

FINDINGS OF THE GREGORY-PORTLAND
INDEPENDENT SCHOOL DISTRICT BOARD
OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
EC&R PAPALOTE CREEK II, LLC



December 15, 2009

FINDINGS

OF THE

GREGORY-PORTLAND INDEPENDENT

SCHOOL DISTRICT BOARD OF TRUSTEES

UNDER THE

TEXAS ECONOMIC DEVELOPMENT ACT

ON THE APPLICATION SUBMITTED BY

EC&R PAPALOTE CREEK II, LLC

DECEMBER 15, 2009

Board Findings of the Gregory-Portland Independent School District

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INDEPENDENT SCHOOL DISTRICT BOARD OF
TRUSTEES UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
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STATE OF TEXAS §

COUNTY OF SAN PATRICIO §

On the 15th day of December, 2009, a public meeting of the Board of Trustees of the Gregory-Portland Independent School District was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of the EC&R Papalote Creek II, LLC (EC&R) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Gregory-Portland Independent School District makes the following findings with respect to the application of EC&R, and the economic impact of that application:

On October 15, 2009, the Superintendent of Schools of the Gregory-Portland Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received a completed Application from EC&R for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached as **Attachment A**.

The Applicant, EC&R (Texas Taxpayer Id. 32037132662) is an entity subject to Chapter 171, Texas Tax Code and is certified to be in good standing with the Texas Comptroller of Public Accounts. See **Attachment B**.

Board Findings of the Gregory-Portland Independent School District

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

The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d).

A copy of the Application was delivered to the San Patricio County Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a favorable recommendation was issued on November 23, 2009. A copy of the Comptroller's letter is attached to the findings as **Attachment C**.

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

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

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

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

After the initial review of the Moak, Casey & Associates financial analysis by the Texas Comptroller of Public Accounts and the receipt by the District of the Texas Comptroller of Public Accounts' economic impact evaluation and favorable recommendation, EC&R, in a letter dated December 8, 2009, revised its construction plan to reduce the number of turbines in its proposed energy project to be located in Gregory-

Board Findings of the Gregory-Portland Independent School District

Portland ISD.. The December 8, 2009 letter and the revised financial analysis report prepared by Moak, Casey & Associates are attached to these findings as **Attachment H**.

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

Board Finding Number 1.

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

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

The Texas Economic Development Plan does not mention renewable energy specifically. However, one theme of the plan is attracting and fostering industries in Texas using advanced technology. Renewable energy technology is an expanding industry and the skilled workers that the project requires appear to be in line with the focus and themes of the plan. Texas identified energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the energy industry.

Board Finding Number 2.

The economic condition of San Patricio County, Texas, is in need of long-term improvement.

Based on information provided by the Comptroller's Office, San Patricio County's population growth has lagged behind state in recent years. The state population grew by 2.0 percent between 2007 and 2008, while the population of San Patricio County did not increase at all over the same period.

September 2009 employment for San Patricio County was down 3 percent, from September 2008, with total employment in Texas decreasing by 0.7 percent over the same year. The unemployment rate in San Patricio County was 9.6 percent in September 2009, higher than the current state average of 8.2 percent.

Board Findings of the Gregory-Portland Independent School District

San Patricio County continues to have lower per capita personal income than the state as a whole. In terms of per capita income, San Patricio County's \$29,272 in 2007 ranked 122nd among the 254 counties in Texas, while the Texas average was \$37,083 for the same period.

In the first quarter of 2009, taxable sales totaled \$119.4 million in San Patricio County. This figure reflects 11.7 percent increase from the year-earlier first quarter, although the volume of sales tax activity is relatively small when compared with metropolitan counties.

Given recent population trends and income levels, San Patricio County will benefit from economic activity like that associated with the EC&R project. Major capital investments like this project are beneficial to the community on a number of fronts, including employment, expanded opportunities for existing businesses, increased local tax bases, and in this case, benefits for landowners.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least \$49,832 per year. The review of the application by the State Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs must pay 110 percent of the county average manufacturing wage. EC&R indicates that total employment will be approximately three (3) new jobs.

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

After construction, the project will create three new jobs when fully operational. All three jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Coastal Bend Council of Governments Region, where San Patricio County is located was \$45,302 in 2007. In addition to an annual average salary of \$49,832 each qualifying position will receive benefits such as health insurance and training.

Board Finding Number 4.

As noted in the original economic analysis prepared by the Texas Comptroller's Office, the level of the applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$36.0 million on the basis of the goal of three (3) new positions for the EC&R project. Under the values provided by EC&R in the December 8, 2009 letter, however, the average investment per qualifying job is estimated to be \$23 million.

In support of Finding 4, the economic impact evaluation states: "The original project's total investment was \$108.1 million, resulting in an investment per qualifying job of \$36.0 million." The revised project's total investment is \$69 million, with an investment per qualifying job of \$23 million.

Board Finding Number 5.

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

Based on previously approved Texas Economic Development Act wind energy applications and industry standards, the typical wind project employs one person per 15 wind turbines. This project is consistent with this ratio.

Board Finding Number 6.

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

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

Board Findings of the Gregory-Portland Independent School District

Table 1: Estimated Statewide Economic Impact of Investment and Employment in EC&R

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2009	0	0	0	\$0	\$0	\$0
2010	78	118	196	\$3,886,896	\$9,113,104	\$13,000,000
2011	3	15	18	\$149,496	\$1,850,504	\$2,000,000
2012	3	12	15	\$149,496	\$1,850,504	\$2,000,000
2013	3	7	10	\$149,496	\$1,850,504	\$2,000,000
2014	3	6	9	\$149,496	\$850,504	\$1,000,000
2015	3	6	9	\$149,496	\$850,504	\$1,000,000
2016	3	9	12	\$149,496	\$850,504	\$1,000,000
2017	3	3	6	\$149,496	\$850,504	\$1,000,000
2018	3	5	8	\$149,496	\$850,504	\$1,000,000
2019	3	8	11	\$149,496	\$850,504	\$1,000,000
2020	3	7	10	\$149,496	\$850,504	\$1,000,000
2021	3	8	11	\$149,496	\$850,504	\$1,000,000
2022	3	8	11	\$149,496	\$850,504	\$1,000,000
2023	3	7	10	\$149,496	\$850,504	\$1,000,000
2024	3	9	12	\$149,496	\$850,504	\$1,000,000

Source: CPA, REMI, EC&R

While the estimates in Table 1 are based on a greater level of investment than that reflected in the December 8, 2009 letter from E,C&R, this is a case where wind towers reflected in the economic analysis will still be constructed but located in an adjoining school district. Given that the construction of the 15 wind towers in question is expected to occur, the economic analysis underlying this finding should still be valid in terms of employment and personal income estimates.

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2008. Gregory-Portland ISD's ad valorem tax base in 2008 was \$1.1 billion. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Gregory-Portland ISD's estimated wealth per WADA was \$211,986.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district and San Patricio County with all property tax incentives sought being granted using estimated market value from EC&R's application. EC&R has applied for both a value limitation under Chapter 313, Tax Code and county tax abatement under Tax Code, Chapter 312 seeking 72.5 percent abatement per year for eight years. Table 3 illustrates the estimated tax impact of the project on the region if all taxes are assessed.

Board Findings of the Gregory-Portland Independent School District

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Gregory-Portland I&S Levy	Gregory-Portland M&O Levy	Gregory-Portland I&S M&O and I&S Tax Levies (Before Credit Credited)	Gregory-Portland I&S M&O and I&S Tax Levies (After Credit Credited)	San Patricio County	School and County Property Taxes
				0.1900	1.1700			0.5275	
2009	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0
2010	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0
2011	\$103,700,000	\$103,700,000		\$197,030	\$1,213,290	\$1,410,320	\$1,410,320	\$396,588	\$1,806,908
2012	\$99,620,000	\$20,000,000		\$189,278	\$234,000	\$423,278	\$423,278	\$380,984	\$804,262
2013	\$95,630,000	\$20,000,000		\$181,697	\$234,000	\$415,697	\$275,798	\$365,725	\$641,523
2014	\$91,810,000	\$20,000,000		\$174,439	\$234,000	\$408,439	\$268,540	\$351,116	\$619,656
2015	\$88,140,000	\$20,000,000		\$167,466	\$234,000	\$401,466	\$261,567	\$337,080	\$598,648
2016	\$84,610,000	\$20,000,000		\$160,759	\$234,000	\$394,759	\$254,860	\$323,580	\$578,441
2017	\$81,230,000	\$20,000,000		\$154,337	\$234,000	\$388,337	\$248,438	\$310,654	\$559,092
2018	\$77,980,000	\$20,000,000		\$148,162	\$234,000	\$382,162	\$242,263	\$298,225	\$540,488
2019	\$74,860,000	\$20,000,000		\$142,234	\$234,000	\$376,234	\$236,335	\$394,887	\$631,222
2020	\$71,860,000	\$20,000,000		\$136,534	\$840,762	\$977,296	\$977,296	\$379,062	\$1,356,358
2021	\$68,990,000	\$68,990,000		\$131,081	\$807,183	\$938,264	\$938,264	\$363,922	\$1,302,186
2022	\$66,230,000	\$66,230,000		\$125,837	\$774,891	\$900,728	\$900,728	\$349,363	\$1,250,091
2023	\$63,580,000	\$63,580,000		\$120,802	\$743,886	\$864,688	\$864,688	\$335,385	\$1,200,073
2024	\$61,040,000	\$61,040,000		\$115,976	\$714,168	\$830,144	\$830,144	\$321,986	\$1,152,130
						Total	\$8,132,522	\$4,908,556	\$13,041,078

Source: CPA, EC&R

*Assumes Chapter 313 Value Limitation and County Tax Abatement (72.5 percent for eight years)

¹Tax Rate per \$100 Valuation

***In a letter dated December 8, 2009, EC&R adjusted its construction plans to only include 30 wind turbines in its wind energy project in G-PISD. Starting in 2011, the initial value of the investment is estimated to be \$69 million. These values were not available at the time the State Comptroller's Office conducted its economic analysis.**

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Gregory-Portland I&S Levy	Gregory-Portland M&O Levy	Gregory-Portland I&S M&O and I&S Tax Levies	San Patricio County	School and County Property Taxes	
				0.1900	1.1700		0.5275		
2009	\$0	\$0		\$0	\$0	\$0	\$0	\$0	
2010	\$0	\$0		\$0	\$0	\$0	\$0	\$0	
2011	\$103,700,000	\$103,700,000		\$197,030	\$1,213,290	\$1,410,320	\$547,018	\$1,957,338	
2012	\$99,620,000	\$20,000,000		\$189,278	\$234,000	\$423,278	\$525,496	\$948,774	
2013	\$95,630,000	\$20,000,000		\$181,697	\$234,000	\$415,697	\$504,448	\$920,145	
2014	\$91,810,000	\$20,000,000		\$174,439	\$234,000	\$408,439	\$484,298	\$892,737	
2015	\$88,140,000	\$20,000,000		\$167,466	\$234,000	\$401,466	\$464,939	\$866,405	
2016	\$84,610,000	\$20,000,000		\$160,759	\$234,000	\$394,759	\$446,318	\$841,077	
2017	\$81,230,000	\$20,000,000		\$154,337	\$234,000	\$388,337	\$428,488	\$816,825	
2018	\$77,980,000	\$20,000,000		\$148,162	\$234,000	\$382,162	\$411,345	\$793,507	
2019	\$74,860,000	\$20,000,000		\$142,234	\$234,000	\$376,234	\$394,887	\$771,121	
2020	\$71,860,000	\$20,000,000		\$136,534	\$840,762	\$977,296	\$379,062	\$1,356,358	
2021	\$68,990,000	\$68,990,000		\$131,081	\$807,183	\$938,264	\$363,922	\$1,302,186	
2022	\$66,230,000	\$66,230,000		\$125,837	\$774,891	\$900,728	\$349,363	\$1,250,091	
2023	\$63,580,000	\$63,580,000		\$120,802	\$743,886	\$864,688	\$335,385	\$1,200,073	
2024	\$61,040,000	\$61,040,000		\$115,976	\$714,168	\$830,144	\$321,986	\$1,152,130	
						Total	\$9,111,812	\$5,956,952	\$15,068,764

Source: CPA, EC&R

¹Tax Rate per \$100 Valuation

***In a letter dated December 8, 2009, EC&R adjusted its construction plans to only include 30 wind turbines in its wind energy project in G-PISD. Starting in 2011, the initial value of the investment is estimated to be \$69 million. These values were not available at the time the State Comptroller's Office conducted its economic analysis.**

Board Finding Number 7.

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

In support of this finding, the revised analysis prepared by Moak, Casey & Associates projects that the project would initially add \$69 million to the tax base for debt service purposes at the peak investment level for the 2010-11 school year. The EC&R project remains fully taxable for debt services taxes, with the District currently levying a \$0.190 I&S rate. The value of the EC&R project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA. The additional value is expected to help reduce the District's current I&S tax rate to \$0.185 per \$100 in the 2011-12 school year. In the 2012-13 school year, the decrease would disappear once the state values were adjusted to reflect the 2011 tax year increases in value, with the values per WADA for the District still falling below the equalization provided by the \$35 yield provided for under the Existing Debt Allotment (EDA).

Board Finding Number 8.

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

The summary of financial impact prepared by Moak, Casey & Associates, Inc., demonstrates that there will be little to no impact on school facilities created by the wind energy project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Gregory-Portland ISD as stated in **Attachment D.**

Board Finding Number 9.

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

Board Findings of the Gregory-Portland Independent School District

In support of Finding 9, the economic impact evaluation states:

According to EC&R's application, "they are an international developer of wind projects and have operations in several regions and states within the U.S. ...and have the ability to locate projects of this type to the Southwest, Northwest, and Northeast as well as Canada and several European sites."

Board Finding Number 10.

During the past two years, five projects applied under Chapter 313 in the Coastal Bend Council of Governments Region.

Board Finding Number 11.

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

Board Finding Number 12.

The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Twenty Million Dollars, which is consistent with the minimum values currently set out by Tax Code, §§ 313.022(b).

According to the Texas Comptroller of Public Accounts' School and Appraisal Districts' Property Value Study 2008 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, **Attachment F**, the total 2008 industrial value for Gregory-Portland ISD is **\$175,069,291**. Under the provisions on Texas Tax Code Sec. 313.052, a rural school district with state industrial values of more than \$90 million but less than \$200 million is a Category 2 rural district, which permits the District to grant a value limitation of \$20 million. The District is classified as a "rural" school district because San Patricio County was classified as a "strategic investment area" in 2008.

Board Finding Number 13.

The Applicant (Taxpayer Id. 32039451532) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its "good standing" certification as a franchise-tax paying entity.

Board Finding Number 14.

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

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

Board Finding Number 15.

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

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

Board Findings of the Gregory-Portland Independent School District

Dated the 15th day of December 2009.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

By: Reynaldo Rojas
Reynaldo Rojas, President, Board of Trustees

ATTEST:

By: Becky Macha
Becky Macha, Secretary, Board of Trustees



Attachment A

Application

APPLICATION FOR APPRAISED VALUE LIMITATION ON QUALIFIED PROPERTY (Tax Code, Chapter 313, Subchapter B or C)

School district name Gregory-Portland Independent School District	Date application filed with district (To be filled in by school district)
Address 608 College, Portland, Texas 78374	Phone (area code and number) (361) 777-1091

This form applies to property that meets the requirements of Tax Code Chapter 313. This completed application must be filed with the school district. If the governing body decides to consider this application, the school district must immediately forward three copies of the application to the Comptroller of Public Accounts and request that the Comptroller provide an economic impact evaluation of the application to the school district. 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 Texas Administrative Code Rule 9.1054, to provide information required by the application form that was unavailable prior to the filing date. The school district must forward the supplemental or amended information to the comptroller and the appraisal district. The school board shall approve or disapprove this application before the 121st day from the application filing date, unless an extension is granted.

Step 1: Applicant name and address	Only entities to which Tax Code Chapter 171 applies are eligible for appraised value limitations on qualified property.		
	Applicant name: EC&R Papalote Creek II, LLC		
	Mailing address: 812 San Antonio St., Suite 201		
	Texas Taxpayer I.D. Number of entity subject to Tax Code, Chapter 171 (11 digits): 32037132662	City, State: Austin, Texas	ZIP code + 4: 78701-2224
	Name of person preparing this application: Stacy Martyak	Title: Development Manager	
	Phone (area code and number): (512) 482-4058		

Step 2: Describe the property	(A) Attach the following items to this application:	
	1. A specific description of all property for which you are requesting an appraised value limitation as defined by Tax Code §313.021(2). Include a description of the land, describe each proposed improvement, and each proposed item of personal property for which you are seeking a limitation. Include each existing appraisal district account number and the legal description of the land, attach a detailed map showing the actual or proposed location of the land and proposed improvements and showing the actual or proposed boundaries and size of the reinvestment zone or enterprise zone in which the property will be located. Attach the order, resolution or ordinance establishing the zone, and the guidelines and criteria for creating the zone (if applicable).	
	2. A fully 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.	
	3. A map of the reinvestment zone boundaries, certified to be accurate by either the governmental entity creating the zone, the local appraisal district, or a licensed surveyor.	
	(B) Answer the following questions:	
	1. What is the first tax year of your proposed qualifying time period (as defined by Tax Code §313.021(4))?	2010
	2. What is the amount of qualified investment, as defined by Tax Code §313.021(1), that will be made during the 2-year qualifying time period?	\$ 108,100,000.00
	3. What is the amount of appraised value limitation for which you are applying?	\$ 20,000,000.00
	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 rural, and the school district's property value. For assistance in determining these minimums, access the comptroller's Web site at http://www.window.state.tx.us/taxinfo/proptax/hb1200/values.html .	

Step 3:
Answer these questions about property and job qualifications

1. Do you propose to construct a new building or to erect or affix a new improvement after the date you submit this application? Yes No

2. Will all of the property for which you are requesting an appraised value limitation be free of a tax abatement agreement entered into by a school district for the duration of the qualifying time period, and for the duration of the appraised value limitation? Yes No

3. Is the land on which you propose new construction or improvement 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
 - 3(a) If you answered "no" to the question above, are you seeking an agreement with a taxing unit that, prior to the first day of the qualifying time period, will result in a reinvestment zone with boundaries encompassing the land on which you propose new construction or improvement? Yes No
 Date of anticipated agreement? _____

4. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or 313.053 for rural school districts) for the relevant school district category? Yes No

5. On the land and in connection with the new building or other improvement, do you plan to create at least 25 new jobs (at least 10 new jobs for rural school districts)? Yes No

6. Will at least 80 percent of all the new jobs created by the property owner be qualifying jobs as defined by Tax Code §313.021(3)? Yes No
 - 6(a) If you answered "yes" to the question above, attach documentation from the Texas Workforce Commission that the new jobs meet the requirements of Tax Code §313.021(3)(E).

