575	\$199,208	\$154,972	\$56,459	\$1,944,214
2029	\$105,000,000	\$105,000,000		\$479,410	\$1,018,500	\$1,497,910	\$194,576	\$151,368	\$55,146	\$1,899,000
2030	\$102,500,000	\$102,500,000		\$467,996	\$994,250	\$1,462,246	\$189,943	\$147,764	\$53,833	\$1,853,785
2031	\$100,000,000	\$100,000,000		\$456,581	\$970,000	\$1,426,581	\$185,310	\$144,160	\$52,520	\$1,808,571
2032	\$97,500,000	\$97,500,000		\$445,166	\$945,750	\$1,390,916	\$180,677	\$140,556	\$51,207	\$1,763,357
2033	\$95,000,000	\$95,000,000		\$433,752	\$921,500	\$1,355,252	\$176,045	\$136,952	\$49,894	\$1,718,142
2034	\$92,500,000	\$92,500,000		\$422,337	\$897,250	\$1,319,587	\$171,412	\$133,348	\$48,581	\$1,672,928
2035	\$90,000,000	\$90,000,000		\$410,923	\$873,000	\$1,283,923	\$166,779	\$129,744	\$47,268	\$1,627,714
	\$87,500,000									
			Total	\$7,474,231	\$15,878,900	\$23,353,131	\$3,033,525	\$2,359,899	\$859,752	\$29,606,307

Source: CPA, Delaware Processing, LLC

*Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Culberson County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Culberson County- Allamoore ISD I&S Tax Levy	Culberson County- Allamoore ISD M&O Tax Levy	Culberson County- Allamoore M&O and I&S Tax Levies	Culberson County Tax Levy	Culberson County Hospital District Tax Levy	Culberson County Groundwater District Tax Levy	Estimated Total Property Taxes
				0.4566	0.9700		0.1853	0.1442	0.0525	
2020	\$22,000,000	\$22,000,000		\$100,448	\$213,400	\$313,848	\$40,768	\$31,715	\$11,554	\$386,331
2021	\$125,000,000	\$30,000,000		\$570,726	\$291,000	\$861,726	\$92,655	\$180,200	\$65,650	\$1,134,581
2022	\$125,000,000	\$30,000,000		\$570,726	\$291,000	\$861,726	\$92,655	\$180,200	\$65,650	\$1,134,581
2023	\$120,000,000	\$30,000,000		\$547,897	\$291,000	\$838,897	\$88,949	\$172,992	\$63,024	\$1,100,838
2024	\$117,500,000	\$30,000,000		\$536,483	\$291,000	\$827,483	\$87,096	\$169,388	\$61,711	\$1,083,966
2025	\$115,000,000	\$30,000,000		\$525,068	\$291,000	\$816,068	\$85,243	\$165,784	\$60,398	\$1,067,095
2026	\$112,500,000	\$30,000,000		\$513,654	\$291,000	\$804,654	\$83,390	\$162,180	\$59,085	\$1,050,223
2027	\$110,000,000	\$30,000,000		\$502,239	\$291,000	\$793,239	\$81,536	\$158,576	\$57,772	\$1,033,352
2028	\$107,500,000	\$30,000,000		\$490,825	\$291,000	\$781,825	\$79,683	\$154,972	\$56,459	\$1,016,480
2029	\$105,000,000	\$30,000,000		\$479,410	\$291,000	\$770,410	\$77,830	\$151,368	\$55,146	\$999,608
2030	\$102,500,000	\$30,000,000		\$467,996	\$291,000	\$758,996	\$75,977	\$147,764	\$53,833	\$982,737
2031	\$100,000,000	\$100,000,000		\$456,581	\$970,000	\$1,426,581	\$185,310	\$144,160	\$52,520	\$1,756,051
2032	\$97,500,000	\$97,500,000		\$445,166	\$945,750	\$1,390,916	\$180,677	\$140,556	\$51,207	\$1,712,150
2033	\$95,000,000	\$95,000,000		\$433,752	\$921,500	\$1,355,252	\$176,045	\$136,952	\$49,894	\$1,668,248
2034	\$92,500,000	\$92,500,000		\$422,337	\$897,250	\$1,319,587	\$171,412	\$133,348	\$48,581	\$1,624,347
2035	\$90,000,000	\$90,000,000		\$410,923	\$873,000	\$1,283,923	\$166,779	\$129,744	\$47,268	\$1,580,446
			Total	\$7,474,231	\$7,730,900	\$15,205,131	\$1,766,004	\$2,359,899	\$859,752	\$19,331,034
			Diff	\$0	\$8,148,000	\$8,148,000	\$1,267,520	\$0	\$0	\$10,275,273

Source: CPA, Delaware Processing, LLC
 *Tax Rate per \$100 Valuation

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

Attachment B – Tax Revenue before 25th Anniversary of Limitation Start

This represents the Comptroller’s determination that Delaware Processing, LLC (project) is reasonably likely to generate, before the 25th 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 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	2018	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0
	2020	\$213,400	\$213,400	\$0	\$0
Limitation Period (10 Years)	2021	\$291,000	\$504,400	\$921,500	\$921,500
	2022	\$291,000	\$795,400	\$921,500	\$1,843,000
	2023	\$291,000	\$1,086,400	\$873,000	\$2,716,000
	2024	\$291,000	\$1,377,400	\$848,750	\$3,564,750
	2025	\$291,000	\$1,668,400	\$824,500	\$4,389,250
	2026	\$291,000	\$1,959,400	\$800,250	\$5,189,500
	2027	\$291,000	\$2,250,400	\$776,000	\$5,965,500
	2028	\$291,000	\$2,541,400	\$751,750	\$6,717,250
	2029	\$291,000	\$2,832,400	\$727,500	\$7,444,750
	2030	\$291,000	\$3,123,400	\$703,250	\$8,148,000
Maintain Viable Presence (5 Years)	2031	\$970,000	\$4,093,400	\$0	\$8,148,000
	2032	\$945,750	\$5,039,150	\$0	\$8,148,000
	2033	\$921,500	\$5,960,650	\$0	\$8,148,000
	2034	\$897,250	\$6,857,900	\$0	\$8,148,000
	2035	\$873,000	\$7,730,900	\$0	\$8,148,000
Additional Years as Required by 313.026(c)(1) (10 Years)	2036	\$848,750	\$8,579,650	\$0	\$8,148,000
	2037	\$824,500	\$9,404,150	\$0	\$8,148,000
	2038	\$800,250	\$10,204,400	\$0	\$8,148,000
	2039	\$776,000	\$10,980,400	\$0	\$8,148,000
	2040	\$751,750	\$11,732,150	\$0	\$8,148,000
	2041	\$727,500	\$12,459,650	\$0	\$8,148,000
	2042	\$703,250	\$13,162,900	\$0	\$8,148,000
	2043	\$679,000	\$13,841,900	\$0	\$8,148,000
	2044	\$654,750	\$14,496,650	\$0	\$8,148,000
	2045	\$630,500	\$15,127,150	\$0	\$8,148,000

\$15,127,150 is greater than **\$8,148,000**

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
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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, Delaware Processing, LLC

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

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines 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.” This represents the basis for the Comptroller’s determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller **has determined** that the limitation on appraised value is a determining factor in the Delaware Processing, 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 Delaware Processing, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “Delaware Processing, LLC is a subsidiary of EnLink Midstream, LLC.”
 - B. “EnLink Midstream, LLC is always evaluating various manufacturing projects for development and where to commit substantial long-term investment based on economic rate of return on investment in the proposed projects. In regard to the Tiger Plant, EnLink Midstream, LLC is considering areas in New Mexico, specifically Eddy or Lea County for the establishment of this site.”
 - C. “With the property tax liabilities making up a substantial ongoing cost of operation that directly impacts the rate of return on the investment for the Tiger Plant. Without the tax incentive, the economics of this project will be less competitive with other capital-intensive projects and the viability of the proposed project becomes uncertain.”
 - D. “EnLink Midstream, LLC evaluates the rate of return with the proposed project’s 313 appraised value limitation agreement and without the value limitation agreement. If the rate of return with the valuation limitation agreement exceeds the minimum rate of return, they can proceed with the proposed investment. Therefore, receiving a value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize EnLink Midstream, LLC to invest capital in the proposed project rather than making an alternative investment. This makes the ability to enter into a Chapter 313 appraised value limitation agreement with the school district “the determining factor” to invest in this project.”
- According to the EnLink Midstream, LLC news release dated May 2, 2019, “We plan to construct a 200 MMcf/d gas processing plant in the Delaware Basin. We expect the plant to be operational in 2020.”

- Per EnLink Midstream, LLC's First Quarter Results Announcement, dated April 30, 2019, EnLink Midstream "[a]ccelerated growth plans in the Permian's Delaware Basin with the planned construction of a new, 200 million cubic feet per day (MMcf/d) natural gas processing plant in response to increased production estimates by a key producer customer."

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

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

Supporting Information

Section 8 of the Application for
a Limitation on Appraised Value

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.

Supporting Information

Attachments provided in Tab 5
of the Application for a
Limitation on Appraised Value



Tab 5

Limitation as a Determining Factor

Delaware Processing, LLC is a subsidiary of EnLink Midstream, LLC. EnLink Midstream operates a differentiated midstream platform that is built for long-term, sustainable value creation. They are dedicated to connecting energy to life through midstream services that improve their customers' business, employees' lives, local communities, and investor returns. EnLink Midstream, LLC provides integrated midstream services across natural gas, crude oil, condensate, and NGL commodities. Their purposely built, integrated asset platforms are in premier production basins and core demand centers, including Permian Basin, Oklahoma, North Texas, Ohio River Valley, and the Gulf Coast.

EnLink Midstream, LLC is always evaluating various manufacturing projects for development and where to commit substantial long-term investment based on economic rate of return on investment in the proposed projects. In regard to the Tiger Plant, EnLink Midstream, LLC is considering areas in New Mexico, specifically Eddy or Lea County for the establishment of this site.

The economic benefits provided by a Chapter 313 Value Limitation is one of the most important components in their analysis. Not only EnLink Midstream, LLC but all prudent manufactures, know tax incentives play an important role in attracting capital intensive manufacturing facilities due to the high property tax burden in Texas because of the direct impact on any proposed project's economic viability, so the decision to invest in Texas, or any other state, requires any capital investment by EnLink Midstream, LLC to be based on expected economic return on their investment.

With the property tax liabilities making up a substantial ongoing cost of operation that directly impacts the rate of return on the investment for the Tiger Plant. Without the tax incentive, the economics of this project will be less competitive with other capital-intensive projects and the viability of the proposed project becomes uncertain. EnLink Midstream, LLC evaluates the rate of return with the proposed project's 313 appraised value limitation agreement and without the value limitation agreement. If the rate of return with the valuation limitation agreement exceeds the minimum rate of return, they can proceed with the proposed investment. Therefore, receiving a value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize EnLink Midstream, LLC to invest capital in the proposed project rather than making an alternative investment. This makes the ability to enter into a Chapter 313 appraised value limitation agreement with the school district "the determining factor" to invest in this project.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller

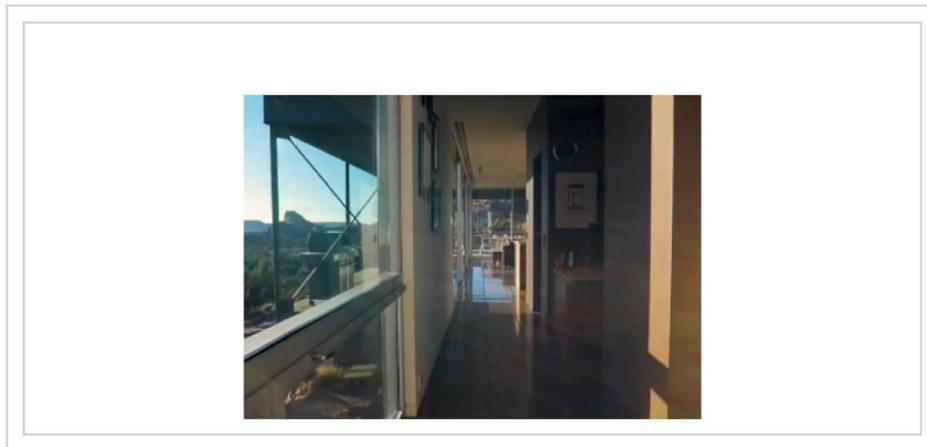
A New Watchlist 

We've updated Watchlist! The changes include a new, responsive design featuring extended-hours data and more news. [Learn More](#)

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PRESS RELEASE

10-Q: ENLINK MIDSTREAM, LLC



By
Published: May 2, 2019 6:08 a.m. ET

(EDGAR Online via COMTEX) -- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please read the following discussion of our financial condition and results of operations in conjunction with the financial statements and notes thereto included herein in this report. In addition, please refer to the Definitions page set forth in this report prior to Part I-Financial Information.

In this report, the terms "Company" or "Registrant," as well as the terms "ENLC," "our," "we," "us," or like terms, are sometimes used as abbreviated references to EnLink Midstream, LLC itself or EnLink Midstream, LLC together with its consolidated subsidiaries, including ENLK and its consolidated subsidiaries. References in this report to "EnLink Midstream Partners, LP," the "Partnership," "ENLK" or like terms refer to EnLink Midstream Partners, LP itself or EnLink Midstream Partners, LP together with its consolidated subsidiaries, including the Operating Partnership and EOGP.

Overview

ENLC is a Delaware limited liability company formed in October 2013. ENLC's assets consist of equity interests in ENLK and, effective January 25, 2019, ENLC owns all of the outstanding common units of ENLK as a result of the closing of the Merger described in "Item 1. Financial Statements-Note 1-General." All of our midstream energy assets are owned and operated by ENLK and its subsidiaries. We primarily focus on providing midstream energy services, including:

gathering, compressing, treating, processing, transporting, storing, and selling natural gas;

fractionating, transporting, storing, and selling NGLs; and

gathering, transporting, stabilizing, storing, trans-loading, and selling crude oil and condensate, in addition to brine disposal services.

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Our midstream energy asset network includes approximately 11,000 miles of pipelines, 20 natural gas processing plants with approximately 5.0 Bcf/d of processing capacity, seven fractionators with approximately 280,000 Bbls/d of fractionation capacity, barge and rail terminals, product storage facilities, purchasing and marketing capabilities, brine disposal wells, a crude oil trucking fleet, and equity investments in certain joint ventures. We manage and report our activities primarily according to the nature of activity and geography. We have five reportable segments:

Permian Segment. The Permian segment includes our natural gas gathering, processing, and transmission activities and our crude oil operations in the Midland and Delaware Basins in west Texas and eastern New Mexico and our crude operations in south Texas;

North Texas Segment. The North Texas segment includes our natural gas gathering, processing, and transmission activities in north Texas;

Oklahoma Segment. The Oklahoma segment includes our natural gas gathering, processing, and transmission activities, and our crude oil operations in the Cana-Woodford, Arkoma-Woodford, northern Oklahoma Woodford, STACK, and CNOW shale areas;

Louisiana Segment. The Louisiana segment includes our natural gas pipelines, natural gas processing plants, storage facilities, fractionation facilities, and NGL assets located in Louisiana and our crude oil operations in ORV; and

Corporate Segment. The Corporate segment includes our unconsolidated affiliate investments in the Cedar Cove JV in Oklahoma, our ownership interest in GCF in Fort Worth, Texas, our derivative activity, and our general corporate assets and expenses.

