

FINDINGS
OF THE
PEARSALL INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION FOR APPRAISED VALUE LIMITATION
SUBMITTED BY
ELARA ENERGY PROJECT, LLC
(TEXAS TAXPAYER ID: # 32069486606)
(APPLICATION #1389)

MARCH 25, 2020

FINDINGS
OF THE
PEARSALL INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT

STATE OF TEXAS §

COUNTY OF FRIO §

PREAMBLE

On the 25th day of March 2020, a public meeting of the Board of Trustees (“Board”) of the Pearsall Independent School District (“District”) was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board took up and considered the Application (as amended, the “Application”) of Elara Energy Project, LLC (“Applicant”) for a limitation on appraised value on qualified property, pursuant to Chapter 313 of the Texas Tax Code. The Board heard presentations from the District’s administrative staff to advise the Board in this matter.

The Board considered the presentations made at the meeting, the Comptroller's recommendation and the economic impact evaluation and makes the following findings with respect to the Application in accordance with the Texas Economic Development Act, Texas Tax Code Chapter 313, and the Administrative regulations promulgated by the Texas Comptroller of Public Accounts published at 34 Texas Administrative Code Part 1, Chapter 9, Subchapter F:

1. On June 19, 2019 the District received an application for appraised value limitation on qualified property (“Application”) on the form prescribed by the Comptroller from Applicant pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached hereto as Exhibit A.
2. The Board acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Tax Code Section 313.025(a)(1).
3. The Board elected to consider the Application.
4. The Application was delivered to the Texas Comptroller of Public Accounts (“Comptroller”) for review pursuant to Texas Tax Code Section 313.025(b).
5. Pursuant to a request received from the Comptroller, Application amendments were submitted to the Comptroller on August 6, 2020.

6. The Application (as amended) was reviewed by the Comptroller pursuant to Texas Tax Code Sections 313.025 and 313.026. After review, the Comptroller's Office, by letter dated October 31, 2019, recommended that the Board approve the Application. A copy of the Comptroller's letter is attached to these findings as Exhibit B.

7. The Texas Comptroller's Office performed an economic impact evaluation pursuant to Texas Tax Code Section 313.025(b). The Board has considered such evaluation. A copy of the economic impact evaluation is attached to these findings as Exhibit C.

8. After receipt of the Application, the District entered into negotiations with Applicant over the specific language to be included in an Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes ("Agreement"), pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The proposed Agreement is attached to these findings as Exhibit D.

9. The Agreement was reviewed by the Comptroller. After review, the Comptroller's office, in a letter dated March 24, 2020, approved the Agreement.

FINDINGS

Findings as to each of the criterion listed in Texas Tax Code Section 313.025 and Texas Administrative Code Title 34, §9.1054. Based in the representation of Applicant set out in the Application attached as Exhibit A, the Comptroller's approval attached as Exhibit B, the Comptroller's Economic Impact Analysis attached as Exhibit C and the Franchise Tax Account Status attached as Exhibit E, the Board of Trustees finds:

1. That the Comptroller recommends approval of the Application.
2. That there is a strong and positive relationship between the Applicant's industry and the types of qualifying jobs to be created by the Applicant and the long-term economic growth plans of the State.
3. That, based on the representations in the Application, the Applicant could locate or relocate the Project to another state or another region of this state.
4. That the Project will result in revenue gains by the school district and that the economic effects on the local and regional tax base are that the tax base will increase as a result of the Project and additional employment.
5. That there exists a small but undetermined possibility that the Project could have an impact on enrollment from families that might temporarily relocate during the construction phase, but that any impact during the operation phase can be absorbed by current facilities.
6. That the projected market value of the qualified property of the Applicant as determined by the Comptroller is \$174,240,000.
7. That the proposed limitation on appraised value for the qualified property of the Applicant is \$30,000,000.00.

8. That the projected dollar amount of District maintenance and operation taxes that would be imposed on the qualified property, for each year of the Agreement, if the property does not receive a limitation on appraised value is \$12,006,325 as shown on Exhibit C, Attachment A, Table 3.
9. That the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the Agreement, if the property receives a limitation on appraised value is \$5,353,751 as shown on Exhibit C, Attachment A, Table 4.
10. That the total amount of taxes projected to be lost or gained by the District over the life of the Agreement computed by subtracting the projected taxes if the property receives a tax limitation from the projected taxes if the property does not receive a tax limitation is \$6,652,574, as shown on Exhibit C, Attachment A, Table 4.
11. The Applicant is eligible for the limitation on the appraised value of the Applicant's qualified property. Applicant's qualified property is eligible for a limitation on appraised value under Texas Tax Code § 313.024 as a renewable energy electric generation project.
12. The Project proposed by the Applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the Agreement before the 25th anniversary of the beginning of the limitation period.
13. The limitation of appraised value is a determining factor in the Applicant's decision to invest capital and construct the Project in this state.
14. The job creation requirement of ten (10) new jobs exceeds the industry standard for the number of employees reasonably necessary for the operation of the Project described in the Application. Pursuant to Texas tax Code Section 313.025(f-1), the Board waives the new job creation requirement in Tax Code Section 313.051(b).
15. Applicant will create one (1) new qualifying jobs, and Applicant has confirmed that such jobs will meet all of the requirements of Texas tax Code § 313.021(3).
16. That the Project will be located within an area designated as a reinvestment zone pursuant to Texas Tax Code Chapter 312.
17. The information in the Application submitted by Applicant is true and correct.
18. The proposed Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes ("Agreement"), attached hereto as Exhibit D, meets all of the requirements set out in Texas Tax Code § 313.027, including adequate and appropriate revenue protection provisions for the District.
19. The proposed Agreement is in the form of the template Texas Economic Development Act Agreement adopted by the Comptroller as of January 24, 2016, and the Comptroller has verified

that the agreement complies with the provisions of Chapter 313 of the Texas Tax Code and 34 Texas Administrative Code Chapter 9, Subchapter F.

20. Considering the purpose and effect of the law and the terms of the Agreement, granting the Application and entering the Agreement are in the best interest of the District and the State.

21. The Applicant, Elara Energy Project, LLC (Tex. Taxpayer ID #32069486606) is an entity subject to Chapter 171, Texas Tax Code and is certified to be in good standing with the Texas Comptroller of Public Accounts. A copy of the Comptroller's Franchise Tax Account Status is attached as Exhibit E.

22. There are no conflicts of interest on the Board at the time of its consideration of the Agreement.

23. It is hereby found, determined and declared that sufficient written notice of the date, time, place and subject of the meeting of the Board of Trustees at which these Findings were made was posted at a place convenient and readily accessible at all times to the general public for the time required by law preceding this meeting, as required by chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which these Findings were made and the subject matter thereof has been discussed, considered and formally acted upon. The Board of Trustees further ratifies, approves and confirms such written notice and posting thereof.

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[Orders and signatures follow]

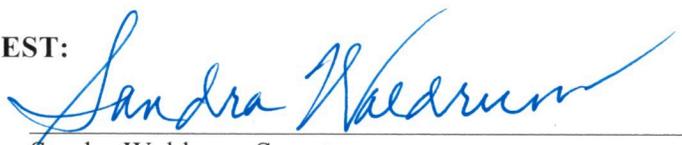
It is therefore **ORDERED** that:

1. The Findings above, including the recitals set out in the Preamble, are adopted and approved by the Board of Trustees.
2. The Application of Elara Energy Project, LLC for a limitation on the appraised value for school district maintenance and operations ad valorem tax purposes of qualified property is approved.
3. The Agreement attached hereto as Exhibit D is approved and the Board President is designated and directed to sign the Agreement on behalf of the District.
4. These findings and the Exhibits referred to herein be attached to the Official Minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the District.

Dated the 25th day of March 2020.

PEARSALL INDEPENDENT SCHOOL DISTRICT

By: 
Tommy Navarro, President

ATTEST:
By: 
Sandra Waldrum, Secretary

AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES by and between PEARSALL INDEPENDENT SCHOOL
DISTRICT and ELARA ENERGY PROJECT, LLC

EXHIBIT A

Application for Appraised Value Limitation on Qualified Property



WALSH GALLEGOS
TREVINO RUSSO & KYLE P.C.

June 28, 2019

Mr. John Villarreal
Senior Research Analyst
Economic Development & Local Government
Data Analysis & Transparency Division
Texas Comptroller of Public Accounts
111 E. 17th Street
Austin, Texas 78774

***VIA FEDERAL EXPRESS
AND VIA E-MAIL DELIVERY:
john.villarreal@cpa.texas.gov***

Re: Pearsall Independent School District (“District”) / Tax Limitation Agreement:
Elara Energy Project, LLC (“Applicant”)

Dear Mr. Villarreal:

The Pearsall Independent School District Board of Trustees accepted the enclosed application for Limitation on Appraised Value of Property at a duly called board meeting held on June 19, 2019. The Application was determined to be complete on June 25, 2019. Pursuant to Tax Code §313.025(b) and 34 TAC Rules §9.1053(a)(2) and 9.1054(c), attached are the following:

1. One (1) copy of the Application for Appraised Value Limitation on Qualified Property (“Application”) submitted to the Pearsall Independent District by Elara Energy Project, LLC.
2. One (1) electronically digitized copy of the Application, including schedules in Excel format.

The District requests that the Comptroller provide an economic impact evaluation. By copy of this letter, we are notifying the Applicant that the District has submitted the Application to the Comptroller and to the Frio County Appraisal District.

Please call if you have any questions.

Sincerely,

EDDY HERNANDEZ PEREZ

EHP/paw
Enclosures

Mr. John Villarreal
June 28, 2019
Page 2

cc: Dr. Nobert Rodriguez, Superintendent of Schools, Pearsall Independent School District
(Via Certified Mail No. 7018 1130 0002 1891 1902; Return Receipt Requested; with enclosures)

Daniel T. Casey, Moak Casey
(Via Certified Mail No. 7018 1130 0002 1891 1919; Return Receipt Requested; with enclosures)

Scott Pryor, 7x Energy, Inc.
(Via Certified Mail No. 7018 1130 0002 1891 1926; Return Receipt Requested; with enclosures)

Frio County Appraisal District *(Via U.S. Postal Service Delivery; with enclosures)*
815 S Oak Street
Pearsall, Texas 78061

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

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

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

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

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

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

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

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

Please visit the Comptroller's website to find out more about the program at comptroller.texas.gov/economy/local/ch313/. There are links to the Chapter 313 statute, rules, guidelines and forms. Information about minimum limitation values for particular districts and wage standards may also be found at that site.

SECTION 1: School District Information

1. Authorized School District Representative

June 19, 2019

Date Application Received by District

Dr. Norbert

First Name

Rodriguez

Last Name

Superintendent

Title

Pearsall Independent School District

School District Name

318 Berry Ranch Rd

Street Address

Mailing Address

Pearsall

City

(830) 334-8001 ext 1101

Phone Number

TX

State

78061

ZIP

Fax Number

Norbert.rodriguez@pearsallisd.org

Email Address

Mobile Number (optional)

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

Yes

No

SECTION 1: School District Information (continued)

3. Authorized School District Consultant (If Applicable)

Eddy	Perez
First Name	Last Name
Attorney	
Title	
Walsh Gallegos Trevino Russo & Kyle, P.C.	
Firm Name	
210-979-6633	210-979-7024
Phone Number	Fax Number
	eperez@wabsa.com
Mobile Number (optional)	Email Address
4. On what date did the district determine this application complete?	June 25, 2019
5. Has the district determined that the electronic copy and hard copy are identical?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

SECTION 2: Applicant Information

1. Authorized Company Representative (Applicant)

Scott	Pryor	
First Name	Last Name	
Chief Development Officer	7X Energy, Inc.	
Title	Organization	
3809 Juniper Trace, Suite 100		
Street Address		
Mailing Address		
Austin	TX	78738
City	State	ZIP
(512) 680-0052		
Phone Number	Fax Number	
	scott.pryor@7x.energy	
Mobile Number (optional)	Business Email Address	
2. Will a company official other than the authorized company representative be responsible for responding to future information requests?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

2a. If yes, please fill out contact information for that person.

Rich	Clark	
First Name	Last Name	
Engineering Director	7X Energy, Inc	
Title	Organization	
3809 Juniper Trace, Suite 100		
Street Address		
Mailing Address		
Austin	TX	78738
City	State	ZIP
512-992-0439 x 109		
Phone Number	Fax Number	
	rich.clark@7x.energy	
Mobile Number (optional)	Business Email Address	
3. Does the applicant authorize the consultant to provide and obtain information related to this application?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

SECTION 2: Applicant Information (continued)

4. Authorized Company Consultant (If Applicable)

First Name _____ Last Name _____

Title _____

Firm Name _____

Phone Number _____ Fax Number _____

Business Email Address _____

SECTION 3: Fees and Payments

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

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

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

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

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

SECTION 4: Business Applicant Information

1. What is the legal name of the applicant under which this application is made? Elara Energy Project, LLC
2. List the Texas Taxpayer I.D. number of entity subject to Tax Code, Chapter 171 (11 digits) 32069486606
3. List the NAICS code 221114
4. Is the applicant a party to any other pending or active Chapter 313 agreements? Yes No
- 4a. If yes, please list application number, name of school district and year of agreement

SECTION 5: Applicant Business Structure

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

SECTION 6: Eligibility Under Tax Code Chapter 313.024

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

SECTION 7: Project Description

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

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

SECTION 8: Limitation as Determining Factor

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

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

SECTION 9: Projected Timeline

- 1. Application approval by school board 11/2019
- 2. Commencement of construction 7/2020
- 3. Beginning of qualifying time period 8/2020
- 4. First year of limitation 2022
- 5. Begin hiring new employees 7/2020
- 6. Commencement of commercial operations 6/2021
- 7. Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)? Yes No
- Note:** Improvements made before that time may not be considered qualified property.
- 8. When do you anticipate the new buildings or improvements will be placed in service? 7/2020

SECTION 10: The Property

- 1. Identify county or counties in which the proposed project will be located Frio County
- 2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property Frio CAD
- 3. Will this CAD be acting on behalf of another CAD to appraise this property? Yes No
- 4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:

County: <u>Frio County, \$0.5535, 100%</u> <small>(Name, tax rate and percent of project)</small>	City: _____ <small>(Name, tax rate and percent of project)</small>
Hospital District: <u>Frio Hospital, \$0.2348, 100%</u> <small>(Name, tax rate and percent of project)</small>	Water District: <u>Evergreen Gr'dwater District, \$0.00650, 100%</u> <small>(Name, tax rate and percent of project)</small>
Other (describe): <u>Lateral Road, \$0.0345, 100%</u> <small>(Name, tax rate and percent of project)</small>	Other (describe): <u>Frio Cnty Emergency Services, \$0.03209, 100%</u> <small>(Name, tax rate and percent of project)</small>
- 5. Is the project located entirely within the ISD listed in Section 1? Yes No
 - 5a. If no, attach in **Tab 6** additional information on the project scope and size to assist in the economic analysis.
- 6. Did you receive a determination from the Texas Economic Development and Tourism Office that this proposed project and at least one other project seeking a limitation agreement constitute a single unified project (SUP), as allowed in §313.024(d-2)? Yes No
 - 6a. If yes, attach in **Tab 6** supporting documentation from the Office of the Governor.

SECTION 11: Investment

NOTE: The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as Subchapter B or Subchapter C, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's website at comptroller.texas.gov/economy/local/ch313/.

- 1. At the time of application, what is the estimated minimum qualified investment required for this school district? 30,000,000.00
- 2. What is the amount of appraised value limitation for which you are applying? 30,000,000.00
- Note:** The property value limitation amount is based on property values available at the time of application and may change prior to the execution of any final agreement.
- 3. Does the qualified investment meet the requirements of Tax Code §313.021(1)? Yes No
- 4. Attach a description of the qualified investment [See §313.021(1).] The description must include:
 - a. a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (**Tab 7**);
 - b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your minimum qualified investment (**Tab 7**); and
 - c. a detailed map of the qualified investment showing location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period, with vicinity map (**Tab 11**).
- 5. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or §313.053 for Subchapter C school districts) for the relevant school district category during the qualifying time period? Yes No

SECTION 12: Qualified Property

1. Attach a detailed description of the qualified property. [See §313.021(2)] (If qualified investment describes qualified property exactly, you may skip items a, b and c below.) The description must include:
 - 1a. a specific and detailed description of the qualified property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (Tab 8);
 - 1b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your qualified property (Tab 8); and
 - 1c. a map of the qualified property showing location of new buildings or new improvements with vicinity map (Tab 11).
2. Is the land upon which the new buildings or new improvements will be built part of the qualified property described by §313.021(2)(A)? Yes No
 - 2a. If yes, attach complete documentation including:
 - a. legal description of the land (Tab 9);
 - b. each existing appraisal parcel number of the land on which the new improvements will be constructed, regardless of whether or not all of the land described in the current parcel will become qualified property (Tab 9);
 - c. owner (Tab 9);
 - d. the current taxable value of the land. Attach estimate if land is part of larger parcel (Tab 9); and
 - e. a detailed map showing the location of the land with vicinity map (Tab 11).
3. Is the land on which you propose new construction or new improvements currently located in an area designated as a reinvestment zone under Tax Code Chapter 311 or 312 or as an enterprise zone under Government Code Chapter 2303? Yes No
 - 3a. If yes, attach the applicable supporting documentation:
 - a. evidence that the area qualifies as a enterprise zone as defined by the Governor's Office (Tab 16);
 - b. legal description of reinvestment zone (Tab 16);
 - c. order, resolution or ordinance establishing the reinvestment zone (Tab 16);
 - d. guidelines and criteria for creating the zone (Tab 16); and
 - e. a map of the reinvestment zone or enterprise zone boundaries with vicinity map (Tab 11)
 - 3b. If no, submit detailed description of proposed reinvestment zone or enterprise zone with a map indicating the boundaries of the zone on which you propose new construction or new improvements to the Comptroller's office within 30 days of the application date. What is the anticipated date on which you will submit final proof of a reinvestment zone or enterprise zone? 8/1/2019

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

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

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

SECTION 14: Wage and Employment Information

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0
2. What is the last complete calendar quarter before application review start date:
 First Quarter Second Quarter Third Quarter Fourth Quarter of 2019
(year)
3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? 0
Note: For job definitions see TAC §9.1051 and Tax Code §313.021(3).
4. What is the number of new qualifying jobs you are committing to create? 1
5. What is the number of new non-qualifying jobs you are estimating you will create? 0
6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? Yes No
 - 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.
7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).
 - a. Average weekly wage for all jobs (all industries) in the county is 1003.75
 - b. 110% of the average weekly wage for manufacturing jobs in the county is 1290.30
 - c. 110% of the average weekly wage for manufacturing jobs in the region is 970.20
8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? §313.021(5)(A) or §313.021(5)(B)
9. What is the minimum required annual wage for each qualifying job based on the qualified property? 61000.00
10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 61,000.00
11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? Yes No
12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? Yes No
 - 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).
13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? Yes No
 - 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

SECTION 15: Economic Impact

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

SECTION 16: Authorized Signatures and Applicant Certification

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

1. Authorized School District Representative Signature

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

print here

Robert Rodriguez
Print Name (Authorized School District Representative)

Superintendent
Title

sign here

Robert Rodriguez
Signature (Authorized School District Representative)

6/19/19
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

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

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

print here

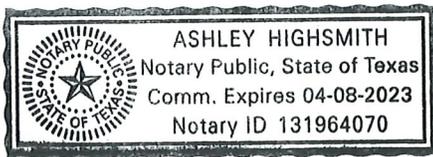
Scott Pryor
Print Name (Authorized Company Representative (Applicant))

Chief Development Officer
Title

sign here

[Signature]
Signature (Authorized Company Representative (Applicant))

6/17/19
Date



(Notary Seal)

GIVEN under my hand and seal of office this, the

17th day of June, 2019

[Signature]
Notary Public in and for the State of Texas

My Commission expires: 4/8/2023

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

APPLICATION TAB ORDER FOR REQUESTED ATTACHMENTS

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

TAB 1

Pages 1-9 of Application.

TAB 2

Please find on the attached page, a copy of the application fee Wire Transfer in the amount of \$75,000.00 made payable to the Pearsall Independent School District Local Maintenance Fund.

Proof of payment of filing fee received by the
Comptroller of Public Accounts per TAC Rule
§9.1054 (b)(5)

(Page Inserted by Office of Texas Comptroller of
Public Accounts)

TAB 3

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

N/A

TAB 4

Detailed description of the project

Elara Energy Project, LLC, proposes to develop a utility-scale, grid-connected solar photovoltaic energy (PV) plant within the Pearsall Independent School District.

The project will be constructed on approximately 1,752 acres, which are subject to long-term lease agreements with local landowners. The project will be located entirely in Frio County and within the Pearsall Independent School District. The proposed project will include, but is not limited to, the following:

- Planned 145 MW-AC in size;
- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracker racking system (mounting structures);
- Project substation which will include a high-voltage transformer, switchgear, transmission equipment, telecommunications and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility, which shall house four (4) permanent storage containers (two of which shall be insulated and temperature controlled), an HVAC-equipped office building featuring ADA-compliant restroom and kitchen area, an underground septic and leaching system, computer equipment associated with operation of the project SCADA system, and a parking area for a minimum of ten (10) vehicles;
- Meteorological equipment to measure solar irradiance and other weather conditions; and
- Associated equipment to safely operate, maintain and deliver electricity to the grid.

The parent company of Elara Energy Project, LLC, is a national solar developer with project opportunities all across the United States. The ability to enter into a limited appraisal valuation agreement with the Pearsall Independent School District is a motivating factor for constructing the project in Frio County, Texas, as opposed to building and investing in another state or region where state tax incentives are available. Additional states where Applicant is considering include Tennessee, North Carolina, Mississippi, Virginia, Nevada, Georgia, Alabama, Utah, New Mexico, California and Arizona.

TAB 5

Documentation to assist in determining if limitation is a determining factor

The applicant's parent company, 7X Energy, Inc., is a national solar developer with the ability to locate projects of this type in other counties and states in the US with strong solar characteristics. The applicant is actively developing other projects throughout the US. The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely. In fact, the applicant owns interests in greenfield solar projects in more than twenty (20) states other than Texas. The additional places where Applicant is considering investing and developing projects include states that offer market incentives for generation resources like property tax incentives, including North Carolina, Mississippi, Nevada, Georgia, Alabama, Utah, New Mexico, California, Arizona, and Virginia.

Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and with Texas wholesale electricity prices already below the national average in Texas, it is necessary to limit the property tax liabilities for a solar project in order to be able to offer electricity at prices that are marketable to Texas customers at competitive rates, including power sales under a bi-lateral contract. Markets such as California that have state wide available subsidies for renewable energy projects, and which have higher average contracted power rates, offer an attractive incentive for developers to build projects in those markets over Texas.

The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher on a project basis.

This is true even if the entity is able to contract with an off-taker under a power purchase agreement because the low rate contracted for is not financeable without the tax incentives. More specifically, a signed power purchase agreement in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state subsidies, the other states offer a much higher rate of return for the project financiers. Without the tax incentives in Texas, a project with a power purchase agreement becomes non-financeable and the developer would have to abandon the project and go to a different market.

TAB 6

Names and percentages of additional districts that compromise the entire project:

The project is located 100% within the Pearsall Independent School District in Frio County, Texas.

TAB 7

Description of Qualified Investment

Elara Energy Project, LLC, anticipates constructing a solar photovoltaic (PV) electric generating facility with an operating capacity of approximately 145 MW ac. The exact capacity and the specific technology components will be determined during the development and design process.

A 145 MW solar PV generating facility may include a qualified investment consisting of the following improvements:

- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracking racking system (mounting structures);
- Project substation which will include a high-voltage transformer, switchgear, transmission equipment, telecommunications and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility, which shall house four (4) permanent, fixed storage containers (two of which shall be insulated and temperature controlled), an HVAC-equipped office building featuring ADA-compliant restroom and kitchen area, an underground septic and leaching system, computer equipment associated with operation of the project SCADA system, and a parking area for a minimum of ten (10) vehicles;
- Meteorological equipment to measure solar irradiance and other weather conditions; and
- Associated equipment to safely operate, maintain and deliver electricity to the grid.

TAB 8

Description of Qualified Property

Elara Energy Project, LLC, anticipates constructing a solar photovoltaic (PV) electric generating facility with an operating capacity of approximately 145MW ac. The exact capacity and the specific technology components will be determined during the development and design process.

A 145 MW solar PV generating facility may include a qualified investment consisting of the following improvements:

- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracking racking system (mounting structures);
- Project substation which will include a high-voltage transformer, switchgear, transmission equipment, telecommunications and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility, which shall house four (4) permanent, fixed storage containers (two of which shall be insulated and temperature controlled), an HVAC-equipped office building featuring ADA-compliant restroom and kitchen area, an underground septic and leeching system, computer equipment associated with operation of the project SCADA system, and a parking area for a minimum of ten (10) vehicles;
- Meteorological equipment to measure solar irradiance and other weather conditions; and
- Associated equipment to safely operate, maintain and deliver electricity to the grid.

TAB 9

SITE DESCRIPTION

The project will be constructed on approximately 1,752 acres, which are subject to a long-term lease agreement with local landowners. The project will be located entirely in Frio County and within the Pearsall Independent School District.

TAB 10

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

1. N/A.

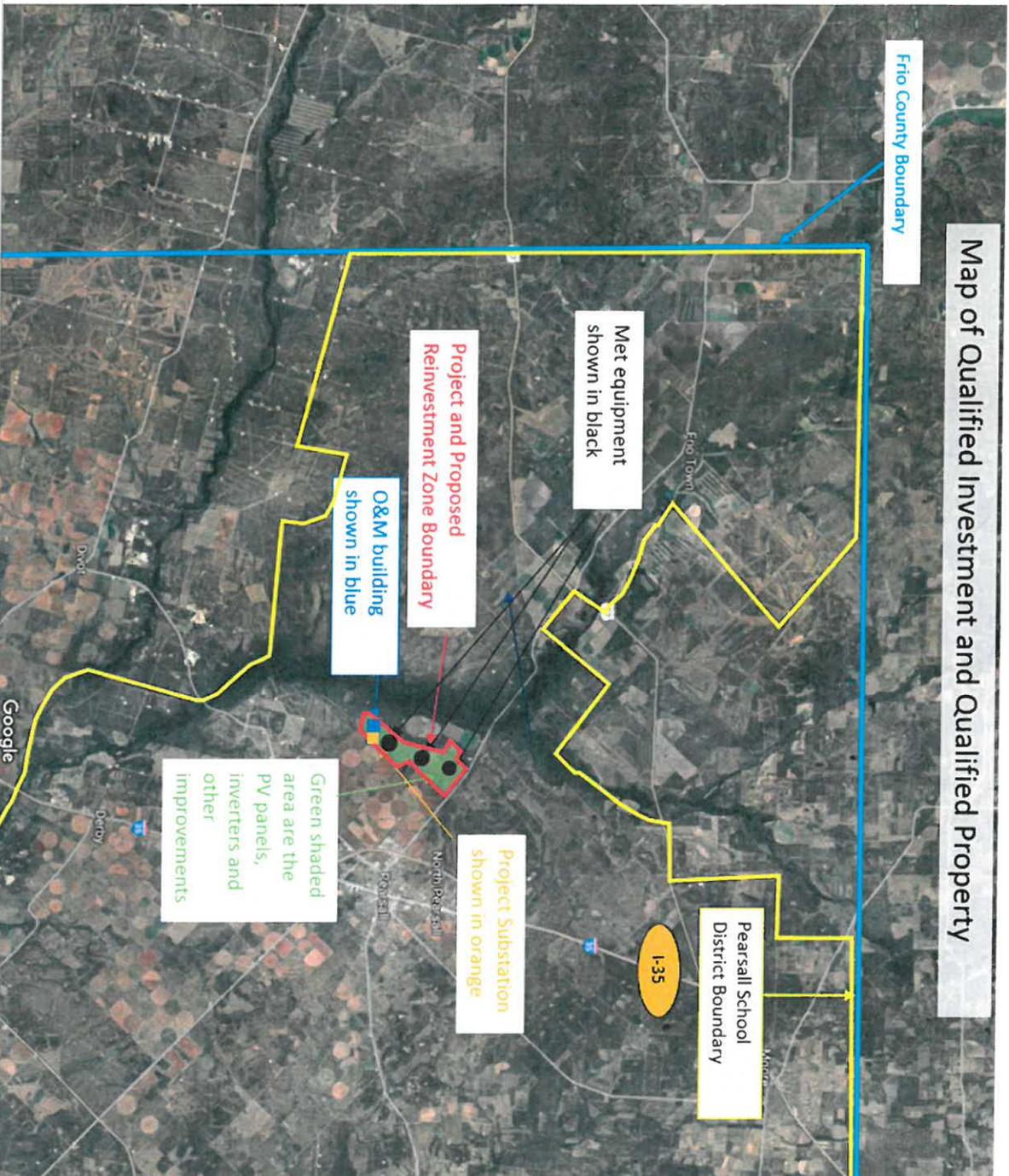
TAB 11

Maps that clearly show:

- ***Project vicinity, Qualified investment & property, Existing Property, Land Location, and Reinvestment Zone***

SEE ATTACHED MAPS

Map of Qualified Investment and Qualified Property



Legend

- Project and Proposed Reinvestment Zone Boundary
- PV panels, inverters, and other improvements
- Met station equipment
- Pearlsall School District Boundary
- Frio County Boundary
- Project Substation
- O&M Building

TAB 12



Request of Waiver of Job Creation Requirement

June 19, 2019

Dr. Norbert Rodriguez, Superintendent
Pearsall Independent School District
318 Berry Ranch Rd.
Pearsall, Texas 78061

Re: Chapter 313 Job Waiver Request

Dear Superintendent Rodriguez,

Please consider this letter to be Elara Energy Project, LLC's formal request to waive the minimum new job creation requirement, as provided under Texas Tax Code 313.025(f-1).

Based upon knowledge of staffing requirements Elara Energy Project, LLC requests the job creation requirement under Chapter 313 of the Texas Tax Code be waived. In line with solar industry standards for job requirements, Elara Energy Project, LLC, has committed to create one (1) new permanent job.

Solar projects create a large number of full-time, temporary jobs during the construction phase (1st year), but require a small number of highly skilled technicians to operate the solar project once construction operations end and commercial operations begin. Hiring one (1) permanent, full-time employee is industry standard for a 145 MW utility-scale solar energy facility.

These permanent employees of a solar energy project maintain and service solar panels, mounting infrastructure, underground electrical connections, substations and other infrastructure associated with the safe and reliable operation of the project. In addition to the onsite employee described above, there also may be asset managers or technicians who supervise, monitor, and support solar project operations from offsite locations.

The waiver request herein is in line with industry standards for the number of jobs specifically relegated to a solar generation facility of this size. This is evidenced by previously filed limitation agreement applications by solar developers who similarly requested a waiver of the job requirements and in addition, by readily available documentation and education materials related to the development of solar generation facilities.

Sincerely,

Scott Pryor

TAB 13

Calculation of three possible wage requirements with supporting documentation

AVERAGE WEEKLY WAGES FOR ALL JOBS, ALL INDUSTRIES IN FRIO COUNTY

FOUR MOST RECENT QUARTERS

COUNTY	YEAR	QUARTER	Avg. Weekly Wage
Frio	2018	Q4	\$1028.00
Frio	2018	Q3	\$960.00
Frio	2018	Q2	\$999.00
Frio	2018	Q1	\$1028.00
SUM:			\$4,015.00
CALCULATION:			\$4,015/4 = \$1003.75

AVERAGE WEEKLY WAGES FOR MANUFACTURING JOBS IN FRIO COUNTY

FOUR MOST RECENT QUARTERS

COUNTY	YEAR	QUARTER	Avg. Weekly Wage
Frio	2018	Q4	\$943.00
Frio	2018	Q3	\$1,298.00
Frio	2018	Q2	\$1,163.00
Frio	2018	Q1	\$1,288.00
SUM:			\$4,692.00
CALCULATION:			\$1,173 * 1.1 = \$1,290.30

AVERAGE WEEKLY WAGES FOR MANUFACTURING JOBS IN THE ALAMO AREA (WDA)

FOUR MOST RECENT QUARTERS

REGION / WDA	YEAR	Hourly/Annual	Avg. Weekly Wage
Alamo Area	2017	\$22.05/\$45,869.00	\$882.00
CALCULATION:			\$882.00 * 1.1 = \$970.20

Please refer to the attached TWC & Council of Governments documentation below.

Quarterly Census of Employment and Wages (QCEW) Report

Customize the report/Help with Accessibility

Reset Export to Excel

Drag a column header and drop it here to group by that column

Year	Period	Area	Ownership	Industry Code	Industry	Level	Establishments	Firms	Average Employment	Average Weekly Wage
2018	01	Frnc	Total All	10	Total: All Industries	0	424	401	7,650	1,028
2018	02	Frnc	Total All	10	Total: All Industries	0	426	402	7,616	999
2018	03	Frnc	Total All	10	Total: All Industries	0	427	404	7,651	960
2018	04	Frnc	Total All	10	Total: All Industries	0	425	401	7,646	1,026

Quarterly Census of Employment and Wages (QCEW) Report

Customize the report/Help with Accessibility

Reset Export to Excel

Drag a column header and drop it here to group by that column

Year	Period	Area	Ownership	Industry Code	Industry	Level	Establishments	Firms	Average Employment	Average Weekly Wage
2018	01	Frnc	Total All	31-33	Manufacturing	2	8	8	139	1,288
2018	02	Frnc	Total All	31-33	Manufacturing	2	8	8	149	1,163
2018	03	Frnc	Total All	31-33	Manufacturing	2	8	8	147	1,256
2018	04	Frnc	Total All	31-33	Manufacturing	2	8	8	97	943

**2017 Manufacturing Average Wages by Council of Government Region
Wages for All Occupations**

COG	Wages	
	Hourly	Annual
Texas	\$26.24	\$54,587
1. Panhandle Regional Planning Commission	\$23.65	\$49,190
2. South Plains Association of Governments	\$19.36	\$40,262
3. NORTEX Regional Planning Commission	\$23.46	\$48,789
4. North Central Texas Council of Governments	\$26.80	\$55,747
5. Ark-Tex Council of Governments	\$18.59	\$38,663
6. East Texas Council of Governments	\$21.07	\$43,827
7. West Central Texas Council of Governments	\$21.24	\$44,178
8. Rio Grande Council of Governments	\$18.44	\$38,351
9. Permian Basin Regional Planning Commission	\$26.24	\$54,576
10. Concho Valley Council of Governments	\$19.67	\$40,924
11. Heart of Texas Council of Governments	\$21.53	\$44,781
12. Capital Area Council of Governments	\$31.49	\$65,497
13. Brazos Valley Council of Governments	\$17.76	\$39,931
14. Deep East Texas Council of Governments	\$17.99	\$37,428
15. South East Texas Regional Planning Commission	\$34.98	\$72,755
16. Houston-Galveston Area Council	\$28.94	\$60,202
17. Golden Crescent Regional Planning Commission	\$26.94	\$56,042
18. Alamo Area Council of Governments	\$22.05	\$48,869
19. South Texas Development Council	\$15.07	\$31,343
20. Coastal Bend Council of Governments	\$28.98	\$60,276
21. Lower Rio Grande Valley Development Council	\$17.86	\$37,152
22. Texoma Council of Governments	\$21.18	\$44,060
23. Central Texas Council of Governments	\$19.30	\$40,146
24. Middle Rio Grande Development Council	\$24.07	\$50,058

Source: Texas Occupational Employment and Wages

Data published: July 2018

Data published annually, next update will be July 31, 2019

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

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

Data intended for TAC 313 purposes only.

TAB 14

Schedules A1, A2, B, C, and D completed and signed Economic Impact

See attached Excel Spreadsheet

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

Date: 6/19/2019
Applicant Name: Elara Energy Project, L
ISD Name: Peanahli ISD

PROPERTY INVESTMENT AMOUNTS

(Estimated investment in each year. Do not put cumulative totals.)

Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) (YYYY)	Column A New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	Column B New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property	Column C Other new investment made during this year that will not become Qualified Property (SEE NOTE)	Column D Other new investment made during this year that may become Qualified Property (SEE NOTE)	Column E Total Investment (Sum of Columns A+B+C+D)
Investment made before filing complete application with district							0
Investment made after filing complete application with district, but before final board approval of application	-	2019	0	0	0	0	0
Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period							0
Complete tax years of qualifying time period	QTP1	2020	72,000,000	0	0	0	72,000,000
	QTP2	2021	71,750,000	250,000	0	0	72,000,000
Total Investment through Qualifying Time Period [ENTER this row in Schedule A2]			143,750,000	250,000	0	0	144,000,000
Total Qualified Investment (sum of green cells)			144,000,000				

Enter amounts from TOTAL row above in Schedule A2

For All Columns: List amount invested each year, not cumulative totals.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application. Only tangible personal property that is specifically described in the application can become qualified property.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.02(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

Total Investment: Add together each cell in a column and enter the sum in the blue total investment row. Enter the data from this row into the first row in Schedule A2.

Qualified Investment: For the green qualified investment cell, enter the sum of all the green-shaded cells.

Schedule A2: Total Investment for Economic Impact (Including Qualified Property and other investments)

Date: 6/19/2019
Applicant Name: Elara Energy Project, LLC
ISD Name: Peatsall ISD

PROPERTY INVESTMENT AMOUNTS							
(Estimated investment in each year. Do not put cumulative totals.)							
Year	Sched Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) (YYYY)	Column A New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	Column B New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property	Column C Other investment made during this year that will not become Qualified Property (SEE NOTE)	Column D Other investment made during this year that will become Qualified Property (SEE NOTE)	Column E Total Investment (A+B+C+D)
TOTALS FROM SCHEDULE A1			Enter amounts from TOTAL row in Schedule A1 in the row below				
-			143,750,000	250,000	0	0	144,000,000
Each year prior to start of value limitation period** (insert as many rows as necessary)			72,000,000	0	0	0	72,000,000
Each year prior to start of value limitation period** (insert as many rows as necessary)			71,750,000	250,000	0	0	72,000,000
Value limitation period***			0	0	2,141,220	0	2,141,220
			0	0	2,184,044	0	2,184,044
			0	0	2,227,725	0	2,227,725
			0	0	2,272,280	0	2,272,280
			0	0	2,317,725	0	2,317,725
			0	0	2,364,080	0	2,364,080
			0	0	2,411,361	0	2,411,361
			0	0	2,459,589	0	2,459,589
			0	0	2,508,780	0	2,508,780
			0	0	2,558,956	0	2,558,956
Total investment made through limitation			143,750,000	250,000	19,120,467	0	162,870,467
Continue to maintain viable presence					2,610,135		2,610,135
					2,662,338		2,662,338
					2,715,585		2,715,585
					2,769,896		2,769,896
					2,825,294		2,825,294
					2,881,800		2,881,800
					2,939,436		2,939,436
					2,998,225		2,998,225
					3,058,189		3,058,189
					3,119,353		3,119,353
					3,181,740		3,181,740
					3,245,375		3,245,375
					3,310,283		3,310,283
					3,376,488		3,376,488
					3,444,018		3,444,018

* All investments made through the qualifying time period are captured and totaled on Schedule A1 (blue box) and incorporated into this schedule in the first row.

** Only investment made during deferrals of the start of the limitation (after the end of qualifying time period but before the start of the Value Limitation Period) should be included in the "year prior to start of value limitation period" row(s). If the limitation starts at the end of the qualifying time period or the qualifying time period overlaps the limitation, no investment should be included on this line.

*** If your qualifying time period will overlap your value limitation period, do not also include investment made during the qualifying time period in years 1 and/or 2 of the value limitation period, depending on the overlap. Only include investments/years that were not captured on Schedule A1.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property. It is used to maintain, refurbish, renovate, modify or upgrade existing property, or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

For All Columns: List amount invested each year, not cumulative totals. Only include investments in the remaining rows of Schedule A2 that were not captured on Schedule A1.

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

Date
 Applicant Name
 ISD Name

6/19/2019
 Elara Energy Project, LLC
 Pearsall ISD

Form 50-296A
 Revised May 2014

Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year)	Qualified Property			Estimated Taxable Value		
			Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new buildings or "in or on the new improvements"	Market Value less any exemptions (such as pollution control) and before limitation	Final taxable value for I&S after all reductions	Final taxable value for M&O after all reductions
0	2020-2021	2020	0	0	0	0	0	0
0	2021-2022	2021	0	0	0	0	0	0
1	2022-2023	2022	0	250,000	143,750,000	144,000,000	144,000,000	30,000,000
2	2023-2024	2023	0	237,500	122,187,500	122,425,000	122,425,000	30,000,000
3	2024-2025	2024	0	225,625	103,859,375	104,085,000	104,085,000	30,000,000
4	2025-2026	2025	0	214,344	88,280,469	88,494,813	88,494,813	30,000,000
5	2026-2027	2026	0	203,627	75,038,398	75,242,025	75,242,025	30,000,000
6	2027-2028	2027	0	193,445	63,782,639	63,976,084	63,976,084	30,000,000
7	2028-2029	2028	0	183,773	54,215,243	54,399,016	54,399,016	30,000,000
8	2029-2030	2029	0	174,584	46,082,956	46,257,541	46,257,541	30,000,000
9	2030-2031	2030	0	165,855	39,170,513	39,336,368	39,336,368	30,000,000
10	2031-2032	2031	0	157,562	33,294,936	33,452,498	33,452,498	30,000,000
11	2032-2033	2032	0	149,684	28,300,696	28,450,380	28,450,380	28,450,380
12	2033-2034	2033	0	142,200	24,055,591	24,197,791	24,197,791	24,197,791
13	2034-2035	2034	0	135,090	24,055,591	24,190,681	24,190,681	24,190,681
14	2035-2036	2035	0	128,336	24,055,591	24,183,927	24,183,927	24,183,927
15	2036-2037	2036	0	121,919	24,055,591	24,177,510	24,177,510	24,177,510
16	2037-2038	2037	0	115,823	24,055,591	24,171,414	24,171,414	24,171,414
17	2038-2039	2038	0	110,032	24,055,591	24,165,623	24,165,623	24,165,623
18	2039-2040	2039	0	104,530	24,055,591	24,160,121	24,160,121	24,160,121
19	2040-2041	2040	0	99,304	24,055,591	24,154,895	24,154,895	24,154,895
20	2041-2042	2041	0	94,338	24,055,591	24,149,930	24,149,930	24,149,930
21	2042-2043	2042	0	89,621	24,055,591	24,145,213	24,145,213	24,145,213
22	2043-2044	2043	0	85,140	24,055,591	24,140,732	24,140,732	24,140,732
23	2044-2045	2044	0	80,883	24,055,591	24,136,475	24,136,475	24,136,475
24	2045-2046	2045	0	76,839	24,055,591	24,132,430	24,132,430	24,132,430
25	2046-2047	2046	0	72,997	24,055,591	24,128,589	24,128,589	24,128,589

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

Schedule C: Employment Information

Date 6/19/2019

Applicant Name Elara Energy Project, LLC
 ISD Name Pearsall ISD

Form 50-296A
 Revised May 2014

	Construction			Non-Qualifying Jobs		Qualifying Jobs	
	Column A	Column B	Column C	Column D	Column E		
	Number of Construction FTE's or man-hours (specify)	Average annual wage rates for construction workers	Number of non-qualifying jobs applicant estimates it will create (cumulative)	Number of new qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Average annual wage of new qualifying jobs		
Tax Year (Actual tax year) YYYY	School Year (YYYY-YYYY)	Year	Column C	Column D	Column E		
Each year prior to start of Value Limitation Period <i>insert as many rows as necessary</i>	0	2020-2021	2020	75 FTE	0	0	
	0	2021-2022	2021	150 FTE	0	0	
	1	2022-2023	2022	N/A	0	61,000	
	2	2023-2024	2023	N/A	0	61,000	
	3	2024-2025	2024	N/A	0	61,000	
	4	2025-2026	2025	N/A	0	61,000	
	5	2026-2027	2026	N/A	0	61,000	
	6	2027-2028	2027	N/A	0	61,000	
	7	2028-2029	2028	N/A	0	61,000	
	8	2029-2030	2029	N/A	0	61,000	
	9	2030-2031	2030	N/A	0	61,000	
	10	2031-2032	2031	N/A	0	61,000	
Value Limitation Period <i>The qualifying time period could overlap the value limitation period.</i>	11 through 25	2032-2046	2032-2046	N/A	0	61,000	

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

- C1.** Are the cumulative number of qualifying jobs listed in Column D less than the number of qualifying jobs required by statute? (25) Yes No
- If yes, answer the following two questions:
- C1a.** Will the applicant request a job waiver, as provided under 313.025(f-1)? Yes No
- C1b.** Will the applicant avail itself of the provision in 313.021(3)(F)? Yes No

Schedule D: Other Incentives (Estimated)

6/19/2019

Date

Elara Energy Project, LLC

Applicant Name

Pearsall ISD

ISD Name

State and Local Incentives for which the Applicant intends to apply (Estimated)							
Incentive Description	Taxing Entity (as applicable)	Beginning Year of Benefit	Duration of Benefit	Annual Tax Levy without Incentive	Annual Incentive	Annual Net Tax Levy	
Tax Code Chapter 311	County: N/A City: N/A Other: N/A						
Tax Code Chapter 312	County: Frio County City: N/A Other: Frio County Hospital District	2022	10 Years	488,084	80%	97,609	
Local Government Code Chapters 380/381	County: N/A City: N/A Other: N/A	2022	10 Years	184,269	80%	36,854	
Freeport Exemptions	County: N/A City: N/A Other: N/A						
Non-Annexation Agreements	County: N/A City: N/A Other: N/A						
Enterprise Zone/Project	County: N/A City: N/A Other: N/A						
Economic Development Corporation	County: N/A City: N/A Other: N/A						
Texas Enterprise Fund	County: N/A City: N/A Other: N/A						
Employee Recruitment	County: N/A City: N/A Other: N/A						
Skills Development Fund	County: N/A City: N/A Other: N/A						
Training Facility Space and Equipment	County: N/A City: N/A Other: N/A						
Infrastructure Incentives	County: N/A City: N/A Other: N/A						
Permitting Assistance	County: N/A City: N/A Other: N/A						
Other:	County: N/A City: N/A Other: N/A						
Other:	County: N/A City: N/A Other: N/A						
Other:	County: N/A City: N/A Other: N/A						
Other:	County: N/A City: N/A Other: N/A						
TOTAL				1,255,680		251,136	

Additional information on incentives for this project:

Frio County Terms - 10 year Abatement at 80%

TAB 15

Economic Impact

Elara Energy Project, LLC, will not be including an Economic Impact Report.