7. Do you intend to request that the governing body waive the minimum jobs creation requirement, as provided under Tax Code §313.025(f-1)? Yes No
 - 7(a) If you answered "yes" to the question above, attach evidence documenting that the job creation requirement (5) above exceeds the number of employees necessary for the operation, according to industry standards.

8. Except for new equipment described in Tax Code §151.318(q) or (q-1), is the proposed tangible personal property to be placed in service for the first time
 - a) in or on the new building or other new improvement for which you are applying for an appraised value limitation, or
 - b) if not in or on the new building or other new improvement for which you are applying for an appraised value limitation, is the personal property necessary and ancillary to the business conducted in the new building or other new improvement, and is the personal property on the same parcel of land as the building for which you are applying for an appraised value limitation? Yes No N/A

["First placed in service" means the first use of the property by the taxpayer.]

9. The property will be used as an integral part, or as a necessary auxiliary part, in one of the following activities as defined by Tax Code §313.024(b):
 - manufacturing; Yes No
 - research and development; Yes No
 - a clean coal project; Yes No
 - an advanced clean energy project; Yes No
 - renewable energy electric generation; Yes No
 - electric power generation using integrated gasification combined cycle technology; or Yes No
 - nuclear electric power generation Yes No

10. Are you an entity to which Tax Code, Chapter 171 applies? Yes No

<p>Step 4: Answer these questions about investment, property value and employment</p>	<ol style="list-style-type: none"> 1. Will the investment in real or personal property you propose to be counted toward the minimum qualified investment required by Tax Code §313.023, (or 313.053 for rural school districts) be first placed in service in this state during the applicable qualifying time period? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No 2. Does the investment in tangible personal property meet the requirements of Tax Code §313.021(1)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A 3. If the proposed investment includes a building or a permanent, non-removable component of a building, does it house tangible personal property described above? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A 4. Will you own the property or lease the property under a capitalized lease? If leased, attach a copy of the lease agreement. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No 5. Are you including property that is owned by a person other than the applicant and that is pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>Step 5: Economic Impact</p>	<p>Please answer the following questions.</p> <ol style="list-style-type: none"> 1. Applicant's 6-digit North American Industry Classification System (NAICS) code: <u>221119</u> 2. Is Schedule A completed for all years and attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No 3. Is Schedule B completed for all years and attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No 4. Is Schedule C completed for all years and attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No 5. Total number of new jobs that will have been created when fully operational: <u>3</u> 6. Total number of new jobs identified in (5) above that will have wages greater than 110 percent of the county average weekly wage for manufacturing jobs*: <u>3</u> 7. Total number of new jobs identified in (5) above that will meet all the criteria for "qualifying jobs" as specified in Tax Code §313.021(3): <u>3</u> 8. Describe each type of benefits to be offered to qualifying jobholders. Explain. <u>Employees will have full benefits including health insurance, competitive salaries and training.</u> <p><u>NOTE: Exhibit C-1 explains E.ON's request for a waiver of the minimum job requirement.</u></p> <p><u>Exhibit C-2 addresses the county average weekly wage for manufacturing jobs.</u></p> <ol style="list-style-type: none"> 8(a) Will the jobs created offer at least 80 percent of the premiums or other charges assessed for employee-only coverage under the group health benefit plan for qualifying jobholders? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No 9. Describe the ability of your company to locate or relocate in another state or another region of the state. <u>E.ON Climate & Renewables is an International developer of wind projects and has operations in several regions and states within the U.S. We have the ability to locate projects of this type in the Southwest, Northwest and Northeast, as well as Canada and several European sites.</u> 10. Describe the current economic condition of the region of the state where the property is located. <u>The project is expected to add more than \$108 million in investment to the local tax base and create jobs in the area. The project should improve economic conditions locally and within the region. The region is rural, with an emphasis on agriculture.</u> <p>*Applicants to rural school districts that are not located in an SIA [see §313.051(a)(2)] must meet the regional wage standard described in 313.051(b).</p>

**Step 6:
Applicant
sign and date
application**

By signing this application, you certify that this information is true and correct to the best of your knowledge and belief. Also by signing this application, you agree to respond promptly to all information requests made by the comptroller under Tax Code §313.032 and to send updated contact information to the comptroller throughout the agreement period.

**print
here** →

Robert M. Blunt IV
Name of authorized company officer

vice President
Title

**sign
here** →

[Signature]
Signature of authorized company officer

7/28/09
Date

On behalf of EC&R Papalote Creek II, LLC
Name of corporation/company

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 §37.10.

**Step 7:
School district
official sign
and date
application**

By signing below, I affirm that I have been delegated the authority by the school district governing body to act on its behalf with regard to this application for a limitation on appraised value.

**print
here** →

Ray Ryan
Name of authorized school/district official

Board President
Title

**sign
here** →

[Signature]
Signature of authorized school district official

7/28/09
Date

On behalf of Gregory-Portland I.S.D.
Name of school district

SCHEDULE A-3676 (Temporary - July 2009): INVESTMENT & TAXES (in millions)
Gregory-Portland I.S.D.

PROPERTY INVESTMENT AMOUNTS (\$)										TAX INFORMATION		
(Estimated investment in each year. Do not put cumulative totals.)										Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant
Year	Tax Year (fill in actual tax year below)	Column A: Tangible amount of new investment (original cost) placed in service during this year	Column B: Building or nonremovable component of building (annual amount only)	Column C: Sum of A and B - Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but affecting economic impact and total value	Column E: Total Investment (A+B+D)	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant			
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing application with district (neither qualified property nor eligible to become qualified investment) Investment made after filing application with district, but before application approval (eligible to become qualified property) Investment made after application approval and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2010	\$0.00	\$108.10	\$108.10	\$0.00	\$108.10	\$0.00	\$0.00			
		2011	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
	Complete tax years of qualifying time period	2012	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2013	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2014	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2015	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2016	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2017	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2018	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2019	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2020	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2021	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
	Tax Credit Period (with 50% cap on credit)	Value Limitation Period	2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
			2023	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
2024			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
Credit Settle-Up Period	Continue to Maintain Viable Presence	2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2023	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
Post-Settle-Up Period	Post-Settle-Up Period	2023	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
		2024	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			

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

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment, as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E). For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings.

Column C: Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value. The most significant example for many projects would be land. Other examples may be items such as professional services, etc. Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Column D: For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings.

Column E: For planning, construction and operation of the facility.

Note: Information related to taxes in Columns F through H, for the year preceding the first complete year of the qualifying time period, need not be broken out by the time periods used for the requested investment information in Columns A through E. Note: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

The information on this schedule is required pursuant to the provisions of HB 3678, 81st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 34 TAC § 9.1057(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period.

SCHEDULE B-3676 (Temporary - July 2009): ESTIMATED MARKET AND TAXABLE VALUE (in millions)
Gregory-Portland I.S.D.

All figures here are to be cumulative

	Year	Qualified Property				Reductions from market value (exemptions, etc)			Estimated Taxable Value	
		Column A: Estimated Market Value of Land	Column B: Estimated Total Market Value of new buildings or other new improvements	Column C: Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	D: Due to pollution control property (estimated or actual as appropriate)	E: Due to other exemptions	F: Estimated total taxable value for I&S: (A+B+C)-(D+E)	G: Estimated total taxable value for M&O: (Column F amount with the limitation value in years 3-10)		
	pre-year 1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Complete tax years of qualifying time period	1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	2	\$0.00	\$103.77	\$0.00	\$0.00	\$0.00	\$103.77	\$0.00	\$103.77	
Tax Credit Period (with 50% cap on credit)	3	\$0.00	\$99.62	\$0.00	\$0.00	\$0.00	\$99.62	\$0.00	\$99.62	
	4	\$0.00	\$95.63	\$0.00	\$0.00	\$0.00	\$95.63	\$0.00	\$95.63	
	5	\$0.00	\$91.81	\$0.00	\$0.00	\$0.00	\$91.81	\$0.00	\$91.81	
	6	\$0.00	\$88.14	\$0.00	\$0.00	\$0.00	\$88.14	\$0.00	\$88.14	
	7	\$0.00	\$84.61	\$0.00	\$0.00	\$0.00	\$84.61	\$0.00	\$84.61	
	8	\$0.00	\$81.23	\$0.00	\$0.00	\$0.00	\$81.23	\$0.00	\$81.23	
	9	\$0.00	\$77.98	\$0.00	\$0.00	\$0.00	\$77.98	\$0.00	\$77.98	
	10	\$0.00	\$74.86	\$0.00	\$0.00	\$0.00	\$74.86	\$0.00	\$74.86	
	11	\$0.00	\$71.86	\$0.00	\$0.00	\$0.00	\$71.86	\$0.00	\$71.86	
	12	\$0.00	\$68.99	\$0.00	\$0.00	\$0.00	\$68.99	\$0.00	\$68.99	
Continue to Maintain Viable Presence	13	\$0.00	\$66.23	\$0.00	\$0.00	\$0.00	\$66.23	\$0.00	\$66.23	
14	\$0.00	\$63.58	\$0.00	\$0.00	\$0.00	\$63.58	\$0.00	\$63.58		
Post-Settle-Up Period	15	\$0.00	\$61.04	\$0.00	\$0.00	\$0.00	\$61.04	\$0.00	\$61.04	

The information on this schedule is required pursuant to the provisions of HB 3676, 81st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 34 TAC § 9.1057(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period.

SCHEDULE C-3676 (Temporary - July 2009): EMPLOYMENT INFORMATION

Gregory-Portland I.S.D.

	Year	Tax Year (fill in actual tax year)	Existing Jobs		Construction		Permanent New Jobs		Qualifying Jobs	
			Column A: Number of permanent existing full time jobs prior to application	Column B: Number of Construction FTE's or man- hours (specify) FTE	Column C: Average annual wage rates for construction workers	Column D: Total number of permanent full- time new jobs applicant commits to create	Column E: Average annual wage rate for all permanent new jobs for each year	Column F: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3)	Column G: Avg. annual wage of qualifying jobs	
	pre-year 1	2009	0	0	N/A	0	N/A	0	N/A	
Complete tax years of qualifying time period	1	2010	0	75	75,712	3		3	\$75,712	
	2	2011	0	0	0	3		3	\$75,712	
	3	2012	0	0	0	3		3	\$75,712	
	4	2013	0	0	0	3		3	\$75,712	
	5	2014	0	0	0	3		3	\$75,712	
Value Limitation Period	6	2015	0	0	0	3		3	\$75,712	
	7	2016	0	0	0	3		3	\$75,712	
	8	2017	0	0	0	3		3	\$75,712	
	9	2018	0	0	0	3		3	\$75,712	
	10	2019	0	0	0	3		3	\$75,712	
Credit Settle-Up Period (with 50% cap on credit)	11	2020	0	0	0	3		3	\$75,712	
	12	2021	0	0	0	3		3	\$75,712	
	13	2022	0	0	0	3		3	\$75,712	
Post-Settle-Up Period	14	2023	0	0	0	3		3	\$75,712	
	15	2024	0	0	0	3		3	\$75,712	

The information on this schedule is required pursuant to the provisions of HB 3676, 81st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 34 TAC § 9.1057(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period.

Note: Section 313.024(d) Tax Code requires that, to be eligible for a limitation, 80 percent of all new jobs must be qualifying jobs.

Exhibit A-1
Legal Description of Land

1. A description of all property for which you are requesting an appraised value limitation (qualified property) as defined by Tax Code Section 313.021 (2). Include land, improvements and any personal property. Include any existing appraisal district account number and legal description of the land, a survey and a map showing the actual or proposed location of the land and proposed investment, and the actual or proposed boundaries of the reinvestment zone or enterprise zone. Include any existing resolution or ordinance establishing the zone.
 - All of the real property located in San Patricio County and contained in sections 3, 4, 5, 6, 7, 8, 16, 17, 18, 19, 20, 21, 29, 30, 31, 32, 33, 34, 38, 42, 43, 44, 45, 46, 47, 50, 51, 52, 53, 54, 55, 57, 58, 59, 60, 61, 62, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 78, 79, 80, 81, 82, 83, 84, 90 George H. Paul Subdivision, Coleman Fulton Pasture Company Survey, San Patricio County, Texas.
 - All of the real property located in San Patricio County and contained in lots 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, of the Drummond Subdivision, San Patricio County, Texas.
 - All of the real property located in San Patricio County and contained in lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, of the Roos Subdivision, San Patricio County, Texas.
 - All of the real property located in San Patricio County and contained in Abstract 137, J.A.F. Gravis Survey; Abstract 133, S.S. Gillette Survey; Abstract 400, M. Hunt Survey; Abstract 168, Edward Nelson Survey; Abstract 206, William Martin Survey; Abstract 205, W.W. Bell Survey; Abstract 53, S.M. Edwards Survey; Abstract 112, H. Sholtin Survey; Abstract 248, T.N. Seguin Survey; Abstract 247, G.W. Fulton Survey, San Patricio County, Texas.
 - All of the real property located in San Patricio County and contained in Abstract 127 and Abstract A125, San Patricio County, Texas.
 - All of the real property located in San Patricio County and contained in sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 15, 16, of the Second Addition of the Taft Farm Lands Second Subdivision, San Patricio County, Texas.
 - All of the real property located in San Patricio County and contained in sections 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 of the Third Addition of the Taft Farm Lands Third Subdivision, San Patricio County, Texas.
 - All of the real property located in San Patricio County and contained in sections 26, 27, 28, 29 of the Fourth Addition of the Taft Farm Lands Fourth Subdivision, San Patricio County, Texas.

- All of the real property located in San Patricio County and contained in sections 60, 61, 62, 63 of the Fifth Addition of the Taft Farm Lands Fifth Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Block 3 of the First Addition of the Taft Farm Lands First Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Blocks 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17 of the Taft Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in sections I, J, K, L, M, N of the George H. Paul Subdivision of Coleman-Fulton Pasture Company's Lands, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Blocks A, D, E, F, H of the Gregory Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Lots 1, 2, 3, 5, 6, 7, 8, 9, 10 in Block B of the of the Gregory Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Lots 1, 2, in Block C of the Gregory Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Tracts 3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18,19,20,21,22 in the Rincon Subdivision of the George H. Paul Subdivision of Coleman-Fulton Pasture Company's Lands, San Patricio County, Texas.
- All the real property located in San Patricio County and contained in Blocks A, B1, B2, C, D, E, F, of the Resurvey of Partition of J.S.M. McKamey Estate, 3/39, P.R.S.P.C., San Patricio County, Texas
- All of the real property located in San Patricio County and contained in Abstract 209, John Orrick Survey; Abstract 259, Sam & G R.R. Survey; Abstract 135, John Gibbs Survey; Abstract 269, Geronimo Valdez Survey; Abstract 180, John Keating Survey; Abstract 394, John M. Swisher Survey; Abstract 231, George Sargent Survey; Abstract 113, Levi English Survey; Abstract 128, Maricelo Garcia; Abstract 158, C.C. Hornsby Survey; Abstract 192, P. Mahoney Survey; and Abstract 278, Robert M. Williamson Survey, San Patricio County, Texas.

Exhibit A-2

1. A description of all property for which you are requesting an appraised value limitation (qualified property) as defined by Tax Code Section 313.021 (2). Include land, improvements and any personal property. Include any existing appraisal district account number and legal description of the land, a survey and a map showing the actual or proposed location of the land and proposed investment, and the actual or proposed boundaries of the reinvestment zone or enterprise zone. Include any existing resolution or ordinance establishing the zone.

The applicant is requesting an appraised value limitation on all of the property constructed or placed upon the real property described in Exhibit A-1, which is located in San Patricio County, Texas and in the Gregory-Portland Independent School District. The property for which the applicant is requesting an appraised value limitation shall include, but is not limited to, the following: 108.1 MW wind power generation facility containing 47 2.3 MW turbines, towers, transformers, transmission lines, and associated ancillary equipment necessary to safely operate, maintain and transmit power to the ERCOT grid, and meteorological equipment to measure and test wind speed and direction. The actual number of MW and turbines may vary depending on certain factors, such as equipment availability, engineering issues, FAA review, etc. The facility will require a relatively insubstantial amount of personal property. None of the property in Exhibit A-1 is covered under an existing appraisal account number.

Ms. Alison Gilliam
Research Analyst
Economic Analysis
Local Government Assistance and Economic Development Division
Texas Comptroller of Public Accounts
LBJ State Office Building
111 E. 17th Street
Austin, TX 78774

Re: Proposed Turbine Placement

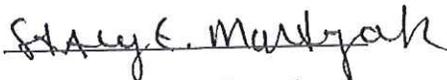
Dear Ms. Gilliam:

Due to the nature of the project, at this time, we are unable to precisely pinpoint the location of the 47 turbines listed on the Chapter 313 Application for Appraised Value Limitation on Qualified Property.

The property for which EC&R Papalote Creek II, LLC is requesting an appraised value limitation as defined by Tax Code Section 313.021(2), includes approximately 47 2.3 MW turbines, towers, transformers, transmission lines, and associated ancillary equipment necessary to safely operate, maintain and transmit power to the ERCOT grid, and meteorological equipment to measure and test wind speed and direction. The facility will require a relatively insubstantial amount of personal property, which will be placed within the San Patricio County Reinvestment Zone, which was created by the San Patricio County Commissioner's Court on June 22, 2009, as stated in our application. The project boundaries are wholly contained within the reinvestment zone boundaries.

The proposed project will consist of a facility designed to use wind power to generate electricity (commonly referred to as a windfarm). The applicant expects to build the proposed project within one year, with 50% of the construction to be in the Gregory-Portland Independent School District. The applicant will commence construction on or before December 1, 2010. The applicant intends to complete construction prior to the end of 2012 and expects to meet the minimum qualified investment threshold referenced in Step 2, Question 3 by the end of 2011 and in any event prior to the expiration of the Qualifying Period. All of the property for which the applicant is seeking a limitation on appraised value will be owned by the applicant.