We manage our operations by focusing on gross operating margin because our business is generally to gather, process, transport, or market natural gas, NGLs, crude oil, and condensate using our assets for a fee. We earn our fees through various fee-based contractual arrangements, which include stated fee-only contract arrangements or arrangements with fee-based components where we purchase and resell commodities in connection with providing the related service and earn a net margin as our fee. We earn our net margin under our purchase and resell contract arrangements primarily as a result of stated service-related fees that are deducted from the price of the commodity purchase. While our transactions vary in form, the essential element of most of our transactions is the use of our assets to transport a product or provide a processed product to an end-user or marketer at the tailgate of the plant, pipeline, or barge, truck, or rail terminal. We define gross operating margin as operating revenue minus cost of sales. Gross operating margin is a non-GAAP financial measure and is explained in greater detail under "Non-GAAP Financial Measures" below. Approximately 91% of our gross operating margin was derived from fee-based

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contractual arrangements with minimal direct commodity price exposure for the three months ended March 31, 2019. We reflect revenue as "Product sales" and "Midstream services" on the consolidated statements of operations.

Devon is one of our primary customers. For the three months ended March 31, 2019 and 2018, approximately 30.0% and 39.0%, respectively, of our gross operating margin was attributable to commercial contracts with Devon.

Our revenues and gross operating margins are generated from eight primary sources:

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gathering and transporting natural gas, NGLs, and crude oil on the pipeline systems we own;

processing natural gas at our processing plants;

fractionating and marketing recovered NGLs;

providing compression services;

providing crude oil and condensate transportation and terminal services;

providing condensate stabilization services;

providing brine disposal services; and

providing natural gas, crude oil, and NGL storage.

We gather, transport, or store gas owned by others under fee-only contract arrangements based either on the volume of gas gathered, transported, or stored or, for firm transportation arrangements, a stated monthly fee for a specified monthly quantity with an additional fee based on actual volumes. We also buy natural gas from producers or shippers at a market index less a fee-based deduction subtracted from the purchase price of the natural gas. We then gather or transport the natural gas and sell the natural gas at a market index, thereby earning a margin through the fee-based deduction. We attempt to execute substantially all purchases and sales concurrently, or we enter into a future delivery obligation, thereby establishing the basis for the fee we will receive for each natural gas

transaction. We are also party to certain long-term gas sales commitments that we satisfy through supplies purchased under long-term gas purchase agreements.

When we enter into these arrangements, our sales obligations generally match our purchase obligations. However, over time, the supplies that we have under contract may decline due to reduced drilling or other causes, and we may be required to satisfy the sales obligations by buying additional gas at prices that may exceed the prices received under the sales commitments. In our purchase/sale transactions, the resale price is generally based on the same index at which the gas was purchased.

We typically buy mixed NGLs from our suppliers to our gas processing plants at a fixed discount to market indices for the component NGLs with a deduction for our fractionation fee. We subsequently sell the fractionated NGL products based on the same index-based prices. To a lesser extent, we transport and fractionate or store NGLs owned by others for a fee based on the volume of NGLs transported and fractionated or stored. The operating results of our NGL fractionation business are largely dependent upon the volume of mixed NGLs fractionated and the level of fractionation fees charged. With our fractionation business, we also have the opportunity for product upgrades for each of the discrete NGL products. We realize higher gross operating margins from product upgrades during periods with higher NGL prices.

We gather or transport crude oil and condensate owned by others by rail, truck, pipeline, and barge facilities under fee-only contract arrangements based on volumes gathered or transported. We also buy crude oil and condensate on our own gathering systems, third-party systems, and trucked from producers at a market index less a stated transportation deduction. We then transport and resell the crude oil and condensate through a process of basis and fixed price trades. We execute substantially all purchases and sales concurrently, thereby establishing the net margin we will receive for each crude oil and condensate transaction.

We realize gross operating margins from our gathering and processing services primarily through different contractual arrangements: processing margin contracts, natural gas contracts, POL contracts, POP contracts, fixed-fee component contracts, or a combination of these contractual arrangements. "See Item 3. Quantitative and Qualitative Disclosures about Market Risk-Commodity Price Risk" for a detailed description of these contractual arrangements. Under any of these gathering and processing arrangements, we may earn a fee for the services performed, or we may buy and resell the gas and/or NGLs as part of the processing arrangement and realize a net margin as our fee. Under margin contract arrangements, our gross operating margins are higher during periods of high NGL prices relative to natural gas prices. Gross operating margin results under POL contracts are impacted only by the value of the liquids produced with margins higher during periods of higher liquids prices. Gross operating margin results under POP contracts are impacted only by the value of the natural gas and liquids produced with margins higher during periods of higher natural gas and liquids prices. Under fixed-fee based contracts, our gross operating margins are driven by throughput volume.

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Operating expenses are costs directly associated with the operations of a particular asset. Among the most significant of these costs are those associated with direct labor and supervision, property insurance, property taxes, repair and maintenance expenses, contract services, and utilities. These costs are normally fairly stable across broad volume ranges and therefore do not normally increase or decrease significantly in the short term with increases or decreases in the volume of gas, liquids, crude oil, and condensate moved through or by our assets.

Recent Developments

Senior Unsecured Notes due 2029. On April 9, 2019, ENLC issued \$500.0 million in aggregate principal amount of ENLC's 5.375% senior unsecured notes due June 1,

2029 (the "2029 Notes") at a price to the public of 100% of their face value. Interest payments on the 2029 Notes are payable on June 1 and December 1 of each year, beginning December 1, 2019. The 2029 Notes are fully and unconditionally guaranteed by ENLK. Net proceeds of approximately \$496.5 million were used to repay outstanding borrowings under the Consolidated Credit Facility, including borrowings incurred on April 1, 2019 to repay at maturity all of the \$400.0 million outstanding aggregate principal amount of ENLK's 2.70% senior unsecured notes due 2019, and for general limited liability company purposes.

Simplification of the Corporate Structure. On October 21, 2018, ENLK, ENLC, the General Partner, the managing member of ENLC, and NOLA Merger Sub entered into the Merger Agreement pursuant to which, on January 25, 2019, NOLA Merger Sub merged with and into ENLK, with ENLK continuing as the surviving entity and as a subsidiary of ENLC.

Reporting Segments. Effective January 1, 2019, we are reporting financial performance in five segments: Permian, North Texas, Oklahoma, Louisiana, and Corporate. Crude and condensate operations are combined regionally with natural gas and NGL operations in the Oklahoma and Permian segments, and ORV operations are included in the Louisiana segment. See "Item 1. Financial Statements-Note 14-Segment Information" for more information regarding reporting segments.

Transfer of EOGP Interest. On January 31, 2019, ENLC transferred its 16.1% limited partner interest in EOGP to the Operating Partnership. See "Item 1. Financial Statements-Note 1-General" for more information regarding this transaction.

Lobo Natural Gas Gathering and Processing Facilities. In early April 2019, we completed construction of a 100 MMcf/d expansion to our Lobo III cryogenic gas

processing plant, bringing the total operational processing capacity at our Lobo facilities to 375 MMcf/d.



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Cajun-Sibon Pipeline. In April 2019, we completed the expansion of our Cajun-Sibon NGL pipeline capacity, which connects the Mont Belvieu NGL hub to our fractionation facilities in Louisiana. This is the third phase of our Cajun-Sibon system referred to as Cajun Sibon III, which increases throughput capacity from 130,000 bbls/d to 185,000 bbls/d.

Avenger Crude Oil Gathering System. We commenced construction on a new crude oil gathering system in the northern Delaware Basin called Avenger. Avenger is supported by a long-term contract with Devon on dedicated acreage in their Todd and Potato Basin development areas in Eddy and Lea counties in New Mexico. We commenced initial operations on Avenger during the third quarter of 2018 and expect to begin full-service operations during the second quarter of 2019. Central Oklahoma Plants. In December 2017, we commenced construction on our Thunderbird Plant to expand our central Oklahoma processing capacity by an additional 200 MMcf/d gas processing plant. We expect to begin operations on the Thunderbird Plant during the second quarter of 2019.

Riptide Processing Plant. We commenced an expansion of our Riptide processing plant. We expect an additional 65MMcf/d of operational capacity to be completed during the fourth quarter of 2019.

Delaware Basin processing plant. We plan to construct a 200 MMcf/d gas processing plant in the Delaware Basin. We expect the plant to be operational in 2020.

Non-GAAP Financial Measures

We include the following non-GAAP financial measures: Adjusted earnings before interest, taxes, and depreciation and amortization ("adjusted EBITDA"), distributable cash flow available to common unitholders ("distributable cash flow"), and gross operating margin.

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Adjusted EBITDA

We define adjusted EBITDA as net income (loss) plus interest expense, provision (benefit) for income taxes, depreciation and amortization expense, impairments, unit-based compensation, (gain) loss on non-cash derivatives, (gain) loss on disposition of assets, (gain) loss on extinguishment of debt, successful transaction costs, accretion expense associated with asset retirement obligations, non-cash rent, and distributions from unconsolidated affiliate investments, less payments under onerous performance obligations, non-controlling interest, income (loss) from unconsolidated affiliate investments, and non-cash revenue from contract restructuring. Adjusted EBITDA is a primary metric used in our short-term incentive program for compensating employees. In addition, adjusted EBITDA is used as a supplemental liquidity and performance measure by our management and by external users of our financial statements, such as investors, commercial banks, research analysts, and others, to assess:

the financial performance of our assets without regard to financing methods, capital structure, or historical cost basis;

the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness, and make cash distributions to our unitholders;

our operating performance and return on capital as compared to those of other companies in the midstream energy sector, without regard to financing methods or capital structure, and

the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

The GAAP measures most directly comparable to adjusted EBITDA are net income

Adjusted EBITDA does not include interest expense, income taxes, or depreciation and amortization expense. Because we have borrowed money to finance our operations, interest expense is a necessary element of our costs and our ability to generate cash available for distribution. Because we use capital assets, depreciation and amortization are also necessary elements of our costs. Therefore, any measures that exclude these elements have material limitations. To compensate for these limitations, we believe that it is important to consider net income (loss) and net cash provided by operating activities as determined under GAAP, as well as adjusted EBITDA, to evaluate our overall performance.

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The following tables reconcile adjusted EBITDA to the most directly comparable GAAP measure for the periods indicated (in millions):

Reconciliation of net income (loss) to adjusted EBITDA Three Months Ended March 31, 2019		
2018 Net income (loss)	\$ (134.8)	\$ 57.1
Interest expense, net of interest income	49.6	44.5
Depreciation and amortization	152.1	138.1
Impairments	186.5	-
Income from unconsolidated affiliates	(5.3)	(3.0)
Distributions from unconsolidated affiliates	2.5	6.0
Loss on disposition of assets	- 0.1	0.1
Unit-based compensation	11.1	5.1
Income tax provision	1.8	7.0
Loss on non-cash derivatives	2.0	3.5
Payments under onerous performance obligation offset to other current and long-term liabilities	(4.5)	(4.5)
Transaction costs	(1)	13.5
Other	(2)	0.3
Adjusted EBITDA before non-controlling interest	274.8	254.9
Non-controlling		

interest share of adjusted EBITDA from joint ventures (3) (6.6) (3.6) Adjusted EBITDA,
net to ENLC \$ 265.2 \$ 231.0

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(2) Includes accretion expense associated with asset retirement obligations and non-cash rent, which relates to lease incentives pro-rated over the lease term.

(3) Non-controlling interest share of adjusted EBITDA from joint ventures includes NGP's 49.9% share of adjusted EBITDA from the Delaware Basin JV, Marathon Petroleum Corporation's 50% share of adjusted EBITDA from the Ascension JV, and other minor non-controlling interests.

Distributable Cash Flow

We define distributable cash flow as adjusted EBITDA, net to ENLC, less interest expense, interest rate swaps, current income taxes and other non-distributable cash flows, accrued cash distributions on ENLK Series B Preferred Units and ENLK Series C Preferred Units paid or expected to be paid, and maintenance capital expenditures, excluding maintenance capital expenditures that were contributed by other entities and relate to the non-controlling interest share of our consolidated entities. Distributable cash flow is used as a supplemental liquidity measure by our management and by external users of our financial statements, such as investors, commercial banks, research analysts, and others, to assess the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness, and make cash distributions.

Maintenance capital expenditures include capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of the assets and to extend their useful lives. Examples of maintenance capital expenditures are expenditures to refurbish and replace pipelines, gathering assets, well connections, compression assets, and processing assets up to their original operating capacity, to maintain pipeline and equipment reliability, integrity, and safety, and to address environmental laws and regulations.

The GAAP measure most directly comparable to distributable cash flow is net cash provided by operating activities. Distributable cash flow should not be considered an alternative to, or more meaningful than, net income (loss), operating income (loss), net cash provided by operating activities, or any other measure of liquidity presented in accordance with GAAP. Distributable cash flow has important limitations because it excludes some items that affect net income

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Reconciliation of net cash provided by operating activities to adjusted EBITDA

and Distributable Cash Flow (in millions) Three Months Ended March 31, 2019

Net cash provided by operating activities	\$ 264.0
Interest expense (1)	49.5
Current income tax expense	1.0
Transaction costs (2)	13.5
Other (3)	(1.5)
Changes in operating assets and liabilities which (provided) used cash: Accounts receivable, accrued revenues, inventories and other	(97.4)
Accounts payable, accrued product purchases, and other accrued liabilities (4)	45.7
Adjusted EBITDA before non-controlling interest	274.8
Non-controlling interest share of adjusted EBITDA from joint ventures (5)	(6.6)
Adjusted EBITDA, net to ENLC	268.2
Interest expense, net of interest income (49.6)	(49.6)
Current taxes and other (2.5)	(2.5)
Maintenance capital expenditures, net to ENLC (6)	(8.5)
ENLK preferred unit accrued cash distributions (7)	(22.7)
Distributable cash flow	\$ 184.9

(2) Represents transaction costs incurred related to the Merger.

(3) Includes accruals for settled commodity swap transactions.

(4) Net of payments under onerous performance obligation offset to other current and long-term liabilities.

(5) Non-controlling interest share of adjusted EBITDA from joint ventures includes NGP's 49.9% share of adjusted EBITDA from the Delaware Basin JV, Marathon Petroleum Corporation's 50% share of adjusted EBITDA from the Ascension JV, and other minor non-controlling interests.

(6) Excludes maintenance capital expenditures that were contributed by other entities and relate to the non-controlling interest share of our consolidated entities.

(7) Represents the cash distributions earned by the ENLK Series B Preferred Units and ENLK Series C Preferred Units of \$16.7 million and \$6.0 million, respectively, for the three months ended March 31, 2019. Cash distributions to be paid to holders of the ENLK Series B Preferred Units and ENLK Series C Preferred Units are not available to common unitholders.

Distributable cash flow is not presented for the three months ended March 31, 2018 because distributable cash flow was not used as a supplemental liquidity measure by ENLC during 2018. ENLC began using distributable cash flow as a supplemental liquidity measure in 2019 as a result of the simplification of our corporate structure in the Merger.

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Gross Operating Margin

We define gross operating margin as revenues less cost of sales. We present gross operating margin by segment in "Results of Operations." We disclose gross operating margin in addition to total revenue because it is the primary performance measure used by our management. We believe gross operating margin is an important measure because, in general, our business is to gather, process, transport, or market natural gas, NGLs, condensate, and crude oil for a fee or to purchase and resell natural gas, NGLs, condensate, and crude oil for a margin. Operating expense is a separate measure used by our management to evaluate operating performance of field operations. Direct labor and supervision, property insurance, property taxes, repair and maintenance, utilities, and contract services comprise the most significant portion of our operating expenses. We do not deduct operating expenses from total revenue in calculating gross operating margin

because these expenses are largely independent of the volumes we transport or process and fluctuate depending on the activities performed during a specific period. The GAAP measure most directly comparable to gross operating margin is operating income (loss). Gross operating margin should not be considered an alternative to, or more meaningful than, operating income (loss) as determined in accordance with GAAP. Gross operating margin has important limitations because it excludes all operating costs that affect operating income (loss) except cost of sales. Our gross operating margin may not be comparable to similarly-titled measures of other companies because other entities may not calculate these amounts in the same manner.