TAB 16

[TO BE SUPPLEMENTED AFTER ISSUANCE OF REINVESTMENT ZONE BY FRIO COUNTY]

AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES by and between PEARSALL INDEPENDENT SCHOOL
DISTRICT and ELARA ENERGY PROJECT, LLC

EXHIBIT A-1

Amendment to
Application for Appraised Value Limitation on Qualified Property

SECTION 16: Authorized Signatures and Applicant Certification

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

1. Authorized School District Representative Signature

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

print
here

Print Name (Authorized School District Representative)

Title

sign
here

Signature (Authorized School District Representative)

Date

2. Authorized Company Representative (Applicant) Signature and Notarization

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

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

print
here

Scott Pryor

Chief Development Officer

Print Name (Authorized Company Representative (Applicant))

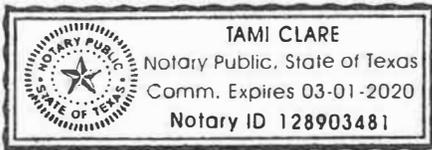
Title

sign
here


Signature (Authorized Company Representative (Applicant))

8/6/19

Date



(Notary Seal)

GIVEN under my hand and seal of office this, the

6th day of August, 2019



Notary Public in and for the State of Texas

My Commission expires: 3.1.20

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

SECTION 14: Wage and Employment Information

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0
2. What is the last complete calendar quarter before application review start date:
 First Quarter Second Quarter Third Quarter Fourth Quarter of 2019
(year)
3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? 0
Note: For job definitions see TAC §9.1051 and Tax Code §313.021(3).
4. What is the number of new qualifying jobs you are committing to create? 1
5. What is the number of new non-qualifying jobs you are estimating you will create? 0
6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? Yes No
 - 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.
7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).
 - a. Average weekly wage for all jobs (all industries) in the county is 1003.75
 - b. 110% of the average weekly wage for manufacturing jobs in the county is 1290.30
 - c. 110% of the average weekly wage for manufacturing jobs in the region is 1003.28
8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? §313.021(5)(A) or §313.021(5)(B)
9. What is the minimum required annual wage for each qualifying job based on the qualified property? 61000.00
10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 61,000.00
11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? Yes No
12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? Yes No
 - 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).
13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? Yes No
 - 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

SECTION 15: Economic Impact

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

TAB 4

Detailed description of the project

Elara Energy Project, LLC, proposes to develop a utility-scale, grid-connected solar photovoltaic energy (PV) plant within the Pearsall Independent School District.

The project will be constructed on approximately 1,752 acres, which are subject to long-term lease agreements with local landowners. The project will be located entirely in Frio County and within the Pearsall Independent School District. The proposed project will include, but is not limited to, the following:

- Planned 175 MW-AC in size;
- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracker racking system (mounting structures);
- Project substation which will include a high-voltage transformer, switchgear, transmission equipment, telecommunications and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility, which shall house four (4) permanent storage containers (two of which shall be insulated and temperature controlled), an HVAC-equipped office building featuring ADA-compliant restroom and kitchen area, an underground septic and leeching system, computer equipment associated with operation of the project SCADA system, and a parking area for a minimum of ten (10) vehicles;
- Meteorological equipment to measure solar irradiance and other weather conditions; and
- Associated equipment to safely operate, maintain and deliver electricity to the grid.

The parent company of Elara Energy Project, LLC, is a national solar developer with project opportunities all across the United States. The ability to enter into a limited appraisal valuation agreement with the Pearsall Independent School District is a motivating factor for constructing the project in Frio County, Texas, as opposed to building and investing in another state or region where state tax incentives are available. Additional states where Applicant is considering include Tennessee, North Carolina, Mississippi, Virginia, Nevada, Georgia, Alabama, Utah, New Mexico, California and Arizona.

TAB 7

Description of Qualified Investment

Elara Energy Project, LLC, anticipates constructing a solar photovoltaic (PV) electric generating facility with an operating capacity of approximately 175 MW ac. The exact capacity and the specific technology components will be determined during the development and design process.

A 175 MW solar PV generating facility may include a qualified investment consisting of the following improvements:

- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracking racking system (mounting structures);
- Project substation which will include a high-voltage transformer, switchgear, transmission equipment, telecommunications and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility, which shall house four (4) permanent, fixed storage containers (two of which shall be insulated and temperature controlled), an HVAC-equipped office building featuring ADA-compliant restroom and kitchen area, an underground septic and leaching system, computer equipment associated with operation of the project SCADA system, and a parking area for a minimum of ten (10) vehicles;
- Meteorological equipment to measure solar irradiance and other weather conditions; and
- Associated equipment to safely operate, maintain and deliver electricity to the grid.

TAB 8

Description of Qualified Property

Elara Energy Project, LLC, anticipates constructing a solar photovoltaic (PV) electric generating facility with an operating capacity of approximately 175MW ac. The exact capacity and the specific technology components will be determined during the development and design process.

A 175 MW solar PV generating facility may include a qualified investment consisting of the following improvements:

- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracking racking system (mounting structures);
- Project substation which will include a high-voltage transformer, switchgear, transmission equipment, telecommunications and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility, which shall house four (4) permanent, fixed storage containers (two of which shall be insulated and temperature controlled), an HVAC-equipped office building featuring ADA-compliant restroom and kitchen area, an underground septic and leaching system, computer equipment associated with operation of the project SCADA system, and a parking area for a minimum of ten (10) vehicles;
- Meteorological equipment to measure solar irradiance and other weather conditions; and
- Associated equipment to safely operate, maintain and deliver electricity to the grid.

TAB 12



Request of Waiver of Job Creation Requirement

July 31, 2019

Dr. Norbert Rodriguez, Superintendent
Pearsall Independent School District
318 Berry Ranch Rd.
Pearsall, Texas 78061

Re: Chapter 313 Job Waiver Request

Dear Superintendent Rodriguez,

Please consider this letter to be Elara Energy Project, LLC's formal request to waive the minimum new job creation requirement, as provided under Texas Tax Code 313.025(f-1).

Based upon knowledge of staffing requirements Elara Energy Project, LLC requests the job creation requirement under Chapter 313 of the Texas Tax Code be waived. In line with solar industry standards for job requirements, Elara Energy Project, LLC, has committed to create one (1) new permanent job.

Solar projects create a large number of full-time, temporary jobs during the construction phase (1st year), but require a small number of highly skilled technicians to operate the solar project once construction operations end and commercial operations begin. Hiring one (1) permanent, full-time employee is industry standard for a 175 MW utility-scale solar energy facility.

These permanent employees of a solar energy project maintain and service solar panels, mounting infrastructure, underground electrical connections, substations and other infrastructure associated with the safe and reliable operation of the project. In addition to the onsite employee described above, there also may be asset managers or technicians who supervise, monitor, and support solar project operations from offsite locations.

The waiver request herein is in line with industry standards for the number of jobs specifically relegated to a solar generation facility of this size. This is evidenced by previously filed limitation agreement applications by solar developers who similarly requested a waiver of the job requirements and in addition, by readily available documentation and education materials related to the development of solar generation facilities.

Sincerely,

Scott Pryor

TAB 13

Calculation of three possible wage requirements with supporting documentation

AVERAGE WEEKLY WAGES FOR ALL JOBS, ALL INDUSTRIES IN FRIO COUNTY
FOUR MOST RECENT QUARTERS

COUNTY	YEAR	QUARTER	Avg. Weekly Wage
Frio	2018	Q4	\$1028.00
Frio	2018	Q3	\$960.00
Frio	2018	Q2	\$999.00
Frio	2018	Q1	\$1028.00
SUM:			\$4,015.00
CALCULATION:			\$4,015/4 = \$1003.75

AVERAGE WEEKLY WAGES FOR MANUFACTURING JOBS IN FRIO COUNTY
FOUR MOST RECENT QUARTERS

COUNTY	YEAR	QUARTER	Avg. Weekly Wage
Frio	2018	Q4	\$943.00
Frio	2018	Q3	\$1,298.00
Frio	2018	Q2	\$1,163.00
Frio	2018	Q1	\$1,288.00
SUM:			\$4,692.00
CALCULATION:			\$1,173 * 1.1 = \$1,290.30

AVERAGE WEEKLY WAGES FOR MANUFACTURING JOBS IN THE ALAMO AREA (WDA)
FOUR MOST RECENT QUARTERS

REGION / WDA	YEAR	Hourly/Annual	Avg. Weekly Wage
Alamo Area	2018	\$22.80/\$47,428.00	\$912.08
CALCULATION:			\$912.08 * 1.1 = \$1003.28

Please refer to the attached TWC & Council of Governments documentation below.

<https://texaslmi.com/LMIbyCategory/QCEW> 7/31/19

Quarterly Census of Employment and Wages (QCEW) Report

Customize the report/Help with Accessibility

Reset Export to Excel

Drag a column header and drop it here to group by that column

Year	Period	Area	Ownership	Industry Code	Industry	Level	Establishments	Firms	Average Employment	Average Weekly Wage
2018	01	Frio	Total All	10	Total, All Industries	0	424	401	7,050	1,028
2018	02	Frio	Total All	10	Total, All Industries	0	426	402	7,616	999
2018	03	Frio	Total All	10	Total, All Industries	0	427	404	7,651	960
2018	04	Frio	Total All	10	Total, All Industries	0	425	401	7,646	1,028

<https://texaslmi.com/LMIbyCategory/QCEW> 7/31/19

Quarterly Census of Employment and Wages (QCEW) Report

Customize the report/Help with Accessibility

Reset Export to Excel

Drag a column header and drop it here to group by that column

Year	Period	Area	Ownership	Industry Code	Industry	Level	Establishments	Firms	Average Employment	Average Weekly Wage
2018	01	Frio	Total All	31-33	Manufacturing	2	8	8	139	1,288
2018	02	Frio	Total All	31-33	Manufacturing	2	8	8	149	1,163
2018	03	Frio	Total All	31-33	Manufacturing	2	8	8	147	1,298
2018	04	Frio	Total All	31-33	Manufacturing	2	8	8	97	943

**2018 Manufacturing Average Wages by Council of Government Region
Wages for All Occupations**

COG	COG Number	Wages	
		Hourly	Annual
Texas		\$27.04	\$56,240
Alamo Area Council of Governments	18	\$22.80	\$47,428
Ark-Tex Council of Governments	5	\$18.73	\$38,962
Brazos Valley Council of Governments	13	\$18.16	\$37,783
Capital Area Council of Governments	12	\$32.36	\$67,318
Central Texas Council of Governments	23	\$19.60	\$40,771
Coastal Bend Council of Governments	20	\$28.52	\$59,318
Concho Valley Council of Governments	10	\$21.09	\$43,874
Deep East Texas Council of Governments	14	\$18.28	\$38,021
East Texas Council of Governments	6	\$21.45	\$44,616
Golden Crescent Regional Planning Commission	17	\$28.56	\$59,412
Heart of Texas Council of Governments	11	\$22.71	\$47,245
Houston-Galveston Area Council	16	\$29.76	\$61,909
Lower Rio Grande Valley Development Council	21	\$17.21	\$35,804
Middle Rio Grande Development Council	24	\$20.48	\$42,604
NORTEX Regional Planning Commission	3	\$25.14	\$52,284
North Central Texas Council of Governments	4	\$27.93	\$58,094
Panhandle Regional Planning Commission	1	\$24.19	\$50,314
Permian Basin Regional Planning Commission	9	\$25.90	\$53,882
Rio Grande Council of Governments	8	\$18.51	\$38,493
South East Texas Regional Planning Commission	15	\$36.26	\$75,430
South Plains Association of Governments	2	\$20.04	\$41,691
South Texas Development Council	19	\$17.83	\$37,088
Texoma Council of Governments	22	\$21.73	\$45,198
West Central Texas Council of Governments	7	\$21.84	\$45,431

Calculated by the Texas Workforce Commission Labor Market and Career Information Department.

Data published: July 2019

Data published annually, next update will be July 31, 2020

Annual wage figure assumes a 40-hour work week.

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

Wage data is produced from Texas Occupational Employment Statistics (OES) data, and is not to be compared to BLS estimates.

Data intended only for use in implementing Chapter 313, Tax Code.

TAB 14

Schedules A1, A2, B, C, and D completed and signed Economic Impact

See attached Excel Spreadsheet

PROPERTY INVESTMENT AMOUNTS									
(Estimated Investment in each year. Do not put cumulative totals.)									
				Column A	Column B	Column C	Column D	Column E	
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property	Other new investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Other new investment made during this year that may become Qualified Property [SEE NOTE]	Total Investment (Sum of Columns A+B+C+D)	
Investment made before filing complete application with district		Year preceding the first complete tax year of the qualifying time period (assuming no deferrals of qualifying time period)	2019	Not eligible to become Qualified Property				[The only other investment made before filing complete application with district that may become Qualified Property is land.]	0
Investment made after filing complete application with district, but before final board approval of application	--			0	0	0	0	0	
Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period				0	0	0	0	0	
Complete tax years of qualifying time period	QTP1	2020-2021	2020	87,120,000	0	0	0	87,120,000	
	QTP2	2021-2022	2021	86,870,000	250,000	0	0	87,120,000	
Total Investment through Qualifying Time Period [ENTER this row in Schedule A2]				173,990,000	250,000	0	0	174,240,000	
				Enter amounts from TOTAL row above in Schedule A2					
Total Qualified Investment (sum of green cells)				174,240,000					

For All Columns: List amount invested each year, not cumulative totals.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application.

Only tangible personal property that is specifically described in the application can become qualified property.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

Total Investment: Add together each cell in a column and enter the sum in the blue total investment row. Enter the data from this row into the first row in Schedule A2.

Qualified Investment: For the green qualified investment cell, enter the sum of all the green-shaded cells.

PROPERTY INVESTMENT AMOUNTS								
(Estimated Investment in each year. Do not put cumulative totals.)								
				Column A	Column B	Column C	Column D	Column E
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property	Other investment made during this year that will not become Qualified Property [SEE NOTE]	Other investment made during this year that will become Qualified Property {SEE NOTE}	Total Investment (A+B+C+D)
Total Investment from Schedule A1*	--	TOTALS FROM SCHEDULE A1		173,990,000	250,000	0	0	174,240,000
Enter amounts from TOTAL row in Schedule A1 in the row below								
Each year prior to start of value limitation period** <i>Insert as many rows as necessary</i>	0	2020-2021	2020	87,120,000	0	0	0	87,125,000
Each year prior to start of value limitation period** <i>Insert as many rows as necessary</i>	0	2021-2022	2021	86,870,000	250,000	0	0	87,125,000
Value limitation period***	1	2022-2023	2022	0	0	2,141,220	0	2,141,220
	2	2023-2024	2023	0	0	2,184,044	0	2,184,044
	3	2024-2025	2024	0	0	2,227,725	0	2,227,725
	4	2025-2026	2025	0	0	2,272,280	0	2,272,280
	5	2026-2027	2026	0	0	2,317,725	0	2,317,725
	6	2027-2028	2027	0	0	2,364,080	0	2,364,080
	7	2028-2029	2028	0	0	2,411,361	0	2,411,361
	8	2029-2030	2029	0	0	2,459,589	0	2,459,589
	9	2030-2031	2030	0	0	2,508,780	0	2,508,780
	10	2031-2032	2031	0	0	2,558,956	0	2,558,956
Total Investment made through limitation				174,240,000	250,000	19,120,497	0	193,360,497
Continue to maintain viable presence	11	2032-2033	2032			2,610,135		2,610,135
	12	2033-2034	2033			2,662,338		2,662,338
	13	2034-2035	2034			2,715,585		2,715,585
	14	2035-2036	2035			2,769,896		2,769,896
	15	2036-2037	2036			2,825,294		2,825,294
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2037-2038	2037			2,881,800		2,881,800
	17	2038-2039	2038			2,939,436		2,939,436
	18	2039-2040	2039			2,998,225		2,998,225
	19	2040-2041	2040			3,058,189		3,058,189
	20	2041-2042	2041			3,119,353		3,119,353
	21	2042-2043	2042			3,181,740		3,181,740
	22	2043-2044	2043			3,245,375		3,245,375
	23	2044-2045	2044			3,310,283		3,310,283
	24	2045-2046	2045			3,376,488		3,376,488
	25	2046-2047	2046			3,444,018		3,444,018

* All investments made through the qualifying time period are captured and totaled on Schedule A1 [blue box] and incorporated into this schedule in the first row.

** Only investment made during deferrals of the start of the limitation (after the end of qualifying time period but before the start of the Value Limitation Period) should be included in the "year prior to start of value limitation period" row(s). If the limitation starts at the end of the qualifying time period or the qualifying time period overlaps the limitation, no investment should be included on this line.

*** If your qualifying time period will overlap your value limitation period, do not also include investment made during the qualifying time period in years 1 and/or 2 of the value limitation period, depending on the overlap. Only include investments/years that were not captured on Schedule A1.

For All Columns: List amount invested each year, not cumulative totals. Only include investments in the remaining rows of Schedule A2 that were not captured on Schedule A1.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application. Only tangible personal property that is specifically described in the application can become qualified property.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.

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

1389-Pearsall-Elara-amendment01

August 6, 2019

Date

8/6/2019

Applicant Name

Elara Energy Project, LLC

ISD Name

Pearsall ISD

Form 50-296A

Revised May 2014

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Estimated Taxable Value		
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new buildings or "in or on the new improvements"	Market Value less any exemptions (such as pollution control) and before limitation	Final taxable value for I&S after all reductions	Final taxable value for M&O after all reductions
Each year prior to start of Value Limitation Period	0	2020-2021	2020	0	0	0	0	0	0
	0	2021-2022	2021	0	0	0	0	0	0
Value Limitation Period	1	2022-2023	2022	0	250,000	173,990,000	174,240,000	174,240,000	30,000,000
	2	2023-2024	2023	0	237,500	147,891,500	148,129,000	148,129,000	30,000,000
	3	2024-2025	2024	0	225,625	125,707,775	125,933,400	125,933,400	30,000,000
	4	2025-2026	2025	0	214,344	106,851,609	107,065,953	107,065,953	30,000,000
	5	2026-2027	2026	0	203,627	90,823,867	91,027,494	91,027,494	30,000,000
	6	2027-2028	2027	0	193,445	77,200,287	77,393,733	77,393,733	30,000,000
	7	2028-2029	2028	0	183,773	65,620,244	65,804,017	65,804,017	30,000,000
	8	2029-2030	2029	0	174,584	55,777,208	55,951,792	55,951,792	30,000,000
	9	2030-2031	2030	0	165,855	47,410,626	47,576,482	47,576,482	30,000,000
	10	2031-2032	2031	0	157,562	40,299,032	40,456,595	40,456,595	30,000,000
Continue to maintain viable presence	11	2032-2033	2032	0	149,684	34,848,000	34,997,684	34,997,684	34,997,684
	12	2033-2034	2033	0	142,200	34,848,000	34,990,200	34,990,200	34,990,200
	13	2034-2035	2034	0	135,090	34,848,000	34,983,090	34,983,090	34,983,090
	14	2035-2036	2035	0	128,336	34,848,000	34,976,336	34,976,336	34,976,336
	15	2036-2037	2036	0	121,919	34,848,000	34,969,919	34,969,919	34,969,919
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2037-2038	2037	0	115,823	34,848,000	34,963,823	34,963,823	34,963,823
	17	2038-2039	2038	0	110,032	34,848,000	34,958,032	34,958,032	34,958,032
	18	2039-2040	2039	0	104,530	34,848,000	34,952,530	34,952,530	34,952,530
	19	2040-2041	2040	0	99,304	34,848,000	34,947,304	34,947,304	34,947,304
	20	2041-2042	2041	0	94,338	34,848,000	34,942,338	34,942,338	34,942,338
	21	2042-2043	2042	0	89,621	34,848,000	34,937,621	34,937,621	34,937,621
	22	2043-2044	2043	0	85,140	34,848,000	34,933,140	34,933,140	34,933,140
	23	2044-2045	2044	0	80,883	34,848,000	34,928,883	34,928,883	34,928,883
	24	2045-2046	2045	0	76,839	34,848,000	34,924,839	34,924,839	34,924,839
	25	2046-2047	2046	0	72,997	34,848,000	34,920,997	34,920,997	34,920,997

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

Only include market value for eligible property on this schedule.