Sincerely,



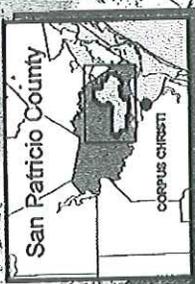
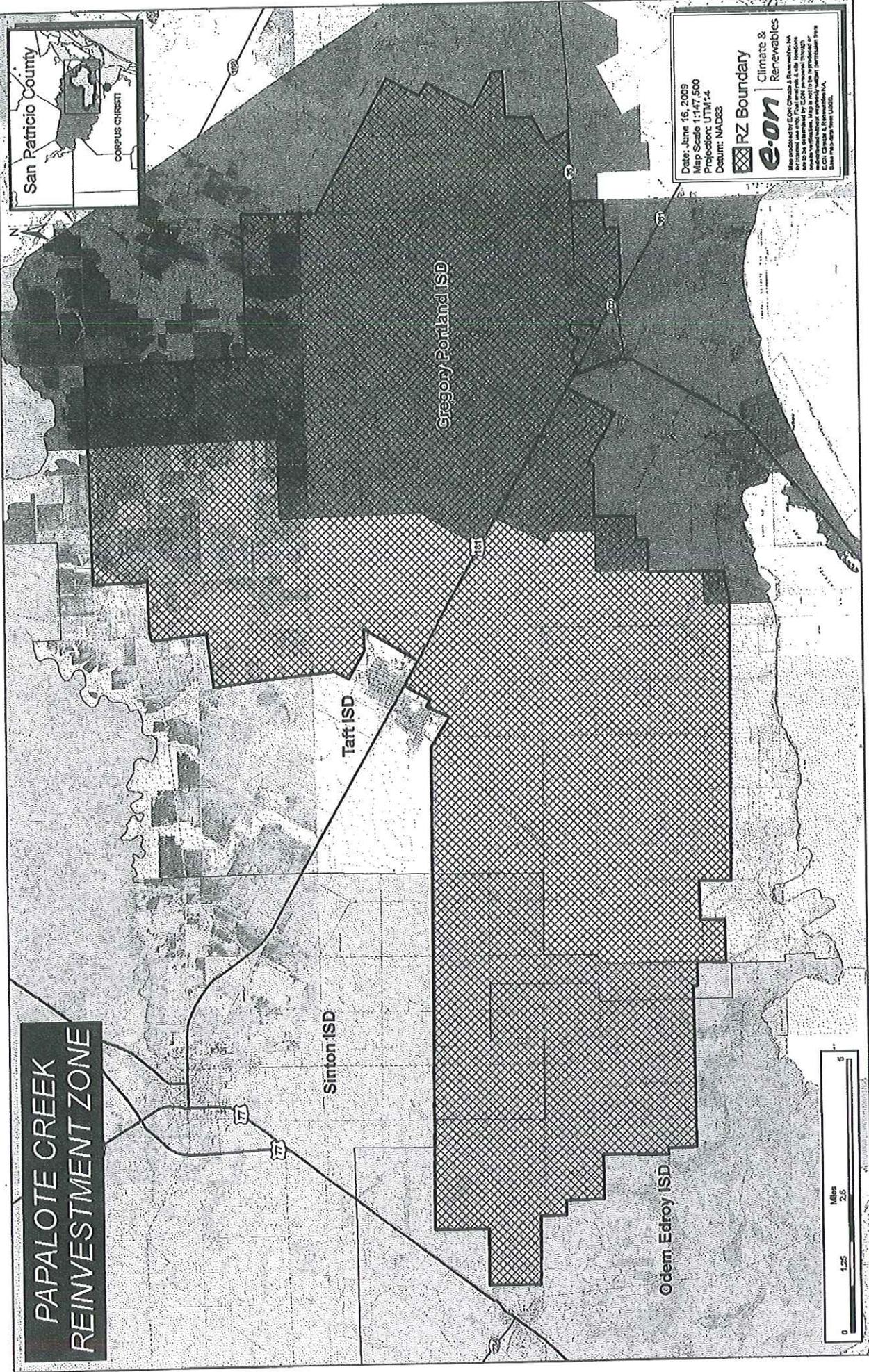
Stacy Edwards Martyak

Development Manager

Exhibit A-3
Map of Reinvestment Zone

1. A description of all property for which you are requesting an appraised value limitation (qualified property) as defined by Tax Code Section 313.021 (2). Include land, improvements and any personal property. Include any existing appraisal district account number and legal description of the land, a survey and a map showing the actual or proposed location of the land and proposed investment, and the actual or proposed boundaries of the reinvestment zone or enterprise zone. Include any existing resolution or ordinance establishing the zone.

PAPALOTE CREEK REINVESTMENT ZONE



Date: June 15, 2009
Map Scale: 1:147,500
Projection: UTM14
Datum: NAD83

RZ Boundary Climate & Renewables
e-on

© 2009 E.ON Energy Research Center, Inc. All rights reserved. This map is to be used for informational purposes only. The accuracy of the information is not guaranteed. E.ON Energy Research Center, Inc. is not responsible for any errors or omissions in this map. E.ON Energy Research Center, Inc. is not a public utility.



Exhibit A-4
Resolution Establishing the Zone

1. A description of all property for which you are requesting an appraised value limitation (qualified property) as defined by Tax Code Section 313.021 (2). Include land, improvements and any personal property. Include any existing appraisal district account number and legal description of the land, a survey and a map showing the actual or proposed location of the land and proposed investment, and the actual or proposed boundaries of the reinvestment zone or enterprise zone. Include any existing resolution or ordinance establishing the zone.

A RESOLUTION AND ORDER APPROVING THE AMENDMENT OF SAN PATRICIO COUNTY WIND ENERGY REINVESTMENT ZONE NO. 1

WHEREAS, San Patricio County, Texas designated and created a Reinvestment Zone (the "Zone") by Order of the Commissioners Court of San Patricio County (the "County"), Texas dated August 4, 2008;

WHEREAS, EC&R Papalote Creek II, LLC seeks approval to amend the Zone and designate the property located in the County, having the boundary description in Exhibit A and shown on the map in Exhibit B, as part of the Zone;

WHEREAS, the County has determined that the amendment will contribute to the retention or expansion of primary employment and will attract major investment in the Zone that will benefit the Zone and will contribute to the economic development of the County;

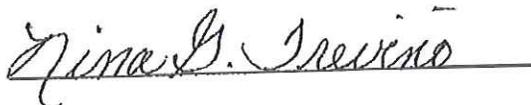
NOW THEREFORE,

BE IT ORDERED BY THE COMMISSIONERS COURT OF SAN PATRICIO COUNTY, TEXAS:

1. That the County amends San Patricio County Wind Energy Reinvestment Zone No. 1 to include the property having the boundary description in Exhibit A and shown on the map in Exhibit B.
2. That the County declare eligible for property tax abatement all eligible property for commercial-industrial development, now or thereafter located in the Zone as authorized by the San Patricio County Guidelines and Criteria for Granting Tax Abatements in Reinvestment Zones and Chapter 312 of the Texas Tax Code.

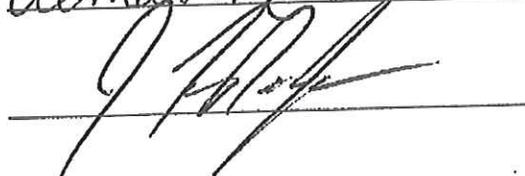
PASSED AND APPROVED by the San Patricio County Commissioners Court on the 22nd day of June, 2009.


Terry Simpson, County Judge
San Patricio County, Texas

 , Nina Trevino, Commissioner Precinct 1

 , Fred Nardini, Commissioner Precinct 2

 , Alma Moreno, Commissioner Precinct 3

 , James Price, Jr., Commissioner Precinct 4

ATTEST:

Gracie Alaniz Gonzales
Gracie Alaniz Gonzales, County Clerk

Date of Execution: 6/22/09

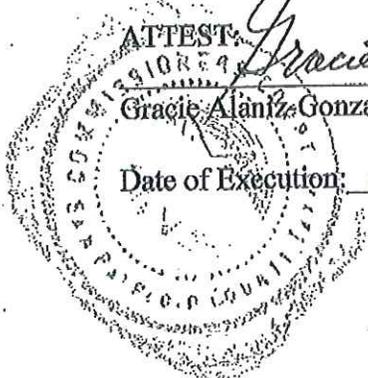


Exhibit B

2. A description of the scope of the proposed project, including 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.

The proposed project will consist of a facility designed to use wind power to generate electricity (commonly referred to as a wind farm). The applicant expects to build the proposed project to be operational in first quarter 2012, with approximately 50% of the construction to be in the Gregory-Portland Independent School District. The applicant will commence construction on or before December 1, 2010. The applicant intends to complete construction within one (1) year and expects to meet the minimum qualified investment threshold referenced in Step 2, Question 3 by the end of 2011 and in any event prior to the expiration of the qualifying period. All of the property for which the applicant is seeking a limitation on appraised value will be owned by the applicant.

Exhibit C-1
Request for Waiver of Jobs Creation Requirement

Pursuant to Section 313.025 (f-1) of the Texas Tax Code, the governing body of a school district may waive the new jobs creation requirement in Section 313.021(2)(A)(iv)(b) or 313.051(b) and approve an application if the governing body makes a finding that the jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility of the property owner that is described in the application.

The table below illustrates the estimated investment, installed megawatts, and number of qualifying jobs to be created by the wind project. The project will potentially encompass two school districts. The operations and maintenance demands of the project will be sufficient to create a total of approximately 6 full-time jobs for the entire project, inclusive of both districts. This number of jobs is consistent with the total jobs created by other recent E.ON projects in the previous year, and E.ON believes this number to be consistent with (and possibly higher than) the industry standard number of full-time jobs created by projects of this scale. According to econometric projections, and based on E.ON's experience with existing wind projects in Texas, E.ON's investments in the District will result in substantially increased local economic activity, which, in addition to creating new jobs, will have a positive effect on existing jobs.

The proposed project cannot sustain a 10-job minimum for each of the school districts in which it is located (*i.e.*, it cannot create 20 full-time jobs). Accordingly, E.ON hereby requests that Gregory-Portland I.S.D. find that the District's jobs creation requirement exceeds the industry standard and waive its requirement that E.ON's project create a minimum number of jobs within the District, in accordance with Chapter 313 of the Texas Tax Code.

218.5 MW Project	Taft ISD	Gregory-Portland ISD
Estimated Investment	\$110,400,000	\$108,100,000
Percentage per ISD	50%	50%
Installed Turbines	48	47
Installed MW	110.4	108.1
Total Qualifying Jobs	3 of 6*	3 of 6*

** E.ON anticipates a total of 6 full-time jobs will be created by the project. These jobs may not be specific to a school district, as the duties associated with the operations and maintenance of the project are likely to keep each employee active in both districts.*

**Exhibit C-2
Average Weekly Wage Data**

Section 313.021(3)(E) of the Texas Tax Code requires that qualifying jobs pay 110% of the county's average weekly wage for manufacturing jobs. To determine the average weekly wage, Therefore, the average project wage must exceed 110% of the county average manufacturing wage figures found at the Texas Workforce Commission's ("TWC") "Tracer" website at <http://www.tracer2.com/cgi/dataanalysis/AreaSelection.asp?tableName=Industry>. Based on the information provided by the TWC, E.ON estimates the San Patricio County average weekly wage for manufacturing jobs to be \$1324.

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2008	1st Qtr	San Patricio County	Private	31	2	31-33	Manufacturing	\$1,369
2008	2nd Qtr	San Patricio County	Private	31	2	31-33	Manufacturing	\$1,286
2008	3rd Qtr	San Patricio County	Private	31	2	31-33	Manufacturing	\$1,310
2008	4th Qtr	San Patricio County	Private	31	2	31-33	Manufacturing	\$1,331

The average weekly wage to be paid on the project is \$1,456, 110% of the county's average weekly manufacturing wage. This estimate presumes the above manufacturing wage data is current and accurate, and properly corresponds to the wind project positions at issue.

**Temporary Addendum to Application for Appraised Value Limitation on
Qualified Property - July 2009**

The 81st Legislature passed HB 3676, which made changes to Texas Tax Code, Chapter 313¹, including more information required to be analyzed in the Comptroller's economic impact evaluation (§313.026(a)). In order to facilitate completion of the evaluation, please provide the following, including temporary supplemental schedules A, B & C to collect information needed for HB 3676. The information on this addendum and additional schedules is required pursuant to the provisions of HB 3676, 81st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 34 TAC § 9.1057(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period. (Note: Should the applicant anticipate the need to keep any of the requested information in the application, addendum or supplemental schedules confidential, please read the attachment entitled 'Confidential Information submitted to the Comptroller' at the end of this addendum.)

Applicant name: EC&R Papalote Creek II, LLC

Please describe the general nature of the applicant's investment:

The investment will consist of a wind power generation facility located in San Patricio County, Texas. The improvements will include wind turbines and towers and also any other property in the Reinvestment Zone that will be used to produce wind power and perform other functions related to the production, distribution, and transmission of electric power.

Taxing entities that have jurisdiction for the property:

County: San Patricio

Are you seeking property tax abatements or other favorable tax treatment from this entity? If so, please describe the request (typically the percentage abatement and the length of time the abatement would be in effect).

Yes. 72.5% abatement requested for 8 years.

City: Not seeking any tax abatements or favorable tax treatment from the Cities of Taft, Gregory, or Portland.

Are you seeking property tax abatements or other favorable tax treatment from this entity? If so, please describe the request (typically the percentage abatement and the length of time the abatement would be in effect).

Hospital District: Not aware of any hospital district in this project area.

¹ All §references are to Texas Tax Code, Chapter 313 as amended by HB 3676, 81st Legislature, unless otherwise noted.

Are you seeking property tax abatements or other favorable tax treatment from this entity? If so, please describe the request (typically the percentage abatement and the length of time the abatement would be in effect).

Other (describe):

Are you seeking property tax abatements or other favorable tax treatment from any of these entities? If so, please describe the request (typically the percentage abatement and the length of time the abatement would be in effect).

Are you seeking any other state or local economic development incentives? Examples could include road or public infrastructure improvements, job training grants, loan guarantees, special financing, etc.) No If yes, please describe, attaching documentation as necessary.

The locally collected sales tax rate is: The locally collected sales tax rate is 0.015 for Gregory and 0.020 for Portland. This equals a total tax rate of 0.0775 for Gregory and 0.0825 for Portland. The locally collected sales tax rate varies for the project area.

Will the land upon which the new building or new improvement be built be part of the qualified property described by §313.021(2)(A)? No If yes, please attach complete documentation: legal description, parcel ID, current taxable value, owner, etc.

Will the project be on leased land? Yes

If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, please attach a separate schedule showing the amount for each year affected, including an explanation.

What is the anticipated date of application approval? December 31, 2009

What is the anticipated date of beginning of the qualifying time period? December 31, 2009

What is the approximate date the proposed facility or new improvement is expected to be fully operational? June 30, 2011

What is the minimum required annual wage for each qualified job in this school district? [See new §§313.021(5)(A) or 313.021(5)(B) or 313.021(3)(E)(ii), or 313.051(b).] Please specify method of computation and attach documentation from TWC web site. (Note that applicants to school districts subject to Subchapter C because of demographic characteristics must meet the regional wage standard described in §313.051(b).)

See Schedule C and Exhibit C to the Application.

What is the minimum annual wage you will be paying for each qualified job in this school district?

See Schedule C and Exhibit C to the Application.

What is the maximum number of qualifying jobs meeting all criteria of §313.021(3) you are committing to create? (Use Schedule C-3676, Column F to indicate number of qualifying jobs in specific years.)

See Schedule C and Exhibit C to the Application.

By signing this addendum, you certify that this information is true and correct to the best of your knowledge and belief.

Robert M. Blunt IV
Name of authorized company officer
[Signature]
Signature of authorized company officer
VP - Development
Title
7/27/09
Date

On behalf of _____
Name of corporation/company

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 §37.10.

School district official sign and date application.

By signing below, I affirm that I have been delegated the authority by the school district governing body to act on its behalf with regard to this application for a limitation on appraised value.

Name of authorized school district officer

Title

Signature of authorized school district official

Date
Name of school district _____

SCHEDULE A-3676 (Temporary - July 2009): INVESTMENT & TAXES (in millions)
Gregory-Portland I.S.D.

PROPERTY INVESTMENT AMOUNTS (\$)				TAX INFORMATION			
(Estimated investment in each year. Do not put cumulative totals.)				Column E: Total Investment (A+B+D)	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant
Year	Tax Year (fill in actual tax year below)	Column A: Tangible Personal Property: the amount of new investment (original cost) placed in service during this year	Column B: Building or nonremovable component of building (annual amount only)	Column C: Sum of A and B—Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but affecting economic impact and total value	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	2009	Investment made before filing application with district (neither qualified property nor eligible to become qualified investment)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
		Investment made after filing application with district, but before application approval (eligible to become qualified property)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
		Investment made after application approval and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
		Complete tax years of qualifying time period	1	\$108.10	\$108.10	\$0.00	\$129.70
			2	\$0.00	\$0.00	\$0.14	\$7.01
			3	\$0.00	\$0.00	\$0.15	\$7.45
			4	\$0.00	\$0.00	\$0.14	\$6.78
			5	\$0.00	\$0.00	\$0.13	\$6.38
			6	\$0.00	\$0.00	\$0.13	\$6.49
			7	\$0.00	\$0.00	\$0.14	\$6.99
			8	\$0.00	\$0.00	\$0.15	\$7.13
			9	\$0.00	\$0.00	\$0.16	\$7.64
			10	\$0.00	\$0.00	\$0.16	\$7.66
			11	\$0.00	\$0.00	\$0.17	\$8.06
			12	\$0.00	\$0.00	\$0.16	\$8.03
			13	\$0.00	\$0.00	\$0.17	\$8.10
			14	\$0.00	\$0.00	\$0.17	\$8.26
			15	\$0.00	\$0.00	\$0.18	\$8.12

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

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment- as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

[For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property].
 Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E). For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings.

Column D: Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value.
 The most significant example for many projects would be land. Other examples may be items such as professional services, etc.
 Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

- For planning, construction and operation of the facility.