The following table provides a reconciliation of operating income to gross operating margin (in millions):

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May 02, 2019

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EnLink Midstream Reports First Quarter 2019 Results and Announces Accelerated, Capital-Efficient Growth in the Permian Basin

04.30.19

DALLAS, April 30, 2019 /PRNewswire/ -- EnLink Midstream, LLC (NYSE: ENLC) (EnLink or ENLC) reported financial results for the first quarter of 2019 and announced accelerated, capital-efficient growth plans in the Permian Basin. EnLink also updated and reaffirmed certain full-year 2019 company-level financial guidance measures.



M I D S T R E A M

First Quarter 2019 Highlights

Reported a net loss solely due to a goodwill impairment resulting from the close of the corporate simplification transaction. Excluding the goodwill impact, net income was in line with expectations.

Delivered adjusted EBITDA, distributable cash flow, and distribution coverage results ahead of company and the Street expectations, driven by the company's diversified midstream platform and execution of highly accretive growth projects. Adjusted EBITDA and distributable cash flow are non-GAAP measures and are explained in greater detail under "Non-GAAP Financial Information and Certain Definitions."

Accelerated growth plans in the Permian's Delaware Basin with the planned construction of a new, 200 million cubic feet per day (MMcf/d) natural gas processing plant in response to increased production estimates by a key producer customer.

Signed two new commercial contracts for onloading natural gas processing volumes in the Permian's Midland Basin, which support the expansion of EnLink's Riptide facility by 65 MMcf/d, at a growth capital expenditure estimate of approximately \$8 million.

Placed Cajun-Sibon III natural gas liquids (NGL) pipeline expansion and Lobo III natural gas processing plant expansion into service, in line with expectations.

Maintained estimated overall net company growth capital expenditures guidance in the range announced on February 19, 2019.

Declared a quarterly cash distribution of \$0.279 per unit on all outstanding common units, which represents approximately 6% growth from the prior quarter on an annualized basis.

"EnLink continues to execute well on our long-term strategic plan, and we are very pleased with the strong, diversified cash flows generated by our differentiated midstream platform," said Michael J. Garberding, EnLink President and Chief Executive Officer. "We continue to grow our strategic asset positions by putting highly efficient capital to work. Our long-term growth outlook remains robust, with an exciting runway of high-return projects to bring on

line, and we remain committed to creating and returning value to our stakeholders with a focus on capital allocation."

First Quarter 2019 Financial Results

Reported a net loss of \$176 million, which included the recognition of a \$187 million non-cash charge related to goodwill that was created at the formation of EnLink in 2014. This non-cash charge occurred because of the simplification transaction that closed on January 25, 2019.

Achieved adjusted EBITDA net to ENLC of \$268 million, which exceeded company and the Street expectations.

Reported net cash provided by operating activities of \$264 million.

Achieved distributable cash flow of \$185 million, which exceeded company and the Street expectations.

Distribution coverage was 1.35x, which exceeded company and the Street expectations.

Debt-to-adjusted EBITDA, as calculated under the terms of EnLink's credit facility, was 3.7x, in line with company expectations.

Growth capital expenditures, net to EnLink, were approximately \$220 million, which was consistent with company expectations, as most major capital projects will be operational during the first half of the year.

As of April 25, 2019, ENLC had 487,170,379 common units outstanding.

Accelerated Growth in the Permian Basin and Related Asset Expansions

EnLink continues to have success with building scale in the Delaware Basin and is accelerating expectations for natural gas gathering and processing volume growth as a result of the company's longstanding relationship in the region with XTO, a subsidiary of Exxon Mobil. XTO is one of the most active operators in the Permian Basin, and its recent production estimates were significantly upgraded. EnLink now forecasts that its Lobo natural gas processing complex will near full utilization sooner than expected, with the need for additional capacity during 2020. EnLink plans to construct a new, 200 MMcf/d natural

gas processing plant in the Delaware Basin, which is expected to be operational during 2020, to support XTO's incremental growth.

This project will be included in EnLink's Delaware Basin Joint Venture, of which EnLink owns a 50.1% interest. The project is forecasted to have an adjusted EBITDA return multiple in the 5-to-6 times range. Growth capital expenditures, net to EnLink, related to the plant expansion and related infrastructure are expected to be approximately \$120 million, with approximately \$60 million forecasted to be spent during 2019.

EnLink recently signed two contracts in the Midland Basin to onload additional natural gas processing volumes, commencing in the second quarter of 2019. These contracts underpin EnLink's low-cost expansion of its Riptide facility in the Midland Basin, which is expected to be operational during the fourth quarter of 2019. Riptide's current processing capacity of 100 MMcf/d will be expanded by 65 MMcf/d, for a total processing capacity of 165 MMcf/d once the expansion is complete. The growth capital expenditures associated with the expansion are expected to be approximately \$8 million, with a highly accretive project adjusted EBITDA multiple forecasted to be in the 1-to-2 times range.

Full-Year 2019 Financial and Operational Guidance Update

EnLink reaffirms company-level financial 2019 guidance ranges presented in materials released on February 19, 2019, with an adjustment to reflect the impact of a non-cash goodwill charge associated with the recently closed corporate simplification transaction. Net income is projected to range from \$18 million to \$28 million for full-year 2019, revised downward from the previous guidance range of \$205 million to \$215 million because of the recognition of a non-cash charge during the three months ended March 31, 2019, related to goodwill that was created at the formation of EnLink in 2014. This non-cash charge occurred because of the simplification transaction, which closed on January 25, 2019. Excluding the non-cash charge impact, net income expectations would be consistent with original guidance.

Growth capital expenditures, net to EnLink, continue to be projected to range from \$565 million to \$725 million. EnLink expects the net incremental growth capital expenditures in the Permian Basin related to new project announcements to be primarily offset by reduced growth capital expenditures in other segments.

First Quarter 2019 Segment Updates

Oklahoma:

EnLink's Oklahoma segment reported strong growth in segment profit year over year. Segment profit for the first quarter of 2019, as compared to the first quarter of 2018, increased by approximately 15%. All segment information for the first quarter of 2018 has been recast to conform to the presentation of the four operating segments, which became effective on January 1, 2019.

The Oklahoma segment also experienced natural gas volume growth year over year, with the first quarter of 2019 gas gathering, transportation, and processing volumes increasing over 15% from the first quarter of 2018.

Growth in average natural gas gathering, transportation, and processing volumes for 2019 full-year as compared to 2018 full-year actual results is forecasted to be in the range of 10% to 15%. A few of EnLink's key producer customers continue to transition and evolve their drilling and completion strategies, which has led EnLink to revise near-term volume growth expectations. EnLink remains confident in the STACK's position as a top tier growth play and the long-term growth profile of EnLink's leading asset platform in the basin.

Crude gathering volumes in the first quarter of 2019 also increased significantly year over year, over 200% from the first quarter 2018, due to the ramping of the company's crude gathering business in the STACK.

Construction of EnLink's previously announced Thunderbird processing plant is progressing well and remains on track to be operational during the second quarter of 2019. Once operational, Thunderbird will increase EnLink's gas processing capacity in Central Oklahoma by 200 MMcf/d, bringing EnLink's total gas processing capacity in the region to over 1.2 billion cubic feet per day. EnLink's ongoing development in Central Oklahoma reinforces its position as one of the largest and most cost-efficient providers of natural gas processing in the STACK. EnLink continues to work closely with its producer customers as they continue to transition towards full field development of their acreage in the STACK.

Permian Basin:

EnLink's Permian Basin segment reported strong segment profit growth during the first quarter of 2019, as compared to the first quarter of 2018, with segment profit increasing more than 100% year over year.

Natural gas volume activity also experienced solid growth during the first quarter of 2019, as compared to the first quarter of 2018, with average gathering, transportation, and processing volumes increasing more than 50% year over year.

Average crude gathering volumes continued to increase during the first quarter of 2019, as compared to the first quarter of 2018, with approximately 37% growth experienced year over year.

Louisiana:

Segment profit contribution from the Louisiana segment for the first quarter of 2019, as compared to the first quarter of 2018, was solid, as volume activity strengthened in most areas of operations.

The integrated NGL network continues to benefit from strong liquids output related to EnLink's growing STACK and Permian operations. Average NGL volumes on EnLink's system increased by approximately 10% in the first quarter of 2019, as compared to the first quarter of 2018.

Cajun-Sibon III went into service during the second quarter of 2019, expanding EnLink's ability to transport liquids from the Mont Belvieu NGL hub region to EnLink's fractionation facilities in Louisiana. Cajun-Sibon III expands EnLink's NGL transport capacity to approximately 185,000 barrels per day. The expansion is expected to generate an average annual adjusted EBITDA multiple of 2 to 3 times, with growth capital expenditures totaling approximately \$50 million.

EnLink experienced solid natural gas volume activity on its Louisiana system during the first quarter of 2019, as compared to the first quarter of 2018, with natural gas processing volumes increasing by approximately 6% due to incremental opportunity processing events. Natural gas gathering and transportation volumes were down by approximately 7% during the first quarter of 2019, as compared to the first quarter of 2018, which was in line with expectations.

Average crude volumes handled in EnLink's Ohio River Valley operations increased during the first quarter of 2019, as compared to the first quarter of 2018, by approximately 25%, due to improved producer activity in the region.

North Texas:

Segment profit declined by approximately 16% for the first quarter of 2019, as compared to the first quarter of 2018, in line with company expectations, because of the expiration of minimum volume commitments with Devon Energy Corp. on December 31, 2018.

Average natural gas volume decline for the first quarter of 2019, as compared to the first quarter of 2018, was between 3% and 5% for gathering, transportation, and processing volumes.

First Quarter 2019 Earnings Call Details

ENLC will hold a conference call to discuss first quarter 2019 results on Wednesday, May 1, at 8 a.m. Central Time (9 a.m. Eastern Time). The dial-in number for the call is 1-855-656-0924. Callers outside the United States should dial 1-412-542-4172. Participants can also preregister for the conference call by navigating to <http://dpreregister.com/10129646> where they will receive dial-in information upon completion of preregistration. Interested parties can access an archived replay of the call on the Investors' page of EnLink's website at www.EnLink.com.

About the EnLink Midstream Companies

EnLink Midstream reliably operates a differentiated midstream platform that is built for long-term, sustainable value creation. EnLink's best-in-class services span the midstream value chain, providing natural gas, crude oil, condensate, and NGL capabilities. Our purposely built, integrated asset platforms are in premier production basins and core demand centers, including the Permian Basin, Oklahoma, North Texas, and the Gulf Coast. EnLink's strong financial foundation and commitment to execution excellence drive competitive returns and value for our employees, customers, and investors. Headquartered in Dallas, EnLink is publicly traded through EnLink Midstream, LLC (NYSE: ENLC). Visit www.EnLink.com to learn how EnLink connects energy to life.

Non-GAAP Financial Information and Other Definitions

This press release contains non-generally accepted accounting principles financial measures that we refer to as adjusted EBITDA, and distributable cash flow available to common unitholders (distributable cash flow). We define adjusted EBITDA as net income (loss) plus interest expense, provision (benefit) for income taxes, depreciation and amortization expense, impairments, unit-based compensation, (gain) loss on non-cash derivatives, (gain) loss on disposition of assets, (gain) loss on extinguishment of debt, successful transaction costs (if any), accretion expense associated with asset retirement obligations, non-cash rent, and distributions from unconsolidated affiliate investments less payments under onerous performance obligations, non-controlling interest, income (loss) from unconsolidated affiliate investments and non-cash revenue from contract restructuring. We define distributable cash flow as adjusted EBITDA (defined above, net to ENLC), less interest expense, interest rate swaps, current income taxes and other non-distributable cash flows, accrued cash distributions on EnLink Midstream Partners, LP's (ENLK) Series B Cumulative Convertible Preferred Units (the "ENLK Series B Preferred Units") and ENLK's Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (the "ENLK Series C Preferred Units") paid or expected to be paid, and maintenance capital expenditures, excluding maintenance capital expenditures that were contributed by other entities and relate to the non-controlling interest share of our consolidated entities.

Distribution coverage is calculated by dividing distributable cash flow by distributions declared to common unitholders.

Growth capital expenditures generally include capital expenditures made for acquisitions or capital improvements that we expect will increase our asset base, operating income or operating capacity over the long-term. Maintenance capital expenditures generally include capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of the assets and to extend their useful lives.

EnLink believes these measures are useful to investors because they may provide users of this financial information with meaningful comparisons between current results and previously-reported results and a meaningful measure of the company's cash flow after it has satisfied the capital and related requirements of its operations. In addition, adjusted EBITDA

achievement is a primary metric used in our short-term incentive program for compensating employees.

Segment profit (loss) is defined as operating income (loss) plus general and administrative expenses, depreciation and amortization, (gain) loss on disposition of assets, impairments, and (gain) loss on litigation settlement. Segment profit (loss) includes non-cash compensation expenses reflected in operating expenses. See "Item 8. Financial Statements and Supplementary Data - Note 15 - Segment Information" in ENLC's Annual Report on Form 10-K for the year ended December 31, 2018, and, when available, "Item 1. Financial Statements - Note 14-Segment Information" in ENLC's Quarterly Report on Form 10-Q for the three months ended March 31, 2019, for further information about segment profit (loss).

Adjusted EBITDA and distributable cash flow, as defined above, are not measures of financial performance or liquidity under GAAP. They should not be considered in isolation or as an indicator of EnLink's performance. Furthermore, they should not be seen as a substitute for metrics prepared in accordance with GAAP. Reconciliations of these measures to their most directly comparable GAAP measures are included in the following tables. See ENLC's filings with the Securities and Exchange Commission for more information.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the federal securities laws. Although these statements reflect the current views, assumptions and expectations of our management, the matters addressed herein involve certain assumptions, risks and uncertainties that could cause actual activities, performance, outcomes and results to differ materially from those indicated herein. Therefore, you should not rely on any of these forward-looking statements. All statements, other than statements of historical fact, included in this press release constitute forward-looking statements, including but not limited to statements identified by the words "forecast," "may," "believe," "will," "should," "plan," "predict," "anticipate," "intend," "estimate," and "expect" and similar expressions. Such forward-looking statements include, but are not limited to, statements about guidance, projected or forecasted financial and operating results, when additional capacity will be operational, timing for completion of construction or expansion projects, expected financial and operational results associated with certain projects or growth capital expenditures, future

operational results of our customers, results in certain basins, future rig count information, objectives, strategies, expectations, and intentions, and other statements that are not historical facts. Factors that could result in such differences or otherwise materially affect our financial condition, results of operations, or cash flows include, without limitation (a) potential conflicts of interest of Global Infrastructure Partners ("GIP") with us and the potential for GIP to favor GIP's own interests to the detriment of the unitholders, (b) GIP's ability to compete with us and the fact that it is not required to offer us the opportunity to acquire additional assets or businesses, (c) a default under GIP's credit facility could result in a change in control of us, could adversely affect the price of our common units, and could result in a default under our credit facility, (d) the dependence on Devon for a substantial portion of the natural gas and crude that we gather, process, and transport, (e) developments that materially and adversely affect Devon or other customers, (f) adverse developments in the midstream business may reduce our ability to make distributions, (g) continually competing for crude oil, condensate, natural gas, and NGL supplies and any decrease in the availability of such commodities, (h) decreases in the volumes that we gather, process, fractionate, or transport, (i) construction risks in our major development projects, (j) our ability to receive or renew required permits and other approvals, (k) changes in the availability and cost of capital, including as a result of a change in our credit rating, (l) operating hazards, natural disasters, weather-related issues or delays, casualty losses, and other matters beyond our control, (m) impairments to goodwill, long-lived assets and equity method investments, and (n) the effects of existing and future laws and governmental regulations, including environmental and climate change requirements and other uncertainties. These and other applicable uncertainties, factors, and risks are described more fully in EnLink Midstream Partners, LP's and EnLink Midstream, LLC's filings with the Securities and Exchange Commission, including EnLink Midstream Partners, LP's and EnLink Midstream, LLC's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. Neither EnLink Midstream Partners, LP nor EnLink Midstream, LLC assumes any obligation to update any forward-looking statements.