Schedule D: Other Incentives (Estimated)

Date: 8/6/2019
Applicant Name: Elara Energy Project, LLC
ISD Name: Pearsall ISD

Form 50-296A
Revised May 2014

State and Local Incentives for which the Applicant intends to apply (Estimated)						
Incentive Description	Taxing Entity (as applicable)	Beginning Year of Benefit	Duration of Benefit	Annual Tax Levy without Incentive	Annual Incentive	Annual Net Tax Levy
Tax Code Chapter 311	County:	N/A	N/A	N/A	N/A	N/A
	City:	N/A	N/A	N/A	N/A	N/A
	Other:	N/A	N/A	N/A	N/A	N/A
Tax Code Chapter 312	County: Frio County	2022	10 Years	590,532	80%	118,106
	City:	N/A	N/A	N/A	N/A	N/A
	Other: Frio County Hospital District	2022	10 Years	222,966	80%	44,593
Local Government Code Chapters 380/381	County:	N/A	N/A	N/A	N/A	N/A
	City:	N/A	N/A	N/A	N/A	N/A
	Other:	N/A	N/A	N/A	N/A	N/A
Freeport Exemptions		N/A	N/A	N/A	N/A	N/A
Non-Annexation Agreements		N/A	N/A	N/A	N/A	N/A
Enterprise Zone/Project		N/A	N/A	N/A	N/A	N/A
Economic Development Corporation		N/A	N/A		N/A	
Texas Enterprise Fund		N/A	N/A		N/A	
Employee Recruitment		N/A	N/A		N/A	
Skills Development Fund		N/A	N/A		N/A	
Training Facility Space and Equipment		N/A	N/A		N/A	
Infrastructure Incentives		N/A	N/A		N/A	
Permitting Assistance		N/A	N/A		N/A	
Other:		N/A	N/A		N/A	
Other:		N/A	N/A		N/A	
Other:		N/A	N/A		N/A	
Other:		N/A	N/A		N/A	
TOTAL				813,498		162,699

Additional information on incentives for this project:

Frio County Terms - 10 year Abatement at 80%

AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES by and between PEARSALL INDEPENDENT SCHOOL
DISTRICT and ELARA ENERGY PROJECT, LLC

EXHIBIT A-2

Supplement to
Application for Appraised Value Limitation on Qualified Property

SECTION 9: Projected Timeline

- 1. Application approval by school board 11/1/2019
- 2. Commencement of construction 7/1/2020
- 3. Beginning of qualifying time period 8/1/2020
- 4. First year of limitation 1/1/2022
- 5. Begin hiring new employees 7/1/2020
- 6. Commencement of commercial operations 6/1/2021
- 7. Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (*date your application is finally determined to be complete*)? Yes No
Note: Improvements made before that time may not be considered qualified property.
- 8. When do you anticipate the new buildings or improvements will be placed in service? 7/1/2020

SECTION 10: The Property

- 1. Identify county or counties in which the proposed project will be located Frio County
- 2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property Frio CAD
- 3. Will this CAD be acting on behalf of another CAD to appraise this property? Yes No
- 4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:
 County: Frio County, \$0.5535, 100% City: _____
(Name, tax rate and percent of project) (Name, tax rate and percent of project)
 Hospital District: Frio Hospital, \$0.2348, 100% Water District: Evergreen Gr'dwater District, \$0.00650, 100%
(Name, tax rate and percent of project) (Name, tax rate and percent of project)
 Other (describe): Lateral Road, \$0.0345, 100% Other (describe): Frio Cnty Emergency Services, \$0.03209, 100%
(Name, tax rate and percent of project) (Name, tax rate and percent of project)
- 5. Is the project located entirely within the ISD listed in Section 1? Yes No
 5a. If no, attach in **Tab 6** additional information on the project scope and size to assist in the economic analysis.
- 6. Did you receive a determination from the Texas Economic Development and Tourism Office that this proposed project and at least one other project seeking a limitation agreement constitute a single unified project (SUP), as allowed in §313.024(d-2)? Yes No
 6a. If yes, attach in **Tab 6** supporting documentation from the Office of the Governor.

SECTION 11: Investment

NOTE: The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as Subchapter B or Subchapter C, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's website at comptroller.texas.gov/economy/local/ch313/.

- 1. At the time of application, what is the estimated minimum qualified investment required for this school district? 30,000,000.00
- 2. What is the amount of appraised value limitation for which you are applying? 30,000,000.00
Note: The property value limitation amount is based on property values available at the time of application and may change prior to the execution of any final agreement.
- 3. Does the qualified investment meet the requirements of Tax Code §313.021(1)? Yes No
- 4. Attach a description of the qualified investment [See §313.021(1).] The description must include:
 - a. a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (**Tab 7**);
 - b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your minimum qualified investment (**Tab 7**); and
 - c. a detailed map of the qualified investment showing location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period, with vicinity map (**Tab 11**).
- 5. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or §313.053 for Subchapter C school districts) for the relevant school district category during the qualifying time period? Yes No

AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES by and between PEARSALL INDEPENDENT SCHOOL
DISTRICT and ELARA ENERGY PROJECT, LLC

EXHIBIT B

Comptroller's Letter



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O.Box 13528 • Austin, TX 78711-3528

October 31, 2019

Dr. Nobert Rodriquez
Superintendent
Pearsall Independent School District
318 Berry Ranch Rd.
Pearsall, TX 78061

Re: Certificate for Limitation on Appraised Value of Property for School District
Maintenance and Operations taxes by and between Pearsall Independent School
District and Elara Energy Project, LLC, Application 1389

Dear Superintendent Rodriquez:

On August 14, 2019, the Comptroller issued written notice that Elara Energy Project, LLC (applicant) submitted a completed application (Application 1389) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on June 19, 2019, to the Pearsall 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 requested a waiver 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 1389.

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 within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of August 14, 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 cursive script that reads "Lisa Craven".

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Elara Energy Project, LLC (project) applying to Pearsall 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 Elara Energy Project, LLC.

Applicant	Elara Energy Project, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy - Solar
School District	Pearsall ISD
2017-2018 Average Daily Attendance	2,057
County	Frio
Proposed Total Investment in District	\$193,360,497
Proposed Qualified Investment	\$174,240,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2021-2022
Number of new qualifying jobs committed to by applicant	1*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,173
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,173
Minimum annual wage committed to by applicant for qualified jobs	\$61,000
Minimum weekly wage required for non-qualifying jobs	\$1,004
Minimum annual wage required for non-qualifying jobs	\$52,196
Investment per Qualifying Job	\$193,360,497
Estimated M&O levy without any limit (15 years)	\$12,006,325
Estimated M&O levy with Limitation (15 years)	\$5,353,751
Estimated gross M&O tax benefit (15 years)	\$6,652,574

* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).

Table 2 is the estimated statewide economic impact of Elara Energy Project, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2020	75	94	169	\$3,750,000	\$8,250,000	\$12,000,000
2021	150	189	339	\$7,500,000	\$18,500,000	\$26,000,000
2022	1	23	24	\$61,000	\$3,939,000	\$4,000,000
2023	1	13	14	\$61,000	\$2,939,000	\$3,000,000
2024	1	2	3	\$61,000	\$1,939,000	\$2,000,000
2025	1	(3)	-2	\$61,000	\$939,000	\$1,000,000
2026	1	(5)	-4	\$61,000	\$939,000	\$1,000,000
2027	1	(5)	-4	\$61,000	-\$61,000	\$0
2028	1	(4)	-3	\$61,000	-\$61,000	\$0
2029	1	(2)	-1	\$61,000	-\$61,000	\$0
2030	1	0	1	\$61,000	-\$61,000	\$0
2031	1	1	2	\$61,000	\$939,000	\$1,000,000
2032	1	3	4	\$61,000	\$939,000	\$1,000,000
2033	1	3	4	\$61,000	\$939,000	\$1,000,000
2034	1	4	5	\$61,000	\$939,000	\$1,000,000
2035	1	4	5	\$61,000	\$939,000	\$1,000,000

Source: CPA REMI, Elara Energy Project, 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*	Pearsall ISD I&S Tax Levy	Pearsall ISD M&O Tax Levy	Persall ISD M&O and I&S Tax Levies	Frio County Tax Levy	Frio County Hospital District Tax Levy	Evergreen Ground Water District Tax Levy	Frio County Emergency Sevices District #4 Tax Levy	Estimated Total Property Taxes
			0.1475	1.0500			0.5535	0.2348	0.0065	0.0321	
2022	\$174,240,000	\$174,240,000		\$256,969	\$1,829,520	\$2,086,489	\$964,418	\$409,116	\$11,326	\$55,914	\$3,527,262
2023	\$148,129,000	\$148,129,000		\$218,461	\$1,555,355	\$1,773,815	\$819,894	\$347,807	\$9,628	\$47,535	\$2,998,679
2024	\$125,933,400	\$125,933,400		\$185,727	\$1,322,301	\$1,508,027	\$697,041	\$295,692	\$8,186	\$40,412	\$2,549,358
2025	\$107,065,953	\$107,065,953		\$157,901	\$1,124,193	\$1,282,093	\$592,610	\$251,391	\$6,959	\$34,357	\$2,167,411
2026	\$91,027,494	\$91,027,494		\$134,247	\$955,789	\$1,090,036	\$503,837	\$213,733	\$5,917	\$29,211	\$1,842,733
2027	\$77,393,733	\$77,393,733		\$114,140	\$812,634	\$926,774	\$428,374	\$181,720	\$5,031	\$24,836	\$1,566,736
2028	\$65,804,017	\$65,804,017		\$97,048	\$690,942	\$787,990	\$364,225	\$154,508	\$4,277	\$21,117	\$1,332,117
2029	\$55,951,792	\$55,951,792		\$82,518	\$587,494	\$670,012	\$309,693	\$131,375	\$3,637	\$17,955	\$1,132,671
2030	\$47,576,482	\$47,576,482		\$70,166	\$499,553	\$569,719	\$263,336	\$111,710	\$3,092	\$15,267	\$963,124
2031	\$40,456,595	\$40,456,595		\$59,665	\$424,794	\$484,460	\$223,927	\$94,992	\$2,630	\$12,983	\$818,991
2032	\$34,997,684	\$34,997,684		\$51,615	\$367,476	\$419,090	\$193,712	\$82,175	\$2,275	\$11,231	\$708,483
2033	\$34,990,200	\$34,990,200		\$51,604	\$367,397	\$419,001	\$193,671	\$82,157	\$2,274	\$11,228	\$708,331
2034	\$34,983,090	\$34,983,090		\$51,593	\$367,322	\$418,916	\$193,631	\$82,140	\$2,274	\$11,226	\$708,187
2035	\$34,976,336	\$34,976,336		\$51,583	\$367,252	\$418,835	\$193,594	\$82,124	\$2,273	\$11,224	\$708,050
2036	\$34,969,919	\$34,969,919		\$51,574	\$367,184	\$418,758	\$193,559	\$82,109	\$2,273	\$11,222	\$707,921
2037	\$34,963,823	\$34,963,823		\$51,565	\$367,120	\$418,685	\$193,525	\$82,095	\$2,273	\$11,220	\$707,797
			Total	\$1,686,374	\$12,006,325	\$13,692,699	\$6,329,048	\$2,684,843	\$74,325	\$366,936	\$23,147,851

Source: CPA, Elara Energy Project, LLC

*Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Frio 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 and Frio County Hospital District.

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*	Pearsall ISD I&S Tax Levy	Pearsall ISD M&O Tax Levy	Persall ISD M&O and I&S Tax Levies	Frio County Tax Levy	Frio County Hospital District Tax Levy	Evergreen Ground Water District Tax Levy	Frio County Emergency Sevices District #4 Tax Levy	Estimated Total Property Taxes
				0.1475	1.0500		0.5535	0.2348	0.0065	0.0321	
2022	\$174,240,000	\$30,000,000		\$256,969	\$315,000	\$571,969	\$192,884	\$81,823	\$11,326	\$55,914	\$913,915
2023	\$148,129,000	\$30,000,000		\$218,461	\$315,000	\$533,461	\$163,979	\$69,561	\$9,628	\$47,535	\$824,164
2024	\$125,933,400	\$30,000,000		\$185,727	\$315,000	\$500,727	\$139,408	\$59,138	\$8,186	\$40,412	\$747,871
2025	\$107,065,953	\$30,000,000		\$157,901	\$315,000	\$472,901	\$118,522	\$50,278	\$6,959	\$34,357	\$683,018
2026	\$91,027,494	\$30,000,000		\$134,247	\$315,000	\$449,247	\$100,767	\$42,747	\$5,917	\$29,211	\$627,889
2027	\$77,393,733	\$30,000,000		\$114,140	\$315,000	\$429,140	\$85,675	\$36,344	\$5,031	\$24,836	\$581,025
2028	\$65,804,017	\$30,000,000		\$97,048	\$315,000	\$412,048	\$72,845	\$30,902	\$4,277	\$21,117	\$541,188
2029	\$55,951,792	\$30,000,000		\$82,518	\$315,000	\$397,518	\$61,939	\$26,275	\$3,637	\$17,955	\$507,323
2030	\$47,576,482	\$30,000,000		\$70,166	\$315,000	\$385,166	\$52,667	\$22,342	\$3,092	\$15,267	\$478,535
2031	\$40,456,595	\$30,000,000		\$59,665	\$315,000	\$374,665	\$44,785	\$18,998	\$2,630	\$12,983	\$454,061
2032	\$34,997,684	\$34,997,684		\$51,615	\$367,476	\$419,090	\$193,712	\$82,175	\$2,275	\$11,231	\$708,483
2033	\$34,990,200	\$34,990,200		\$51,604	\$367,397	\$419,001	\$193,671	\$82,157	\$2,274	\$11,228	\$708,331
2034	\$34,983,090	\$34,983,090		\$51,593	\$367,322	\$418,916	\$193,631	\$82,140	\$2,274	\$11,226	\$708,187
2035	\$34,976,336	\$34,976,336		\$51,583	\$367,252	\$418,835	\$193,594	\$82,124	\$2,273	\$11,224	\$708,050
2036	\$34,969,919	\$34,969,919		\$51,574	\$367,184	\$418,758	\$193,559	\$82,109	\$2,273	\$11,222	\$707,921
2037	\$34,963,823	\$34,963,823		\$51,565	\$367,120	\$418,685	\$193,525	\$82,095	\$2,273	\$11,220	\$707,797
								\$0			
			Total	\$1,686,374	\$5,353,751	\$7,040,125	\$2,195,163	\$931,209	\$74,325	\$366,936	\$10,607,758
			Diff	\$0	\$6,652,574	\$6,652,574	\$4,133,885	\$1,753,634	\$0	\$0	\$12,540,093

Assumes School Value Limitation and Tax Abatements with Frio County and Frio County Hospital District.

Source: CPA, Elara Energy Project, 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 Elara Energy Project, 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	2019	\$0	\$0	\$0	\$0
	2020	\$0	\$0	\$0	\$0
	2021	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	2022	\$315,000	\$315,000	\$1,514,520	\$1,514,520
	2023	\$315,000	\$630,000	\$1,240,355	\$2,754,875
	2024	\$315,000	\$945,000	\$1,007,301	\$3,762,175
	2025	\$315,000	\$1,260,000	\$809,193	\$4,571,368
	2026	\$315,000	\$1,575,000	\$640,789	\$5,212,156
	2027	\$315,000	\$1,890,000	\$497,634	\$5,709,791
	2028	\$315,000	\$2,205,000	\$375,942	\$6,085,733
	2029	\$315,000	\$2,520,000	\$272,494	\$6,358,227
	2030	\$315,000	\$2,835,000	\$184,553	\$6,542,780
	2031	\$315,000	\$3,150,000	\$109,794	\$6,652,574
Maintain Viable Presence (5 Years)	2032	\$367,476	\$3,517,476	\$0	\$6,652,574
	2033	\$367,397	\$3,884,873	\$0	\$6,652,574
	2034	\$367,322	\$4,252,195	\$0	\$6,652,574
	2035	\$367,252	\$4,619,447	\$0	\$6,652,574
	2036	\$367,184	\$4,986,631	\$0	\$6,652,574
Additional Years as Required by 313.026(c)(1) (10 Years)	2037	\$367,120	\$5,353,751	\$0	\$6,652,574
	2038	\$367,059	\$5,720,810	\$0	\$6,652,574
	2039	\$367,002	\$6,087,812	\$0	\$6,652,574
	2040	\$366,947	\$6,454,759	\$0	\$6,652,574
	2041	\$366,895	\$6,821,653	\$0	\$6,652,574
	2042	\$366,845	\$7,188,498	\$0	\$6,652,574
	2043	\$366,798	\$7,555,296	\$0	\$6,652,574
	2044	\$366,753	\$7,922,049	\$0	\$6,652,574
	2045	\$366,711	\$8,288,760	\$0	\$6,652,574
	2046	\$366,670	\$8,655,431	\$0	\$6,652,574

\$8,655,431

is greater than

\$6,652,574

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

Source: CPA, Elara Energy Project, 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 Elara Energy Project, 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:

- The applicant's parent company, 7X Energy, Inc., is a national solar developer with the ability to locate projects of this type in other counties and states in the US with strong solar characteristics.
- Elara Energy Project, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “7X Energy, Inc. is a national solar developer with the ability to locate projects of this type in other countries and states in the US with strong solar characteristics. The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely. In fact, the applicant owns interests in greenfield solar projects in more than twenty (20) states other than Texas. The additional places where Applicant is considering investing and developing projects include states that offer market incentives for generation resources like property tax incentives, including North Carolina, Mississippi, Nevada, Georgia, Alabama, Utah, New Mexico, California, Arizona, and Virginia.”
 - B. “The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today’s contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher on a project basis.”

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 (complete Section 13)
<input type="checkbox"/> Expansion of existing operation on the land (complete Section 13)	<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

Documentation to assist in determining if limitation is a determining factor

The applicant's parent company, 7X Energy, Inc., is a national solar developer with the ability to locate projects of this type in other counties and states in the US with strong solar characteristics. The applicant is actively developing other projects throughout the US. The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely. In fact, the applicant owns interests in greenfield solar projects in more than twenty (20) states other than Texas. The additional places where Applicant is considering investing and developing projects include states that offer market incentives for generation resources like property tax incentives, including North Carolina, Mississippi, Nevada, Georgia, Alabama, Utah, New Mexico, California, Arizona, and Virginia.

Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and with Texas wholesale electricity prices already below the national average in Texas, it is necessary to limit the property tax liabilities for a solar project in order to be able to offer electricity at prices that are marketable to Texas customers at competitive rates, including power sales under a bi-lateral contract. Markets such as California that have state wide available subsidies for renewable energy projects, and which have higher average contracted power rates, offer an attractive incentive for developers to build projects in those markets over Texas.

The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher on a project basis.

This is true even if the entity is able to contract with an off-taker under a power purchase agreement because the low rate contracted for is not financeable without the tax incentives. More specifically, a signed power purchase agreement in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state subsidies, the other states offer a much higher rate of return for the project financiers. Without the tax incentives in Texas, a project with a power purchase agreement becomes non-financeable and the developer would have to abandon the project and go to a different market.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller

COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2)
Pearsall ISD–Elara Energy Project, LLC App. #1389

Comptroller Questions (via email on August 14, 2018):

1. *Is the Elara Energy Project, LLC currently known by any other project names?*
2. *Has this project applied to ERCOT at this time? If so, please provide the project's IGNR number and when was it assigned.*
3. *Please also list any other names by which this project may have been known in the past-in media reports, investor presentations, or any listings with any federal or state agency*

Applicant Response (via email on August 15, 2018):

1. *No.*
2. *Yes, the IGNR number is 21INR0276 and was assigned on 3/15/19.*
3. *Elara Energy Project.*

AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES by and between PEARSALL INDEPENDENT SCHOOL
DISTRICT and ELARA ENERGY PROJECT, LLC

EXHIBIT C

Economic Impact Evaluation

**CHAPTER 313 PROPERTY VALUE LIMITATION
FINANCIAL IMPACT OF THE PROPOSED ELARA ENERGY
PROJECT, LLC APPLICATION IN THE
PEARSALL INDEPENDENT SCHOOL DISTRICT
(PROJECT # 1389)**

PREPARED BY



OCTOBER 3, 2019

Executive Summary

Elara Energy Project, LLC (Company) has requested that the Pearsall Independent School District (PISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to PISD on June 19, 2019 the Company plans to invest \$174.2 million to construct a renewable energy electric generation facility. Moak, Casey & Associates (MCA) has been retained to prepare an analysis of this value limitation and help the district navigate the overall application and agreement process.

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

Under the provisions of Chapter 313, PISD may offer a minimum value limitation of \$30 million. This value limitation, under the proposed application, will begin in the 2022-23 school year and remain at that level of taxable value for Maintenance and Operations (M&O) tax purposes for ten years. The entire project value will remain taxable for I&S or debt service purposes for the term of the agreement.

MCA's initial school finance analysis is detailed in this report. This analysis incorporates to the fullest extent possible the changes approved in House Bill 3 as approved in 2019, the most significant school finance revisions in more than 30 years. The overall conclusions are as follows, but please read all of the subsequent details in the report below for more information.

Total Revenue Loss Payment owed to PISD	\$1.7 million
Total Savings to Company after Revenue Loss Payment. (This does not include any supplemental benefit payments to the district.)	\$5.0 million

Application Process

After the school district has submitted an application to the Comptroller's Office (Comptroller), the Comptroller begins reviewing the application for completeness. The purpose of this review is to ensure all necessary information and attachments are included in the application before moving forward with the formal review process. The Comptroller's Office released the Completeness Letter for this project on August 14, 2019.