Note: Information related to taxes in Columns F through H, for the year preceding the first complete year of the qualifying time period, need not be broken out by the time periods used for the requested investment information in Columns A through E.
 Note: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

SCHEDULE B-3676 (Temporary - July 2009): ESTIMATED MARKET AND TAXABLE VALUE (in millions)
Gregory-Portland I.S.D.

All figures here are to be cumulative

	Year	Tax Year (fill in actual tax year)	Qualified Property			Reductions from market value (exemptions, etc)			Estimated Taxable Value	
			Column A: Estimated Market Value of Land	Column B: Estimated Total Market Value of new buildings or other new improvements	Column C: Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	D: Due to pollution control property (estimated or actual as appropriate)	E: Due to other exemptions	F: Estimated total taxable value for I&S: (A+B+C)-(D+E)	G: Estimated total taxable value for M&O: (Column F amount with the limitation value in years 3-10)	
	pre-year 1	2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	1	2010	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	2	2011	\$0.00	\$103.77	\$0.00	\$0.00	\$0.00	\$0.00	\$103.77	
	3	2012	\$0.00	\$99.62	\$0.00	\$0.00	\$0.00	\$0.00	\$99.62	
	4	2013	\$0.00	\$95.63	\$0.00	\$0.00	\$0.00	\$0.00	\$95.63	
	5	2014	\$0.00	\$91.81	\$0.00	\$0.00	\$0.00	\$0.00	\$91.81	
	6	2015	\$0.00	\$88.14	\$0.00	\$0.00	\$0.00	\$0.00	\$88.14	
	7	2016	\$0.00	\$84.61	\$0.00	\$0.00	\$0.00	\$0.00	\$84.61	
	8	2017	\$0.00	\$81.23	\$0.00	\$0.00	\$0.00	\$0.00	\$81.23	
	9	2018	\$0.00	\$77.98	\$0.00	\$0.00	\$0.00	\$0.00	\$77.98	
	10	2019	\$0.00	\$74.86	\$0.00	\$0.00	\$0.00	\$0.00	\$74.86	
	11	2020	\$0.00	\$71.86	\$0.00	\$0.00	\$0.00	\$0.00	\$71.86	
	12	2021	\$0.00	\$68.99	\$0.00	\$0.00	\$0.00	\$0.00	\$68.99	
	13	2022	\$0.00	\$66.23	\$0.00	\$0.00	\$0.00	\$0.00	\$66.23	
	14	2023	\$0.00	\$63.58	\$0.00	\$0.00	\$0.00	\$0.00	\$63.58	
	15	2024	\$0.00	\$61.04	\$0.00	\$0.00	\$0.00	\$0.00	\$61.04	
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period									
	Value Limitation Period									
Credit Settle-Up Period	Continue to Maintain Viable Presence									
Post- Settle-Up Period	Post- Settle-Up Period									

The information on this schedule is required pursuant to the provisions of HB 3676, 81st Legislature, effective June 19, 2009.

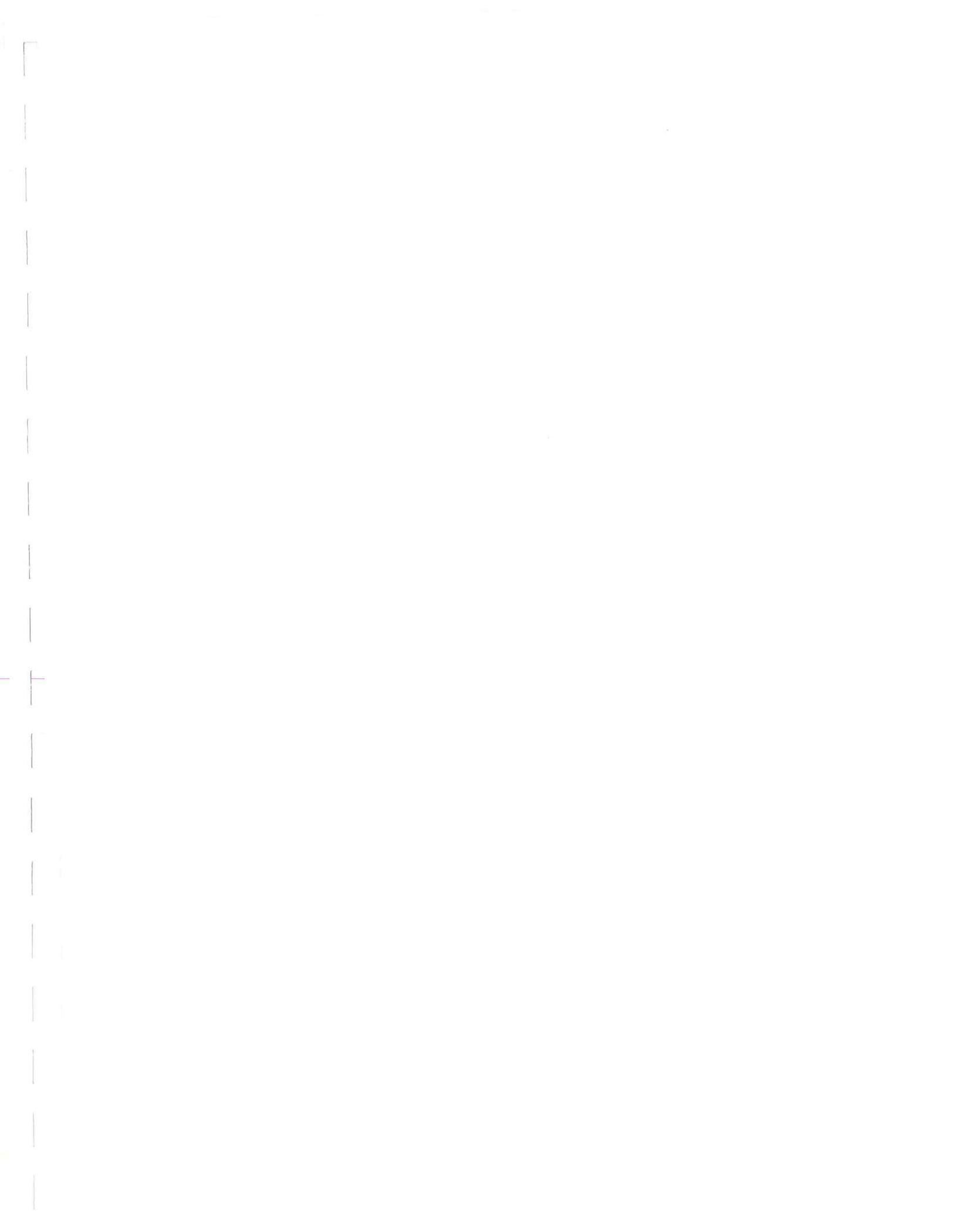
SCHEDULE C-3676 (Temporary - July 2009): EMPLOYMENT INFORMATION

Gregory-Portland I.S.D.

	Year	Tax Year (fill in actual tax year)	Existing Jobs		Construction		Permanent New Jobs		Qualifying Jobs	
			Column A: Number of permanent existing full time jobs prior to application	Column B: Number of Construction FTE's or man- hours (specify <u>FTE</u>)	Column C: Average annual wage rates for construction workers	Column D: Total number of permanent full- time new jobs applicant commits to create	Column E: Average annual wage rate for all permanent new jobs for each year	Column F: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3)	Column G: Avg. annual wage of qualifying jobs	
	pre-year 1	2009	0	0	N/A	0	N/A	0	N/A	
Complete tax years of qualifying time period	1	2010	0	75	75,712	3	\$75,712	3	\$75,712	
	2	2011	0	0	0	3	\$75,712	3	\$75,712	
	3	2012	0	0	0	3	\$75,712	3	\$75,712	
	4	2013	0	0	0	3	\$75,712	3	\$75,712	
	5	2014	0	0	0	3	\$75,712	3	\$75,712	
Value Limitation Period	6	2015	0	0	0	3	\$75,712	3	\$75,712	
	7	2016	0	0	0	3	\$75,712	3	\$75,712	
	8	2017	0	0	0	3	\$75,712	3	\$75,712	
	9	2018	0	0	0	3	\$75,712	3	\$75,712	
	10	2019	0	0	0	3	\$75,712	3	\$75,712	
Credit Settle-Up Period (with 50% cap on credit)	11	2020	0	0	0	3	\$75,712	3	\$75,712	
	12	2021	0	0	0	3	\$75,712	3	\$75,712	
	13	2022	0	0	0	3	\$75,712	3	\$75,712	
Post-Settle-Up Period	14	2023	0	0	0	3	\$75,712	3	\$75,712	
	15	2024	0	0	0	3	\$75,712	3	\$75,712	

The information on this schedule is required pursuant to the provisions of HB 3676, 81st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 34 TAC 9.1057(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period.

Note: Section 313.024(d) Tax Code requires that, to be eligible for a limitation, 80 percent of all new jobs must be qualifying jobs.



Attachment B

Certificate of Account Status



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

December 7, 2009

CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS
COUNTY OF TRAVIS

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, DO HEREBY CERTIFY that according to the records of this office:

EC&R PAPA MITE CREEK II, III

is, as of this date, in good standing with this office having no franchise tax report or payments due at this time. This certificate is valid through the date that the next franchise tax report will be due May 17, 2010

This certificate does not make a representation as to the status of the entity's registration, if any, with the Texas Secretary of State

This certificate is valid for the purpose of conversion when the converted entity is subject to franchise tax as required by law. This certificate is not valid for any other filing with the Texas Secretary of State

GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 7th day of
December 2009 A.D.

Susan Combs
Texas Comptroller

Taxpayer number: 32037132661
File number: 0800982211

Attachment C

State Comptroller's Recommendation

S U S A N
C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



November 23, 2009

Dr. Paul Clore
Superintendent
Gregory-Portland Independent School District
608 College St.
Portland, Texas 78734-2021

Dear Superintendent Clore:

On Oct. 15, 2009, the agency received the completed application for a limitation on appraised value originally submitted to the Gregory-Portland Independent School District (Gregory-Portland ISD) by EC&R Papalote Creek II, LLC (EC&R) in July 2009, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding EC&R's application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Gregory-Portland ISD is currently classified as a rural school district in Category 2. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$108.1 million) is consistent with the proposed appraised value limitation sought (\$20 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

EC&R is proposing the construction of wind power electricity generating facility in San Patricio County. EC&R is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by EC&R, the Comptroller's recommendation is that EC&R's application under Tax Code Chapter 313 be approved.

Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled on the school district. Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and state. When approving a job waiver requested under Section 313.025(f-1), the school district must also find that the statutory jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria and a cursory review of the industry standard evidence necessary to support the waiver of the required number of jobs.

Dr. Paul Clore
November 23, 2009
Page Two

The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. This recommendation is contingent on the district approving and executing a limitation agreement within a year from the date of this letter, and is valid only for a qualifying time period that begins in accordance with the approved application and a conforming limitation agreement. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution. During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at www.window.state.tx.us/taxinfo/proptax/hb1200 to find an outline of the program and links to applicable rules and forms.

Should you have any questions, please contact Robert Wood, director of Local Government Assistance and Economic Development, by e-mail at robert.wood@cpa.state.tx.us or by phone at (800) 531-5441, ext. 3-3973, or direct in Austin at (512) 463-3973.

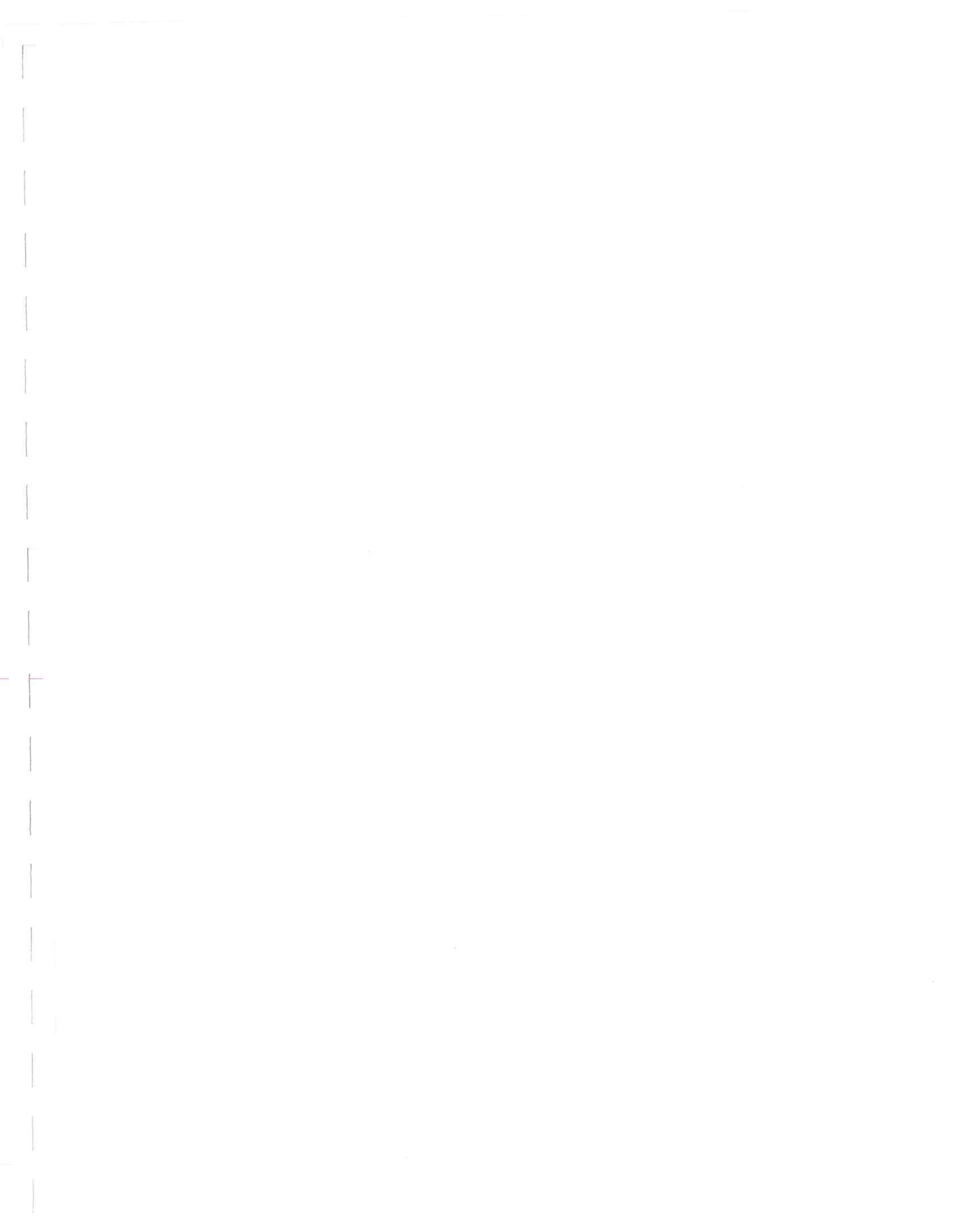
Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood



Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

Applicant	EC&R Papalote Creek II
Tax Code, 313.024 Eligibility Category	Renewable energy electric generation - Wind
School District	Gregory-Portland Independent School District
2007-08 Enrollment in School District	4,334
County	San Patricio
Total Investment in District	\$108,100,000
Qualified Investment	\$108,100,000
Limitation Amount	\$20,000,000
Number of total jobs committed to by applicant	3
Number of qualifying jobs committed to by applicant	3*
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$958
Minimum Weekly Wage Required Tax Code, 313.025(A)	\$958
Minimum Annual Wage committed to by applicant for qualified jobs	\$49,832
Investment per Qualifying Job	\$36,033,333
Number of Turbines	47
Megawatts	108
Start of Construction	on or before December 2010
End of Construction	End of 2011
Estimated 15 year M&O levy without any limit or credit:	\$13,212,576
Estimated 15 year M&O tax benefit/levy loss	\$7,225,686
Estimated 15 year M&O tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for yet-to-be negotiated supplemental payments or extraordinary educational expenses):	\$6,872,915
Tax Credits Paid (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$979,290
Net Tax Paid After Limitation, Credits and Revenue Protection:	\$6,339,661
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	52.0%
Percentage of tax benefit due to the limitation	86.4%
Percentage of tax benefit due to the credit.	13.6%
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

This presents the Comptroller's economic impact evaluation of EC&R Papalote Creek II (the project) applying to Gregory-Portland Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

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

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

After construction, the project will create three new jobs when fully operational. All three jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Coastal Bend Council of Governments Region, where San Patricio County is located was \$45,302 in 2007. The average manufacturing wage for the most recent four quarters for San Patricio County is \$68,315. In addition to an annual average salary of \$49,832 each qualifying position will receive benefits such as health insurance and training. The project's total investment is \$108.1 million, resulting in a relative level of investment per qualifying job of \$36 million.

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

According to EC&R's application, "they are an international developer of wind projects and has operations in several regions and states within the U.S. ...and have the ability to locate projects of this type to the Southwest, Northwest, and Northeast as well as Canada and several European sites."

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

During the past two years, five projects applied under Chapter 313 in the Coastal Bend Council of Governments Region.

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

The Texas Economic Development Plan does not mention Renewable Energy specifically. However, one theme of the plan is attracting and fostering industries in Texas using advanced technology. Renewable energy technology is an expanding industry and the skilled workers that the project requires appear to be in line with the focus and themes of the plan. Texas identified energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the energy industry.

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

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

Table 1: Estimated Statewide Economic Impact of Investment and Employment in EC&R

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2009	0	0	0	\$0	\$0	\$0
2010	78	118	196	\$3,886,896	\$9,113,104	\$13,000,000
2011	3	15	18	\$149,496	\$1,850,504	\$2,000,000
2012	3	12	15	\$149,496	\$1,850,504	\$2,000,000
2013	3	7	10	\$149,496	\$1,850,504	\$2,000,000
2014	3	6	9	\$149,496	\$850,504	\$1,000,000
2015	3	6	9	\$149,496	\$850,504	\$1,000,000
2016	3	9	12	\$149,496	\$850,504	\$1,000,000
2017	3	3	6	\$149,496	\$850,504	\$1,000,000
2018	3	5	8	\$149,496	\$850,504	\$1,000,000
2019	3	8	11	\$149,496	\$850,504	\$1,000,000
2020	3	7	10	\$149,496	\$850,504	\$1,000,000
2021	3	8	11	\$149,496	\$850,504	\$1,000,000
2022	3	8	11	\$149,496	\$850,504	\$1,000,000
2023	3	7	10	\$149,496	\$850,504	\$1,000,000
2024	3	9	12	\$149,496	\$850,504	\$1,000,000

Source: CPA, REMI, EC&R

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2008. Gregory-Portland ISD's ad valorem tax base in 2008 was \$1.1 billion. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Gregory-Portland ISD's estimated wealth per WADA was \$211,986. The impact on the facilities and finances of the district is presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district and San Patricio County with all property tax incentives sought being granted using estimated market value from EC&R's application. EC&R has applied for both a value limitation under Chapter 313, Tax Code and a county tax abatement under Tax Code, Chapter 312 seeking 72.5 percent abatement per year for eight years. Table 3 illustrates the estimated tax impact of the project on the region if all taxes are assessed.