The EnLink management team based the forecasted financial information included herein on certain information and assumptions, including, among others, the producer budgets / forecasts to which EnLink has access as of the date of this press release and the projects / opportunities expected to require growth capital expenditures as of the date of this press release. The assumptions, information, and estimates underlying the forecasted financial

information included in the guidance information in this press release are inherently uncertain and, though considered reasonable by the EnLink management team as of the date of its preparation, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forecasted financial information. Accordingly, there can be no assurance that the forecasted results are indicative of EnLink's future performance or that actual results will not differ materially from those presented in the forecasted financial information. Inclusion of the forecasted financial information in this press release should not be regarded as a representation by any person that the results contained in the forecasted financial information will be achieved.

EnLink Midstream, LLC

Selected Financial Data

(All amounts in millions except per unit amounts)

(Unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
Total revenues	\$ 1,779.2	\$ 1,761.7
Cost of sales	1,363.4	1,381.5
Gross operating margin	415.8	380.2
Operating costs and expenses, excluding cost of sales:		
Operating expenses	114.5	109.2
General and administrative	51.4	27.5
Loss on disposition of assets	—	0.1
Depreciation and amortization	152.1	138.1
Impairments	186.5	—
Total operating costs and expenses, excluding cost of sales	504.5	274.9

Operating income (loss)	(88.7)	105.3
Other income (expense):		
Interest expense, net of interest income	(49.6)	(44.5)
Income from unconsolidated affiliates	5.3	3.0
Other income	—	0.3
Total other expense	(44.3)	(41.2)
Income (loss) before non-controlling interest and income taxes	(133.0)	64.1
Income tax provision	(1.8)	(7.0)
Net income (loss)	(134.8)	57.1
Net income attributable to non-controlling interest	41.5	44.7
Net income (loss) attributable to ENLC	\$ (176.3)	\$ 12.4
Net income (loss) attributable to ENLC per unit:		
Basic common unit	\$ (0.45)	\$ 0.07
Diluted common unit	\$ (0.45)	\$ 0.07

EnLink Midstream, LLC

Reconciliation of Net Income to Adjusted EBITDA

(All amounts in millions except ratios and per unit amounts) (Unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
Net income (loss)	\$ (134.8)	\$ 57.1
Interest expense, net of interest income	49.6	44.5
Depreciation and amortization	152.1	138.1
Impairments	186.5	—

Income from unconsolidated affiliates	(5.3)	(3.0)
Distributions from unconsolidated affiliates	2.5	6.0
Loss on disposition of assets	—	0.1
Unit-based compensation	11.1	5.1
Income tax provision	1.8	7.0
Loss on non-cash derivatives	2.0	3.5
Payments under onerous performance obligation offset to other current and long-term liabilities	(4.5)	(4.5)
Transaction costs (1)	13.5	—
Other (2)	0.3	1.0
Adjusted EBITDA before non-controlling interest	274.8	254.9
Non-controlling interest share of adjusted EBITDA from joint ventures (3)	(6.6)	(3.6)
Adjusted EBITDA, net to ENLC	\$ 268.2	\$ 251.3

(1) Costs incurred related to the acquisition of all outstanding publicly held ENLK common units.

(2) Includes accretion expense associated with asset retirement obligations and non-cash rent, which relates to lease incentives pro-rated over the lease term.

(3) Non-controlling interest share of adjusted EBITDA includes NGP Natural Resources XI, L.P.'s ("NGP") 49.9% share of adjusted EBITDA from the Delaware Basin JV, Marathon Petroleum Corporation's 50% share of adjusted EBITDA from the Ascension JV, and other minor non-controlling interests.

EnLink Midstream, LLC

Reconciliation of Net Cash Provided by Operating Activities to Adjusted EBITDA

and Distributable Cash Flow

(All amounts in millions)

(Unaudited)

	Three Months Ended	
	March 31,	
	2019	
	\$	
Net cash provided by operating activities	\$	264.0
Interest expense (1)		49.5
Current income tax expense		1.0
Transaction costs (2)		13.5
Other (3)		(1.5)
Changes in operating assets and liabilities which (provided) used cash:		
Accounts receivable, accrued revenues, inventories and other		(97.4)
Accounts payable, accrued product purchases, and other accrued liabilities (4)		45.7
Adjusted EBITDA before non-controlling interest		274.8
Non-controlling interest share of adjusted EBITDA from joint ventures (5)		(6.6)
Adjusted EBITDA, net to ENLC		268.2
Interest expense, net of interest income		(49.6)
Current taxes and other		(2.5)
Maintenance capital expenditures, net to ENLC (6)		(8.5)
ENLK preferred unit accrued cash distributions (7)		(22.7)
Distributable cash flow	\$	184.9
Actual declared distribution to common unitholders	\$	137.3
Distribution coverage		1.35x
Distributions declared per limited partner unit	\$	0.279

(1)

Net of amortization of debt issuance costs and discount and premium, which are included in interest expense but not included in net cash provided by operating activities, and non-cash interest income, which is netted against interest expense but not included in adjusted EBITDA.

- (2) Costs incurred related to the acquisition of all outstanding publicly held ENLK common units.
- (3) Includes accruals for settled commodity swap transactions.
- (4) Net of payments under onerous performance obligation offset to other current and long-term liabilities.
- (5) Non-controlling interest share of adjusted EBITDA from joint ventures includes NGP's 49.9% share of adjusted EBITDA from the Delaware Basin JV, Marathon Petroleum Corporation's 50% share of adjusted EBITDA from the Ascension JV, and other minor non-controlling interests.
- (6) Excludes maintenance capital expenditures that were contributed by other entities and relate to the non-controlling interest share of our consolidated entities.
- (7) Represents the cash distributions earned by the ENLK Series B Preferred Units and ENLK Series C Preferred Units of \$16.7 million and \$6.0 million, respectively, for the three months ended March 31, 2019. Cash distributions to be paid to holders of the ENLK Series B Preferred Units and ENLK Series C Preferred Units are not available to common unitholders.

Distributable cash flow is not presented for the three months ended March 31, 2018 because distributable cash flow was not used as a supplemental liquidity measure by ENLC during 2018. ENLC began using distributable cash flow as a supplemental liquidity measure in 2019 as a result of the simplification of our corporate structure in the simplification transaction.

EnLink Midstream, LLC

Operating Data

(Unaudited)

Three Months Ended

March 31,

2019

2018

Midstream Volumes:**Permian Segment**

Gathering and Transportation (MMBtu/d)	657,500	424,000
Processing (MMBtu/d)	712,000	442,000
Crude Oil Handling (Bbls/d)	147,400	107,900

North Texas Segment

Gathering and Transportation (MMBtu/d)	1,683,100	1,766,800
Processing (MMBtu/d)	729,800	752,100

Oklahoma Segment

Gathering and Transportation (MMBtu/d)	1,244,400	1,047,900
Processing (MMBtu/d)	1,231,600	1,069,400
Crude Oil Handling (Bbls/d)	29,200	8,200

Louisiana Segment

Gathering and Transportation (MMBtu/d)	2,070,500	2,222,900
Processing (MMBtu/d)	468,000	441,900
Crude Oil Handling (Bbls/d)	15,000	11,500
NGL Fractionation (Gals/d)	6,973,800	6,343,500
Brine Disposal (Bbls/d)	3,500	2,800

EnLink Midstream, LLC**Forward-Looking Reconciliation of Net Income to Full-Year Adjusted EBITDA Guidance (1)****(All amounts in millions)****(Unaudited)****2019 Outlook****Low Midpoint High**

Net income of EnLink Midstream, LLC (2)	\$ 18	\$ 23	\$ 28
Interest expense, net of interest income	211	212	213
Depreciation and amortization	594	624	654
Impairments	187	187	187
Income from unconsolidated affiliate investments	(15)	(16)	(17)
Distributions from unconsolidated affiliate investments	14	15	16
Unit-based compensation	44	46	49
Income taxes	57	65	73
Payments under onerous performance obligation offset to other current and long-term liabilities	(10)	(10)	(10)
Cash receipts from contract restructuring (3)	17	17	17
Other (4)	(1)	(1)	(1)
Adjusted EBITDA before non-controlling interest	1,116	1,162	1,209
Non-controlling interest share of adjusted EBITDA from joint ventures (5)	(31)	(32)	(34)
Adjusted EBITDA, net to EnLink Midstream, LLC	1,085	1,130	1,175
Interest expense, net of interest income	(211)	(212)	(213)
Current taxes and other	(12)	(11)	(10)
Maintenance capital expenditures (6)	(40)	(50)	(60)
Preferred unit accrued distributions (7)	(92)	(92)	(92)
Distributable cash flow	\$ 730	\$ 765	\$ 800

(1) Represents the forward-looking net income guidance for the year ended December 31, 2019 adjusted to include \$187 million of non-cash impairment recognized in the first quarter of 2019. The forward-looking net income guidance excludes the potential impact of gains or losses on derivative activity, gains or losses on disposition of assets, impairment expense (other than the \$187 million impairment recognized in the first quarter of 2019), gains or losses as a result of legal settlements, gains or losses on

extinguishment of debt, and the financial effects of future acquisitions. The exclusion of these items is due to the uncertainty regarding the occurrence, timing and/or amount of these events.

EnLink does not provide a reconciliation of forward-looking net cash provided by operating activities to adjusted EBITDA because the company is unable to predict with reasonable certainty changes in working capital, which may impact cash provided or used during the year. Working capital includes accounts receivable, accounts payable and other current assets and liabilities. These items are uncertain and depend on various factors outside the company's control.

- (2) Net income includes estimated net income attributable to (i) NGP's 49.9% share of net income from the Delaware Basin JV, (ii) Marathon Petroleum Corp.'s 50% share of net income from the Ascension JV., and (iii) other minor non-controlling interests.
- (3) Cash receipts from contract restructuring represents the amount due during 2019 under our secured loan receivable assumed with the gathering and processing contract restructured in May 2018.
- (4) Includes (i) estimated accretion expense associated with asset retirement obligations and (ii) estimated non-cash rent, which relates to lease incentives pro-rated over the lease term.
- (5) Non-controlling interest share of adjusted EBITDA includes estimates for (i) NGP's 49.9% share of adjusted EBITDA from the Delaware Basin JV, (ii) Marathon's 50% share of adjusted EBITDA from the Ascension JV and (iii) other minor non-controlling interests.
- (6) Excludes maintenance capital expenditures that are contributed by other entities and relate to the non-controlling interest share of our consolidated entities.
- (7) Represents the cash distributions earned by the ENLK Series B Preferred Units and ENLC Series C Preferred Units. Cash distributions to be paid to holders of the ENLK Series B Preferred Units and ENLC Series C Preferred Units are not available to common unitholders.

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SOURCE EnLink Midstream, LLC

Findings and Order of the Culberson County-Allamoore Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Delaware Processing, LLC (Tax I.D. 32063721370) (Application #1359)

EXHIBIT B

*Summary of Financial Impact on
Culberson County-Allamoore Independent School District
Prepared by Jigsaw School Finance Solutions LLC*

**SUMMARY OF THE FINANCIAL IMPACT OF THE PROPOSED
DELAWARE PROCESSING, LLC. PROJECT
(APPLICATION #1359)
ON THE FINANCES OF
CULBERSON COUNTY-ALLAMOORE ISD
UNDER A REQUESTED
CHAPTER 313 APPRAISED VALUE LIMITATION**

**PREPARED BY
EDUCATION SERVICE CENTER, REGION 12
SEPTEMBER 14, 2019**

Introduction

Delaware Processing, LLC (“Delaware” or “Company”) has submitted an application to the Culberson County-Allamore ISD (“CCAISD” or “District”) requesting a property value limitation on a proposed project, located within the school district boundaries, under Chapter 313 of the Texas Tax Code. The proposed project is a new natural gas processing facility located in Culberson County, TX. The company estimates that the total investment in this project will be in excess of \$120 million.

Local government entities in Texas, including school districts, rely heavily on the ad valorem property tax to fund operations and building projects. Thus, the property tax burden that Texas imposes on individuals and business entities is higher compared to most other states. Seeking to encourage economic development and to attract large scale capital investment, the 77th Texas Legislature in 2001 enacted House Bill 1200 creating Tax Code Chapter 313, the Texas Economic Development Act. The act as amended by the legislature in 2007, 2009, and 2013 now grants eligibility to companies engaging in manufacturing, advanced clean energy projects, research and development, clean coal projects, renewable electric energy generation, electric power generation using integrated gasification combined cycle technology, nuclear electric power generation and a computer center used primarily in connection to one of the other categories, or a Texas Priority Project. Under the provisions of this law, the Culberson County-Allamore ISD may grant a value limitation for maintenance and operation taxes in the amount of \$30 million dollars for a period of ten years.

The application calls for the project to be fully taxable for both M&O (maintenance and operation) and I&S (interest and sinking) during the 2019-20 and 2020-21 school years. Beginning with the 2021-22 school year, the value of the project would be limited to \$30 million for M&O tax purposes and remain limited through the 2030-31 school year. The full value of the project will be taxable for debt service purposes using the I&S tax rate in all years of the agreement.

Revenue Protection Payment to CCAISD -	\$921,500
Supplemental Payments to CCAISD -	\$700,000
Total Revenue to CCAISD-	<u>\$1,621,500</u>
Total Tax Savings to Company after all Payments -	<u>\$6,526,500</u>

School Finance Mechanics

The Texas system of public-school funding is based on the ad valorem property tax. Schools levy a tax rate for maintenance and operation (M&O) and interest and sinking (I&S) against a current year tax roll. As a result of House Bill 3, as passed by the 86th Texas Legislature, signed into law, and effective in relevant part, on September 1, 2019, State funding is calculated using current year property value, which is a significant change from prior law which has relied on prior year values as certified by the Comptroller's Property Tax Division (CPTD), since 1993. However, for the purposes of districts with Tax Code Chapter 313 agreements and in accordance with Sec. 48.256 – LOCAL SHARE OF PROGRAM COST (TIER I), Subsection d - *A revenue protection payment required as part of an agreement for a limitation on appraised value shall be based on the district's taxable value of property for the preceding tax year.*

Texas school districts are funded by some combination of local ad valorem property taxes and state aid. Most of the money that a school district generates through the funding formulas is generated in Tier 1. Local M&O collections at the compressed tax rate generate Tier I funding. In 2019-20, a school district's Tier I revenue is the greater of the adjusted minimum target revenue amount or the state share of Tier 1 plus local M&O collections at the compressed rate. The Tier 1 formulas start with a Basic Allotment per student of \$6,160. Funding calculations use the number of students in average daily attendance, the number of students who participate in categorical/special programs, and adjustments for size, sparsity, and location determine a Total Cost of Tier 1. A Local Fund Assignment is determined by multiplying the district's compressed tax rate by the current year property value. This formula determines the local ad valorem property taxes the district must collect in order to satisfy the district's share of the Tier 1 cost. School districts that are relatively property wealthy per student fund most of the Total Cost of Tier 1 with local property taxes, while school districts that are relatively property poor per student receive most of the Total Cost of Tier 1 from state aid.