The issuance of a Completeness Letter is important because it sets the timeline for the rest of process. From the date of issuance, the Comptroller has 90 days to conduct its full review of

the project and provide its certificate for a limitation on appraised value. After the certificate is received, the district has until the 150th day from the receipt of the Completeness Letter to adopt an agreement, although extensions may be requested by the Company and granted by the District

After the Comptroller's certificate is received, Walsh Gallegos will contact the school district to discuss the value limitation agreement and begin negotiations of the supplemental benefit payment with the Company. A final version of the agreement must be submitted to the Comptroller for review 30 days prior to final adoption by the school district's board of trustees.

Prior to final board meeting, Walsh Gallegos will provide the district with the necessary agenda language and any additional action items. The school board will review the Value Limitation Agreement and Findings of Fact that detail the project's conformance with state law. The school board will also be asked to consider the adoption of a job waiver during this meeting.

How the 313 Agreement Interacts with Texas School Finance

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

M&O funding for Texas schools relies on two methods of finance: local school district property taxes and state aid. State aid consists of two components: Tier I (based on ADA, special student populations and M&O taxes at the compressed tax rate) and Tier II (based on weighted ADA for each penny of tax effort above a specified level). Recapture costs are primarily a Tier I issue, although Tier II also can involve recapture costs for some school districts.

The basic allotment is now set at \$6,160 per weighted ADA (WADA) and is the basis for Tier I calculations. In the case of Tier II, the first eight cents of additional tax effort can be used to generate state aid of up to \$98.56 per WADA for what are known as "golden" pennies. Tax effort for golden pennies is not subject to recapture. Up to an additional nine cents may be levied to generate \$49.28 per WADA for what are known as "copper" pennies (generating half the revenue per WADA of the golden pennies).

Changes in the recapture calculation are an important part of HB 3, for those districts subject to recapture under the new law. Rather than being tied to property wealth exceeding an equalized wealth level per WADA, recapture is now defined as the amount of revenue collected in excess of a district's Tier I allotment, or for Tier II the amount of collections in excess of the entitlement provided for tax effort generating copper-penny level state aid. (Golden pennies are not subject to recapture.) The changes in the recapture methodology may affect the results of revenue protection payments relative to what was calculated when the equalized wealth level was used to determine the amount of recapture owed the state by school districts subject to recapture. It does not appear to be an issue for PISD, based on the calculations shown below.

Another significant school funding change is establishing current-year property values to determine state funding and recapture under the Foundation School Program. The traditional

approach for the last 30 years has been to rely upon prior-year state property values as determined annually under the Comptroller's State Property Value Study (Section 403 of the Government Code). The change in House Bill 3 calls for using current-year property values as determined by the Comptroller's Property Value Study, without an explanation as to how the property value study is to be completed on a real-time basis.

While school district funding will now be determined based on current-year property values, House Bill 3 included language that addressed the property values to be used in determining calculating revenue protection payments under Chapter 313 agreements. This information is contained in Section 48.256(d), Education Code, as shown below:

- d) This subsection applies to a school district in which the board of trustees entered into a written agreement with a property owner under Section 313.027, Tax Code, for the implementation of a limitation on appraised value under Subchapter B or C, Chapter 313, Tax Code. For purposes of determining "DPV" under Subsection (a) for a school district to which this subsection applies, the commissioner shall exclude a portion of the market value of property not otherwise fully taxable by the district under Subchapter B or C, Chapter 313, Tax Code, before the expiration of the subchapter. The comptroller shall provide information to the agency necessary for this subsection. **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 [emphasis added].**

Given the directive regarding the use of preceding-tax-year values to calculate revenue protection payments required under Chapter 313 agreements, the amounts collected are expected to be consistent with the patterns shown since these calculations were first calculated under the standard Chapter 313 agreement language, dating back to 2004. The most significant impact is typically in the first limitation year, although major value increases in project values in later limitation years may also trigger a revenue protection payment. The additional factor that may generate a variance with the traditional pattern of revenue protection amounts is the new methodology in the calculation of recapture, as noted previously.

The calculations shown below are based on the Section 48.256(d), Education Code directive to use preceding-tax-year property values to determine the revenue protection payment, if any, owed to the school district under the terms of the Chapter 313 Agreement between the Applicant and the School District. These calculations are to be made for each of the 10 limitation years under the terms of the Agreement. Chapter 313 will be subject to legislative renewal in 2021 and any changes made may impact these calculations moving forward.

(For more detailed information on the school finance funding system, please review the Texas Education Agency's (TEA) website. [The current information is expected to be updated as the details of House Bill 3 implementation are determined by TEA.](#)

The implementation of recent legislative action on school funding in House Bill 3 could potentially affect the impact of the value limitation on the school district's finances and result in revenue-loss estimates that differ from the estimates presented in this report.

Underlying School District Data Assumptions

The agreement between the school district and the applicant calls for a calculation of the revenue impact of the value limitation in years 1-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. The Basic Allotment is now set to \$6,160, the Tier II golden penny yield is set to \$98.56 per WADA for up to eight cents, while the copper penny yield is \$49.28 per WADA for up to nine cents of local tax effort. These are maintained for future years at this time.

Static school district enrollment and property values are used to isolate the effects of the value limitation under the school finance system. Any previously-approved Chapter 313 projects are also factored into the M&O tax bases used.

ADA:	1,926
Local M&O Tax Base	\$1.13 billion
2019-20 M&O Tax Rate:	\$1.0684 per \$100 of Taxable Value
2020-21 Projected M*O Tax Rate:	\$1.0548 per \$100 of Taxable Value
I&S Tax Rate:	\$0.1475 per \$100 of Taxable Value

Table 1 summarizes the enrollment and property value assumptions for the 15 years that are the subject of this analysis.

Table 1 – Base District Information with Elara Energy Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	Sec. 48.256(d)	Sec. 48.256(d)	DPV Value with Project per WADA	DPV Value with Limitation per WADA
						District Revenue Protection District Property Value with Project	District Revenue Protection District Property Value with Limitation		
QTP1	2020-21	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,124,313,269	\$1,124,313,269	\$405,035	\$405,035
QTP2	2021-22	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,124,313,269	\$1,124,313,269	\$405,035	\$405,035
VL1	2022-23	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,124,313,269	\$1,124,313,269	\$405,035	\$405,035
VL2	2023-24	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,298,553,269	\$1,154,313,269	\$467,805	\$415,842
VL3	2024-25	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,272,417,269	\$1,154,313,269	\$458,389	\$415,842
VL4	2025-26	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,250,201,669	\$1,154,313,269	\$450,386	\$415,842
VL5	2026-27	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,231,318,409	\$1,154,313,269	\$443,583	\$415,842
VL6	2027-28	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,215,267,638	\$1,154,313,269	\$437,801	\$415,842
VL7	2028-29	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,201,624,483	\$1,154,313,269	\$432,886	\$415,842
VL8	2029-30	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,190,027,801	\$1,154,313,269	\$428,708	\$415,842
VL9	2030-31	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,180,170,621	\$1,154,313,269	\$425,157	\$415,842
VL10	2031-32	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,171,792,018	\$1,154,313,269	\$422,139	\$415,842
VP1	2032-33	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,164,670,206	\$1,154,313,269	\$419,573	\$415,842
VP2	2033-34	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,159,161,269	\$1,159,161,269	\$417,589	\$417,589
VP3	2034-35	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,159,161,269	\$1,159,161,269	\$417,589	\$417,589
VP4	2035-36	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,159,161,269	\$1,159,161,269	\$417,589	\$417,589
VP5	2036-37	1,926.13	2,775.85	\$1.0548	\$0.1475	\$1,159,161,269	\$1,159,161,269	\$417,589	\$417,589

*Basic Allotment: \$6,160; Golden Penny Yield: \$98.56; Copper Penny Yield: \$49.28

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

M&O Impact of the Elara Energy Project on PISD

A model is established to make a calculation of the “Baseline Revenue Model” (Table 2) by adding the total value of the project to the model, without assuming a value limitation is approved. A separate model is established to make a calculation of the “Value Limitation Revenue Model” (Table 3) by adding the project’s limited value of \$30 million to the model. The difference between the two models (Table 4) indicates there will be a total revenue loss of \$1.7 million over the course of the Agreement, with all the loss reflected in the first limitation year (2022-23).

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

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Recapture Costs	Additional Local M&O Collections	State Aid from Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Other State Aid (includes HH Funds)	Total General Fund
QTP1	2020-21	\$10,276,315	\$7,145,533	\$0	\$1,551,264	\$1,427,814	\$0	-\$14,053	\$20,386,873
QTP2	2021-22	\$10,276,315	\$7,145,533	\$0	\$1,551,264	\$1,427,814	\$0	-\$14,053	\$20,386,873
VL1	2022-23	\$11,867,723	\$7,145,533	\$0	\$1,791,495	\$1,647,960	\$0	-\$16,228	\$22,436,483
VL2	2023-24	\$11,628,187	\$5,548,626	\$0	\$1,755,336	\$1,163,533	\$0	-\$15,902	\$20,079,780
VL3	2024-25	\$11,424,581	\$5,788,162	\$0	\$1,724,601	\$1,201,986	\$0	-\$15,625	\$20,123,705
VL4	2025-26	\$11,251,517	\$5,991,768	\$0	\$1,698,476	\$1,235,199	\$0	-\$15,389	\$20,161,571
VL5	2026-27	\$11,104,412	\$6,164,832	\$0	\$1,676,269	\$1,262,503	\$0	-\$15,189	\$20,192,827
VL6	2027-28	\$10,979,372	\$6,311,937	\$0	\$1,657,394	\$1,287,542	\$0	-\$15,018	\$20,221,227
VL7	2028-29	\$10,873,089	\$6,436,977	\$0	\$1,641,350	\$1,307,852	\$0	-\$14,873	\$20,244,395
VL8	2029-30	\$10,782,748	\$6,543,260	\$0	\$1,627,713	\$1,325,416	\$0	-\$14,750	\$20,264,387
VL9	2030-31	\$10,705,958	\$6,633,601	\$0	\$1,616,121	\$1,340,644	\$0	-\$14,646	\$20,281,678
VL10	2031-32	\$10,640,687	\$6,710,391	\$0	\$1,606,267	\$1,353,687	\$0	-\$14,557	\$20,296,475
VP1	2032-33	\$10,589,309	\$6,775,662	\$0	\$1,598,512	\$1,365,226	\$0	-\$14,488	\$20,314,221
VP2	2033-34	\$10,589,309	\$6,826,151	\$0	\$1,598,512	\$1,378,146	\$0	-\$14,488	\$20,377,630
VP3	2034-35	\$10,589,309	\$6,826,151	\$0	\$1,598,512	\$1,378,146	\$0	-\$14,488	\$20,377,630
VP4	2035-36	\$10,589,309	\$6,826,151	\$0	\$1,598,512	\$1,378,146	\$0	-\$14,488	\$20,377,630
VP5	2036-37	\$10,589,309	\$6,826,151	\$0	\$1,598,512	\$1,378,146	\$0	-\$14,488	\$20,377,630

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

M&O Impact on the Taxpayer

Under the assumptions used here, the potential tax savings from the value limitation total \$6.7 million over the life of the agreement. The PISD revenue losses are expected to total approximately \$1.7 million. The total potential net tax benefits (after hold-harmless payments are made) are estimated to reach \$5.0 million, prior to any negotiations with Elara Energy on supplemental payments. (See Table 5.)

It should be noted that a key element in the revenue-loss calculation appears to be linked to the retention of prior-year property values in the calculation of the revenue protection amount for the 2022-23 school year. Under the standard agreement, these calculations are based on whatever school finance and property tax laws are in effect each year. With a legislative session occurring in 2021, there could be changes made to current school finance law. While the District will still be protected against revenue losses, these calculations may be reduced below what we are projecting under what is now current law.

Table 3- "Value Limitation Revenue Model" --Project Value Added to DPV with Value Limitation in Effect

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Recapture Costs	Additional Local M&O Collections	State Aid from Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Other State Aid (includes HH Funds)	Total General Fund
QTP1	2020-21	\$10,276,315	\$7,145,533	\$0	\$1,551,264	\$1,427,814	\$0	-\$14,053	\$20,386,873
QTP2	2021-22	\$10,276,315	\$7,145,533	\$0	\$1,551,264	\$1,427,814	\$0	-\$14,053	\$20,386,873
VL1	2022-23	\$10,545,766	\$7,145,533	\$0	\$1,591,939	\$1,465,310	\$0	-\$14,648	\$20,733,900
VL2	2023-24	\$10,545,766	\$6,870,583	\$0	\$1,591,939	\$1,384,832	\$0	-\$14,608	\$20,378,512
VL3	2024-25	\$10,545,766	\$6,870,583	\$0	\$1,591,939	\$1,384,832	\$0	-\$14,574	\$20,378,546
VL4	2025-26	\$10,545,766	\$6,870,583	\$0	\$1,591,939	\$1,384,832	\$0	-\$14,545	\$20,378,575
VL5	2026-27	\$10,545,766	\$6,870,583	\$0	\$1,591,939	\$1,384,832	\$0	-\$14,521	\$20,378,599
VL6	2027-28	\$10,545,766	\$6,870,583	\$0	\$1,591,939	\$1,384,832	\$0	-\$14,500	\$20,378,620
VL7	2028-29	\$10,545,766	\$6,870,583	\$0	\$1,591,939	\$1,384,832	\$0	-\$14,482	\$20,378,638
VL8	2029-30	\$10,545,766	\$6,870,583	\$0	\$1,591,939	\$1,384,832	\$0	-\$14,467	\$20,378,653
VL9	2030-31	\$10,545,766	\$6,870,583	\$0	\$1,591,939	\$1,384,832	\$0	-\$14,454	\$20,378,666
VL10	2031-32	\$10,545,766	\$6,870,583	\$0	\$1,591,939	\$1,384,832	\$0	-\$14,443	\$20,378,677
VP1	2032-33	\$10,589,309	\$6,870,583	\$0	\$1,598,512	\$1,391,585	\$0	-\$14,488	\$20,435,501
VP2	2033-34	\$10,589,309	\$6,826,151	\$0	\$1,598,512	\$1,378,146	\$0	-\$14,488	\$20,377,630
VP3	2034-35	\$10,589,309	\$6,826,151	\$0	\$1,598,512	\$1,378,146	\$0	-\$14,488	\$20,377,630
VP4	2035-36	\$10,589,309	\$6,826,151	\$0	\$1,598,512	\$1,378,146	\$0	-\$14,488	\$20,377,630
VP5	2036-37	\$10,589,309	\$6,826,151	\$0	\$1,598,512	\$1,378,146	\$0	-\$14,488	\$20,377,630

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

Table 4 - Value Limitation Revenue Model Less Baseline Revenue Model with No Limitation

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Recapture Costs	Additional Local M&O Collections	State Aid from Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Other State Aid (includes HH Funds)	Total General Fund
QTP1	2020-21	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP2	2021-22	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VL1	2022-23	-\$1,321,957	\$0	\$0	-\$199,556	-\$182,650	\$0	\$1,580	-\$1,702,583
VL2	2023-24	-\$1,082,421	\$1,321,957	\$0	-\$163,397	\$221,299	\$0	\$1,294	\$298,732
VL3	2024-25	-\$878,815	\$1,082,421	\$0	-\$132,662	\$182,846	\$0	\$1,051	\$254,841
VL4	2025-26	-\$705,751	\$878,815	\$0	-\$106,537	\$149,633	\$0	\$844	\$217,004
VL5	2026-27	-\$558,646	\$705,751	\$0	-\$84,330	\$122,329	\$0	\$668	\$185,772
VL6	2027-28	-\$433,606	\$558,646	\$0	-\$65,455	\$97,290	\$0	\$518	\$157,393
VL7	2028-29	-\$327,323	\$433,606	\$0	-\$49,411	\$76,980	\$0	\$391	\$134,243
VL8	2029-30	-\$236,982	\$327,323	\$0	-\$35,774	\$59,416	\$0	\$283	\$114,266
VL9	2030-31	-\$160,192	\$236,982	\$0	-\$24,182	\$44,188	\$0	\$192	\$96,988
VL10	2031-32	-\$94,921	\$160,192	\$0	-\$14,328	\$31,145	\$0	\$114	\$82,202
VP1	2032-33	\$0	\$94,921	\$0	\$0	\$26,359	\$0	\$0	\$121,280
VP2	2033-34	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP3	2034-35	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP4	2035-36	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP5	2036-37	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

Table 5 - Estimated Financial Impact of the Elara Energy Project Property Value Limitation Request Submitted to PISD at \$1.05485 M&O Tax Rate

Year of Agreement	School Year	Project Taxable Value for M&O If No Limitation	Project Taxable Value for M&O with Limitation	Assumed M&O Tax Rate	Tax Savings to Company	School District Revenue Protection	Estimated Net Tax Benefits
QTP1	2020-21	\$0	\$0	\$1.05485	\$0	\$0	\$0
QTP2	2021-22	\$0	\$0	\$1.05485	\$0	\$0	\$0
VL1	2022-23	\$174,240,000	\$30,000,000	\$1.05485	\$1,521,513	-\$1,702,583	-\$181,070
VL2	2023-24	\$148,104,000	\$30,000,000	\$1.05485	\$1,245,818	\$0	\$1,245,818
VL3	2024-25	\$125,888,400	\$30,000,000	\$1.05485	\$1,011,477	\$0	\$1,011,477
VL4	2025-26	\$107,005,140	\$30,000,000	\$1.05485	\$812,288	\$0	\$812,288
VL5	2026-27	\$90,954,369	\$30,000,000	\$1.05485	\$642,976	\$0	\$642,976
VL6	2027-28	\$77,311,214	\$30,000,000	\$1.05485	\$499,062	\$0	\$499,062
VL7	2028-29	\$65,714,532	\$30,000,000	\$1.05485	\$376,734	\$0	\$376,734
VL8	2029-30	\$55,857,352	\$30,000,000	\$1.05485	\$272,756	\$0	\$272,756
VL9	2030-31	\$47,478,749	\$30,000,000	\$1.05485	\$184,374	\$0	\$184,374
VL10	2031-32	\$40,356,937	\$30,000,000	\$1.05485	\$109,250	\$0	\$109,250
VP1	2032-33	\$34,848,000	\$34,848,000	\$1.05485	\$0	\$0	\$0
VP2	2033-34	\$34,848,000	\$34,848,000	\$1.05485	\$0	\$0	\$0
VP3	2034-35	\$34,848,000	\$34,848,000	\$1.05485	\$0	\$0	\$0
VP4	2035-36	\$34,848,000	\$34,848,000	\$1.05485	\$0	\$0	\$0
VP5	2036-37	\$34,848,000	\$34,848,000	\$1.05485	\$0	\$0	\$0
					\$6,676,249	-\$1,702,583	\$4,973,666

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

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

- Legislative and Texas Education Agency administrative changes to the underlying school finance formulas used in these calculations, which could be significant under HB 3.
- Legislative changes addressing property value appraisals and exemptions.
- Year-to-year appraisals of project values and district taxable values.
- Changes in school district tax rates and student enrollment.

I&S Funding Impact on School District

The project remains fully taxable for debt services taxes, with PISD currently levying a \$0.1475 per \$100 I&S rate. As shown in the Table 6 below, local taxpayers could benefit from the addition of the Elara Energy project to the local I&S tax roll, given that PISD does not appear to be eligible for state assistance under the Instructional Facilities Allotment (IFA0 of Existing Debt Allotment (EDA) programs.

The project is not expected to affect school district enrollment and is expected to depreciate over the life of the agreement and beyond. Continued expansion of the project and related development could result in additional employment in the area and a modest increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

Table 6 - Estimated Impact of the Elara Energy Project Property Value Limitation Request on PISD I&S Tax Rate

Year of Agreement	School Year	I&S Rate w/out Project	Local Value w/out Project	I&S Taxes w/out Project	Project Full Taxable Value	I&S Rate with Project Value	Change in I&S Rate
QTP1	2020-21	\$0.1475	\$1,132,237,260	\$1,669,824	\$0	\$0.147480	\$0.0000
QTP2	2021-22	\$0.1475	\$1,132,237,260	\$1,669,824	\$0	\$0.147480	\$0.0000
VL1	2022-23	\$0.1475	\$1,132,237,260	\$1,669,824	\$174,240,000	\$0.127811	-\$0.0197
VL2	2023-24	\$0.1475	\$1,132,237,260	\$1,669,824	\$148,104,000	\$0.130420	-\$0.0171
VL3	2024-25	\$0.1475	\$1,132,237,260	\$1,669,824	\$125,888,400	\$0.132723	-\$0.0148
VL4	2025-26	\$0.1475	\$1,132,237,260	\$1,669,824	\$107,005,140	\$0.134746	-\$0.0127
VL5	2026-27	\$0.1475	\$1,132,237,260	\$1,669,824	\$90,954,369	\$0.136514	-\$0.0110
VL6	2027-28	\$0.1475	\$1,132,237,260	\$1,669,824	\$77,311,214	\$0.138053	-\$0.0094
VL7	2028-29	\$0.1475	\$1,132,237,260	\$1,669,824	\$65,714,532	\$0.139390	-\$0.0081
VL8	2029-30	\$0.1475	\$1,132,237,260	\$1,669,824	\$55,857,352	\$0.140546	-\$0.0069
VL9	2030-31	\$0.1475	\$1,132,237,260	\$1,669,824	\$47,478,749	\$0.141545	-\$0.0059
VL10	2031-32	\$0.1475	\$1,132,237,260	\$1,669,824	\$40,356,937	\$0.142404	-\$0.0051
VP1	2032-33	\$0.1475	\$1,132,237,260	\$1,669,824	\$34,848,000	\$0.143076	-\$0.0044
VP2	2033-34	\$0.1475	\$1,132,237,260	\$1,669,824	\$34,848,000	\$0.143076	-\$0.0044
VP3	2034-35	\$0.1475	\$1,132,237,260	\$1,669,824	\$34,848,000	\$0.143076	-\$0.0044
VP4	2035-36	\$0.1475	\$1,132,237,260	\$1,669,824	\$34,848,000	\$0.143076	-\$0.0044
VP5	2036-37	\$0.1475	\$1,132,237,260	\$1,669,824	\$34,848,000	\$0.143076	-\$0.0044

IFA and EDA state aid are now based on current-year values, which could affect the tax rate needed for bond payments in districts eligible for these funds.

AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES by and between PEARSALL INDEPENDENT SCHOOL
DISTRICT and ELARA ENERGY PROJECT, LLC

EXHIBIT D

Tax Limitation Agreement

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

by and between

PEARSALL INDEPENDENT SCHOOL DISTRICT

and

ELARA ENERGY PROJECT, LLC

(Texas Taxpayer ID # 32069486606)

Comptroller Application # 1389

Dated
March 25, 2020

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

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

STATE OF TEXAS §

COUNTY OF FRIO §

THIS AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES, hereinafter referred to as this “Agreement,” is executed and delivered by and between the **PEARSALL INDEPENDENT SCHOOL DISTRICT**, hereinafter referred to as the “District,” a lawfully created independent school district within the State of Texas operating under and subject to the TEXAS EDUCATION CODE, and **ELARA ENERGY PROJECT, LLC**, Texas Taxpayer Identification Number **32069486606** hereinafter referred to as the “Applicant.” The Applicant and the District are hereinafter sometimes referred to individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, on June 19, 2019, the Superintendent of Schools of the PEARSALL INDEPENDENT School District, acting as agent of the Board of Trustees of the District, received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the TEXAS TAX CODE;

WHEREAS, on June 19, 2019, the Board of Trustees has acknowledged receipt of the Application, and along with the requisite application fee as established pursuant to Section 313.025(a) of the TEXAS TAX CODE and Local District Policy CCGB (Local), and agreed to consider the Application;

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

WHEREAS, the District and the Texas Comptroller’s Office have determined that the Application is complete and August 14, 2019 is the Application Review Start Date as that term is defined by 34 TEXAS ADMIN. CODE Section 9.1051;

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

WHEREAS, the Texas Comptroller's Office reviewed the Application pursuant to Section 313.025 of the TEXAS TAX CODE, conducted an economic impact evaluation pursuant to Section 313.026 of the TEXAS TAX CODE, and on October 31, 2019, issued a certificate for limitation on appraised value of the property described in the Application and provided the certificate to the District;

WHEREAS, the District's Board of Trustees, through its adoption of Board Policy CCGB(LOCAL), delegated to the Superintendent of Schools authority to extend the statutory deadline by which the District must consider the Application, and Superintendent of Schools duly extended such deadline to June 1, 2020, and the Comptroller was provided notice of such extension as set out under 34 TEXAS ADMIN CODE Section 9.1054(d);

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

WHEREAS, on March 25, 2020, 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 March 25, 2020, 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 March 25, 2020, pursuant to the provisions of 313.025(f-1) of the TEXAS TAX CODE, the Board of Trustees waived the job creation requirement set forth in *Section 313.051(b)* of the TEXAS TAX CODE;

WHEREAS, on March 24, 2020, 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 March 25, 2020, 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 or, in the event the Board President or Secretary are unavailable or have disclosed a conflict of interest, the Board of Trustees has authorized the Board Vice President 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 ELARA ENERGY PROJECT, LLC, (*Texas Taxpayer ID # 32069486606*), the entity listed in the Preamble of this Agreement and that is listed as the Applicant on the Application as of the Application Approval Date. The term “Applicant” shall also include the Applicant’s assigns and successors-in-interest as approved according to Sections 10.2 and 10.3 of this Agreement.

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

“*Applicant’s Qualified Property*” means the Qualified Property of the Applicant to which the value limitation identified in the Agreement will apply and as more fully described in **EXHIBIT 4** of this Agreement.

“*Application*” means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C of the TEXAS TAX CODE) filed with the District by the Applicant on June 19, 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 Frio County Appraisal District.

“Board of Trustees” means the Board of Trustees of the PEARSALL INDEPENDENT School District.

“Commercial Operation” means the generation of electricity (other than test energy) in commercial quantities by Applicant from solar panels included in the Qualified Property for which electricity the Applicant is entitled to receive compensation from a third party power purchaser, offtaker, merchant, buyer, spot market buyer, or other third party purchaser.

“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 Frio County, Texas.

“District” or “School District” means the Pearsall 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.

“Applicable School Finance Law” means Chapters 48 and 49 of the TEXAS EDUCATION CODE (previously Chapters 42 and 41, and other applicable provisions), the Texas Economic Development Act (Chapter 313 of the TEXAS TAX CODE); Chapter 403, Subchapter M, of the TEXAS GOVERNMENT CODE applicable to District; and, the Constitution and general laws of the State applicable to the school districts of the State, including specifically, the applicable rules, regulations, and interpretations of the agencies of the State having jurisdiction over any matters relating to the public school systems and school districts of the State, and judicial decisions construing or interpreting any of the above. The term also includes any amendments or successor statutes that may be adopted in the future which impact or alter the calculation of the Applicant’s ad valorem tax obligation or the Revenue Protection Amount in Section 4.2 of this Agreement to the District, either with or without the limitation of property values made pursuant to this Agreement.

“Consultant” shall have the same meaning as assigned to such term in Section 4.4 of this Agreement.

“Revenue Protection Amount” means the revenue protection payment required as part of this Agreement as set out in TEXAS EDUCATION CODE Section 48.256(d) and shall have the meaning assigned to such term in Section 4.2 of this Agreement.

“Maintenance and Operations Revenue” or “M&O Revenue” means (i) those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to 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 the applicable provisions of the TEXAS EDUCATION CODE or any other statutory provision as well as any amendment or successor statute to these provisions, as applicable, less (iii) any amounts necessary to reimburse the State of Texas or another school district for the education of additional students pursuant to Chapter 49 of the TEXAS EDUCATION CODE or any other statutory provision as well as any amendment or successor statute to these provisions, as applicable.

“New M&O Revenue” shall have the same meaning as assigned to such term in Section 4.2.A.ii of this Agreement.

“Original M&O Revenue” shall have the same meaning as assigned to such term in Section 4.2.A.i of this Agreement.

ARTICLE II
AUTHORITY, PURPOSE AND LIMITATION AMOUNTS

Section 2.1. AUTHORITY. This Agreement is executed by the District as its written agreement with the Applicant pursuant to the provisions and authority granted to the District in Section 313.027 of the TEXAS TAX CODE.

Section 2.2. PURPOSE. In consideration of the execution and subsequent performance of the terms and obligations by the Applicant pursuant to this Agreement, identified in Sections 2.5 and 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 August 14, 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 March 25, 2020.

C. The Qualifying Time Period for this Agreement:

i. Starts on August 1, 2020; and

ii. End on December 31, 2022, the last day of the second complete Tax Year following the Qualifying Time Period start date:

D. The Tax Limitation Period for this Agreement:

i. Starts on January 1, 2022, the first complete Tax Year that begins after the end of the Qualifying Time Period; and

ii. Ends on December 31, 2031, which is the year the Tax Limitation Period starts as identified in Section 2.3.D.i plus 9 years.

E. The Final Termination Date for this Agreement is December 31, 2036 which is the last year of the Tax Limitation Period as defined in Section 2.3.D.ii. plus 5 years.

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 THIRTY MILLION DOLLARS (\$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 ONE THOUSAND FOUR AND NO/100 DOLLARS (\$1004.00) for all New Non-Qualifying Jobs created by the Applicant.

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

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

ARTICLE III **QUALIFIED PROPERTY**

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

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

Section 3.3. DESCRIPTION OF QUALIFIED PROPERTY. The Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 4**, which is attached hereto and incorporated herein by reference for all purposes. Property which is not specifically described in **EXHIBIT 4** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Property for purposes of this Agreement, unless by official action the Board of Trustees provides that

such other property is a part of the Applicant's Qualified Property for purposes of this Agreement in compliance with Section 313.027(e) of the TEXAS TAX CODE, the Comptroller's Rules, and Section 10.2 of this Agreement.

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

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

ARTICLE IV

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 4.1. INTENT OF THE PARTIES. Subject to the limitations contained in this Agreement (including Section 7.1), it is the intent of the Parties that the District shall, in accordance with the provisions of TEXAS TAX CODE § 313.027(f)(1), be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue as a result of, or on account of, the Parties' entering into this Agreement. Such compensation shall be independent of, and in addition to, all such other payments as are set forth in Article V and Article VI. Subject only to the limitations contained in this Agreement (including Section 7.1), it is the intent of the Parties that the risk of any negative financial consequence to the District as a result of Applicant's location of Applicant's Qualified Investment and Applicant's Qualified Property in the District and the Parties' entering into this Agreement will be borne by the Applicant and not by the District and be paid by the Applicant to the District in addition to any and all payments due under Article V and Article VI.

The Parties expressly understand and agree that, for all Tax Years to which this Agreement may apply, the calculation of negative financial consequences will be defined for each applicable Tax Year in accordance with Applicable School Finance Law, as defined in Section 1.2 above, and that such definition specifically contemplates that calculations made under this Agreement may periodically change in accordance with changes in Applicable School Finance Law. The Parties further agree that 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; (ii) based upon current Applicable School Finance Law which is subject to change by statute, by administrative regulation (or interpretation thereof), or by judicial decision at any time; and (iii) may change in future years to reflect changes in Applicable School Finance Law.

Section 4.2. CALCULATING THE AMOUNT OF LOSS OF MAINTENANCE AND OPERATIONS REVENUES BY THE DISTRICT. Subject to the provisions of Sections 7.1 and 7.2, the amount to be paid by the Applicant to compensate the District for loss of Maintenance and Operations Revenue resulting from, or on account of, this Agreement for each year during the term of this Agreement (the “Revenue Protection Amount”) shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

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

Where:

(i) “Original M&O Revenue” means the total State and local Maintenance & Operations Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Applicant’s Qualified Property and/or the Applicant’s Qualified Investment been subject to the District’s adopted ad valorem Maintenance and Operations tax rate actually levied for the applicable year.

(ii) “New M&O Revenue” means the total State and local Maintenance and Operations Revenue that District would have received for such school year, calculated in accordance with TEXAS EDUCATION CODE Section 48.256(d), with the Limitation Amount specified in Section 2.4 applied to Applicant’s Qualified Property, and the tax collection rate for all tax accounts in the District presumed to be one hundred percent (100%).

B. 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 and/or the Applicant’s Qualified Investment will be presumed to be one hundred percent (100%).

(iii) If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue as calculated under this Section 4.2 results in a negative number, the negative number will be considered to be zero.

(iv) For all calculations made for any year during the tax Limitation Period under this Section 4.2, the New M&O Revenue will reflect the Tax Limitation Amount stated in Section 2.4 for such year.

(v) All calculations made under this Section 4.2 shall be made by a methodology which isolates the full M&O Revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements, or any other factors not contained in this Agreement.

Section 4.3. COMPENSATION FOR LOSS OF OTHER REVENUES. In addition to the amounts determined pursuant to Section 4.2 above, the Applicant, on an annual basis, shall also indemnify and reimburse the District for the following:

- A. All non-reimbursed costs incurred by the District for extraordinary education-related expenses, as set forth in Section 5.1 below;
- B. Any other loss of District revenues which are directly and solely attributable to the payment by the Applicant to or on behalf of any other third party beneficiary; and
- C. Any other cost to the District, including costs under Section 8.6(C) below (but subject to the limitation set forth in Section 4.4 below), which are directly and solely attributable to compliance with State-imposed requirements relating to this Agreement.

Section 4.4. CALCULATIONS TO BE MADE BY THIRD PARTY. All calculations under this Article IV shall be made annually by an independent third party (the “Consultant”) selected each year by the District. Applicant shall be solely responsible for payment of the Consultant’s fees up to TEN THOUSAND DOLLARS (\$10,000.00) for the first year of this Agreement. This fee may be increased each year of this Agreement by not more than FIVE PERCENT (5%).

Section 4.5. DATA USED FOR CALCULATIONS. The calculations for payments under this Agreement shall be initially based upon the valuations placed upon the Applicant’s Qualified Investment and/or the Applicant’s Qualified Property by the Appraisal District in its annual certified tax rolls submitted to the District pursuant to TEXAS TAX CODE § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Consultant selected under Section 4.4. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Consultant to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Consultant shall be adjusted from time to time by the Consultant to reflect actual amounts, subsequent adjustments by the Appraisal District to the District’s certified tax rolls or any other changes in student counts, tax collections, or other data.

Section 4.6. DELIVERY OF CALCULATIONS. On or before December 1 of each year for which this Agreement is effective, the Consultant appointed pursuant to Section 4.4 of this Agreement shall forward to the Parties a certification containing the calculations required under Section 4.2, Section 4.3 and Article V of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Consultant shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Consultant’s offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Consultant 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 Consultant shall preserve all documents pertaining to the calculation and fee for a period of five (5) years after payment.

Section 4.7. PAYMENT BY APPLICANT. The Applicant shall pay any amount determined to be due and owing to the District under this Agreement on or before the January 31 next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Consultant for all calculations under this Agreement under Section 4.6, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or

financial consultants (subject to the limitation set forth in Section 4.4 above) for the preparation and filing of any financial reports, disclosures, or Tax Credit or other reimbursement applications filed with or sent to the State of Texas which are, or may be required under the terms or because of the execution of this Agreement.

Section 4.8. RESOLUTION OF DISPUTES. Should the Applicant disagree with the certification prepared pursuant to Sections 4.2, 4.3, or Article V, the Applicant may appeal the findings, in writing, to the Consultant within thirty (30) days of receipt of the certification. Within thirty (30) days of receipt of the Applicant's appeal, the Consultant will issue, in writing, a final determination of the certification containing the calculations. Thereafter, the Applicant may appeal the final determination of certification containing the calculations to the District's Board of Trustees, in writing, within thirty (30) days of the final determination of certification containing the calculations.

Section 4.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT. If at the time the Consultant selected under Section 4.4 makes its calculations under this Agreement, the Applicant has appealed any matter relating to the valuations placed by the Appraisal District on the Applicant's Qualified Property, and such appeal remains unresolved, the Consultant 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 appraisal appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed, once the determination of the new Taxable Value becomes final, the Parties shall immediately notify the Consultant who shall immediately issue new calculations for the applicable year or years using the new Taxable Value. In the event the new calculations result in a change in any amount paid or payable by the Applicant under this Agreement, the Party from whom the adjustment is payable shall remit such amounts to the other Party within thirty (30) days of the receipt of the new calculations from the Consultant.

Section 4.10. EFFECT OF STATUTORY CHANGES. Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 7.1, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District will receive less Maintenance and Operations Revenue, or, if applicable, will be required to increase its payment of funds to the State or another school district, because of its participation in this Agreement, the Applicant shall make payments to the District, up to the Revenue Protection Amount limit set forth in Section 7.1, that are necessary to offset any negative impact on the District as a result of its participation in this Agreement. Such calculation shall take into account any adjustments to the Revenue Protection Amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District.

ARTICLE V

PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES

Section 5.1. In addition to the amounts determined pursuant to Section 4.2 above, the Applicant, on an annual basis, shall also indemnify and reimburse the District for all non-reimbursable costs, certified

by the District’s external auditor to have been incurred by the District for extraordinary education-related expenses related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the project. Applicant shall have the right to contest the findings of the District’s external auditor pursuant to Section 4.8 herein.

ARTICLE VI
SUPPLEMENTAL PAYMENTS

Section 6.1. SUPPLEMENTAL PAYMENTS. 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 supplemental payments (the “Supplemental Payments”) set forth in this Article VI.

A. Amounts Exclusive of Indemnity Amounts. It is the express intent of the Parties that the Applicant’s obligation to make Supplemental Payments under this Article VI is separate and independent of the obligation of the Applicant to pay the amounts described in Articles IV and V; provided, however, that all payments under Articles IV and VI are subject to the limitations contained in Section 7.1.

B. Adherence to Statutory Limits on Supplemental Payments. It is the express intent of the Parties that any Supplemental Payments made to or on behalf of the District by the Applicant, under this Article VI, shall not exceed the limit imposed by the provisions of TEXAS TAX CODE § 313.027(i), as such limit is allowed or required to be increased by the Legislature in a future year of this Agreement.

C. Explicit Identification of Payments to District. 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 made pursuant to Chapter 313, TEXAS TAX CODE, unless it is explicitly set forth in this Agreement.

Section 6.2. SUPPLEMENTAL PAYMENT LIMITATION.

Notwithstanding the foregoing:

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

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

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

D. For purposes of this Agreement, the calculation of the limit of the annual Supplemental Payment (the “Annual Limit”) shall be greater of: (1) \$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 [ADA] for the preceding school year, rounded to the whole number; or (2) Fifty Thousand Dollars (\$50,000).

SECTION 6.3. STIPULATED SUPPLEMENTAL PAYMENT AMOUNT - SUBJECT TO ANNUAL LIMIT. Applicant shall make Supplemental Payments on or before January 31, 2021 (the payment due date for Tax Year 2020), and continuing thereafter on or before January 31 of each year for the maximum period permitted under Section 313.027(i) of the TEXAS TAX CODE, except that Applicant’s final Supplemental Payment shall be due on or before December 31, 2034 for tax year 2034. The Applicant shall make Supplemental Payments to District in an amount equal to the Annual Limit.

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 Frio 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 Frio 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 ninety (90) 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 THIRTY MILLION DOLLARS (\$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:

Pearsall Independent School District
Attention: Superintendent of Schools
Address: 318 Berry Ranch Road
Pearsall, Texas 78061
Phone: (830) 334-8001
E-Mail: Nobert.Rodriguez@pearsallisd.org

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

Elara Energy Project, LLC
Attention: Scott Pryor, Chief of Development
Address: 3809 Juniper Trace, Suite 100
Austin, TX 78738
Phone: (512) 680-0052
E-Mail: Scott.Pryor@7x.Energy

With a copy to:

Elara Energy Project, LLC
Attention: Rich Clark, Engineering Director
Address: 3809 Juniper Trace, Suite 100
Austin, TX 78738
Phone: (512) 992-0439 x 109
E-Mail: Rich.Clark@7x.Energy

D. A copy of any notice delivered to the Applicant shall also be delivered to any lender for which the Applicant has provided the District notice of collateral assignment information pursuant to Section 10.3.C, below.

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 Frio 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).

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this **25th day of March 2020**.

ELARA ENERGY PROJECT, LLC

By: 
Name: Scott Pryor
Title: Secretary

PEARSALL INDEPENDENT SCHOOL DISTRICT

By: 
Tommy Navarro, President
Board of Trustees

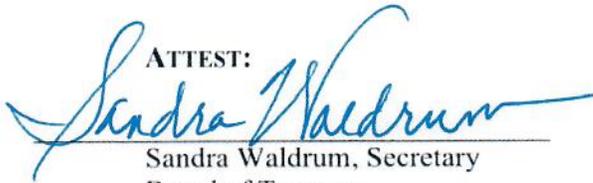
ATTEST:

Sandra Waldrum, Secretary
Board of Trustees

EXHIBIT 1

DESCRIPTION AND LOCATION OF ENTERPRISE OR REINVESTMENT ZONE

The legal description of the Reinvestment Zone is located entirely within Frio County and more particularly described below as the Legal Description of Reinvestment Zone. Such Reinvestment Zone shall be finalized and adopted by the County in accordance with the County's guidelines by the time this Agreement is ratified.