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Gregory-Portland ISD I&S Levy	Gregory-Portland ISD M&O Levy	Gregory-Portland ISD M&O and I&S Tax Levies (Before Credit Credited)	Gregory-Portland ISD M&O and I&S Tax Levies (After Credit Credited)	San Patricio County	School and County Property Taxes
			0.1900		1.1700			0.5275	
2009	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0
2010	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0
2011	\$103,700,000	\$103,700,000		\$197,030	\$1,213,290	\$1,410,320	\$1,410,320	\$396,588	\$1,806,908
2012	\$99,620,000	\$20,000,000		\$189,278	\$234,000	\$423,278	\$423,278	\$380,984	\$804,262
2013	\$95,630,000	\$20,000,000		\$181,697	\$234,000	\$415,697	\$275,798	\$365,725	\$641,523
2014	\$91,810,000	\$20,000,000		\$174,439	\$234,000	\$408,439	\$268,540	\$351,116	\$619,656
2015	\$88,140,000	\$20,000,000		\$167,466	\$234,000	\$401,466	\$261,567	\$337,080	\$598,648
2016	\$84,610,000	\$20,000,000		\$160,759	\$234,000	\$394,759	\$254,860	\$323,580	\$578,441
2017	\$81,230,000	\$20,000,000		\$154,337	\$234,000	\$388,337	\$248,438	\$310,654	\$559,092
2018	\$77,980,000	\$20,000,000		\$148,162	\$234,000	\$382,162	\$242,263	\$298,225	\$540,488
2019	\$74,860,000	\$20,000,000		\$142,234	\$234,000	\$376,234	\$236,335	\$304,887	\$631,222
2020	\$71,860,000	\$71,860,000		\$136,534	\$840,762	\$977,296	\$977,296	\$379,062	\$1,356,358
2021	\$68,990,000	\$68,990,000		\$131,081	\$807,183	\$938,264	\$938,264	\$363,922	\$1,302,186
2022	\$66,230,000	\$66,230,000		\$125,837	\$774,891	\$900,728	\$900,728	\$349,363	\$1,250,091
2023	\$63,580,000	\$63,580,000		\$120,802	\$743,886	\$864,688	\$864,688	\$335,385	\$1,200,073
2024	\$61,040,000	\$61,040,000		\$115,976	\$714,168	\$830,144	\$830,144	\$321,986	\$1,152,130
						Total	\$8,132,522	\$4,908,556	\$13,041,078

Source: CPA, EC&R

*Assumes Chapter 313 Value Limitation and County Tax Abatement (72.5 percent for eight years)

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Gregory-Portland ISD I&S Levy	Gregory-Portland ISD M&O Levy	Gregory-Portland ISD M&O and I&S Tax Levies	San Patricio County	School and County Property Taxes	
			0.1900		1.1700		0.5275		
2009	\$0	\$0		\$0	\$0	\$0	\$0	\$0	
2010	\$0	\$0		\$0	\$0	\$0	\$0	\$0	
2011	\$103,700,000	\$103,700,000		\$197,030	\$1,213,290	\$1,410,320	\$547,018	\$1,957,338	
2012	\$99,620,000	\$20,000,000		\$189,278	\$234,000	\$423,278	\$525,498	\$948,774	
2013	\$95,630,000	\$20,000,000		\$181,697	\$234,000	\$415,697	\$504,448	\$920,145	
2014	\$91,810,000	\$20,000,000		\$174,439	\$234,000	\$408,439	\$484,298	\$892,737	
2015	\$88,140,000	\$20,000,000		\$167,466	\$234,000	\$401,466	\$464,939	\$866,405	
2016	\$84,610,000	\$20,000,000		\$160,759	\$234,000	\$394,759	\$446,318	\$841,077	
2017	\$81,230,000	\$20,000,000		\$154,337	\$234,000	\$388,337	\$428,488	\$816,825	
2018	\$77,980,000	\$20,000,000		\$148,162	\$234,000	\$382,162	\$411,345	\$793,507	
2019	\$74,860,000	\$20,000,000		\$142,234	\$234,000	\$376,234	\$394,887	\$771,121	
2020	\$71,860,000	\$71,860,000		\$136,534	\$840,762	\$977,296	\$379,062	\$1,356,358	
2021	\$68,990,000	\$68,990,000		\$131,081	\$807,183	\$938,264	\$363,922	\$1,302,186	
2022	\$66,230,000	\$66,230,000		\$125,837	\$774,891	\$900,728	\$349,363	\$1,250,091	
2023	\$63,580,000	\$63,580,000		\$120,802	\$743,886	\$864,688	\$335,385	\$1,200,073	
2024	\$61,040,000	\$61,040,000		\$115,976	\$714,168	\$830,144	\$321,986	\$1,152,130	
						Total	\$9,111,812	\$5,956,952	\$15,068,764

Source: CPA, EC&R

¹Tax Rate per \$100 Valuation

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

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well

as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$13,212,576. The estimated gross 15 year M&O tax benefit, or levy loss, is \$7,225,686.

Attachment 3 is an economic overview of San Patricio County.

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

San Patricio County Overview Report

Population

Total county population in 2008 for San Patricio County: 68,399, up 0.0 percent from 2007.
State population increased 2.0 percent in the same time period.

San Patricio County was the state's 50th largest county in population in 2008 and the 174th fastest growing county from 2007 to 2008.

San Patricio County population in 2008 was

42.7 percent White	(below the state average of 47.4 percent.)
2.1 percent Black	(below the state average of 11.3 percent.)
53.1 percent Hispanic	(above the state average of 36.5 percent.)

2008 population of the largest cities and places in San Patricio County:

Portland:	16,408
Ingleside:	9,060
Aransas Pass:	8,864
Sinton:	5,392
Mathis:	5,336
Taft:	3,355
Lakeside:	2,644
Odem:	2,514
Gregory:	2,222
St. Paul:	947

Economy and Income

Employment

September 2009 total employment in San Patricio County: 27,875, down 3.0 percent from September 2008.
State total employment decreased 0.7 percent during the same period.

September 2009 San Patricio County unemployment rate was 9.6 percent, up from 5.4 percent in September 2008.
The statewide unemployment rate for September 2009 was 8.2 percent, up from 5.1 percent in September 2008.

September 2009 unemployment rate in the city of:

N/A

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

Income

San Patricio County's ranking in per capita personal income in 2007: 122nd with an average per capita income of \$29,272, up 8.3 percent from 2006.

Statewide average per capita personal income was \$37,083 in 2007 up 5.5 percent from 2006.

Industry

Agricultural cash values in San Patricio County averaged \$95.1 million annually from 2005 to 2008. County total agricultural values in 2008 were up 11.7 percent from 2007. Major agriculture related commodities in San Patricio County during 2008 included:

Beef Total	Cotton	Cottonseed	Fishing	Sorghum
------------	--------	------------	---------	---------

2007 preliminary oil and gas production in San Patricio County: 435,626 barrels of oil and 23,004,591 Mcf of gas.
In February 2009, there were 170 producing oil wells and 230 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Quarterly (January through March 2009)

Taxable sales in San Patricio County during the first quarter of 2009: \$119,391,332, up 11.7 percent from the same quarter in 2008.

Taxable sales during the first quarter in the city of:

Aransas Pass	\$46,223,161,	up	10.9 percent from the same quarter in 2008.
Gregory	\$10,542,737,	down	14.4 percent from the same quarter in 2008.
Ingleside	\$6,870,109,	up	4.0 percent from the same quarter in 2008.
Ingleside on the Bay	\$153,952,	up	40.7 percent from the same quarter in 2008.
Mathis	\$5,864,221,	up	1.6 percent from the same quarter in 2008.
Odem	\$2,086,661,	up	7.8 percent from the same quarter in 2008.
Portland	\$32,383,906,	up	14.1 percent from the same quarter in 2008.
Sinton	\$7,158,573,	up	1.1 percent from the same quarter in 2008.
Taft	\$2,150,381,	down	0.8 percent from the same quarter in 2008.

Annual (2008)

Taxable sales in San Patricio County during 2008: \$466,231,806, up 9.5 percent from 2007.

Taxable sales during 2008 in the city of:

Aransas Pass	\$165,016,999,	up	0.2 percent from 2007.
Gregory	\$61,469,750,	up	34.9 percent from 2007.
Ingleside	\$28,251,206,	up	4.2 percent from 2007.
Ingleside on the Bay	\$667,426,	up	31.4 percent from 2007.
Mathis	\$23,572,087,	up	3.7 percent from 2007.
Odem	\$8,175,015,	up	7.3 percent from 2007.
Portland	\$122,532,136,	up	7.9 percent from 2007.
Sinton	\$29,655,033,	up	3.7 percent from 2007.
Taft	\$9,718,920,	up	15.2 percent from 2007.

"-" represent amounts subject to state sales tax values that are suppressed for confidentiality reasons.

Sales Tax - Local Sales Tax Allocations

Monthly (September 2009)

Statewide payments based on the sales activity month of September 2009: , down 8.7 percent from September 2008.

Annual (2008)

Statewide payments based on the sales activity months of 2008: \$6,026,220,888, up 5.8 percent from 2007.

No city sales tax was imposed.

Property Tax

As of 2007, property values in San Patricio County: \$4,330,371,781, up 14.8 percent from 2006 values. The property tax base per person in San Patricio County is \$63,310, below the statewide average of \$77,317. About 3.9 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

San Patricio County's ranking in state expenditures by county in state fiscal year (FY) 2008: 44th. State expenditures in the county for FY 2008: \$260,214,717, up 5.1 percent from FY 2007.

In San Patricio County, 10 state agencies provide a total of 166 jobs and \$1,619,972 in annualized wages (as of 1st quarter 2009).

Major state agencies in the county (as of 1st quarter 2009):

- Health & Human Services Commission
- Parks & Wildlife Department
- Department of Aging and Disability Services
- Department of Family and Protective Services
- Department of Transportation

School Districts

San Patricio County had 7 school districts with 36 schools and 15,181 students in the 2007-2008 school year.

(Statewide, the average teacher salary in school year 2007-2008 was \$46,179. The percentage of students, statewide, meeting the 2008 Texas Assessment of Knowledge and Skills (TAKS) passing standard for all 2007-2008 TAKS tests was 72 percent.)

ARANSAS PASS ISD	had 2,046 students in the 2007-2008 school year. The average teacher salary was \$45,019. The percentage of students meeting the 2008 TAKS passing standard for all tests was 60 percent.
GREGORY-PORTLAND ISD	had 4,334 students in the 2007-2008 school year. The average teacher salary was \$43,393. The percentage of students meeting the 2008 TAKS passing standard for all tests was 75 percent.
INGLESIDE ISD	had 2,296 students in the 2007-2008 school year. The average teacher salary was \$42,554. The percentage of students meeting the 2008 TAKS passing standard for all tests was 65 percent.
MATHIS ISD	had 1,856 students in the 2007-2008 school year. The average teacher salary was \$41,230. The percentage of students meeting the 2008 TAKS passing standard for all tests was 55 percent.
ODEM-EDROY ISD	had 1,165 students in the 2007-2008 school year. The average teacher salary was \$42,820. The percentage of students meeting the 2008 TAKS passing standard for all tests was 62 percent.
SINTON ISD	had 2,117 students in the 2007-2008 school year. The average teacher salary was \$43,255. The percentage of students meeting the 2008 TAKS passing standard for all tests was 67 percent.
TAFT ISD	had 1,367 students in the 2007-2008 school year. The average teacher salary was \$42,065. The percentage of students meeting the 2008 TAKS passing standard for all tests was 55 percent.

Higher Education

<http://www.texasahead.org/texasedge>

(Fall 2008 enrollment)

Community Colleges in San Patricio County:

None

San Patricio County is in the service area of the following:

Del Mar College	with a fall 2008 enrollment of 11,262 Students. Countes in the service area include	Aransas
		Kenedy
		Kleberg
		Nueces
		San Patricio

Institutes of Higher Education in San Patricio County with a fall 2008 enrollment

None

References

Population uses data from the following source:
U.S. Census Bureau, as of 10/1/09

Employment uses data from the following sources:
Texas Workforce Commission, as of 11/19/09
Texas Comptroller of Public Accounts, as of 8/21/09

Income uses data from the following source:
U.S. Department of Commerce-Bureau of Economic Analysis, as of 6/11/09

Industry uses data from the following sources:
Texas AgriLife Extension Service, as of 6/29/09
Railroad Commission of Texas, as of 8/21/08

Taxable Sales uses data from the following source:
Texas Comptroller of Public Accounts, as of 10/8/09

Sales Tax Allocation uses data from the following source:
Texas Comptroller of Public Accounts, as of 11/20/09

Property Tax uses data from the following source:
Texas Comptroller of Public Accounts, as of 10/27/09

State Expenditures uses data from the following source:
Texas Comptroller of Public Accounts, as of 8/21/09

Higher Education uses data from the following source:
Texas Higher Education Coordinating Board, as of 5/14/09

School Districts uses data from the following source:
Texas Education Agency, as of 1/21/09

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TEXAS EDUCATION AGENCY

1701 North Congress Ave. ★ Austin, Texas 78701-1494 ★ 512/463-9734 ★ FAX: 512/463-9838 ★ <http://www.tea.state.tx.us>

Robert Scott
Commissioner

November 19, 2009

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

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed EC&R Papalote Creek II, LLC, project on the number and size of school facilities in Gregory-Portland Independent School District (GPISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the GPISD superintendent, Dr. Paul Clore, the TEA has found that the EC&R Papalote Creek II, LLC, project would not have a significant impact on the number or size of school facilities in GPISD.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

Helen Daniels
Director of State Funding

HD/hd



TEXAS EDUCATION AGENCY

1701 North Congress Ave. ★ Austin, Texas 78701-1494 ★ 512/463-9734 ★ FAX: 512/463-9838 ★ <http://www.tea.state.tx.us>

Robert Scott
Commissioner

November 19, 2009

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

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed EC&R Papalote Creek II, LLC, project for the Gregory-Portland Independent School District (GPISD). Projections prepared by our Forecasting and Fiscal Analysis Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions are valid and their estimates of the impact of the EC&R Papalote Creek II, LLC, project on GPISD are correct.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

Helen Daniels
Director of State Funding

HD/hd



Attachment E

Summary of Financial Impact

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED EC&R
PAPALOTE CREEK II, LLC PROJECT ON THE FINANCES OF
GREGORY-PORTLAND ISD UNDER A REQUESTED CHAPTER
313 PROPERTY VALUE LIMITATION**

October 26, 2009

Final Report

PREPARED BY



Estimated Impact of the Proposed EC&R Papalote Creek II, LLC Project on the Finances of Gregory-Portland ISD under a Requested Chapter 313 Property Value Limitation

Introduction

EC&R Papalote Creek II, LLC (EC&R) has requested that the Gregory-Portland Independent School District (GPISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new renewable electric wind generation project. An application was submitted to GPISD on July 28, 2009. EC&R proposes to invest \$108.1 million to construct a new wind energy project in GPISD.

The EC&R 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, the original language in Chapter 313 of the Tax Code made companies engaged in manufacturing, research and development, and renewable electric energy production eligible 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.

School Finance Mechanics

Under the provisions of Chapter 313, GPISD may offer a minimum value limitation of \$20 million. Based on the application, the qualifying time period would begin with the 2010-11 school year. The full taxable value of the investment is expected to reach \$103.7 million in 2012-13, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

The provisions of Chapter 313 call for the project to be fully taxable in the 2010-11 and 2011-12 school years, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2010-11 and 2011-12 school years. Beginning in 2012-13, the project would go on the local tax roll at \$20 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with GPISD currently levying a \$0.190 I&S tax rate.

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

Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

Under the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the third year was typically problematical for a school district that approved a Chapter 313 value limitation. Based on the data provided in the application, EC&R indicates that \$103.7 million in taxable value would be in place in the second year under the agreement. In year three (2012-13) of the agreement, the project is expected to go on the tax roll at \$20 million or, if applicable, a higher value limitation amount approved by the GPISD Board of Trustees. This difference would result in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant in the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state property values are aligned with the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

HB 1 established a "target" revenue system per student that has the effect of largely neutralizing the third-year revenue losses associated with Chapter 313 property value limitations, at least up to a district's compressed M&O tax rate. The additional four to six cents of tax effort that a district may levy are subject to an enriched level of equalization (or no recapture in the case of Chapter 41 school district) and operate more like the pre-HB 1 system. A value limitation must be analyzed for any potential revenue loss associated with this component of the M&O tax levy. For tax effort in excess of the compressed plus six cents rate, equalization and recapture occur at the level of \$319,500 per weighted student in average daily attendance (WADA).

Under HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point is the target revenue provisions from HB 1, that are then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure. An additional \$120 per WADA guarantee is then added to the recalculated target revenue amount.

School districts do have the potential to earn revenue above the \$120 per WADA level under HB 3646, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 700 school districts are funded at the minimum \$120 per WADA level, while approximately 300 school districts are expected to generate higher revenue amounts per WADA. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district's base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system.

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

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The

Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. While the new target revenue system appears to limit the impact of property value changes for a majority of school districts, changes in underlying property value growth have the potential to influence the revenue stream of a number of school districts.