Culberson County-Allamore ISD is a relatively property wealthy district per student and so most of its M&O revenue is generated from local ad valorem property taxes. In attempting to provide some degree of funding equity among school districts, the formulas provide guaranteed yields for both Tier I (formula funding) and for Tier II (enrichment). For those districts that generate local revenue in excess of entitlement amounts, the excess revenue is recaptured. Under prior law, recapture was a function of excess property wealth per weighted student. The system continues to rely on both golden (greater of 96th percentile of wealth up to 160% of basic allotment) and copper (equalized up to \$49.28/WADA) enrichment pennies (Tier II tax rate). Under HB 3, districts can access up to 8 golden pennies. Copper pennies will be compressed in manner that generates the same revenue for the compressed number of pennies as were taxed under old law.

CCAISD currently has property wealth per weighted ADA that is more than the second equalized wealth level at \$3.7 million per weighted ADA. Under prior law, CCAISD was considered a Chapter 41 district and would have paid recapture. The implementation of HB 3, is not expected to alter Culberson County's status in terms of being required to pay recapture. Delaware is requesting that the value of the natural gas processing facility be limited to \$30,000,000 in years one through ten of the agreement, corresponding to the 2021-22 school year through the 2030-31 school year. The full value of the project would be subject to interest and sinking (I&S) taxes levied by Culberson County-Allamore ISD in all years of the agreement.

Underlying Assumptions

A forecast of the financial impact that the proposed value limitation will have on CCAISD's future revenue is critical information that will be very useful to the district when making the decision to grant the limitation and for the district's long-range financial planning process. Analysis for this application covers the 2019-20 through the 2035-36 school years.

The Revenue Protection Clause of the proposed agreement calls for the school district to be held harmless against any potential state and local maintenance and operation revenue losses as a result of the value limitation agreement. Revenue protection calculations are to be made using whatever property tax laws and school funding formulas are in place at that time in years one through ten of the agreement. This stipulation is a statutory requirement under Section 313.027 of the Tax Code.

The approach used in this report was to predict 17 years of base data including average daily attendance, M&O and I&S tax rates, maintenance and operation (M&O) tax collections and current year (CAD) values and prior year (CPTD) values for each year of the agreement. For the purposes of this analysis, final 2018 CPTD values were used as well as 2018 CAD values from Culberson and Hudspeth Counties CADs (Central Appraisal Districts). These values have been included in the base data illustrated in **Table 1**.

To isolate the impact of the value limitation on the District's finances over this 17 year agreement, average daily attendance and maintenance and operation tax rates were held constant at levels that were projected to exist in the 2019-20 school year. An ADA of 335, a WADA of 673 and a 2019 M&O tax rate of \$1.04, compressed to \$0.97 under HB 3, were used for each year of the forecast. A tax collection rate of 100% is assumed in all of the calculations used in this analysis. The Culberson and Hudspeth CADs certified value for 2019 was used as the 2019 CAD value. This value was used as the basis for subsequent current year (CAD) values in this report. The final 2018 T1, T2, T3 and T4 Comptroller Property Tax Division (CPTD) values, certified to school districts in late July, 2019, were used as a basis for predicting prior year (CPTD) values for each of the agreement years.

Table 1 Base District Information
Culberson County-Allamore ISD - Delaware Processing LLC

Year of Agreement	School Year	ADA	WADA	Assumed M&O Tax Rate	Assumed I&S Tax Rate	CAD Value No Limit	CAD Value with Limitation
0	2019-20	335	673	\$0.9700	\$0.4000	\$2,505,605,766	\$2,505,605,766
QTP1	2020-21	335	673	\$0.9700	\$0.4000	\$2,577,605,766	\$2,577,605,766
QTP2/L1	2021-22	335	673	\$0.9700	\$0.4000	\$2,680,605,766	\$2,585,605,766
L2	2022-23	335	673	\$0.9700	\$0.4000	\$2,730,605,766	\$2,635,605,766
L3	2023-24	335	673	\$0.9700	\$0.4000	\$2,725,605,766	\$2,635,605,766
L4	2024-25	335	673	\$0.9700	\$0.4000	\$2,723,105,766	\$2,635,605,766
L5	2025-26	335	673	\$0.9700	\$0.4000	\$2,720,605,766	\$2,635,605,766
L6	2026-27	335	673	\$0.9700	\$0.4000	\$2,718,105,766	\$2,635,605,766
L7	2027-28	335	673	\$0.9700	\$0.4000	\$2,715,605,766	\$2,635,605,766
L8	2028-29	335	673	\$0.9700	\$0.4000	\$2,713,105,766	\$2,635,605,766
L9	2029-30	335	673	\$0.9700	\$0.4000	\$2,710,605,766	\$2,635,605,766
L10	2030-31	335	673	\$0.9700	\$0.4000	\$2,810,105,766	\$2,737,605,766
MVP1	2031-32	335	673	\$0.9700	\$0.4000	\$2,803,805,766	\$2,803,805,766
MVP2	2032-33	335	673	\$0.9700	\$0.4000	\$2,814,166,266	\$2,814,166,266
MVP3	2033-34	335	673	\$0.9700	\$0.4000	\$2,807,861,066	\$2,807,861,066
MVP4	2034-35	335	673	\$0.9700	\$0.4000	\$2,798,326,066	\$2,798,326,066
MVP5	2035-36	335	673	\$0.9700	\$0.4000	\$2,789,142,566	\$2,789,142,566

The proposed agreement calls for Culberson County-Allamore ISD to be held harmless against potential state and local revenue losses that might occur as a result of the value limitation being in effect for any given year of the agreement. In order to predict when and if these revenue losses may occur, a state and local revenue projection for the 2019-2020 school year was completed to serve as base line data and is displayed in **Table 2**. In any year of the limitation period where total state and or local funding with the full project value exceeds the total state and local funding produced when the limited value is used, a Revenue Protection Payment is indicated for that year. The results of these calculations are illustrated in **Table 3**.

Financial Impact on the School District

Utilizing the assumptions and methodology described above, total maintenance and operation revenue was estimated for each year of the agreement. **Table 3**, which summarizes the difference between the two models, indicates that there will be a total revenue loss of \$921,500 over the course of the agreement. The revenue loss by the district, due to the agreement, is estimated to be mostly in the first year of the value limitation period.

**Table 2 Culberson County - Allamoore ISD
2019-2020 Projected Summary of Finances**

Funding Elements	
Students	
Refined Average Daily Attendance (ADA)	334.552
Weighted ADA (WADA)	673.370
Property Values	
2019 (current tax year) Locally Certified Property Value	\$2,505,605,766
2018 (prior tax year) Adjusted State Certified Property Value	\$1,950,712,961
Tax Rates and Collections	
2005 Adopted M&O Tax Rate	1.5000
2019 (current tax year) Compressed M&O Tax Rate	1.0000
Average Tax Collection Rate	95.0%
2019 (current tax year) M&O Tax Rate	0.9700
2019-2020 (current school year) M&O Tax Collections	\$24,304,376
2019 (current tax year) I&S Tax Rate	0.4000
2019-2020 (current school year) I&S Tax Collections	\$10,022,423
2019-2020 (current school year) Total Tax Collections	\$34,326,799
2019-2020 (current school year) Total Tax Levy	\$35,013,335
Funding Components	
Adjusted Allotment	\$8,269
Revenue at Compressed Rate (RACR) per WADA	\$5,684
Cost of Education (CEI) Index	1.090
Adjusted CEI	1.090
Per Capita Rate	\$247.587
Tier I Allotments	
Total Cost of Tier I	\$3,626,828
Less Local Fund Assignment	(\$19,507,130)
State Share of Tier I	\$0
Per Capita Distribution from Available School Fund (ASF)	\$81,444
Foundation School Program (FSP) State Funding	
Greater of State Share of Tier I or (ASF+NIFA+HS)	\$106,975
Tier II	\$0
Other Programs	\$16,345
Less Total Available School Fund (\$247.587 * Prior Yr ADA)	(\$81,444)
Foundation School Fund	\$41,876
Available School Fund	\$81,444
EDA	\$0
TOTAL FSP/ASF STATE AID	\$123,320

Financial Impact on the Taxpayer

The terms of the proposed agreement call for the maintenance and operation (M&O) value of the project to be limited to \$30 million starting in school year 2021-22 and remaining limited through school year 2030-31. The potential gross and net tax savings to Delaware Processing are shown in Table 3. As stated earlier, an M&O tax rate of \$.97 and a collection rate of 100% is used throughout the calculations in this report. Table 3 shows gross tax savings due to the limitation of \$8.1 million over the length of the contract. Net tax savings are estimated to be \$6.5 million. To estimate supplemental payments to the school district of \$100 per ADA, a growth model was applied to the base ADA of 335, which was the projected ADA for CCAISD for the 2019-20 school year. CCAISD enrollment has declined 3.2% over the last ten years so all supplemental payment calculations were based on an ADA of 335.

Facilities Funding Impact on the District

Reports submitted by Delaware Processing show the full value of the property being depreciated over time. Even so, the full value of the project will be available to the district for I&S taxes and will enhance the district's ability to service current and future debt obligations. While the project is expected to provide additional employment opportunities in the area, the impact on student enrollment is predicted to be minimal.

Conclusion

The Delaware Processing project proposed in this application will benefit the community, the district, CCAISD, and the taxpayer, Delaware. The community will receive economic development, the taxpayer will enjoy savings on property taxes and the district will be held harmless from revenue loss due to the provisions of the agreement. The district will also enjoy an increased value available for I&S tax collections dedicated to debt service that can be leveraged to provide first class facilities for faculty and students.

Remember that the Texas Legislature could take additional action that could potentially change the impact of this agreement on the finances of Culberson County-Allamore ISD and result in estimates that differ significantly from the estimates presented in this analysis. Some of the factors that could significantly change these estimates are legislative or administrative changes by the Texas Legislature, the Texas Education Agency or the Comptroller of Public Accounts. Those changes could contain changes to the school finance formulas, property value appraisals and tax exemptions. Other factors which could change, and will impact the estimates of this agreement, include changes to property values, district tax rates and student enrollment.

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits	School District Benefit \$100 per ADA	Company Tax Benefit
0	2019-20	\$0	\$0	\$0	0.9700	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP1	2020-21	\$22,000,000	\$22,000,000	\$0	0.9700	\$213,400	\$213,400	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
QTP2/L1	2021-22	\$125,000,000	\$30,000,000	\$95,000,000	0.9700	\$1,212,500	\$291,000	\$921,500	\$921,500	-\$921,500	\$0	\$50,000	-\$50,000
L2	2022-23	\$125,000,000	\$30,000,000	\$95,000,000	0.9700	\$1,212,500	\$291,000	\$921,500	\$921,500	\$0	\$921,500	\$50,000	\$871,500
L3	2023-24	\$120,000,000	\$30,000,000	\$90,000,000	0.9700	\$1,164,000	\$291,000	\$873,000	\$873,000	\$0	\$873,000	\$50,000	\$823,000
L4	2024-25	\$117,500,000	\$30,000,000	\$87,500,000	0.9700	\$1,139,750	\$291,000	\$848,750	\$848,750	\$0	\$848,750	\$50,000	\$798,750
L5	2025-26	\$115,000,000	\$30,000,000	\$85,000,000	0.9700	\$1,115,500	\$291,000	\$824,500	\$824,500	\$0	\$824,500	\$50,000	\$774,500
L6	2026-27	\$112,500,000	\$30,000,000	\$82,500,000	0.9700	\$1,091,250	\$291,000	\$800,250	\$800,250	\$0	\$800,250	\$50,000	\$750,250
L7	2027-28	\$110,000,000	\$30,000,000	\$80,000,000	0.9700	\$1,067,000	\$291,000	\$776,000	\$776,000	\$0	\$776,000	\$50,000	\$726,000
L8	2028-29	\$107,500,000	\$30,000,000	\$77,500,000	0.9700	\$1,042,750	\$291,000	\$751,750	\$751,750	\$0	\$751,750	\$50,000	\$701,750
L9	2029-30	\$105,000,000	\$30,000,000	\$75,000,000	0.9700	\$1,018,500	\$291,000	\$727,500	\$727,500	\$0	\$727,500	\$50,000	\$677,500
L10	2030-31	\$102,500,000	\$30,000,000	\$72,500,000	0.9700	\$994,250	\$291,000	\$703,250	\$703,250	\$0	\$703,250	\$50,000	\$653,250
MVP1	2031-32	\$100,000,000	\$100,000,000	\$0	0.9700	\$970,000	\$970,000	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
MVP2	2032-33	\$97,500,000	\$97,500,000	\$0	0.9700	\$945,750	\$945,750	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
MVP3	2033-34	\$95,000,000	\$95,000,000	\$0	0.9700	\$921,500	\$921,500	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
MVP4	2034-35	\$92,500,000	\$92,500,000	\$0	0.9700	\$897,250	\$897,250	\$0	\$0	\$0	\$0	\$0	\$0
MVP5	2035-36	\$90,000,000	\$90,000,000	\$0	0.9700	\$873,000	\$873,000	\$0	\$0	\$0	\$0	\$0	\$0
TOTALS						\$15,878,900	\$7,730,900	\$8,148,000	\$8,148,000	-\$921,500	\$7,226,500	\$700,000	\$6,526,500

*Note: School District Revenue-Loss estimates are subject to change based on various factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year project appraisal values, and changes in school district tax rates. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

Findings and Order of the Culberson County-Allamoore Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Delaware Processing, LLC (Tax I.D. 32063721370) (Application #1359)

EXHIBIT C

*Proposed Agreement Between
Culberson County-Allamoore Independent School District and
Delaware Processing, LLC*

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

by and between

CULBERSON COUNTY-ALLAMOORE INDEPENDENT SCHOOL DISTRICT

and

Delaware Processing, LLC

(Texas Taxpayer ID # 32063721370)

Comptroller Application # 1359

Dated

November 18, 2019

limitation on appraised value of the property described in the Application and provided the certificate to the District;

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 November 18, 2019, 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 November 18, 2019, 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 15, 2019, 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 November 18, 2019, 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, as amended.

“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 Delaware Processing, LLC, (Texas Taxpayer ID #32063721370), 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 3** 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 April 1, 2019. 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 Culberson County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Culberson County-Allamoore 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 Culberson County, Texas.

“District” or “School District” means the Culberson County-Allamore 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 Limitation Period of this Agreement, an amount equal to the Net Tax Benefit to the Applicant.

“Applicable School Finance Law” means the State constitution and laws, agency regulations and/or judicial rulings then controlling the public school finance system for Texas public schools and school districts generally and the District specifically, in accordance with all provisions thereof applicable to any terms of this Agreement at the time any computation, calculation or obligation of either Party under this Agreement is required to be performed or for the period to which such computation, calculation or obligation relates, as applicable. The term includes any amendments or successor statutes that may be adopted in the future which affect the calculation of the District’s Maintenance and Operations Revenue or the Applicant’s ad valorem tax obligation to the District, in each case, either with or without the limitation on appraised value of property pursuant to this Agreement.

“Commercial Operations” shall mean the date on which the Project described in the Application for Value Limitation Agreement becomes commercially operational and capable of being placed into service, such that it has been constructed and is capable of manufacturing products from natural gas liquids.