LEGAL DESCRIPTION OF A 1,744.26 ACRE TRACT OF LAND FOR THE ELARA ENERGY PROJECT

BEING A 1,744.26 ACRE TRACT OF LAND LOCATED IN THE BS&F RR SURVEY NO. 8, ABSTRACT NO. 870; THE BS&F RR SURVEY NO 7, ABSTRACT NO. 90; THE MARTINEZ, J SURVEY 917, ABSTRACT NO. 494; THE HOFFMAN, C SURVEY NO. 919, ABSTRACT NO. 383; THE BS&F SURVEY NO. 9, ABSTRACT NO. 97; THE GIBSON, J H SURVEY NO. 12, ABSTRACT NO. 875; THE CARRANZA, M L SURVEY NO. 918, ABSTRACT NO. 164; GIBSON, J H SURVEY NO. 14, ABSTRACT NO. 871, AND BEING A PORTION OF A CALLED 19,530.854 ACRE TRACT OF LAND CONVEYED FROM HERBERT M. OPPENHEIMER, ET AL TO HOWARD A. HALFF, THOMAS A. HALFF, AND ALEXANDER H. HALFF, AND RECORDED IN VOLUME 311, PAGE 217, FRIO COUNTY, DEED RECORDS, TOGETHER WITH THE MINERAL INTEREST ACQUIRED THEREIN; AND THE 30,295.002 ACRES OF LAND, MORE OR LESS, DESCRIBED IN DEED DATED MARCH 19, 1974, FROM RAE O. BURNHAM, ET AL TO HOWARD A. HALFF, THOMAS A. HALFF, AND ALEXANDER H. HALFF, RECORDED IN VOLUME 311, PAGE 229, FRIO COUNTY, DEED RECORDS, TOGETHER WITH THE MINERAL INTEREST ACQUIRED THEREIN; SAID 1,744.26 ACRE TRACT OF LAND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT AN 4" X 4" CONCRETE MONUMENT FOUND, BEING IN THE SOUTHWEST RIGHT-OF-WAY LINE WEST FARM TO MARKET ROAD 140 AND THE NORTHEAST LINE OF SAID 19,530.854 ACRE TRACT, SAID POINT BEING THE MOST EASTERLY POINT OF A CALLED 114.64 ACRE TRACT OF LAND CONVEYED FROM ALMA O. HALFF, ET AL, TO THOMAS A. HALFF, ET UX, AND RECORDED IN VOLUME 199, PAGE 460, DEED RECORDS, FRIO COUNTY, AND ALSO BEING THE NORTHERN MOST POINT OF THE HEREIN DESCRIBED TRACT;

THENCE SOUTH 51 DEGREES 31 MINUTES 30 SECONDS EAST, WITH THE COMMON LINE OF SAID SOUTHWEST RIGHT-OF-WAY LINE AND THE NORTHEAST LINE OF SAID 19,530.854 ACRE TRACT, A DISTANCE OF 4,366.69 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET;

THENCE OVER AND ACROSS SAID 11,884.60 ACRE TRACT THE FOLLOWING FOUR (4) COURSES AND DISTANCES:

- 1) SOUTH 42 DEGREES 37 MINUTES 12 SECONDS WEST, A DISTANCE OF 8,444.77 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
- 2) SOUTH 30 DEGREES 14 MINUTES 00 SECONDS EAST, A DISTANCE OF 1,815.89 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
- 3) SOUTH 44 DEGREES 39 MINUTES 56 SECONDS WEST, A DISTANCE OF 7,820.13 FEET TO A 8-INCH POST FOUND, AND
- 4) SOUTH 44 DEGREES 03 MINUTES 14 SECONDS WEST, A DISTANCE OF 777.90 FEET TO A 2-INCH POST FOUND AT THE COMMON CORNER OF SAID 11,884.60 ACRE TRACT AND A CALLED 6,373.38 ACRE TRACT KNOWN AS THE JESSE OPENHEIMER FRIO TRACT, FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE SOUTH 88 DEGREES 15 MINUTES 00 SECONDS WEST, WITH THE COMMON LINE OF SAID 19,530.854 ACRE TRACT AND SAID 6,373.38 ACRE TRACT, A DISTANCE OF 2,229.95 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED EASEMENT;

THENCE OVER AND ACROSS SAID 11,884.60 ACRE TRACT THE FOLLOWING TWELVE (12) COURSES AND DISTANCES:

1. NORTH 02 DEGREES 15 MINUTES 05 SECONDS WEST, A DISTANCE OF 72.18 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
2. NORTH 66 DEGREES 09 MINUTES 23 SECONDS WEST, A DISTANCE OF 53.90 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
3. NORTH 10 DEGREES 06 MINUTES 17 SECONDS EAST, A DISTANCE OF 2,904.90 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
4. NORTH 40 DEGREES 43 MINUTES 38 SECONDS EAST, A DISTANCE OF 6,346.00 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
5. NORTH 27 DEGREES 01 MINUTES 12 SECONDS EAST, A DISTANCE OF 172.05 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
6. NORTH 23 DEGREES 00 MINUTES 18 SECONDS WEST, A DISTANCE OF 552.57 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
7. NORTH 18 DEGREES 59 MINUTES 46 SECONDS EAST, A DISTANCE OF 4,611.80 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
8. NORTH 52 DEGREES 02 MINUTES 33 SECONDS WEST, A DISTANCE OF 1,748.86 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
9. NORTH 24 DEGREES 58 MINUTES 45 SECONDS EAST, A DISTANCE OF 2,519.71 FEET TO A 5/8-INCH IRON ROD WITH CAP "SAM" SET FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT,
10. SOUTH 63 DEGREES 21 MINUTES 52 SECONDS EAST, A DISTANCE OF 291.82 FEET TO A 4" X 4" CONCRETE MONUMENT, SAME POINT BEING THE WEST CORNER OF SAID 114.64 ACRE TRACT,
11. SOUTH 62 DEGREES 31 MINUTES 36 SECONDS EAST, ALONG THE SOUTHWEST LINE OF SAID 114.64 ACRE TRACT, A DISTANCE OF 2,096.43 FEET TO A 4" X 4" CONCRETE MONUMENT FOUND AT THE SOUTHERN MOST CORNER OF SAID 114.64 ACRE TRACT FOR AN ANGLE CORNER OF THE HEREIN DESCRIBED TRACT, AND

12. NORTH 48 DEGREES 56 MINUTES 45 SECONDS EAST, A DISTANCE OF 2,499.75 FEET TO THE **POINT OF BEGINNING** AND CONTAINING 1,744.26 ACRES (MORE OR LESS).

BEARING BASIS: ALL BEARINGS AND COORDINATES SHOWN HEREON ARE BASED ON THE TEXAS STATE PLANE COORDINATE SYSTEM, NAD 83, SOUTH CENTRAL ZONE. ALL DISTANCES SHOWN HEREON ARE SURFACE DISTANCES. GRID DISTANCES CAN BE CALCULATED BY MULTIPLYING BY A COMBINED SCALE FACTOR OF 0.999868463.

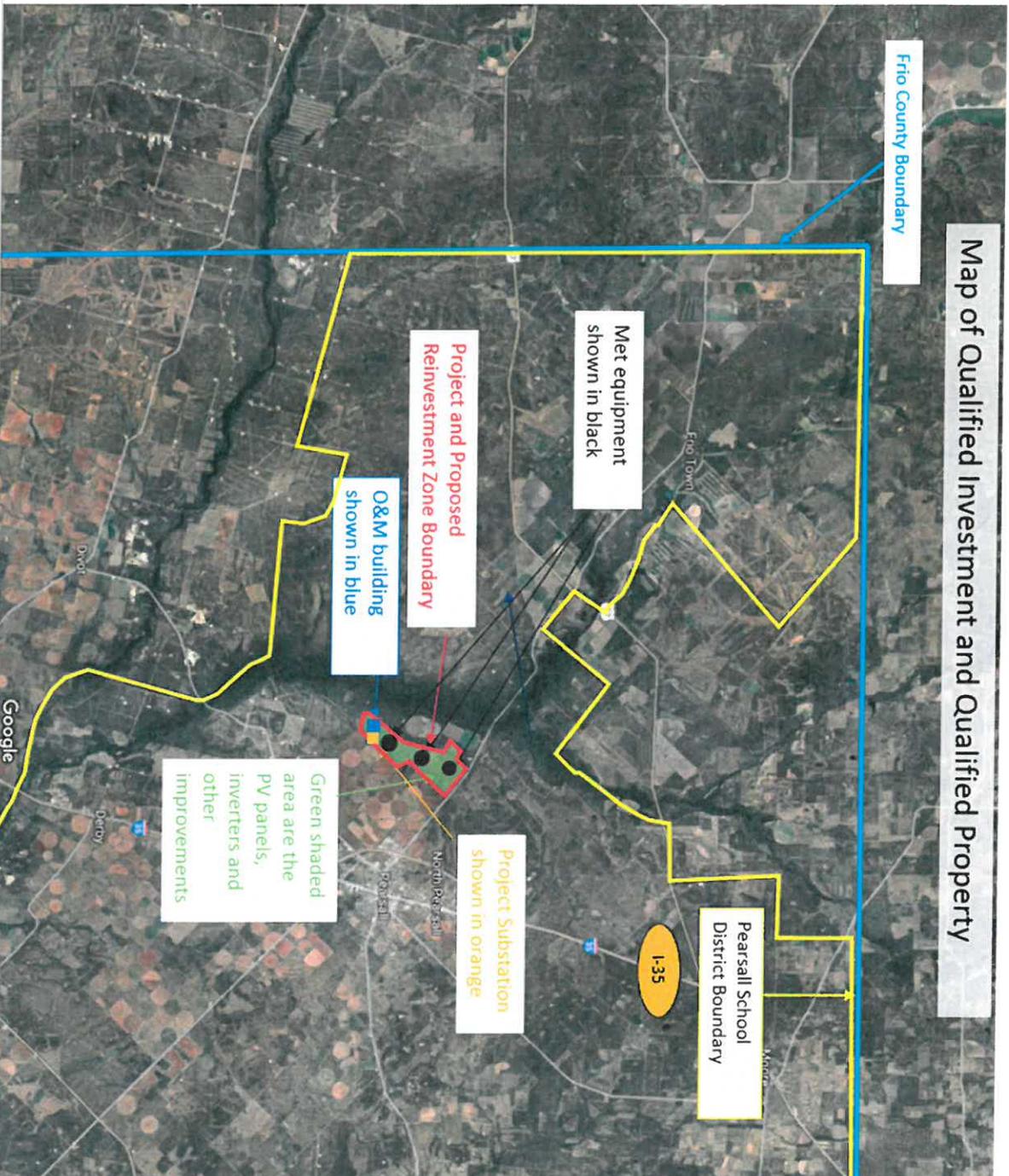
REFERENCE IS MADE TO THE SKETCH OF EVEN DATE ACCOMPANYING THIS DESCRIPTION.

Christopher R. Garza 8/21/19

CHRIS GARZA
TEXAS REGISTERED PROFESSIONAL
LAND SURVEYOR NUMBER 6564
SURVEYING AND MAPPING, LLC.
TEXAS FIRM REGISTRATION NO. 10064300
DATE: JUNE 04, 2019



Map of Qualified Investment and Qualified Property



Legend

- Project and Proposed Reinvestment Zone Boundary
- PV panels, inverters, and other improvements
- Met station equipment
- Pearlsall School District Boundary
- Frio County Boundary
- Project Substation
- O&M Building

**FRIO COUNTY
TAX ABATEMENT POLICY
Preamble**

Pursuant to Chapter 312, Texas Tax Code (the “Act”), Frio County may consider an application for tax abatement, designate a reinvestment zone, and enter into a tax abatement agreement as provided for in this Tax Abatement Policy. This Policy and the guidelines and criteria outlined herein were approved by a resolution adopted by the Frio County Commissioners Court on December 9, 2019, after a public hearing on December 9, 2019, and approval of a Resolution providing that the County elects to become eligible in tax abatement pursuant to the Act.

I. Abatement Policy

- A. Investment. To enter into an abatement agreement, the Commissioners Court must find that the project will result in a significant investment being made in the County. Unless additional factors are deemed to provide value to the County, the minimum investment for abatement is as follows:
- i. New business: \$1,000,000, and
 - ii. Expansion of existing business: \$300,000.
- B. Job Creation. Abatement on eligible real and fixed personal property requires new job creation, or, in the case of expansion, sustained employment levels.
- C. Criteria. In determining whether to designate a reinvestment zone the County shall consider the Criteria provided in Section 312.202, Texas Tax Code, and with regard to whether to enter into a tax abatement agreement, the Commissioners Court shall consider the following criteria, among others determined to be appropriate by the Court:
- i. Site and Improvements
 - a. Existing value of land and existing improvements, if any;
 - b. Type and value of proposed improvements;
 - c. Productive life of proposed improvements;
 - d. Overall compatibility with the zoning ordinances and comprehensive plan, if any, for the area; and
 - e. Environmental impacts of project.
 - ii. Economic Spinoff
 - a. Number and dollar amounts of all construction contracts and subcontracts award on the project;
 - b. Impact on the business opportunities of existing businesses and the attraction of new business to the area, if any; and
 - c. Disadvantaged business entity and Frio County contractors represented in total construction, suppliers, and services contracts.
 - iii. Jobs
 - a. Number of existing jobs to be retained by proposed improvements, if any;
 - b. Number and type of new jobs, if any, to be created by proposed improvements;
 - c. Diversity of employment base;
 - d. Local employment opportunities; and
 - e. Competitive wages and benefits for employees.
 - iv. Public Costs and Benefits

- a. Costs to be incurred by Frio County, if any, to provide facilities or services directly resulting from the new improvements;
 - b. Types and values of public improvements, if any, to be made by applicant seeking abatement; and
 - c. Amount of ad valorem property tax to be paid to Frio County during and after expiration of the abatement agreement.
- D. Ad Valorem Taxes. Unless expressly provided, County approval of tax abatement applies only to County ad valorem taxes and may be restricted to include only County maintenance and operations taxes, excluding interest and sinking fund taxes. County approval of tax abatement may also apply to both Hospital District and Emergency Services District ad valorem taxes, provided that the County is statutorily required to approve the tax rate for such districts or levies their ad valorem taxes as described in Section 312.004, Texas Tax Code.
- E. Existing Property Value. The value of existing real and personal property currently on the tax rolls will remain taxable and be included in the base value, even if personal property is moved to a new, abated location or replaced due to modernization or expansion. Abatement may be only granted for the additional value of eligible property improvements made subsequent to and listed in an abatement agreement between the County and the property owner and lessee, subject to such limitations as Commissioners Court may require.
- F. Application Must Precede Commencement of Project. A project is ineligible for abatement if the application for County abatement was filed after the commencement for construction, alteration, or installation of new improvements.
- G. Ineligible Property. The following types of property shall be fully taxable and ineligible for abatement: land; inventories; supplies; tools; furnishings, and other forms of movable personal property (excluding solar array panels and associated equipment); vehicles; vessels; private aircraft; deferred maintenance investments; property to be rented or leased except if a leased facility is granted the abatement; also, any property included in the calculation of base year value as defined.
- H. Compliance with Policy. The County will only enter into abatement agreements that the County finds meet the guidelines and criteria outlined in this Policy and in the Act.
- I. County Discretion. Nothing herein limits the discretion of the County to determine whether to enter into a specific abatement agreement. The County is under no obligation to provide an abatement for any project.
- J. Taxability. From the execution of the abatement to the end of the agreement period taxes shall be payable as follows: (1) The value of ineligible property as provided above shall be fully taxable; (2) The base year value of existing eligible property shall be fully taxable, as well as the value of any existing personal property currently on the tax rolls in Frio County that is either moved to a new abated location or is replaced due to modernization or expansion; (3) The additional value of new eligible property shall be taxable in the manner and for the period provided for in the abatement agreement, subject to the terms described herein; and (4) The additional value of new eligible property shall be fully taxable at the end of the abatement period.

II. Application Procedure

- A. Applicant. Any present or potential owner or lessee of taxable property in Frio County may request

the creation of a reinvestment zone and/or tax abatement by submitting a written application conforming to the requirements outlined herein.

- B. Eligible Property. Abatement may only be granted for the following property constructed or otherwise put in place after the effective date of the tax abatement agreement: new, expanded or modernized buildings and structures, fixed machinery, and equipment; site improvements; related fixed improvements; other tangible items necessary to the operation and administration of the project or facility; and all other real and tangible personal property permitted by the Act.
- C. Application. The application shall consist of a completed Frio County Tax Abatement Application, in the form attached hereto as Exhibit A, as may be amended from time to time, which shall contain the following:
- i. a general description of the project, including a descriptive list of the improvements for which the abatement is requested;
 - ii. information showing how the project meets the requirements of the criteria outlined herein, including employment and contract information;
 - iii. a map and description of the property;
 - iv. a time schedule for completing the planned improvements;
 - v. the estimated taxable value or range of values of the project or facility;
 - vi. basic financial information about the principals sufficient to enable evaluation of the applicant's financial capacity;
 - vii. a feasibility study estimating the economic impact of the project and effect on the County and any other participating jurisdictions, and the applicant;
 - viii. in the case of modernization, a statement of the assessed value of the facility separately stated for real and personal property, shall be provided for the three years immediately preceding the application; and
 - ix. Each application shall be accompanied by an application fee of \$1,000.00 payable to Frio County.
- D. Application Consideration. The procedure for consideration by the County of a tax abatement application is as follows:
- i. The application form is provided as Exhibit A to this Policy, and shall be available on the County's website.
 - ii. After an applicant completes the Tax Abatement Application, applicant provides a copy to each member of the Frio County Commissioners Court and the County Judge's Administrative Assistant.
 - iii. If the application is deemed to be complete by the County Judge, the County Judge shall provide a copy of the application to the presiding officer of the governing body of each eligible jurisdiction.
 - iv. Upon receipt of a completed application and/or request to participate with a municipality in an abatement agreement, the County Judge shall review and provide a recommendation to the Commissioner's Court prior to thirty (30) days prior to the public hearing.
 - v. The County shall not establish a reinvestment zone, nor participate in an abatement, if it finds that the application for County reinvestment zone/tax abatement was filed after the commencement of construction, alteration, or installation of improvements related to the proposed modernization, expansion or new facility.
 - vi. A request for variance from the provisions of this Policy must be made in written form to the County Judge and submitted with the Tax Abatement Application; provided, however,

the total duration of an abatement shall in no instance exceed ten (10) years. Such variance request shall include a complete description of the circumstances explaining why the applicant should be granted a variance. Request for variance must be approved by a majority vote of the Commissioners Court.

III. Public Hearing and Approval

- A. New Reinvestment Zone. The Commissioners Court may not adopt a resolution designating a County reinvestment zone for a five (5) year period until it has held a public hearing at which interested persons are entitled to speak and present evidence for or against the designation. No later than the seventh (7th) day before the hearing, notice of the hearing shall be published in a newspaper having general circulation in the County and delivered in writing to the presiding officer of the governing body of each taxing unit that includes in its boundaries real property that is to be included in the proposed reinvestment zone.
- i. If the reinvestment zone is not designated, the application fails, although it may be amended and resubmitted.
 - ii. If the reinvestment zone is designated, the Commissioners Court shall pass an order to that effect and may then arrange to consider for approval of the tax abatement agreement between the applicant and the County at its next regularly scheduled meeting.
 - iii. At least seven (7) days prior to entering into a tax abatement agreement, the county must give written notice of its intent to do so to the presiding officers of all taxing units with jurisdiction over the property for which an abatement is sought, along with a copy of the proposed tax abatement agreement.
- B. Abatement Agreement. Prior to entering into a tax abatement agreement in a reinvestment zone, the Commissioners Court may, at its option, hold a public hearing, for which at least thirty (30) days' notice has been provided, at which interested persons shall be entitled to speak and present written materials for or against the approval of the tax abatement agreement.
- i. At least seven (7) days prior to entering into a tax abatement agreement, the county must give written notice of its intent to do so to the presiding officers of all taxing units with jurisdiction over the property for which an abatement is sought, along with a copy of the proposed tax abatement agreement.
 - ii. At the regularly scheduled meeting, the Commissioners Court may finally vote by simple majority to enter into the tax abatement agreement or to decline. An approved tax abatement agreement may be executed in the same manner as other contracts made by the County.
 - iii. The public notice of the meeting at which the Commissioners Court will consider the approval of a tax abatement agreement shall contain the following:
 - a. the name of the property owner and the name of the applicant for the abatement agreement;
 - b. the name and location of the reinvestment zone in which the property subject to the agreement is located;
 - c. a general description of the nature of the improvements or repairs included in the agreement;
 - d. the estimated cost of the improvements or repairs; and
 - e. the public notice must be given in a manner required by Chapter 551, Texas Government Code, except that the notice must be provided at least 30 days prior to the scheduled time of the meeting.

C. Findings.

- i. To be designated a reinvestment zone by the County, the County Commissioners must find by majority vote that:
 - a. the property designated for the reinvestment zone is not located in the taxing jurisdiction of a municipality;
 - b. the property for which the abatement is sought will be reasonably likely as a result the designation to contribute to the retention or expansion of primary employment or to attract major investment in the zone that would be a benefit to the property and that would contribute to the economic development of the County, or meet one or more of the other requirements provide in Section 312.202, Texas Tax Code; and
 - c. the improvements sought are feasible and practical and would be a benefit to the land to be included in the zone and to the County after expiration of the tax abatement agreement.
 - ii. In order to enter into a tax abatement agreement, the Commissioners Court must find by majority vote that the terms of the proposed agreement meet these Guidelines and Criteria and that: (1) there will be no substantial adverse effect on the provision of the jurisdiction's service or tax base: and (2) the planned use of the property will not constitute a hazard to public safety, health or morals.
- D. Confidentiality. As required by Section 312.003, Texas Tax code, information that is provided to the County in connection with an application or request for tax abatement and that describes the specific processes or business activities to be conducted or the equipment or the property to be located on the property for which tax abatement is sought is confidential and not subject to public disclosure until a tax abatement agreement is executed. Such information should be clearly marked in the application.

IV. Format for Tax Abatement Agreement

- A. Required Provisions. If the Frio County Commissioners Court designates a reinvestment zone, it may consider and execute a tax abatement agreement that conforms with this Policy, with the owner of the designated property and lessee, as appropriate, as outlined above. Any tax abatement agreement shall include at least the following:
- i. the kind, number and location of all proposed improvements of the property;
 - ii. provisions allowing for reasonable access to the property for initial and intermittent inspection purposes by County employees or designated representatives to ensure improvements are made in compliance with the agreement;
 - iii. provisions limiting the use of the property consistent with the general purpose of encouraging development or redevelopment of the area during the period of abatement;
 - iv. provisions for recapturing property tax revenue lost as a result of the agreement if the owner of the property fails to make the improvements or repairs as provided in the agreement;
 - v. each term agreed to by the recipient of the abatement;
 - vi. a requirement that the abatement recipient certify its compliance with the agreement annually to the County; and
 - vii. provisions allowing the County to cancel or modify the agreement if the recipient is out of compliance with the agreement.

- B. Optional Provisions. The tax abatement agreement may also contain any or all of the following items, in addition to any others deemed appropriate by the contracting parties:
- i. the estimated taxable value to be abated each year;
 - ii. percent of value to be abated each year;
 - iii. the commencement and termination dates of the abatement;
 - iv. proposed use of the property;
 - v. nature of the construction, time schedule, map and property description;
 - vi. contractual obligations in the event of default or violation of terms or conditions;
 - vii. size of investment and number of temporary and permanent jobs involved, if any;
 - viii. provisions for dispute resolution; and
 - ix. a PILOT payment to cover the County's fees associated with reviewing, analyzing, negotiating and drafting the abatement agreement.
- C. Value and Term of Abatement. Abatement shall be granted effective with the execution of the agreement. The value of the abatement will be determined based on the merits of the project, including, but not limited to, total capital investment value and added employment. Up to one hundred percent (100%) of the value of new eligible properties may be abated for a total term of abatement not to exceed ten (10) years. However, a project must provide an extraordinary economic benefit to the County to be considered for a one hundred percent abatement (100%). The County may approve a sliding scale of abatement percentages, may limit the abatement to maintenance and operations taxes, or may require a payment in lieu of taxes for all or part of the taxes paid to the County by the project. The abatement period may be deferred by written agreement of the parties, provided the duration of an abatement agreement does not exceed ten (10) years. An abatement agreement granted to a lessee may not exceed the terms of a lessee's lease.
- D. Time limit. Such agreement shall be executed within thirty (30) days after passage of the resolution approving the agreement, unless the County and the applicant mutually agree otherwise.
- E. Recapture. Commissioners Court reserves the right to review compliance for full or partial recapture in the event that the applicant fails to perform in "good faith." If a project is not completed as specified in the tax abatement agreement, the County has the right to cancel the abatement agreement and abated taxes shall be recaptured by the County and other affected taxing units as provided by law and the development agreement. If any of the provisions contained in the tax abatement agreement, i.e., employment, amount of investment, etc., are not met, the County shall have the right to reduce or cancel the abatement agreement. If a project granted a tax abatement ceases to operate or is no longer in conformance with the tax abatement agreement, the agreement shall not be in effect for the period of time during which the project is not operating or is not in conformance.