Student enrollment counts are held constant at 3,819 students in average daily attendance (ADA) in analyzing the effects of the EC&R project on the finances of GPISD. This represents about a 200-student decrease from the 2008-09 school year, in part a function of the closing of the nearby Naval Station Ingleside. (The original estimates of enrollment decreases due to the Base closure totaled nearly 600 students.) The District's local tax base reached \$1.2 billion for the 2009 tax year. While the district's tax base has experienced steady growth in recent years, it appears to be slowing and the underlying \$1.2 billion taxable value for 2009-10 is maintained for the forecast period in order to isolate the effects of the property value limitation. GPISD is not a property-wealthy district, with wealth per weighted ADA or WADA expected to average \$225,167 for the 2010-11 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for GPISD under the assumptions outlined above through the 2024-25 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin ISD yields that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed EC&R project to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A third model is developed which adds the EC&R value but imposes the proposed property value limitation effective in the third year, which in this case is the 2012-13 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). An M&O tax rate of \$1.17 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$28 million a year in net General Fund revenue, after property wealth equalization and other adjustments have been made.

Under these assumptions, GPISD would experience a revenue loss as a result of the implementation of the value limitation in the 2012-13 school year (-\$224,064). There are two major sources of this reduction: (1) a reduction of \$133,355 in M&O tax collections for tax effort above the \$1.00 M&O compressed rate; and (2) reduced state aid of \$90,709 in response to the lower M&O tax effort that results from the implementation of the value limitation. These differences begin to roughly balance out in 2013-14 and in the years that follow under the value limitation.

One change that has been incorporated into these models is a more precise estimate of the deduction from the property value study conducted by the Comptroller's Office. At the school district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes; and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller's Office, a single deduction amount is calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. This methodology has been incorporated into these estimates and a typical result is an increase in the hold-harmless formula amounts owed to the school district by the company that receives the value limitation. The extent to which this affects a school district's finances appears to be influenced by the scale of the value limitation reduction relative to the district's underlying tax base, as well as its I&S tax rate. In the case of GPISD, the calculated lower reduction in the state property value relative to the M&O benefit to be received by the taxpayer does not appear to be substantial. In large part this results because the underlying tax base is substantially larger than the proposed project.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.17 per \$100 of taxable value M&O rate is assumed in 2010-11 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$6.2 million over the life of the agreement. In addition, EC&R would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13, if necessary. The tax credits for the EC&R project are expected to total approximately \$979,290 over the life of the agreement, with no unpaid tax credits anticipated. (Tax credits to the company are reimbursed by the state.) The key GPISD revenue losses are associated with changes in enrichment funding for tax effort in excess of the \$1.00 compressed M&O tax rate, as noted previously, which are expected to total approximately -\$352,771 over the course of the agreement. The potential total net tax benefits are estimated to reach \$6.9 million over the life of the agreement.

Facilities Funding Impact

The EC&R project remains fully taxable for debt services taxes, with GPISD currently levying a \$0.190 I&S rate. The value of the EC&R project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA. The additional value is expected to help reduce the District's current I&S tax rate to \$0.178 per \$100 in the 2011-12 school year. In the 2012-13 school year, the decrease would disappear once the state values were adjusted to reflect the 2011 tax year increases in value, with the values per WADA for GPISD still falling below the equalization provided by the \$35 yield provided for under the Existing Debt Allotment (EDA).

The EC&R project is not expected to affect GPISD in terms of enrollment. Continued expansion of the renewable energy industry could result in additional employment in the area and an

increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis. In terms of school facilities, the closure of Naval Station Ingleside is expected to prompt some reduction in enrollment in GPISD, although it is hoped that this phenomenon is short-lived.

Conclusion

The proposed EC&R wind energy project enhances the tax base of GPISD. It reflects continued capital investment in renewable electric energy generation, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$6.9 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District. The additional taxable value also enhances the tax base of GPISD in meeting its future debt service obligations, chiefly in the first year that the project value appears on the local tax base.

Table 1 – Base District Information with EC&R Papalote Creek II, LLC Project Value and Limitation Values

School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTAD with Project	CPTAD With Limitation	CPTAD Value with Project per WADA	CPTAD Value with Limitation per WADA
2010-11	3,819.00	4,890.12	\$1.1700	\$0.1900	\$1,156,862,116	\$1,156,862,116	\$1,101,093,542	\$1,101,093,542	\$225,167	\$225,167
2011-12	3,819.00	4,890.12	\$1.1700	\$0.1780	\$1,260,562,116	\$1,260,562,116	\$1,114,091,161	\$1,114,091,161	\$227,825	\$227,825
2012-13	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,256,482,116	\$1,176,862,116	\$1,217,791,161	\$1,217,791,161	\$249,031	\$249,031
2013-14	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,252,492,116	\$1,176,862,116	\$1,213,711,161	\$1,145,465,447	\$248,196	\$234,241
2014-15	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,248,672,116	\$1,176,862,116	\$1,209,721,161	\$1,144,895,447	\$247,381	\$234,124
2015-16	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,245,002,116	\$1,176,862,116	\$1,205,901,161	\$1,144,349,732	\$246,599	\$234,012
2016-17	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,241,472,116	\$1,176,862,116	\$1,202,231,161	\$1,143,825,447	\$245,849	\$233,905
2017-18	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,238,092,116	\$1,176,862,116	\$1,198,701,161	\$1,143,321,161	\$245,127	\$233,802
2018-19	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,234,842,116	\$1,176,862,116	\$1,195,321,161	\$1,142,838,304	\$244,436	\$233,703
2019-20	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,231,722,116	\$1,176,862,116	\$1,192,071,161	\$1,142,374,018	\$243,771	\$233,608
2020-21	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,228,722,116	\$1,228,722,116	\$1,188,951,161	\$1,141,928,304	\$243,133	\$233,517
2021-22	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,225,852,116	\$1,225,852,116	\$1,185,951,161	\$1,185,951,161	\$242,520	\$242,520
2022-23	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,223,092,116	\$1,223,092,116	\$1,183,081,161	\$1,183,081,161	\$241,933	\$241,933
2023-24	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,220,442,116	\$1,220,442,116	\$1,180,321,161	\$1,180,321,161	\$241,368	\$241,368
2024-25	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,217,902,116	\$1,217,902,116	\$1,177,671,161	\$1,177,671,161	\$240,827	\$240,827

*Tier II Yield: \$48.19; AISD Yield: \$59.97; Equalized Wealth: \$481,900 per WADA

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

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$11,037,316	\$13,882,948	\$0	\$0	\$0	\$1,875,698	\$1,608,036	\$0	\$28,403,999
2011-12	\$12,063,245	\$13,752,884	\$0	\$0	\$0	\$2,050,046	\$1,652,036	\$0	\$29,518,211
2012-13	\$12,017,539	\$12,715,832	\$90,907	\$0	\$0	\$2,042,279	\$1,389,171	\$0	\$28,255,728
2013-14	\$11,978,214	\$12,756,635	\$89,428	\$0	\$0	\$2,035,596	\$1,396,123	\$0	\$28,255,997
2014-15	\$11,940,566	\$12,796,537	\$87,175	\$0	\$0	\$2,029,198	\$1,403,018	\$0	\$28,256,494
2015-16	\$11,904,395	\$12,834,738	\$85,144	\$0	\$0	\$2,023,051	\$1,409,608	\$0	\$28,256,936
2016-17	\$11,869,605	\$12,871,440	\$83,233	\$0	\$0	\$2,017,138	\$1,415,936	\$0	\$28,257,352
2017-18	\$11,836,292	\$12,906,742	\$81,243	\$0	\$0	\$2,011,477	\$1,422,044	\$0	\$28,257,799
2018-19	\$11,804,261	\$12,940,544	\$79,472	\$0	\$0	\$2,006,034	\$1,427,878	\$0	\$28,258,190
2019-20	\$11,773,512	\$12,973,045	\$77,721	\$0	\$0	\$2,000,808	\$1,433,496	\$0	\$28,258,582
2020-21	\$11,743,945	\$13,004,247	\$76,086	\$0	\$0	\$1,995,784	\$1,438,886	\$0	\$28,258,947
2021-22	\$11,715,659	\$13,034,248	\$74,371	\$0	\$0	\$1,990,977	\$1,444,088	\$0	\$28,259,342
2022-23	\$11,688,457	\$13,062,950	\$72,870	\$0	\$0	\$1,986,354	\$1,449,048	\$0	\$28,259,680
2023-24	\$11,662,339	\$13,090,551	\$71,387	\$0	\$0	\$1,981,915	\$1,453,826	\$0	\$28,260,019
2024-25	\$11,637,306	\$13,117,053	\$69,918	\$0	\$0	\$1,977,661	\$1,458,420	\$0	\$28,260,359

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

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$11,037,316	\$13,882,948	\$0	\$0	\$0	\$1,875,698	\$1,608,036	\$0	\$28,403,999
2011-12	\$12,063,245	\$13,752,884	\$0	\$0	\$0	\$2,050,046	\$1,652,036	\$0	\$29,518,211
2012-13	\$11,232,828	\$12,715,832	\$875,617	\$0	\$0	\$1,908,924	\$1,298,463	\$0	\$28,031,664
2013-14	\$11,232,828	\$13,439,126	\$152,323	\$0	\$0	\$1,908,924	\$1,500,980	\$0	\$28,234,181
2014-15	\$11,232,828	\$13,444,826	\$146,623	\$0	\$0	\$1,908,924	\$1,502,678	\$0	\$28,235,879
2015-16	\$11,232,828	\$13,450,284	\$141,165	\$0	\$0	\$1,908,924	\$1,504,304	\$0	\$28,237,506
2016-17	\$11,232,828	\$13,455,527	\$135,922	\$0	\$0	\$1,908,924	\$1,505,869	\$0	\$28,239,070
2017-18	\$11,232,828	\$13,460,570	\$130,879	\$0	\$0	\$1,908,924	\$1,507,375	\$0	\$28,240,577
2018-19	\$11,232,828	\$13,465,399	\$126,050	\$0	\$0	\$1,908,924	\$1,508,819	\$0	\$28,242,020
2019-20	\$11,232,828	\$13,470,042	\$121,407	\$0	\$0	\$1,908,924	\$1,510,208	\$0	\$28,243,409
2020-21	\$11,743,945	\$13,474,499	\$0	\$0	\$0	\$1,995,784	\$1,560,041	\$0	\$28,774,268
2021-22	\$11,715,659	\$13,034,248	\$74,371	\$0	\$0	\$1,990,977	\$1,444,088	\$0	\$28,259,342
2022-23	\$11,688,457	\$13,062,950	\$72,870	\$0	\$0	\$1,986,354	\$1,449,048	\$0	\$28,259,680
2023-24	\$11,662,339	\$13,090,551	\$71,387	\$0	\$0	\$1,981,915	\$1,453,826	\$0	\$28,260,019
2024-25	\$11,637,306	\$13,117,053	\$69,918	\$0	\$0	\$1,977,661	\$1,458,420	\$0	\$28,260,359

Table 4 – Value Limit less Project Value with No Limit

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2011-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2012-13	-\$784,710	\$0	\$784,710	\$0	\$0	-\$133,355	-\$90,709	\$0	-\$224,064
2013-14	-\$745,386	\$682,491	\$62,895	\$0	\$0	-\$126,672	\$104,857	\$0	-\$21,815
2014-15	-\$707,737	\$648,289	\$59,448	\$0	\$0	-\$120,274	\$99,659	\$0	-\$20,615
2015-16	-\$671,567	\$615,546	\$56,021	\$0	\$0	-\$114,127	\$94,697	\$0	-\$19,430
2016-17	-\$636,776	\$584,087	\$52,689	\$0	\$0	-\$108,215	\$89,933	\$0	-\$18,282
2017-18	-\$603,464	\$553,828	\$49,636	\$0	\$0	-\$102,554	\$85,331	\$0	-\$17,222
2018-19	-\$571,433	\$524,855	\$46,578	\$0	\$0	-\$97,110	\$80,940	\$0	-\$16,170
2019-20	-\$540,683	\$496,997	\$43,686	\$0	\$0	-\$91,885	\$76,711	\$0	-\$15,173
2020-21	\$0	\$470,252	-\$76,086	\$0	\$0	\$0	\$121,155	\$0	\$515,321
2021-22	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022-23	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023-24	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024-25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 5 - Estimated Financial impact of the EC&R Papalote Creek II, LLC Project Property Value Limitation Request Submitted to GPISD at \$1.17 M&O Tax Rate

School Year	Project Value	Estimated Taxable Value	Value Savings	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits	
2010-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
2011-12	\$103,700,000	\$103,700,000	\$0	\$1,213,290	\$1,213,290	\$0	\$0	\$0	\$0	\$0	
2012-13	\$99,620,000	\$20,000,000	\$79,620,000	\$1,165,554	\$234,000	\$931,554	\$0	\$931,554	-\$224,064	\$707,490	
2013-14	\$95,630,000	\$20,000,000	\$75,630,000	\$1,118,871	\$234,000	\$884,871	\$139,899	\$1,024,770	-\$21,815	\$1,002,954	
2014-15	\$91,810,000	\$20,000,000	\$71,810,000	\$1,074,177	\$234,000	\$840,177	\$139,899	\$980,076	-\$20,615	\$959,461	
2015-16	\$88,140,000	\$20,000,000	\$68,140,000	\$1,031,238	\$234,000	\$797,238	\$139,899	\$937,137	-\$19,430	\$917,706	
2016-17	\$84,610,000	\$20,000,000	\$64,610,000	\$989,937	\$234,000	\$755,937	\$139,899	\$895,836	-\$18,282	\$877,554	
2017-18	\$81,230,000	\$20,000,000	\$61,230,000	\$950,391	\$234,000	\$716,391	\$139,899	\$856,290	-\$17,222	\$839,067	
2018-19	\$77,980,000	\$20,000,000	\$57,980,000	\$912,366	\$234,000	\$678,366	\$139,899	\$818,265	-\$16,170	\$802,095	
2019-20	\$74,860,000	\$20,000,000	\$54,860,000	\$875,862	\$234,000	\$641,862	\$139,899	\$781,761	-\$15,173	\$766,587	
2020-21	\$71,860,000	\$71,860,000	\$0	\$840,762	\$840,762	\$0	\$0	\$0	\$0	\$0	
2021-22	\$68,990,000	\$68,990,000	\$0	\$807,183	\$807,183	\$0	\$0	\$0	\$0	\$0	
2022-23	\$66,230,000	\$66,230,000	\$0	\$774,891	\$774,891	\$0	\$0	\$0	\$0	\$0	
2023-24	\$63,580,000	\$63,580,000	\$0	\$743,886	\$743,886	\$0	\$0	\$0	\$0	\$0	
2024-25	\$61,040,000	\$61,040,000	\$0	\$714,168	\$714,168	\$0	\$0	\$0	\$0	\$0	
				\$13,212,576	\$6,966,180	\$6,246,396	\$979,290	\$7,225,686	-\$352,771	\$6,872,915	
				Tax Credit for Value Over Limit in First 2 Years			2010	2011	Max Credits		
						\$0	\$979,290	\$979,290			
					Credits Earned			\$979,290			
					Credits Paid			\$979,290			
					Excess Credits Unpaid			\$0			

Attachment F

Taxable Value of Property

DATE: 08/28/2009
 TIME: 10:31:40

COMPTROLLER OF PUBLIC ACCOUNTS - PROPERTY TAX ASSISTANCE DIVISION
 2008 ISD SUMMARY WORKSHEET
 205/San Patricio
 205-902/Gregory-Portland CIS

PAGE: 001
 REPT: PTS265
 VRSN: F

CATEGORY	LOCAL TAX ROLL VALUE	2008 WTD MEAN RATIO	2008 PTD VALUE ESTIMATE	2008 VALUE ASSIGNED
A. SINGLE-FAMILY RESIDENCES	698,917,578	1.0111	691,244,761	698,917,578
B. MULTIFAMILY RESIDENCES	55,862,607	.9453	59,095,109	55,862,607
C. VACANT LOTS	28,608,118	N/A	28,608,118	28,608,118
D. RURAL REAL (TAXABLE)	46,544,340	.9993	46,577,734	46,544,340
F1. COMMERCIAL REAL	81,671,124	.9498	85,987,707	81,671,124
F2. INDUSTRIAL REAL	158,526,301	N/A	158,526,301	158,526,301
G. OIL, GAS, MINERALS	62,648,600	N/A	62,648,600	62,648,600
J. UTILITIES	36,263,095	N/A	36,263,095	36,263,095
L1. COMMERCIAL PERSONAL	38,703,591	N/A	38,703,591	38,703,591
L2. INDUSTRIAL PERSONAL	16,542,990	N/A	16,542,990	16,542,990
M. MOBILE HOMES	1,129,481	N/A	1,129,481	1,129,481
N. INTANGIBLE PERS/UNCERT	0	N/A	0	0
O. RESIDENTIAL INVENTORY	2,603,596	N/A	2,603,596	2,603,596
S. SPECIAL INVENTORY	2,277,670	N/A	2,277,670	2,277,670
SUBTOTAL	1,230,299,091		1,230,208,753	1,230,299,091
LESS TOTAL DEDUCTIONS	142,051,530		140,596,244	142,051,530
TOTAL TAXABLE VALUE	1,088,247,561		1,089,612,509	1,088,247,561 T2

CATEGORY D DETAIL	LOCAL TAX ROLL	RATIO	PTD VALUE
MARKET VALUE NON-QUALIFIED ACRES & FARM/RANCH IMP	30,281,422	N/A	30,281,422
PROD VALUE QUALIFIED ACRES	16,262,918	.9980	16,296,312
TAXABLE VALUE	46,544,340		46,577,734

THE TAXABLE VALUES SHOWN HERE WILL NOT MATCH THE VALUES REPORTED BY YOUR APPRAISAL DISTRICT
 SEE THE ISD DEDUCTION REPORT FOR A BREAKDOWN OF DEDUCTION VALUES

DATE: 08/28/2009
 TIME: 10:31:40

COMPTROLLER OF PUBLIC ACCOUNTS - PROPERTY TAX ASSISTANCE DIVISION
 2008 FINAL VALUES WORKSHEET
 205/San Patricio
 205-902/Gregory-Portland CIS

PAGE: 002
 REPT: PTS265
 VRSN: F

GOVERNMENT CODE SUBSECTIONS 403.302 (J) AND (K) REQUIRE THE COMPTROLLER TO CERTIFY ALTERNATIVE MEASURES OF SCHOOL DISTRICT WEALTH (T1, T3, T4, T5 AND T6) IN ADDITION TO THE TRADITIONAL MEASURE (T2). QUESTIONS ABOUT THE EXTENT TO WHICH ANY OF THESE WEALTH MEASURES AFFECT SCHOOL FUNDING SHOULD BE DIRECTED TO THE DIVISION OF STATE FUNDING AT THE TEXAS EDUCATION AGENCY, TELEPHONE #512-463-9238.