“Cumulative Payments” means for each year of this Agreement the total of all payments, calculated under Articles IV, V and VI of this Agreement for the current Tax Year which are paid by or owed by Applicant to the District, plus payments paid by Applicant to compensate District for loss of revenue under this Agreement.

“Lost M&O Revenue” means the reduction in Maintenance and Operations *ad valorem* Tax Revenue to the District caused by, resulting from, or on account of the execution of this Agreement for each year starting in the year of the Application Approval Date and ending on the Final Termination Date of this Agreement.

“Maintenance and Operations Tax Revenue” means (i) those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Section 45.002 of the TEXAS EDUCATION CODE, and Article VII § 3 of the TEXAS CONSTITUTION, plus (ii) all State revenues to which the District is or may be entitled under Chapter 42 of the TEXAS EDUCATION CODE, or any other statutory provision as well as any amendment or successor statute to these provisions, minus (iii) any amounts necessary to reimburse the State of Texas or another school district for the education of additional students pursuant to Chapter 41 of the TEXAS EDUCATION CODE, in each case, as any of the items in clauses (i), (ii), and (iii) above may be amended by Applicable School Finance Law from time to time. Maintenance and Operations Revenue shall be the net amount of all such revenues, payments or other amounts which the District is entitled to receive and retain from State and local funding for maintenance and operations purposes under Applicable School Finance Law.

“New M&O Revenue” means the total State and local Maintenance and Operations Tax Revenue that the District actually received for such school year attributable to the Qualified Property that is the subject of this Agreement.

“Net Tax Benefit” means, for any Tax Year during the term of this Agreement, 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 such Tax Year and all previous 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 such Tax Year and all previous 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.

“Original M&O Revenue” means the total State and local Maintenance and Operations Tax Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Applicant’s Qualified Property been subject to the *ad valorem* maintenance and operations tax at the then-current tax rate. For purposes of this calculation, the Third Party will base its calculations upon the District’s taxable value of property for the preceding tax year as certified by the Appraisal District for all taxable

accounts in the District, *less* 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 service (interest and sinking fund) ad valorem tax purposes.

"Third Party" shall have the meaning set forth in Section 4.3

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 2.6 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 June 27, 2019, 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 November 18, 2019.

C. The Qualifying Time Period for this Agreement:

- i. Starts on November 18, 2019, the application approval date; and
- ii. Ends on December 31, 2021, 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, 2021, first complete Tax Year that begins after the date of the commencement of Commercial Operation]; and
- ii. Ends on December 31, 2030.

E. The Final Termination Date for this Agreement is December 31, 2035.

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).

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 \$993.25 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 such Supplemental Payments as more fully specified in Article VI;
- C. 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
- D. 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 manufacturing.

ARTICLE IV

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 4.1. INTENT OF PARTIES.

It is the intent of the Parties in accordance with the provisions of Section 313.027(f)(1) of the TEXAS TAX CODE and Section 48.256 (d) of the TEXAS EDUCATION CODE that the District shall be compensated by the Applicant as provided in this Article IV for any Lost M&O Revenue as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made

under this Agreement. Such payments shall be independent of, and in addition to such other payments as set forth in Article V and Article VI of this Agreement. **It is the intent of the Parties that the risk of any and all Lost M&O Revenue as a result of, or on account of, entering into this Agreement, will be borne by the Applicant and not by the District.**

Subject to the limitations contained in this Agreement, the calculation of any Lost M&O Revenue required to be paid by the Applicant under this Article IV shall be made for the first time in the first complete Tax Year following the Application Approval Date and every year thereafter during the term of this Agreement.

Within 60 days from the date Commercial Operations begin, the Applicant shall provide to the District, the Comptroller, and the Appraisal District a verified written report, giving a specific and detailed description of the land, tangible personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such Qualified Property within the boundaries of the land which is subject to the Agreement, if such final description is different than the description provided in the Application or any supplemental application information, or if no substantial changes have been made, a verification of the fact that no substantial changes have been made.

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 LOST M&O REVENUE.

Subject to the limitations contained in this Agreement, the amount to be paid by the Applicant to compensate the District for loss of M&O Revenue resulting from, or on account of, this Agreement for each year starting in the year of the Application Approval Date and ending on Final Termination Date (the "Lost M&O Revenue") shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

Subject to the limitations contained in this Agreement, the Lost M&O Revenue owed by the Applicant to District means the Original M&O Revenue *minus* the New M&O Revenue.

In making the calculations required by this Section 4.2:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.
- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property 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 this 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 only the full Maintenance and Operation 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 or otherwise arising out 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") selected and appointed each year by the District, subject to approval by Applicant in writing, which approval shall not unreasonably be withheld.

Section 4.4. DATA USED FOR CALCULATIONS.

The calculations for payments under this Agreement shall be initially based upon the valuations that are placed upon all taxable property in the District, including 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 and appointed 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. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT.

If the Applicant has appealed any matter relating to the valuations placed by the Appraisal District on the Applicant's Qualified Property, and such appeal remains unresolved at the time the Third Party selected under Section 4.3 makes its calculations under this Agreement, the Third Party

shall base its calculations upon the values placed upon the Applicant's Qualified Property by the Appraisal District. The calculations shall be readjusted, if necessary, based on the outcome of the appeal as set forth below.

If as a result of an appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment 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 amount to the other Party within thirty (30) days of the receipt of the new calculations from the Third Party.

Section 4.6. DELIVERY OF CALCULATIONS.

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 4.3 of this Agreement shall forward to the Parties a certification containing the calculations required under this Article IV, Article V, 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 4.8, 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 four (4) years after 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 4.7. STATUTORY CHANGES AFFECTING MAINTENANCE & OPERATION REVENUE.

Notwithstanding any other provision in this Agreement, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District will receive less Maintenance and Operations Revenue, or, if applicable, will be required to increase its payment of funds to the State, because of its participation in this Agreement, the Applicant shall make payments to the District that are necessary to fully reimburse and hold the District harmless from any actual negative impact on the District's Maintenance and Operation 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 the District. Such payment shall be made no later than thirty (30) days following notice from the District of such determination and calculation. The District shall use reasonable efforts to mitigate the economic effects of any such statutory change or administrative interpretation, and if the Applicant disagrees with any calculation or determination by

the District of any adverse impact described in this Article IV, the Applicant shall have the right to appeal such calculation or determination in accordance with the procedures set forth in Section 4.9.

Section 4.8. PAYMENT BY APPLICANT.

Subject to Section 4.9 below, 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 of the year next following the tax levy for each year for which this Agreement is effective. Subject to the limitation set forth in this Section 4.8 below, by such date, the Applicant shall also pay any amount billed by the Third Party for all calculations under this Agreement under Section 4.4, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or other reimbursement applications filed with or sent to the State of Texas, for any audits conducted by the State Auditor's Office, or for other legal expenses which are, or may be required under the terms of, or because of, the execution of this Agreement. The Applicant shall only be responsible for the payment of an aggregate amount of fees and expenses under this Section 4.8 not to exceed Fifteen Thousand Dollars (\$15,000.00).

Section 4.9. RESOLUTION OF DISPUTES.

Should the Applicant disagree with the Third Party calculations made pursuant to this Article IV of this Agreement, 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 4.4 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 calculations. Thereafter, the Applicant may appeal the final determination of the certification containing the calculations to the District's Board of Trustees within thirty (30) days after receipt of the final determination of the calculations. Any appeal by the Applicant of the final determination of calculations shall in no way limit Applicant's other rights and remedies available hereunder, at law or in equity.

Section 4.10. PAYMENT LIMITATION; AGGREGATE LIMIT

In the event that the Revenue Protection Amount for any Tax Year during the Limitation Period of this Agreement shall exceed the Applicant's Net Tax Benefit for that Tax Year, the Revenue Protection Amount owed for that year shall be limited to the Applicant's Net Tax Benefit for that Tax Year. Amounts otherwise due and owing by the Applicant to the District which, by virtue of this payment limitation, are not paid in that Tax Year shall be carried forward from year to year into subsequent Tax Years until paid in full.

ARTICLE V

PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES

Section 5.1. PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES.

In addition to the amounts determined pursuant to Articles IV and VI of this Agreement, Applicant on an annual basis shall also indemnify and reimburse District for all non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses directly and solely 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 caused directly by such project. Applicant shall have the right to contest the findings of the District's external auditor pursuant to Section 4.9 above.

ARTICLE VI
SUPPLEMENTAL PAYMENTS

Section 6.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS

In interpreting the provisions of this Article VI, the Parties agree that, 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 Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 of the TEXAS TAX CODE, unless it is explicitly set forth in this Agreement. It is the express intent of the Parties that the obligation for Supplemental Payments under this Article VI are separate and independent of the obligation of the Applicant to pay the amounts described in Articles IV and V, and that all payments under Article VI are subject to the separate limitations contained in Section 6.2 and Section 6.3. Each Supplemental Payment shall be due and payable on January 31st of the year following that in which such Supplemental Payment accrued.

Section 6.2. SUPPLEMENTAL PAYMENT. 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 Average Daily Attendance for the previous school year, or any greater amount that may be then permitted by law.

Failure to pay such Supplemental Payments shall constitute Material Breach of this Agreement, as set forth more fully herein at Article IX.

Section 6.3. CALCULATION OF ANNUAL SUPPLEMENTAL PAYMENTS TO THE DISTRICT.

For each Tax Year beginning with the period starting the first full or partial year of the Qualifying Time Period (2019) and ending December 31 of the third year following the end of the Tax Limitation Period (2033), Supplemental payments shall be owed. During the Qualifying Time Period and for the three years following the end of the Tax Limitation Period, the supplemental payment amount shall not be subject to the Aggregate Limit.

If, for any Tax Year during the Limitation Period of this Agreement the Cumulative Payment Amount, calculated under Sections IV, V and VI of this Agreement, exceeds the Aggregate Limit for such Tax Year, the difference between the Applicant's Supplemental Payment Amount so calculated and the Aggregate Limit for such Tax Year, shall be carried forward from year-to-year until paid to the District. The Aggregate Limit shall not apply nor limit Supplemental Payment amounts due to the District during the Qualified Time Period or in the three years following the end of the Tax Limitation Period.

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 Cumulative 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 Cumulative 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 4.3.

- (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 4.8.
- (c) Any appeal by the Applicant of the calculations made by the Third Party under this Article VI shall be done in the same manner as set forth in Section 4.9, above.

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.

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 forty-eight (48) 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 ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after the Applicant 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 Culberson 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 Culberson 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 ninety (90) 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 ninety (90) 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:

To the District		With Copy to
Name:	Culberson County-Allamore Independent School District	Sara Leon & Associates, LLC
Attn:	Superintendent Ken Baugh or his successor	Sara Hardner Leon
Address:	400 W. 7 th Street	2901 Via Fortuna Suite 475
City/Zip:	Van Horn, Texas 79855	Austin, TX 78746
Phone :	(432) 283-2245	Phone: (512) 637-4244
Fax :	(432) 283-9062	Fax : (512) 637-4245
Email:	kbaugh@ccaids.net	sleon@saraleonlaw.com

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

To the Applicant

Name: Delaware Processing, LLC

Attn: Denise Guanco, Director of Tax

Address: 1722 Routh Street
Suite 1300

City/Zip: Dallas, Texas 75201

Phone : (214) 953-9500

Fax: (214) 953-9501

Email: Denise.guanco@enlink.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.

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.

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 Culberson 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 18th day of November, 2019.

DELAWARE PROCESSING, LLC

By: [Signature]
Authorized Representative

MADISON STROTHER
TAX SENIOR

ATTEST:

CULBERSON COUNTY-ALLAMOORE
INDEPENDENT SCHOOL DISTRICT]

By: [Signature]
Leticia Hernandez
President, Board of Trustees

By: [Signature]
Angie Gonzalez
Secretary, Board of Trustees

EXHIBIT 1
DESCRIPTION AND LOCATION OF ENTERPRISE OR REINVESTMENT ZONE

RESOLUTION OF THE BOARD OF TRUSTEES OF THE
CULBERSON COUNTY-ALLAMOORE INDEPENDENT SCHOOL DISTRICT

A RESOLUTION DESIGNATING A CERTAIN AREA AS A REINVESTMENT ZONE IN CONNECTION WITH AN ECONOMIC DEVELOPMENT AGREEMENT UNDER CHAPTER 313 OF THE TEXAS TAX CODE, SUCH REINVESTMENT ZONE LOCATED WITHIN THE GEOGRAPHIC BOUNDARIES OF THE CULBERSON COUNTY-ALLAMOORE INDEPENDENT SCHOOL DISTRICT, IN CULBERSON COUNTY, TEXAS, TO BE KNOWN AS THE "DELAWARE PROCESSING REINVESTMENT ZONE"; ESTABLISHING THE BOUNDARIES THEREOF IN CONNECTION WITH AN APPLICATION FOR VALUE LIMITATION AGREEMENT FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES UNDER CHAPTER 313 OF THE TEXAS TAX CODE SUBMITTED BY DELAWARE PROCESSING, LLC(TAXPAYER I.D. 32063721370), COMPTROLLER'S APPLICATION NO. 1359:

WHEREAS, the Property Redevelopment and Tax Abatement Act, as amended (TEXAS TAX CODE § 312.0025) permits a school district to designate a reinvestment zone if that designation is reasonably likely to contribute to the expansion of primary employment in the reinvestment zone, or attract major investment in the reinvestment zone that would be a benefit to property in the reinvestment zone and to the school district and contribute to the economic development of the region of the state in which the school district is located; and,

WHEREAS, the Culberson County-Allamoore Independent School District (the "District") desires to promote the development of primary employment and to attract major investment in the District and contribute to the economic development of the region in which the school district is located; and,

WHEREAS, on November 18, 2019, 2019, the District's Board of Trustees held a public hearing regarding the property proposed to be designated as the reinvestment zone, described in the attached Exhibits A and B; and,

WHEREAS, at such public hearing all interested members of the public were given an opportunity to appear and speak for or against the designation of the reinvestment zone and whether all or part of the territory described should be included in the proposed reinvestment zone, and approval of an Agreement for Value Limitation on Appraised Value of Qualified Property for School District Maintenance and Operations Taxes, as authorized by Chapter 313 of the TEXAS TAX CODE with Delaware Processing, LLC (Texas Taxpayer I.D. No. 32063721370); and,

WHEREAS, the District wishes to designate a reinvestment zone within the boundaries of the school district in Culberson County, Texas to be known as the "Delaware Processing Reinvestment Zone" as shown on the attached Exhibit B.

NOW THEREFORE, BE IT RESOLVED BY THE CULBERSON COUNTY-ALLAMOORE INDEPENDENT SCHOOL DISTRICT:

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

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

Agreement for Limitation on Appraised Value
Between Culberson County-Allamoore ISD and Delaware Processing,
LLC, #1359
November 18, 2019

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

EXHIBIT 1

- (a) That the public hearing on the adoption of the "Delaware Processing Reinvestment Zone" has been properly called, held, and conducted;
- (b) That the boundaries of the "Delaware Processing Reinvestment Zone" be and, by the adoption of this Resolution, are declared and certified to be, the area as described in the legal description attached hereto as Exhibit A;
- (c) That creation of the boundaries as described in Exhibit A will result in economic benefits to the District and to land included in the zone, and that the improvements sought are feasible and practical; and,
- (d) That the "Delaware Processing Reinvestment Zone" described in Exhibit A meets the criteria set forth in TEXAS TAX CODE §312.0025 for the creation of a reinvestment zone as set forth in the Property Redevelopment and Tax Abatement Act, as amended, in that it is reasonably likely that the designation will contribute to the retention or expansion of primary employment, and will attract major investment in the zone that will be a benefit to the property to be included in the reinvestment zone and would contribute to the economic development of the District.