V. Administration of Tax Abatement Agreement

- A. Inspections. County employees or their designated representatives shall have reasonable access to the property for initial and intermittent inspection purposes in order to ensure that the improvements or repairs are made according to the specifications and conditions of the agreement.
- B. Evaluation. Upon completion of construction, the County and/or the jurisdiction creating the

reinvestment zone shall annually (or at such other times as deemed appropriate by the Commissioners Court) evaluate each facility receiving abatement to ensure compliance with the agreement and report possible violations to the contract and agreement to the Commissioners Court and the County Attorney. On or before April 30th of every year during the life of the abatement agreement, the company or individual receiving the abatement shall complete and file a Tax Abatement Evaluation Report, along with other required written documentation, detailing and certifying the abatement recipient's compliance with the terms of the abatement agreement. Failure to provide information requested in the compliance evaluation by the prescribed deadline may result in taxes abated in the prior year being due and payable. The company or individual receiving a tax abatement shall provide information to the County for the evaluation which shall include, but not be limited to, the following:

- i. the number and dollar amounts of all construction contracts and subcontracts awarded on the project;
 - ii. the total number of employees of the company, their gross salaries, and the number of employees residing in Frio County and their gross salaries, reported in job classifications appropriate to the employee; the gross dollars spent on supplier and professional service contracts, indicating the amounts by contract awarded and performed by Frio County business and individuals;
 - iii. the dollar amount of contracts awarded to Disadvantaged Business Enterprises;
 - iv. detail of actions taken to mitigate any adverse environmental impacts of the project, if applicable; and
 - v. should the dollars, percentages, or actions not meet the original or modified requirements of the abatement agreement, a statement shall be provided explaining the reason for the failure to meet the requirements and a recommended course of rectification.
- C. Cure Provisions. Should Frio County determine that the company or individual receiving the abatement is in default of the tax abatement agreement, it shall notify the company or individual of such default in writing at the address specified in the agreement, and if such is not cured within sixty (60) days' of notice, the agreement may be terminated by the County.
- D. Modification and Termination. At any time before the expiration of a tax abatement agreement, an agreement may be modified by the parties to include other provisions that could have been included in the original agreement or to delete provisions that were not necessary to the original agreement. The modification must be made by the same procedure by which the original agreement was made. An agreement may also be terminated by the mutual consent of the parties in the same way the agreement was made, or by other means as agreed by the parties according to the provisions of the agreement.
- E. Reporting. The chief appraiser for the County's appraisal district shall report annually the designation of reinvestment zones and executed abatement agreements as required under the Act.
- F. Posting. This Policy, as may be amended from time to time, shall be posted on the County's website.

VI. Assignment

An abatement granted by Frio County may be transferred and assigned by the holder to a new owner or lessee of the same property, upon the approval by resolution of Frio County, subject to the financial capacity of the assignee and provided that all conditions and obligations in the tax abatement

agreement with Frio County are fulfilled; provided however that collateral assignments for financing purposes shall not be considered assignments for purposes of this Section and shall not require Frio County approval. Approval shall not be unreasonably withheld by Frio County.

VII. Sunset and Amendment of Guidelines and Criteria

These Guidelines and Criteria are effective upon the date of their adoption and will remain in force for two (2) years, unless amended by three-fourths (3/4) vote of the Frio County Commissioners Court.

Passed and approved at a regular meeting of the Frio County Commissioners Court, at which a quorum was present on the 9 day of December, 2019.

**EXHIBIT A
FORM OF APPLICATION**

Applications for Tax Abatement shall be organized as follows:

Section A

1. Name and contact of the property owner and the name and contact information of the applicant for the abatement agreement.
2. Name and location of the reinvestment zone in which the property subject to the agreement is located.

Section B

1. Overview. General description of the project, including a descriptive list of the improvements for which the abatement is requested.
2. Criteria. Information showing how the project meets the requirements of the criteria outlined herein, including employment and contract information.
 - a. Site and Improvements
 - i. Existing value of land and existing improvements, if any;
 - ii. Type and value of proposed improvements, including estimated costs of all improvements and/or repairs;
 - iii. Productive life of proposed improvements;
 - iv. Overall compatibility with the zoning ordinances and comprehensive plan, if any, for the area; and
 - v. Environmental impacts of project.
 - b. Economic Spinoff
 - i. Number and dollar amounts of all construction contracts and subcontracts award on the project;
 - ii. Impact on the business opportunities of existing businesses and the attraction of new business to the area, if any; and
 - iii. Disadvantaged business entity and Frio County contractors represented in total construction, suppliers, and services contracts.
 - c. Jobs
 - i. Number of existing jobs to be retained by proposed improvements, if any;
 - ii. Number and type of new jobs, if any, to be created by proposed improvements;
 - iii. Diversity of employment base;
 - iv. Local employment opportunities; and
 - v. Competitive wages and benefits for employees.
 - d. Public Costs and Benefits
 - i. Costs to be incurred by Frio County, if any, to provide facilities or services directly resulting from the new improvements;
 - ii. Types and values of public improvements, if any, to be made by applicant seeking abatement; and
 - iii. Amount of ad valorem property tax to be paid to Frio County during and after expiration of the abatement agreement.

3. Map. A map and description of the property showing the existing uses and conditions of the property and a map and description of the property showing the proposed improvements and uses of the property.
4. Schedule. A time schedule for completing the planned improvements; the estimated taxable value or range of values of the project or facility.
5. Financial Capability. Basic financial information about the principles sufficient to enable evaluation of the applicant's financial capacity. Note: The County may require such financial and other information as deemed appropriate for evaluating the financial capacity and other factors pertaining to the applicant, to be attached to the application.
6. Feasibility Study. A feasibility study estimating the economic impact of the project and effect on the County and any other participating jurisdictions, and the applicant.
7. Modernization Criteria (if applicable). In the case of modernization, a statement of the assessed value of the facility separately stated for real and personal property, shall be provided for the three years immediately preceding the application.

Section C. Variance request, if any.

Each application shall be accompanied by an application fee of \$1,000.00 payable to Frio County.

EXHIBIT B
SOLAR PROJECTS - 2020

The Tax Abatement Policy approved on December 9, 2019 by the Frio County Commissioners provides the guidelines, criteria, and structure for the County's tax abatement agreements pursuant to Chapter 312, Texas Tax Code. This Exhibit describes more specifically the County's guidelines and structure for solar projects as a 2020 demonstration project under the broader policy.

The County recognizes the following unique characteristics of solar projects:

- i. Solar investments are in primarily personal property, which depreciate over the life of the investment;
- ii. Solar projects draw significant construction jobs during the 12-14 months of construction, but will likely only result 1 or 2 full-time jobs; and
- iii. Because of the depreciating tax value of the asset, abated taxes are likely to fluctuate from year to year.

Accordingly, for 2020 as a demonstration period, the County approves the following structure for desirable solar projects with an investment in excess of \$150,000,000:

- i. 100% tax abatement of County ad valorem taxes for a 10 year period;
- ii. Annual Payment In Lieu of Taxation (PILOT) calculated to equal 20% of County ad valorem taxes for investment Year 1;
- iii. Deduction in the Year 1 PILOT payment for agriculture roll back taxes;
- iv. Recapture of taxes due for failure to pay PILOT payment; and
- v. Payment of \$25,000 to County to offset County's fees related to establishing criteria and negotiating a development agreement.

A desirable solar project must meet the guidelines and criteria of the Policy and is subject to the County's discretion thereunder. In addition, such projects (i) are located within the County, but not within a municipality, (ii) provide a minimum of one full time job with a salary that exceeds the median income for the County and includes benefits, and (iii) have an anticipated life cycle of 35 years.

It is the County's intention to revisit this structure in 2021.

FRIO COUNTY COMMISSIONERS COURT ORDER APPROVING THE BURNT HOLLOW
CREEK TAX ABATEMENT REINVESTMENT ZONE PURSUANT TO CHAPTER 312,
TEXAS TAX CODE

WHEREAS, on December 9, 2020, the Frio County Commissioners Court adopted the Frio County Tax Abatement Policy (the “Policy”) pursuant to Chapter 312, Texas Tax Code, the Property Redevelopment and Tax Abatement Act (the “Act”); and

WHEREAS, Section 312.401 of the Act provides that a county may designate an area as a tax abatement reinvestment zone; and

WHEREAS, on February 12, 2020, the County received an application from Elara Energy Project, LLC (the “Company”) for the “Burnt Hollow Creek Reinvestment Zone” (the “Zone”) for commercial-industrial tax abatement; and

WHEREAS, the proposed Zone includes the land as described in Exhibit A, attached hereto; and

WHEREAS, pursuant to the County’s tax abatement policies and the Act, the County Judge reviewed the Company’s application and, on March 6, 2020, notified the Commissioners Court and the presiding officers of the eligible jurisdictions that the application was found to be complete and that the County Judge made his recommendation to pursue the proposed Zone; and

WHEREAS, the Commissioners hereby waive the thirty day project notice provision in the Policy;

WHEREAS, on March 23, 2020, the County held a public hearing on the proposed Zone where interested persons were invited to speak for or against the designation of the Zone (the “Hearing”); and

WHEREAS, notice of the Hearing was published in a newspaper having general circulation and was delivered in writing to the presiding officer of each of the eligible jurisdictions; and

WHEREAS, the Zone is not located within the jurisdiction of any municipality; and

WHEREAS, the County hereby finds that designating the Zone would contribute to the retention or expansion of primary employment in the County; and

WHEREAS; the County hereby finds that the designation of the Zone would attract major investment in the Zone that would contribute to the economic development of the County; and

WHEREAS, the County hereby finds that the improvements sought by the Company are feasible and practical and would provide a benefit to the Zone after the expiration of any tax abatement agreement between the Company and the County; and

WHEREAS, the Company has executed a development agreement for fees (the “Development Agreement”, attached hereto as Exhibit B);

NOW THEREFORE, IT IS ORDERED BY THE COMMISSIONER’S COURT OF FRIO COUNTY, TEXAS:

Section 1. Recitals. The recitals above are incorporated herein.

Section 2. Designation of Zone. The County hereby designates the Burnt Hollow Creek Reinvestment Zone for a period of five years.

Section 3. Renewal. The Zone may be renewed for periods not to exceed five years.

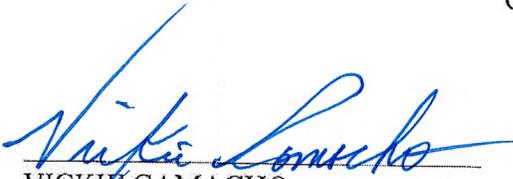
Section 4. Development Agreement. The County hereby approves the Development Agreement attached hereto as Exhibit B and accepts the fee referred to therein.

[remainder of page intentionally blank]

ADOPTED THIS 23RD DAY OF MARCH, 2020 at a special meeting of the Frio County Commissioners Court.



ARNULFO C. LUNA
COUNTY JUDGE

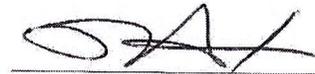


VICKIE CAMACHO
PRECINCT 1 COMMISSIONER



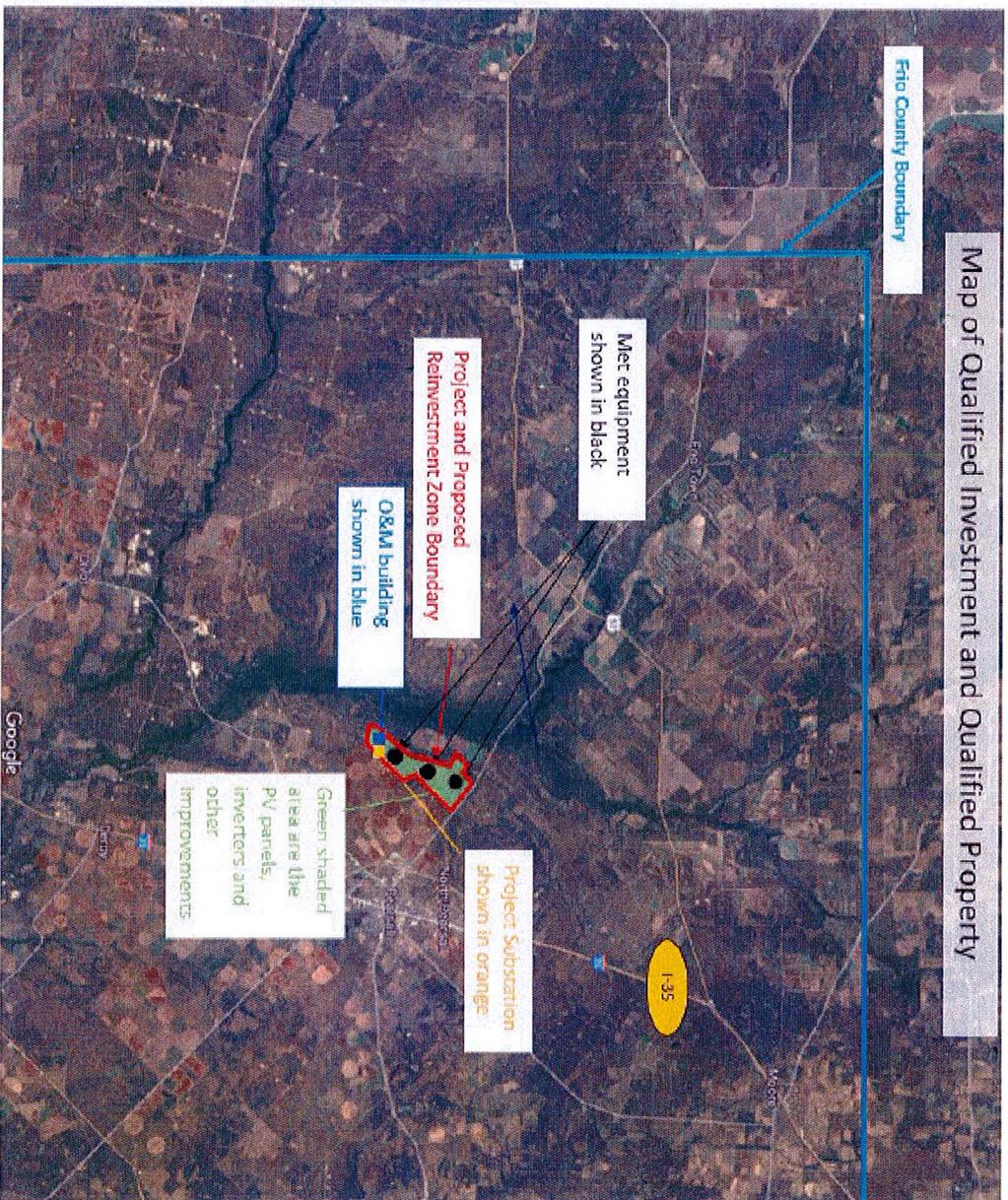
RICHARD GRAF
PRECINCT 2 COMMISSIONER

RUBEN MALDONADO
PRECINCT 3 COMMISSIONER



JOE ASUNCION
PRECINCT 4 COMMISSIONER

Map of Qualified Investment and Qualified Property



Legend

- Project and Proposed Reinvestment Zone Boundary
- PV panels, inverters, and other improvements
- Met station equipment
- Frio County Boundary
- Project Substation
- O&M Building

EXHIBIT B
DEVELOPMENT AGREEMENT

**AGREEMENT FOR PAYMENT OF REVIEW AND DEVELOPMENT EXPENSES
INCURRED BY FRIO COUNTY
FOR THE ELARA ENERGY PROJECT, LLC SOLAR PROJECT**

THIS AGREEMENT (the "Agreement") is entered into this 23rd day of March, 2020, by and between **Frio County, Texas**, a political subdivision of the State of Texas (the "County"), and **Elara Energy Project, LLC**, a Texas limited liability company (the "Applicant") (collectively herein referred to as the "Parties").

WHEREAS, the Applicant owns or is the authorized agent of the owner of certain property situated in Frio County, Texas described in **Exhibit A**, attached hereto and incorporated herein by reference (the "Property");

WHEREAS, the Applicant desires to establish a reinvestment zone on the Property and enter into a tax abatement agreement with the County to develop a utility-scale, grid connected solar photovoltaic energy (PV) plant;

WHEREAS, the Parties desire to memorialize their intent regarding Applicant's providing funds for fees and expenses of the County for assessing the project, establishing the zone, and negotiating development agreement; and

WHEREAS, the Parties hereto recognize that the County expenses related to this project will include: legal publications, notices, reproduction of materials, public hearing expenses, recording of documents, and attorney fees (the "Expenses");

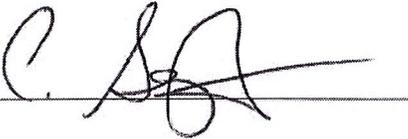
NOW, THEREFORE, for and in consideration of the foregoing premises and of the mutual promises and conditions hereinafter contained, it is hereby agreed as follows:

1. For purposes of this Agreement, "Application" shall mean and include all documentation, data, and information submitted to the County as part of the tax abatement application for the project.
2. As provided for the County's Tax Abatement Policy, Applicant shall provide the sum of \$25,000 to the County for Expenses. This payment shall be made prior to any public hearing on the project.
3. The Applicant agrees to pay the sum regardless of whether the County approves or denies the Application. The County shall not be stopped or otherwise limited or precluded from denial or conditional approval of the Application by the terms, conditions, or obligations of this Agreement.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

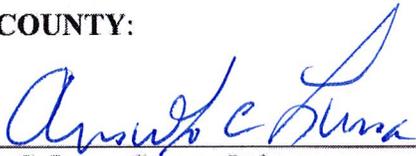
ELARA ENERGY PROJECT, LLC
a Texas limited liability company

By: 

Name: Scott Pryor

Title: Secretary

FRIO COUNTY:

By: 
Arnulfo C. Luna, County Judge

APPROVED AS TO FORM:

By: 
Joseph Sindon, County Attorney

EXHIBIT 2

DESCRIPTION AND LOCATION OF LAND

All Qualified Property will be located within the Reinvestment Zone described in Exhibit 1, above.

EXHIBIT 3

APPLICANT'S QUALIFIED INVESTMENT

Elara Energy Project, LLC, anticipates constructing a solar photovoltaic (PV) electric generating facility with an operating capacity of approximately 175 MW ac. The exact capacity and the specific technology components will be determined during the development and design process.

A 175 MW solar PV generating facility may include a qualified investment consisting of the following improvements:

- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracking racking system (mounting structures);
- Project substation which will include a high-voltage transformer, and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility, which shall house four (4) permanent, fixed storage containers (two of which shall be insulated and temperature controlled), an HVAC-equipped office building featuring ADA-compliant restroom and kitchen area, an underground septic and leeching system, and parking area for a minimum of ten (10) vehicles;
- Meteorological equipment to measure solar irradiance and other weather conditions; and
- Associated equipment to safely operate, maintain and deliver electricity to the grid.

EXHIBIT 4

DESCRIPTION AND LOCATION OF QUALIFIED PROPERTY

Elara Energy Project, LLC, anticipates constructing a solar photovoltaic (PV) electric generating facility with an operating capacity of approximately 175 MW ac. The exact capacity and the specific technology components will be determined during the development and design process.

A 175 MW solar PV generating facility may include a qualified investment consisting of the following improvements:

- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracking racking system (mounting structures);
- Project substation which will include a high-voltage transformer, and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility, which shall house four (4) permanent, fixed storage containers (two of which shall be insulated and temperature controlled), an HVAC-equipped office building featuring ADA-compliant restroom and kitchen area, an underground septic and leeching system, and parking area for a minimum of ten (10) vehicles;
- Meteorological equipment to measure solar irradiance and other weather conditions; and
- Associated equipment to safely operate, maintain and deliver electricity to the grid.

EXHIBIT 5

AGREEMENT SCHEDULE

	Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary of Description
Limitation Pre-Year(s)	1	January 1, 2020	2019-20	2020	QTP Begins August 1, 2020
	2	January 1, 2021	2020-21	2021	Limitation Pre-year; QTP
Limitation Period (10 Years)	3	January 1, 2022	2021-22	2022	\$30 Million appraisal limitation; QTP ends December 31, 2022
	4	January 1, 2023	2022-23	2023	\$30 Million appraisal limitation
	5	January 1, 2024	2023-24	2024	\$30 Million appraisal limitation
	6	January 1, 2025	2024-25	2025	\$30 Million appraisal limitation
	7	January 1, 2026	2025-26	2026	\$30 Million appraisal limitation
	8	January 1, 2027	2026-27	2027	\$30 Million appraisal limitation
	9	January 1, 2028	2027-28	2028	\$30 Million appraisal limitation
	10	January 1, 2029	2028-29	2029	\$30 Million appraisal limitation
	11	January 1, 2030	2029-30	2030	\$30 Million appraisal limitation
	12	January 1, 2031	2030-31	2031	\$30 Million appraisal limitation; Limitation Period Ends December 31, 2031
Maintain Viable Presence	13	January 1, 2032	2031-32	2032	No appraisal limitation; must maintain viable presence
	14	January 1, 2033	2032-33	2033	No appraisal limitation; must maintain viable presence
	15	January 1, 2034	2033-34	2034	No appraisal limitation; must maintain viable presence
	16	January 1, 2035	2034-35	2035	No appraisal limitation; must Maintain viable presence.
	17	January 1, 2036	2035-36	2036	No appraisal limitation; must maintain viable presence; Final Termination Date: December 31, 2036.

AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT
MAINTENANCE AND OPERATIONS TAXES by and between PEARSALL INDEPENDENT SCHOOL
DISTRICT and ELARA ENERGY PROJECT, LLC

EXHIBIT E

Comptroller's Franchise Tax Account Status



Franchise Tax Account Status

As of : 03/24/2020 20:11:56

This page is valid for most business transactions but is not sufficient for filings with the Secretary of State

ELARA ENERGY PROJECT, LLC	
Texas Taxpayer Number	32069486606
Mailing Address	3809 JUNIPER TRCE STE 100 AUSTIN, TX 78738-5534
Right to Transact Business in Texas	ACTIVE
State of Formation	TX
Effective SOS Registration Date	01/18/2019
Texas SOS File Number	0803214420
Registered Agent Name	ASHLEY HIGHSMITH
Registered Office Street Address	3809 JUNIPER TRACE STE. 100 AUSTIN, TX 78738