T1	T2	T3	T4	T5	T6
1,128,464,027	1,088,247,561	1,128,464,027	1,088,247,561	1,098,505,282	1,098,505,282
LOSS TO THE ADDITIONAL \$10,000 HOMESTEAD EXEMPTION 40,216,466					
50% OF THE LOSS TO THE LOCAL OPTIONAL PERCENTAGE HOMESTEAD EXEMPTION 0					

T1 = SCHOOL DISTRICT TAXABLE VALUE BEFORE THE LOSS TO THE ADDITIONAL \$10,000 HOMESTEAD EXEMPTION
 T2 = SCHOOL DISTRICT TAXABLE VALUE AFTER THE LOSS TO THE ADDITIONAL \$10,000 HOMESTEAD EXEMPTION AND THE TAX CEILING REDUCTION
 T3 = T1 MINUS 50% OF THE LOSS TO THE LOCAL OPTIONAL PERCENTAGE HOMESTEAD EXEMPTION
 T4 = T2 MINUS 50% OF THE LOSS TO THE LOCAL OPTIONAL PERCENTAGE HOMESTEAD EXEMPTION
 T5 = T2 BEFORE THE LOSS TO THE TAX CEILING REDUCTION
 T6 = T5 MINUS 50% OF THE LOSS TO THE LOCAL OPTIONAL PERCENTAGE HOMESTEAD EXEMPTION

THE TAXABLE VALUES SHOWN HERE WILL NOT MATCH THE VALUES REPORTED BY YOUR APPRAISAL DISTRICT

THE PVS FOUND YOUR LOCAL VALUE TO BE VALID, AND LOCAL VALUE WAS CERTIFIED

**** END OF REPORT ****

Attachment G

Participation Agreement

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

by and between

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

and

EC&R PAPALOTE CREEK II, LLC

(Texas Taxpayer ID # 32037132662)

Dated

December 15, 2009

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

STATE OF TEXAS §

COUNTY OF SAN PATRICIO §

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 **GREGORY-PORTLAND 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 **EC&R PAPALOTE CREEK II, LLC**, Texas Taxpayer Identification Number 32037132662 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." Certain capitalized and other terms used in this Agreement shall have the meanings ascribed to them in Section 1.3.

RECITALS

WHEREAS, on July 28, 2009, the Superintendent of Schools of the Gregory-Portland Independent School District, acting as agent of the Board of Trustees of the District (the "Board of Trustees"), received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, on October 14, 2009, in response to a notice of deficiency from the Comptroller, the Superintendent of Schools of the Gregory-Portland Independent School District, acting as agent of the Board of Trustees of the District (the "Board of Trustees"), received from the Applicant a Supplemented Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code; and,

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

WHEREAS, the Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d); and,

WHEREAS, the Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.025(d), and on November 23, 2009 the Comptroller's Office, via letter, recommended that the Application be approved; and,

WHEREAS, the Texas Comptroller of Public Accounts conducted an economic impact evaluation pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, the Board of Trustees has reviewed the economic impact evaluation pursuant to Texas Tax Code § 313.026 and has carefully considered such evaluation; and,

WHEREAS, the Application was reviewed by the San Patricio County Appraisal District established in San Patricio County, Texas (the "San Patricio County Appraisal District"), pursuant to Texas Tax Code § 6.01; and,

WHEREAS, on December 15, 2009, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

WHEREAS, on December 15, 2009, the Board of Trustees made factual findings pursuant to Texas Tax Code § 313.025(f), including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the Limitation on Appraised Value of the Applicant's Qualified Property; (iv) each criterion listed in Texas Tax Code § 313.025(e) has been met; and, (v.) if the job creation requirement set forth in Texas Tax Code § 313.051(b) (*i.e.*, 10 jobs) was applied, for the size and scope of the project described in the Application and in **EXHIBIT 3**, the required number of jobs would exceed the industry standard for the number of employees reasonably necessary for the operation of the facility; and,

WHEREAS, on December 15, 2009, the Board of Trustees determined that the Tax Limitation Amount requested by Applicant, and as defined in Sections 1.2 and 1.3, below, is consistent with the minimum values set out by Tax Code, §§ 313.022(b) and 313.052, as such Tax Limitation Amount was computed for the effective date of this Agreement; and,

WHEREAS, on December 15, 2009, pursuant to the provisions of Texas Tax Code § 313.025(f-1), the Board of Trustees waived the job creation requirement set forth in Texas Tax Code § 313.051(b); and,

WHEREAS, on December 15, 2009, the Board of Trustees approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the Board President and Secretary to execute and deliver such Agreement to the Applicant;

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

ARTICLE I

AUTHORITY, TERM, DEFINITIONS, AND GENERAL PROVISIONS

Section 1.1. AUTHORITY

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

Section 1.2. TERM OF THE AGREEMENT

This Agreement shall commence and first become effective for the ad valorem property valuations of the Qualified Property and Qualified Investments made pursuant to this Agreement beginning with the tax appraisals to be made as of January 1, 2010, which date is referred to herein as the "Commencement Date." The Parties acknowledge that the limitation on the local ad valorem property values shall not commence until the valuations are made as of January 1, 2012, the second anniversary of the Commencement Date. These first two Tax Years that begin on the Commencement Date (*i.e.*, the 2010 and 2011 Tax Years), which together with the period from the date of approval until January 1, 2010 are collectively referred to herein as the "Qualifying Time Period," as that term is defined in Texas Tax Code § 313.021(4). Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2019. Except as otherwise provided herein, this Agreement will terminate, in full, on December 31, 2022. The termination of this Agreement shall not (i) release any obligations, liabilities, rights and remedies arising out of any breach of, or failure to comply with, this Agreement occurring prior to such termination, or (ii) affect the right of a Party to enforce the payment of any amount to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination, so long as the right to such payment survives said termination.

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

Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
1	January 1, 2010	2010-11	2010	No limitation on value. Possible tax credit in future years.

Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
2	January 1, 2011	2011-12	2011	No limitation on value. Possible tax credit in future years.
3	January 1, 2012	2012-13	2012	\$ 20 million property value limitation.
4	January 1, 2013	2013-14	2013	\$ 20 million property value limitation. Possible tax credit due to Applicant.
5	January 1, 2014	2014-15	2014	\$ 20 million property value limitation. Possible tax credit due to Applicant.
6	January 1, 2015	2015-16	2015	\$ 20 million property value limitation. Possible tax credit due to Applicant.
7	January 1, 2016	2016-17	2016	\$ 20 million property value limitation. Possible tax credit due to Applicant.
8	January 1, 2017	2017-18	2017	\$ 20 million property value limitation. Possible tax credit due to Applicant.
9	January 1, 2018	2018-19	2018	\$ 20 million property value limitation. Possible tax credit due to Applicant.
10	January 1, 2019	2019-20	2019	\$20 million property value limitation. Possible tax credit due to Applicant.
11	January 1, 2020	2020-21	2020	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.

12	January 1, 2021	2021-22	2021	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
13	January 1, 2022	2022-23	2022	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.

Section 1.3. DEFINITIONS

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

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

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

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

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

“Annual Limit” means the maximum annual benefit which can be paid directly to the District as a Supplemental Payment under the provisions of Tex. Tax Code §313.027(i). For purposes of this Agreement the amount of the Annual Limit shall be Four Hundred Three Thousand Four Hundred Dollars (\$403,400.00) based upon the District’s 2008-09 Average Daily Attendance of 4,034.441, rounded to the nearest student.

“Applicant” means EC&R Papalote Creek II, LLC, (Texas Taxpayer ID # 32037132662), the company listed in the Preamble of this Agreement who, on July 28, 2009, filed the Original Application and on October 14, 2009 filed a Supplemental Application with the District for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax

Code. The term "Applicant" shall also include the Applicant's assigns and successors-in-interest.

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

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

"Application" means collectively the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) initially filed with the District by the Applicant on July 28, 2009, and the October 14, 2009 Supplemental Application filed with the District.

"Appraisal District" means the San Patricio County Appraisal District.

"Comptroller" means the Texas Comptroller of Public Accounts.

"Comptroller's Rules" means the applicable rules and regulations of the Comptroller set forth at Chapter 34 Texas Administrative Code, together with any court or administrative decisions interpreting same.

"County" means San Patricio County, Texas.

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

"Force Majeure" means a failure caused by (a) provisions of law, or the operation or effect of rules, regulations or orders promulgated by any governmental authority having jurisdiction over the Applicant, the Applicant's Qualified Property or the Applicant's Qualified Investment or any upstream, intermediate or downstream equipment or support facilities as are necessary to the operation of the Applicant's Qualified Property or the Applicant's Qualified Investment; (b) any demand or requisition, arrest, order, request, directive, restraint or

requirement of any government or governmental agency whether federal, state, military, local or otherwise; (c) the action, judgment or decree of any court; (d) floods, storms, hurricanes, evacuation due to threats of hurricanes, lightning, earthquakes, washouts, high water, fires, acts of God or public enemies, wars (declared or undeclared), blockades, epidemics, riots or civil disturbances, insurrections, strikes, labor disputes (it being understood that nothing contained in this Agreement shall require the Applicant to settle any such strike or labor dispute), explosions, breakdown or failure of plant, machinery, equipment, lines of pipe or electric power lines (or unplanned or forced outages or shutdowns of the foregoing for inspections, repairs or maintenance), inability to obtain, renew or extend franchises, licenses or permits, loss, interruption, curtailment or failure to obtain electricity, gas, steam, water, wastewater disposal, waste disposal or other utilities or utility services, inability to obtain or failure of suppliers to deliver equipment, parts or material, or inability of the Applicant to ship or failure of carriers to transport electricity from the Applicant's facilities; or (e) any other cause (except financial), whether similar or dissimilar, over which the Applicant has no reasonable control and which forbids or prevents performance.

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

"Maintain Viable Presence" means the operation over the term of this Agreement of the facility or facilities for which the tax limitation is granted, as the same may from time to time be expanded, upgraded, improved, modified, changed, remodeled, repaired, restored, reconstructed, reconfigured, and/or reengineered and (ii) the retention over the term of this Agreement of not fewer than three (3) Qualifying Jobs to be located and performed within Applicant's entire Wind Energy Project that includes, but is not limited to, Applicant's Qualified Property, as set forth in the Application, when combined with all other jobs created by Applicant for this total Wind Energy Project, with the minimum salaries required by Texas Tax Code § 313.021(3)(E).

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

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

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

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

"Qualifying Time Period" means the period that begins on the date of approval of this Agreement by the District's Board of Trustees and ends on December 31st of the second Tax Year that begins after such date of approval as is defined in Texas Tax Code § 313.021(4)(A).

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

"State" means the State of Texas.

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

"Tax Limitation Amount" means the maximum amount which may be placed as the Appraised Value on Qualified Property/Qualified Investment for years three (3) through ten (10) of this Agreement pursuant to Texas Tax Code § 313.054. That is, for each of the eight (8) Tax Years 2012, 2013, 2014, 2015, 2016, 2017, 2018, and 2019, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed, and the Tax Limitation Amount shall be, the lesser of:

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

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

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

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

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

“Wind Energy Project” means a renewable wind energy electric generation project as defined by Tex. Tax Code § 313.024(b)(5) that enters into an agreement for a limitation on appraised value pursuant to the Texas Economic Development Act (Chapter 313 of the Texas Tax Code).

ARTICLE II

PROPERTY DESCRIPTION

Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE

The Applicant’s Qualified Property upon which the Applicant’s Qualified Investment will be located is within an area designated as a reinvestment zone under Chapter 311 or 312 of the Texas Tax Code . The legal description of the reinvestment zone in which the Applicant’s Qualified Property is located is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

Section 2.2. LOCATION OF QUALIFIED PROPERTY

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

Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT

The Qualified Investment and/or Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 3**, which is attached hereto and incorporated herein by reference for all purposes (“Applicant’s Qualified Investment”). Property which is not specifically described in **EXHIBIT 3** shall not be considered by the District or the Appraisal District to be part of the Applicant’s Qualified Investment for purposes of this Agreement, unless pursuant to Texas Tax Code § 313.027(e) and Section 8.3 of this Agreement, the Board of Trustees, by official action, provides that such other property is a part of the Applicant’s Qualified Investment for purposes of this Agreement.

Section 2.4. QUALIFYING USE

The Applicant's Qualified Investment described above in Section 2.3 qualifies for a tax limitation agreement under Texas Tax Code § 313.024(b)(5) as a renewable energy generation facility.

Section 2.5. APPRAISED VALUE LIMITATION

So long as Applicant makes a Qualified Investment in the amount Twenty Million Dollars (\$20,000,000.00), or greater, during the Qualifying Time Period; and unless this Agreement has been terminated as provided herein before such Tax Year, for each of the eight (8) Tax Years 2012, 2013, 2014, 2015, 2016, 2017, 2018, and 2019, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

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

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

ARTICLE III

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 3.1. INTENT OF THE PARTIES

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in addition to the receipt of payments as set forth below in Article IV of this Agreement, be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement, other than payments as set forth in Article IV. Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the risk of any negative financial consequence to the District in making the decision to enter into this Agreement will be borne by the Applicant and not by the District.

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

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

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

Where:

- i. Original M&O Revenue means the total State and local Maintenance & Operations Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Qualified Property and/or Qualified Investment been subject to the ad valorem maintenance & operations tax.
- ii. New M&O Revenue means the total State and local Maintenance & Operations Revenue that the District actually received for such school year.

In making the calculations required by this Section 3.2:

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

Section 3.3. COMPENSATION FOR LOSS OF OTHER REVENUES

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

- a. all non-reimbursed costs it incurred by the District in paying or otherwise crediting to the account of Applicant, any applicable tax credit to which Applicant may be entitled pursuant to Chapter 313, Subchapter D of the Texas Tax Code, and for which the District does not receive reimbursement from the State pursuant to Texas Educ. Code § 42.2515, or other similar or successor statute.
- b. all non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the project.
- c. any other loss of District revenues which are, or may be attributable to the payment by Applicant to or on behalf any other third party beneficiary.

Section 3.4. CALCULATIONS TO BE MADE BY THIRD PARTY

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") jointly approved each year by the District and the Applicant. If the Parties cannot agree on the Third Party, then the Third Party shall be selected by the mediator provided in Section 7.8 of this Agreement.

Section 3.5. DATA USED FOR CALCULATIONS

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

Section 3.6. DELIVERY OF CALCULATIONS

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 3.4 of this Agreement shall forward to the Parties a certification containing the calculations required under Sections 3.2 and/or 3.3 of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were

made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation and fee for a period of three (3) years after payment. The Applicant shall not be liable for any of Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement or the fee paid by the Applicant to the Third Party pursuant to Section 3.7, if such fee is timely paid.

Section 3.7. PAYMENT BY APPLICANT

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

Section 3.8. RESOLUTION OF DISPUTES

Pursuant to Section 3.4 and Section 3.6, should the Applicant disagree with the certification containing the calculations, the Applicant may appeal the findings, in writing, to the Third Party within fifteen (15) days of receipt of the certification. Within fifteen (15) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Any appeal by the Applicant of the final determination of the Third Party may be made, in writing, to the Gregory-Portland Independent School District Board of Trustees within fifteen (15) days of the final determination.

Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT

In the event that the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed after a final appeal of the valuation or is otherwise changed, once the determination of a new value becomes final, the calculations required by Sections 3.2 and 3.3 of this Agreement will be recomputed by the Third Party using the new valuations. Upon completion of the new calculations, the Third Party shall transmit the new calculations to the Parties. The Party owing funds to the other signatories to this Agreement shall pay any amounts owed within thirty (30) days of receipt of the new calculations from the Third Party.

Section 3.10. EFFECT OF STATUTORY CHANGES

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

ARTICLE IV

SUPPLEMENTAL PAYMENTS

Section 4.1. AMOUNTS EXCLUSIVE OF INDEMNITY AMOUNTS

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the Supplemental Payments set forth in this Article IV. It is the express intent of the Parties that the obligation for Supplemental Payments under this Article IV are separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that payments under Articles III and IV are subject to the limitations contained in Section 5.1.

Section 4.2. SUPPLEMENTAL PAYMENTS TO THE DISTRICT

- (a) For each of years three (Tax Year 2012) through thirteen (Tax Year 2022) of this Agreement, the District shall be entitled to receive as Supplemental Payments an amount equal to forty percent (40%) of the net tax benefit received by the Applicant as a result of this Agreement.
- (b) For purposes of Section 4.2(a), the net tax benefit shall be calculated for each of years three (Tax Year 2012) through thirteen (Tax Year 2022) of this Agreement by determining for such Tax Year (i) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for such Tax Year if this Agreement had not been entered into by the Parties, (ii) adding to the amount determined under clause (i) any Tax Credit received by the Applicant for such Tax Year, and (iii) subtracting from the sum of the amounts determined under clauses (i) and (ii) the sum of (A) all maintenance and operations ad valorem school taxes actually due to the District or any other governmental entity, including the State of Texas, for such Tax Year, plus (B) any payments due to the

District under Article III for such Tax Year. The remainder (which shall not be less than zero) shall be the net tax benefit, to be divided as provided in Section 4.2(a).

- (c) The net tax benefit shall be calculated by the Third Party selected pursuant to Section 3.4.
- (d) The net tax benefit calculations shall be made at the same time and on the same schedule as the calculations made pursuant to Section 3.6.
- (e) Payment of amounts due under this Section 4.2 shall be made at the time set forth in Section 3.7.

Section 4.3. RECALCULATION OF SUPPLEMENTAL PAYMENTS

The Parties agree that the Supplemental Payment amount set forth in Section 4.2 will initially be calculated based upon the then most current estimate of tax savings to the Applicant, which will be made based upon assumptions of student counts, tax collections, and other applicable data. For each of years three (Tax Year 2012) through thirteen (Tax Year 2022) of this Agreement, the Parties shall adjust the Supplemental Payment based upon the following formula:

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

Minus,

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

Multiplied by,

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

Plus,

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

Minus,

Any amounts previously paid to the District under Article III;

Multiplied by,

The number 0.40;

Minus,

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

Section 4.4. ANNUAL LIMITATION ON SUPPLEMENTAL PAYMENTS TO THE DISTRICT

For each year of this Agreement, beginning with year one (Tax Year 2010) and continuing thereafter through year thirteen (Tax Year 2022), the District shall not be entitled to receive Supplemental Payments, computed under Sections 4.2 and 4.3, above, that exceeds the Annual Limit. For each year of this Agreement, the Annual Limit shall be computed as the sum of: (i) the Annual Limit of Four Hundred Three Thousand Four Hundred Dollars (\$403,400.00), and (ii) the difference, if any, between the Annual Limit amount for each prior year and the Supplemental Payments paid to the District under Sections 4.2 and 4.3, above, for all of the prior years of this Agreement.