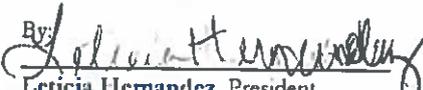
SECTION 3. That pursuant to the Property Redevelopment and Tax Abatement Act, as amended, the District hereby designates a reinvestment zone under the provisions of TEXAS TAX CODE §312.0025, encompassing the area described by the descriptions in Exhibit A, and such reinvestment zone is hereby designated and shall hereafter be referred to as the "Delaware Processing Reinvestment Zone."

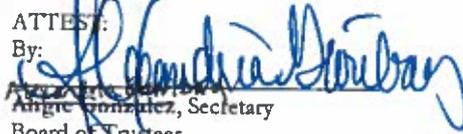
SECTION 4. That the "Delaware Processing Reinvestment Zone" shall take effect upon adoption of this Resolution by the District Board of Trustees and shall remain designated as a commercial- industrial reinvestment zone for a period of five (5) years from such date of such designation.

SECTION 5. That it is hereby found, determined, and declared that a sufficient notice of the date, hour, place, and subject of the meeting of the District's Board of Trustees, at which this Resolution was adopted, was posted at a place convenient and readily accessible at all times, as required by the Texas Open Government Act, TEXAS GOVERNMENT CODE, Chapter 551, as amended; and that a public hearing was held prior to the designation of such reinvestment zone.

PASSED, APPROVED, AND ADOPTED on this 18th day of November, 2019.

CULBERSON COUNTY-ALLAMOORE INDEPENDENT SCHOOL DISTRICT

By: 
 Leticia Hernandez, President
 Board of Trustees

ATTEST:
 By: 
 Angie Gonzalez, Secretary
 Board of Trustees

Agreement for Limitation on Appraised Value
 Between Culberson County-Allamoore ISD and Delaware Processing,
 LLC, #1359
 November 18, 2019

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

EXHIBIT 1

EXHIBIT A

LEGAL DESCRIPTION OF THE "DELAWARE PROCESSING REINVESTMENT ZONE"

Parcel ID	Size (approximate acreage)	Owner	Legal Description
6987	648.00	Texas Pacific Land Trust	AB 2640 BLK 58 SEC 3 TWP 1

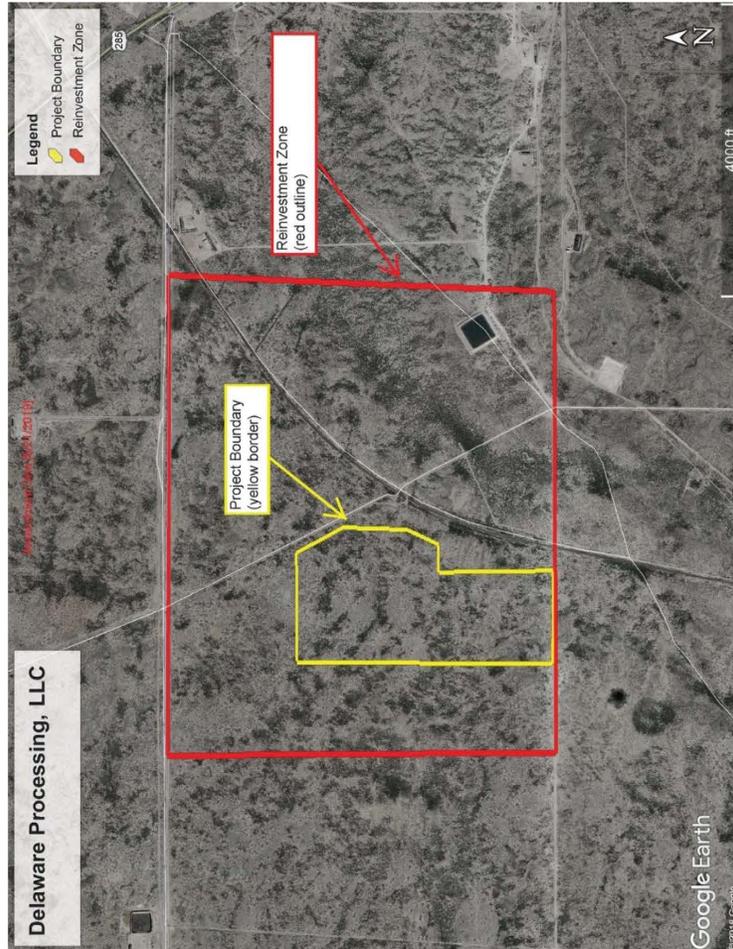
Agreement for Limitation on Appraised Value
Between Culberson County-Allamore ISD and Delaware Processing,
LLC, #1339
November 18, 2019

Texas Economic Development Act Agreement
Comptroller Form 50-826 (Jan 2010)

EXHIBIT 1

EXHIBIT B

SURVEY MAP OF THE “DELAWARE PROCESSING REINVESTMENT ZONE”



Agreement for Limitation on Appraised Value
Between Culberson County-Allamore ISD and Delaware Processing,
LLC, #1359
November 18, 2019

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

EXHIBIT 1

EXHIBIT 2
DESCRIPTION AND LOCATION OF LAND

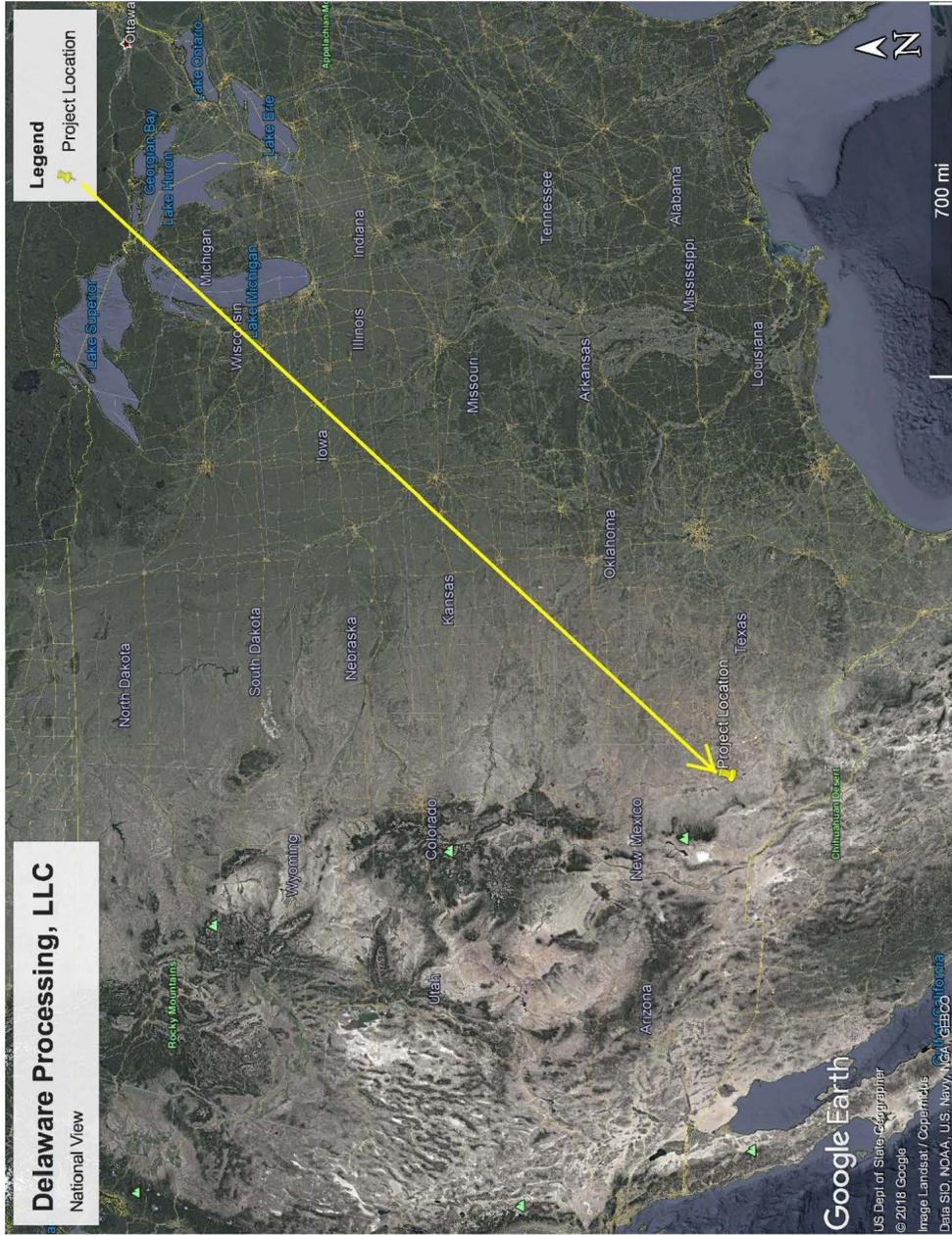
Description of Land: the proceeding chart is a description of the parcels for the Tiger Plant.

Parcel ID	Size (approximate acreage)	Owner	Legal Description
6987	648.00	Texas Pacific Land Trust	AB 2640 BLK 58 SEC 3 TWP 1

Agreement for Limitation on Appraised Value
Between Culberson County-Allamore ISD and Delaware Processing,
LLC, #1359
November 18, 2019

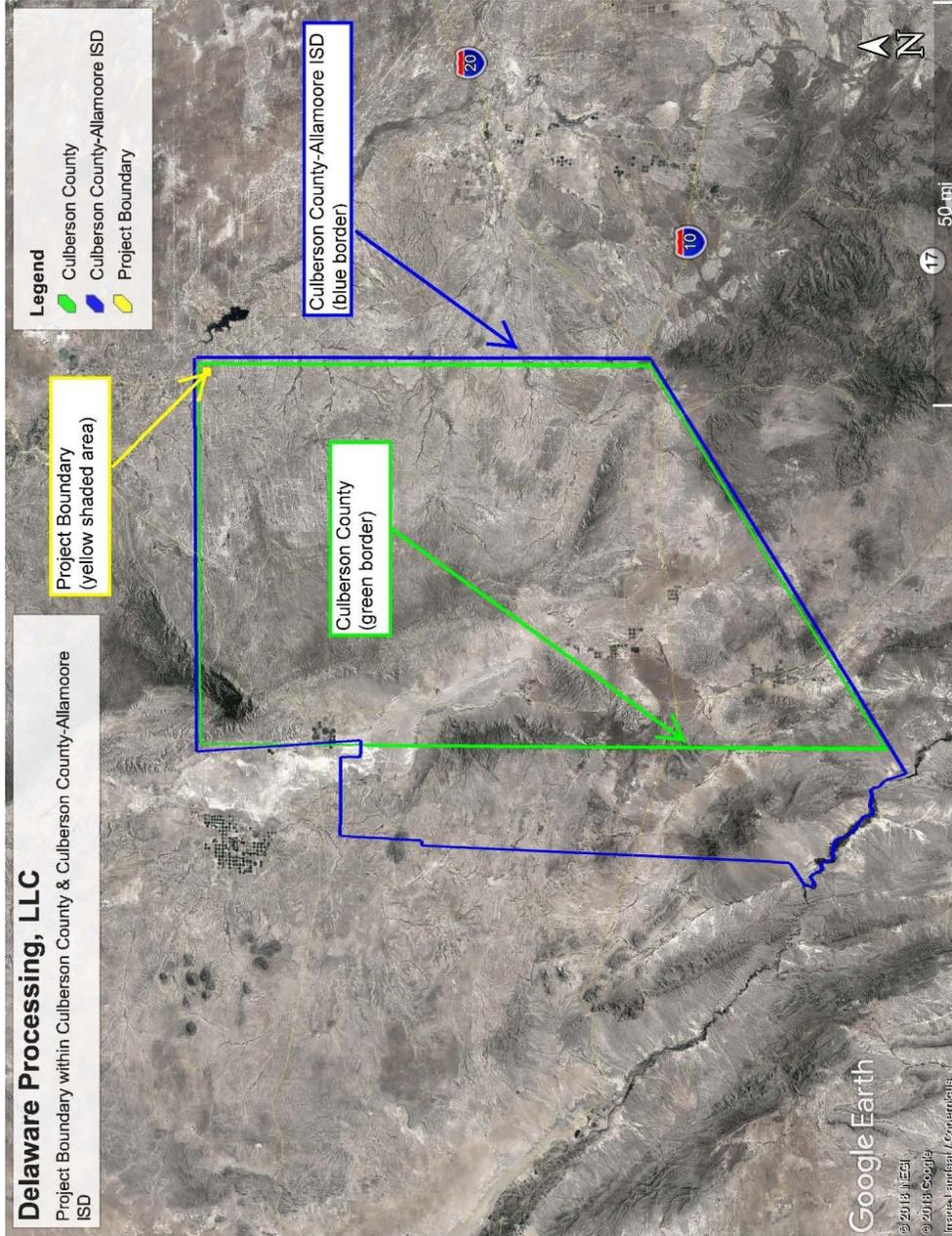
Texas Economic Development Act Agreement
Comptroller Form 50-826 (Jan 2016)

EXHIBIT 2



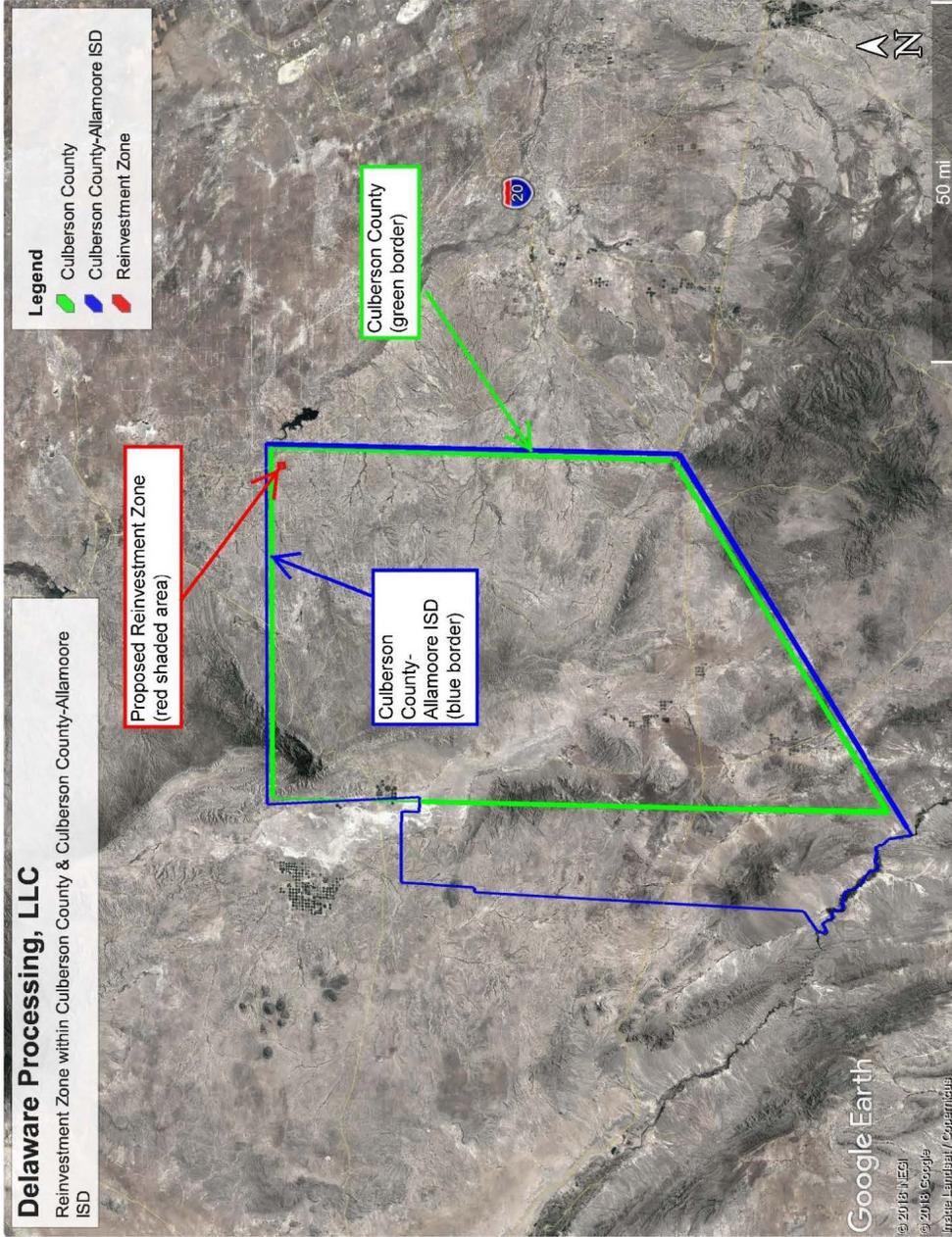
Agreement for Limitation on Appraised Value
Between Culberson County-Allamore ISD and Delaware Processing,
LLC, #1359
November 18, 2019

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



Agreement for Limitation on Appraised Value
 Between Culberson County-Allamore ISD and Delaware Processing,
 LLC, #1359
 November 18, 2019

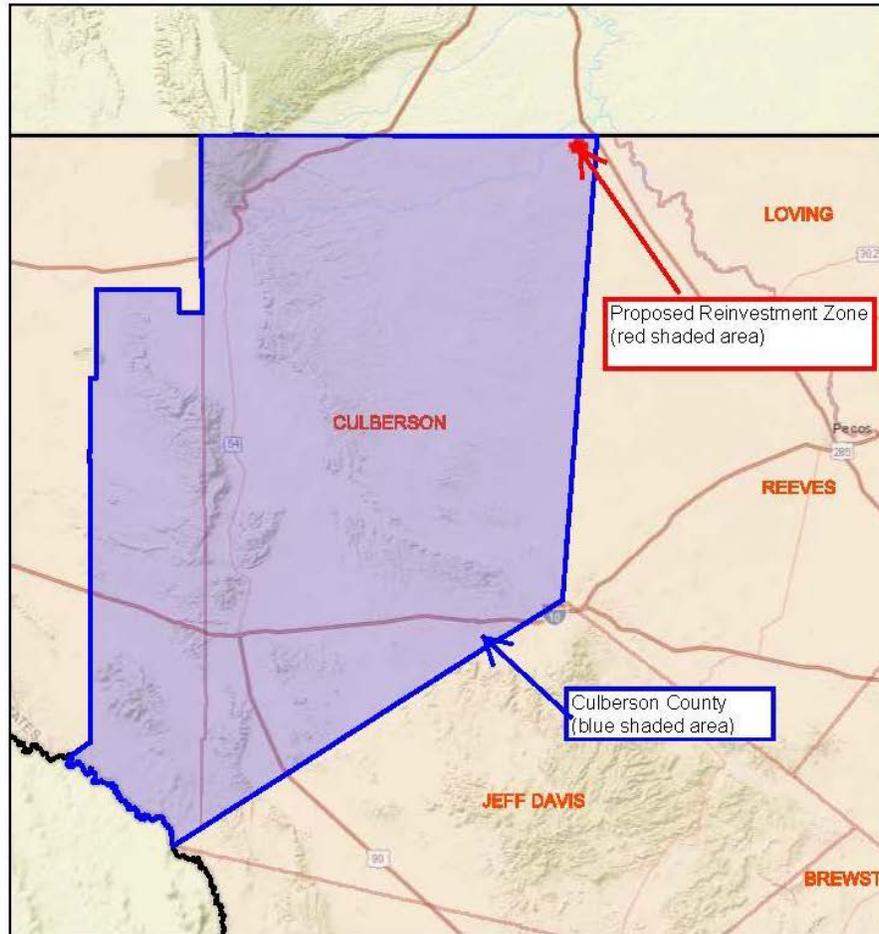
*Texas Economic Development Act Agreement
 Comptroller Form 50-826 (Jan 2016)*



Agreement for Limitation on Appraised Value
 Between Culberson County-Allamore ISD and Delaware Processing,
 LLC, #1359
 November 18, 2019

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

Culberson County-Allamoore ISD



March 21, 2019

Texas_Outline
 Counties

1:1,155,581
 0 5 10 20 mi
 0 12.5 25 50 km

Est. HERE, Garmin, NGA, IGNON, NPS

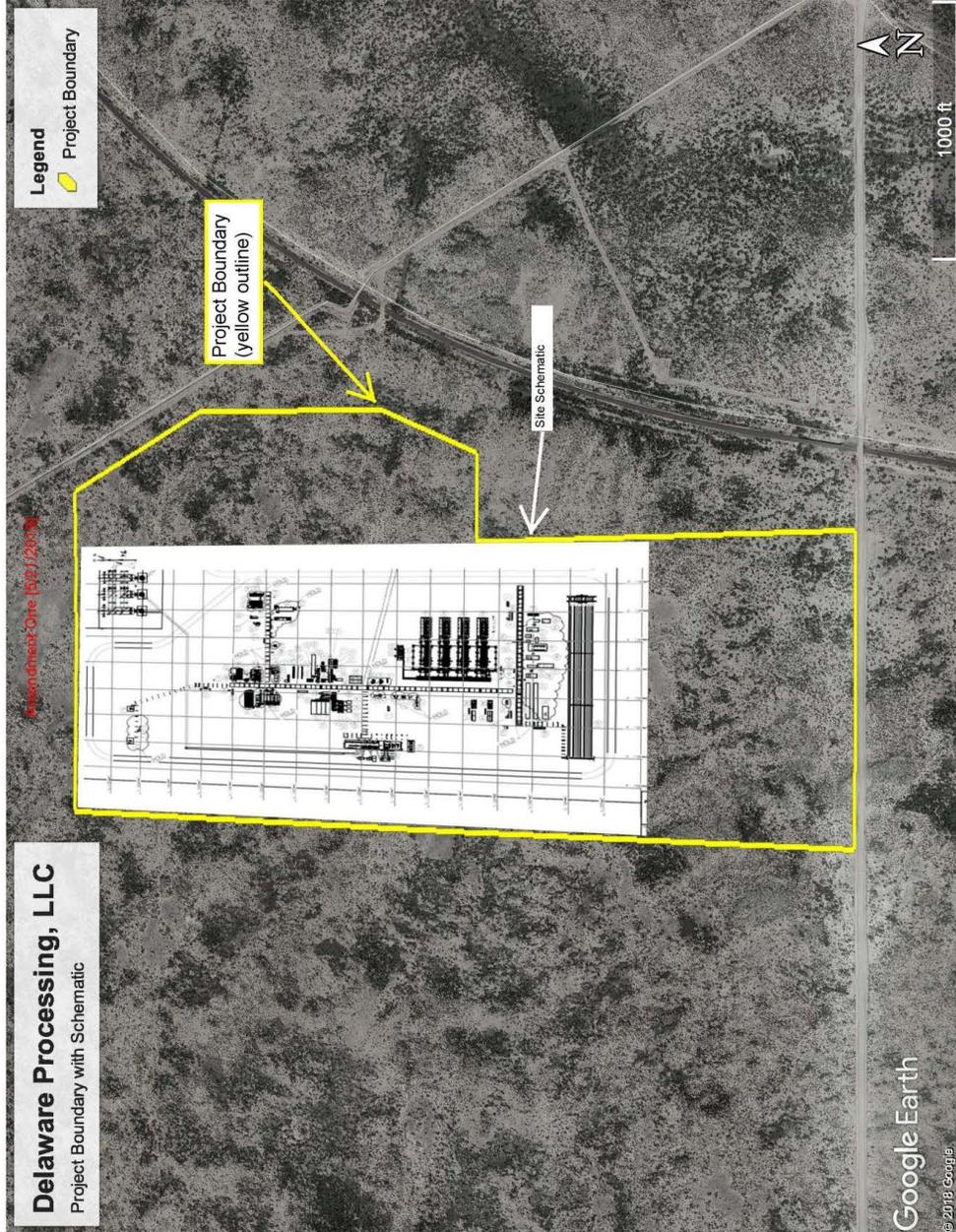
Agreement for Limitation on Appraised Value
 Between Culberson County-Allamoore ISD and Delaware Processing,
 LLC, # #1339
 November 18, 2019

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



Agreement for Limitation on Appraised Value
Between Culberson County-Allamore ISD and Delaware Processing,
LLC, #1359
November 18, 2019

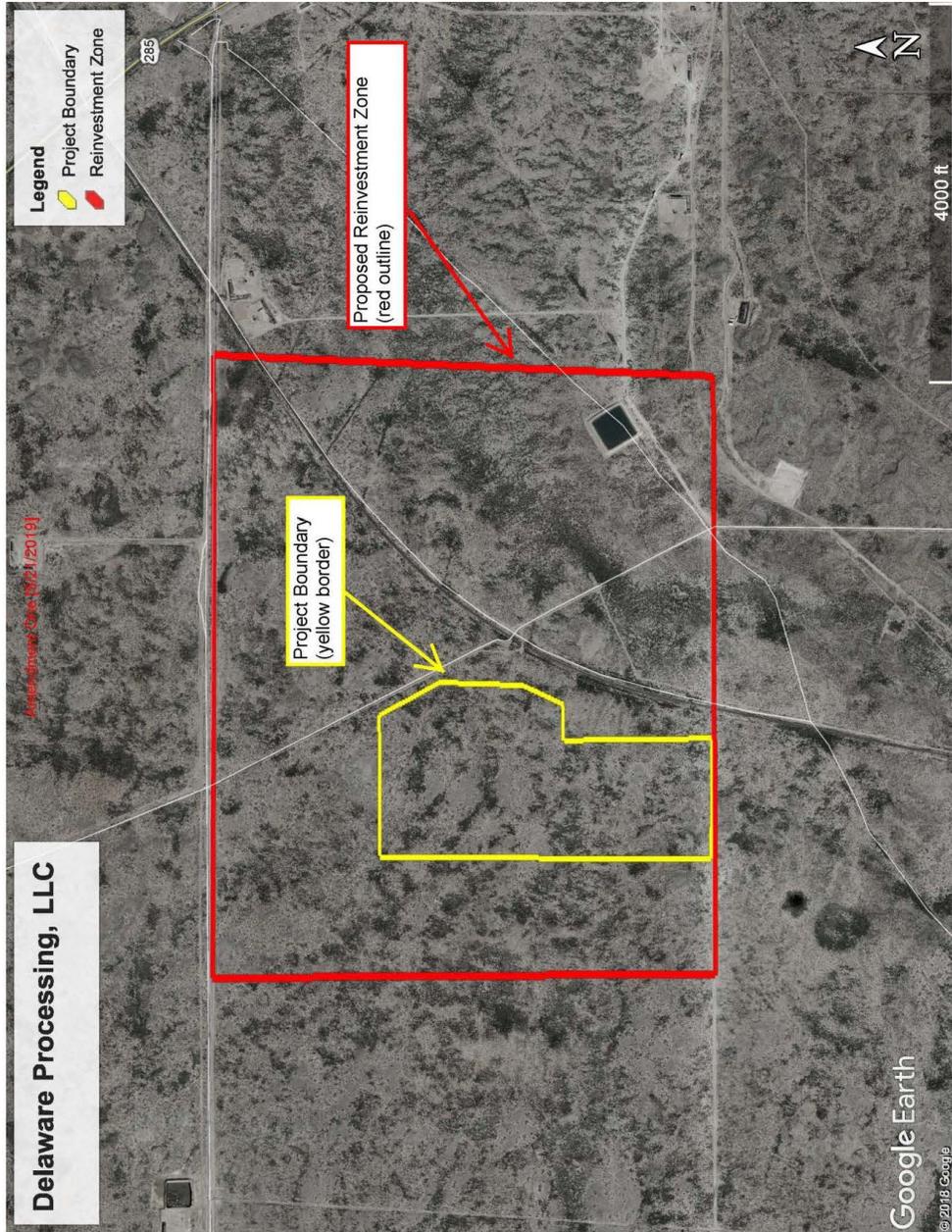
*Texas Economic Development Act Agreement
Comptroller Form 50-826 (Jan 2016)*



Agreement for Limitation on Appraised Value
 Between Culberson County-Allamore ISD and Delaware Processing,
 LLC, #1359
 November 18, 2019

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

EXHIBIT 2



Agreement for Limitation on Appraised Value
 Between Culberson County-Allamore ISD and Delaware Processing,
 LLC, #1359
 November 18, 2019

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

EXHIBIT 2

EXHIBIT 3
APPLICANT'S QUALIFIED INVESTMENT

Delaware Processing, LLC is proposing to construct the Tiger Plant, a natural gas processing facility in Culberson County. The facility, which will encompass approximately 648 acres on 1 parcel of land, will be located in the northeastern portion of the county. Additionally, the entirety of the project will be within Culberson County-Allamore Independent School District. Please find attached in Tab 11 maps that further define the location of the facility.

The facility itself is expected to have a total capacity of 200 mmcf (million cubic feet). Construction is anticipated to commence in October 2019. The hiring of new employees as well will begin in January 2020. Construction is projected to be complete by June 2020 and the plant will be fully operational by July 2020.

Delaware Processing, LLC requests that this application includes but is not limited to the following components of this project:

- Maintenance & Operations Buildings
- Inlet Separator
- Boilers
- Natural Gas/Air/H2O Piping
- Dehydration Units
- Slug Catcher
- Vessels
- Liners & Containment
- SCADA (monitoring software) plus Controls
- Foundations
- Amine Unit
- Heat Exchangers
- Control Valves
- Knock Out Drums
- Compressors
- Heat Exchanger
- Flare Stack, Scrubber, Leak Detection

Summary of Production Process

The initial stages of production will begin with raw natural gas produced at the well-head from various sources throughout the Permian Basin. This raw natural gas is then transported through gathering systems where it is either further process into natural gas or natural gas liquids. Upon processing, the products are delivered to the market through newly constructed pipelines. Throughout this process there are a variety of components used including the following:

- Inlet Slug Catcher
- Inlet Separation and Filtration
- Amine Treating for CO2 Removal
- TEG Dehydration for H2O Removal
- Thermal Oxidizers
- Molecular Sieve Dehydration
- GSP Cryogenic Gas Plants
- Residue Recompression Units
- Heat Medium Systems
- Flare System
- Water Systems (supply, drain, waste)
- Utilities

EXHIBIT 4
DESCRIPTION AND LOCATION OF Qualified Property

Delaware Processing, LLC is proposing to construct the Tiger Plant, a natural gas processing facility in Culberson County. The facility, which will encompass approximately 648 acres on 1 parcel of land, will be located in the northeastern portion of the county. Additionally, the entirety of the project will be within Culberson County-Allamore Independent School District. Please find attached in Tab 11 maps that further define the location of the facility.

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- Inlet Separation and Filtration
- Amine Treating for CO2 Removal
- TEG Dehydration for H2O Removal
- Thermal Oxidizers
- Molecular Sieve Dehydration
- GSP Cryogenic Gas Plants
- Residue Recompression Units
- Heat Medium Systems
- Flare System
- Water Systems (supply, drain, waste)
- Utilities

Agreement for Limitation on Appraised Value
Between Culberson County-Allamore ISD and Delaware Processing,
LLC, #1359
November 18, 2019

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