ARTICLE V

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 5.1. ANNUAL LIMITATION AFTER FIRST THREE YEARS

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year during the term of this Agreement after the 2012 Tax Year, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Articles III and IV with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Section 3.4, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the

payments otherwise due from the Applicant to the District under Articles III and IV shall be reduced until such excess is eliminated.

Section 5.2. OPTION TO CANCEL AGREEMENT

In the event that any payment otherwise due from the Applicant to the District under Article III and/or Section 4.2 with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 5.1 above, then the Applicant shall have the option to terminate this Agreement. The Applicant may exercise such option to cancel this Agreement by notifying the District of its election in writing not later than the July 31 of the year next following the Tax Year with respect to which a reduction under Section 5.1 is applicable. Any cancellation of this Agreement under the foregoing provisions of this Section 5.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred. Upon such termination this Agreement shall terminate and be of no further force or effect; provided, however, that the Parties respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged.

ARTICLE VI

TAX CREDITS

Section 6.1. APPLICANT'S ENTITLEMENT TO TAX CREDITS

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

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

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

Section 6.3. COMPENSATION FOR LOSS OF TAX CREDIT PROTECTION REVENUES

If after the Applicant has actually received the benefit of a tax credit under Section 6.1, the District does not receive aid from the State pursuant to Texas Education Code § 42.2515 or other similar or successor statute with respect to all or any portion of such tax credit for reasons other than the District's failure to comply with the requirements for obtaining such aid, then the District shall notify the Applicant in writing thereof and the circumstances surrounding the State's failure to provide such aid to the District. The Applicant shall pay to the District the

amount of such tax credit for which the District did not receive such aid within thirty (30) calendar days after receipt of such notice, and such payment shall be subject to the same provisions for late payment as are set forth in Section 7.5 and 7.6. If the District receives aid from the State for all or any portion of a tax credit with respect to which the Applicant has made a payment to the District under this Section 6.3, then the District shall pay to the Applicant the amount of such aid within thirty (30) calendar days after the District's receipt thereof.

ARTICLE VII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 7.1. DATA REQUESTS

During the term of this Agreement, and upon the written request of one Party (the "Requesting Party"), the other Party shall provide the Requesting Party with all information reasonably necessary for the Requesting Party to determine whether the other Party is in compliance with its obligations, including any employment obligations which may arise under this Agreement. The Applicant shall allow authorized employees of the District and/or the San Patricio County Appraisal District to have access to the Applicant's Qualified Property and/or business records during the term of this Agreement, 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 and any other tangible property on the premises. 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. 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 or the San Patricio County Appraisal District with any technical or business information that is private personnel data, proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party.

Section 7.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES

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

Section 7.3 SUPPORT FOR DISTRICT TECHNICAL TRAINING PROGRAM

Applicant shall, during the entire course of this Agreement, provide support for the District's technical training program for the education and development of technical skills necessary for individuals seeking employment in the wind energy industry. Such support shall, at a minimum, consist of:

- (a) Conferring with the District for the purpose of identifying opportunities for employees of Applicant to participate in technical training programs operated by the District for the benefit of its students, and programs sponsored by the District;
- (b) Disseminating technical information, at conferences with Applicant's employees to enhance the relevance of the District's training program;
- (c) Providing a reasonable opportunity for groups of students of the District to make Applicant sponsored tours of its facilities at times convenient to Applicant and the District and consistent with Applicant's safety and security policies; and,
- (d) Considering qualified graduates of the District's technical training program and/or graduates of programs sponsored by the District for available positions with Applicant.

Section 7.4. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE

By entering into this Agreement, the Applicant warrants that:

- (a) it will abide by all of the terms of the Agreement;
- (b) it will Maintain Viable Presence in the District through the 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 (as hereinafter defined), provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure; and,
- (c) it will meet minimum eligibility requirements under Tax Code, Chapter 313 throughout the value limitation and tax-credit settle-up periods.

Applicant shall not be in breach of this Agreement for the Failure to Maintain a Viable Presence in the District for the failure to employ the required number of Qualified Employees, so long as Applicant, in the event of such failure, tenders and pays in a timely manner, the penalty imposed by the provisions of Tex. Tax Code § 313.0275.

Section 7.5. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT

(a) In the event that the Applicant terminates this Agreement without the consent of the District, except as provided in Section 5.2, or in the event that the Applicant or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, after the notice and cure period provided by Section 7.7, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, as calculated in accordance with Section 7.6, on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV.

(b) Notwithstanding Section 7.5(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of the Agreement, then the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of such termination notice. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem taxes for all of the Tax Years for which a Tax Limitation was granted pursuant to this Agreement prior to the year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 7.6. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV. Upon payment of such liquidated damages, Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

Section 7.6. CALCULATION OF PENALTY AND INTEREST

In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 7.5 for each Tax Year during the term of this Agreement since the Commencement Date. The District shall calculate penalty or interest for each Tax Year during the term of this Agreement since the Commencement Date in accordance with the methodology set forth in Chapter 33 of the Texas Tax Code, as if the base amount calculated for such Tax Year less all credits under Section 7.5 had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute.

Section 7.7. DETERMINATION OF BREACH

Prior to making a determination that the Applicant has failed to Maintain Viable Presence in the District as required by Section 7.4 of this Agreement, or has otherwise committed a material breach of this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the material breach of this Agreement, and if cure is possible, the cure proposed by the District. After receipt of the notice, Applicant shall be given sixty (60) days to present any facts or arguments to the Board of Trustees showing that it is not in material breach of its obligations under the Agreement, or that it has cured or undertaken to cure any such material breach.

If the Board of Trustees is not satisfied with such response and/or that such breach has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such breach has occurred and, if so, whether such breach has been cured. At any such hearing, the Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to whether or not a material breach of this Agreement has occurred, the date such breach occurred, if any, and whether or not any such breach has been cured. In the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall also determine the amounts of recaptured taxes under Section 7.5 (net of all credits under Section 7.5), and the amount of any penalty and/or interest under Section 7.6 that are owed to the District.

After making its determination regarding any alleged breach, the Board of Trustees shall cause the Applicant to be notified in writing of its determination.

Section 7.8. DISPUTE RESOLUTION

After receipt of notice of the Board of Trustee's determination of a material breach under Section 7.7, the Applicant shall have sixty (60) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within sixty (60) days after the Applicant's receipt of notice of the Board of Trustee's determination of breach under Section 7.7, 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 residing in San Patricio County, Texas. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator's fees and expenses and the Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such sixty (60) days, the District shall have the remedies for the collection of the amounts determined under Section 7.7 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney's fees and a tax lien on the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Texas Tax Code § 33.07 to the attorneys representing the District pursuant to Texas Tax Code § 6.30.

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

Section 7.9. LIMITATION OF OTHER DAMAGES

Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, the District's damages for such a default shall under no circumstances exceed the greater of either any amounts calculated under Sections 7.5 and 7.6 above, or the monetary sum of the difference between the payments and credits due and owing to the Applicant at the time of such default and the District taxes that would have been lawfully payable to the District had this Agreement not been executed. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

The Parties further agree that the limitation of damages and remedies set forth in this Section 7.9 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 7.10. BINDING ON SUCCESSORS

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

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. INFORMATION AND NOTICES

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

Notices to the District shall be addressed as follows:

Superintendent Dr. Paul Clore
GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
608 College Street
Gregory-Portland, Texas 78390-2702
Fax (361) 777-1093
Email: PClore@g-pisd.org

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

Notices to the Applicant shall be addressed to:

Robert Blunt, IV
Director of Development
EC&R PAPALOTE CREEK II, LLC
812 San Antonio, Suite 201
Austin, Texas 78701
Fax: (512) 494-9581
E-mail: Bobby.Blunt@eon.com

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

Section 8.2. EFFECTIVE DATE, TERMINATION OF AGREEMENT

- (a) This Agreement shall be and become effective on the date of final approval of this Agreement by the District's Board of Trustees,

- (b) The obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the termination in full date established in Section 1.2 of this Agreement.
- (c) In the event that Applicant fails to make a Qualified Investment in the amount of Twenty Million Dollars (\$20,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2011.

Section 8.3. AMENDMENTS TO AGREEMENT; WAIVERS

This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Waiver of any term, condition or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition or provision, or a waiver of any other term, condition or provision of this Agreement. By official action of the Board of Trustees, this Agreement may be amended to include, in the Applicant's Qualified Investment, additional or replacement Qualified Property not specified in **EXHIBIT 3**, provided that the Applicant reports to the District, the Comptroller, and the Appraisal District, in the same format, style, and presentation as the Application, all relevant investment, value, and employment information that is related to the additional property. Any amendment of the Agreement adding additional or replacement Qualified Property pursuant to this Section 8.3 shall, (1) require that all property added by amendment be eligible property as defined by Tax Code, §313.024; (2) clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and (3) define minimum eligibility requirements for the recipient of limited value. This Agreement may not be amended to extend the value limitation time period beyond its eight year statutory term.

Section 8.4. ASSIGNMENT

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

Section 8.5. MERGER

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

Section 8.6. MAINTENANCE OF COUNTY APPRAISAL DISTRICT RECORDS

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

Section 8.7. GOVERNING LAW

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

Section 8.8. AUTHORITY TO EXECUTE AGREEMENT

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

Section 8.9. SEVERABILITY

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

department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 8.10. PAYMENT OF EXPENSES

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

Section 8.11. INTERPRETATION

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

Section 8.12. EXECUTION OF COUNTERPARTS

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute but one and the same instrument, which may be sufficiently evidenced by one counterpart.

Section 8.13. PUBLICATION OF DOCUMENTS

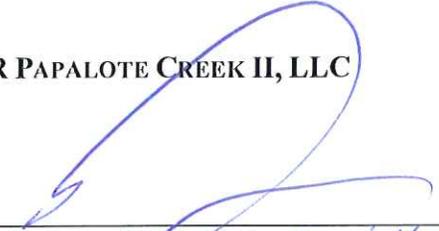
The Parties acknowledge that the District is required to publish the Application and its required schedules, or any amendment thereto; all economic analyses of the proposed project submitted to the District; the approved and executed copy of this Agreement or any amendment thereto; and each application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

- a. Within seven days of such document, the school district shall submit a copy to the Comptroller for Publication on the Comptroller's Internet website.
- b. District shall provide on its website a link to the location of those documents posted on the Comptroller's website.
- c. This Section does not require the Publication of information that is confidential under Tex. Tax Code § 313.028.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 15th day of December, 2009.

EC&R PAPALOTE CREEK II, LLC

By:



ROBERT BLUNT, IV
VICE PRESIDENT DEVELOPMENT
EC&R PAPALOTE CREEK II, LLC

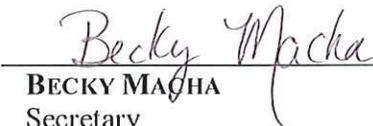
GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

By:



REYNALDO ROJAS
President
Board of Trustees

ATTEST:



BECKY MACHA
Secretary
Board of Trustees



EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

The *San Patricio County Reinvestment Zone* was originally created on July 27, 2009 by action of the San Patricio County Commissioner's Court. A map of the *San Patricio County Reinvestment Zone* is attached as the last page of this **EXHIBIT 1**. The *San Patricio County Reinvestment Zone* includes real property within unincorporated San Patricio County, Texas, more specifically the following property and tracks.

- All of the real property located in San Patricio County and contained in sections 3, 4, 5, 6, 7, 8, 16, 17, 18, 19, 20, 21, 29, 30, 31, 32, 33, 34, 38, 42, 43, 44, 45, 46, 47, 50, 51, 52, 53, 54, 55, 57, 58, 59, 60, 61, 62, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 78, 79, 80, 81, 82, 83, 84, 90 George H. Paul Subdivision, Coleman Fulton Pasture Company Survey, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in lots 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, of the Drummond Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, of the Roos Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Abstract 13 7, J.A.F. Gravis Survey; Abstract 133, S.S. Gillette Survey; Abstract 400, M. Hunt Survey; Abstract 168, Edward Nelson Survey; Abstract 206, William Martin Survey; Abstract 205, W.W. Bell Survey; Abstract 53, S.M. Edwards Survey; Abstract 112, H. Shelton Survey; Abstract 248, T.N. Seguin Survey; Abstract 247, G.W. Fulton Survey, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Abstract 127 and Abstract A125, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 15, 16, of the Second Addition of the Gregory-Portland Farm Lands Second Subdivision, San Patricio County, Texas
- All of the real property located in San Patricio County and contained in sections 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 of the Third Addition of the Gregory-Portland Farm Lands Third Subdivision, San Patricio County, Texas.

- All of the real property located in San Patricio County and contained in sections 26, 27, 28, 29 of the Fourth Addition of the Gregory-Portland Farm Lands Fourth Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in sections 60, 61, 62, 63 of the Fifth Addition of the Gregory-Portland Farm Lands Fifth Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Block 3 of the First Addition of the Gregory-Portland Farm Lands First Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Blocks 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17 of the Gregory-Portland Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in sections I, J, K, L, M, N of the George H. Paul Subdivision of Coleman-Fulton Pasture Company's Lands, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Blocks A, D, E, F, H of the Gregory Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Lots 1, 2, 3, 5, 6, 7, 8, 9, 10 in Block B of the Gregory Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Lots 1, 2, in Block C of the Gregory Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Tracts 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22 in the Rincon Subdivision of the George H. Paul Subdivision of Coleman-Fulton Pasture Company's Lands, San Patricio County, Texas.
- All the real property located in San Patricio County and contained in Blocks A, B1, B2, C, D, E, F, of the Resurvey of Partition of J.S.M. McKamey Estate, 3/39, P.R.S.P.C., San Patricio County, Texas
- All of the real property located in San Patricio County and contained in Abstract 209, John Orrick Survey; Abstract 259, Sam & G R.R. Survey; Abstract 135, John Gibbs Survey; Abstract 269, Geronimo Valdez Survey; Abstract 180, John Keating Survey; Abstract 394, John M. Swisher Survey; Abstract 231, George Sargent Survey; Abstract 113, Levi English Survey; Abstract 128, Maricelo Garcia; Abstract 158, C.C. Hornsby Survey; Abstract 192, P. Mahoney Survey; and Abstract 278, Robert M. Williamson Survey, San Patricio County, Texas

EXHIBIT 2

LOCATION OF QUALIFIED PROPERTY

All Qualified Property owned by Applicant and located within the boundaries of both the Gregory-Portland Independent School District and *San Patricio County Reinvestment Zone* will be included in and subject to this Agreement. Specifically, all Qualified Property of Applicant located in the following sections of land is included, to wit:

- All of the real property located in San Patricio County and contained in sections 3, 4, 5, 6, 7, 8, 16, 17, 18, 19, 20, 21, 29, 30, 31, 32, 33, 34, 38, 42, 43, 44, 45, 46, 47, 50, 51, 52, 53, 54, 55, 57, 58, 59, 60, 61, 62, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 78, 79, 80, 81, 82, 83, 84, 90 George H. Paul Subdivision, Coleman Fulton Pasture Company Survey, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in lots 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, of the Drummond Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, of the Roos Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Abstract 13 7, J.A.F. Gravis Survey; Abstract 133, S.S. Gillette Survey; Abstract 400, M. Hunt Survey; Abstract 168, Edward Nelson Survey; Abstract 206, William Martin Survey; Abstract 205, W.W. Bell Survey; Abstract 53, S.M. Edwards Survey; Abstract 112, H. Sheltin Survey; Abstract 248, T.N. Seguin Survey; Abstract 247, G.W. Fulton Survey, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Abstract 127 and Abstract A125, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 15, 16, of the Second Addition of the Gregory-Portland Farm Lands Second Subdivision, San Patricio County, Texas
- All of the real property located in San Patricio County and contained in sections 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 of the Third Addition of the Gregory-Portland Farm Lands Third Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in sections 26, 27, 28, 29 of the Fourth Addition of the Gregory-Portland Farm Lands Fourth Subdivision, San Patricio County, Texas.

- All of the real property located in San Patricio County and contained in sections 60, 61, 62, 63 of the Fifth Addition of the Gregory-Portland Farm Lands Fifth Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Block 3 of the First Addition of the Gregory-Portland Farm Lands First Subdivision, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Blocks 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17 of the Gregory-Portland Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in sections I, J, K, L, M, N of the George H. Paul Subdivision of Coleman-Fulton Pasture Company's Lands, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Blocks A, D, E, F, H of the Gregory Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Lots 1, 2, 3, 5, 6, 7, 8, 9, 10 in Block B of the Gregory Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Lots 1, 2, in Block C of the Gregory Farm Blocks, San Patricio County, Texas.
- All of the real property located in San Patricio County and contained in Tracts 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22 in the Rincon Subdivision of the George H. Paul Subdivision of Coleman-Fulton Pasture Company's Lands, San Patricio County, Texas.
- All the real property located in San Patricio County and contained in Blocks A, B1, B2, C, D, E, F, of the Resurvey of Partition of J.S.M. McKamey Estate, 3/39, P.R.S.P.C., San Patricio County, Texas
- All of the real property located in San Patricio County and contained in Abstract 209, John Orrick Survey; Abstract 259, Sam & G R.R. Survey; Abstract 135, John Gibbs Survey; Abstract 269, Geronimo Valdez Survey; Abstract 180, John Keating Survey; Abstract 394, John M. Swisher Survey; Abstract 231, George Sargent Survey; Abstract 113, Levi English Survey; Abstract 128, Maricelo Garcia; Abstract 158, C.C. Hornsby Survey; Abstract 192, P. Mahoney Survey; and Abstract 278, Robert M. Williamson Survey, San Patricio County, Texas

EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT

The proposed project will consist of a facility designed to use wind power to generate electricity (commonly referred to as a wind farm). The property will include, but is not limited to, the following: up to approximately 47 – 2.3 megawatt wind power turbine generators; or equivalent; a reinforced concrete slab supporting the weight of each turbine tower; equipment and towers used to gather meteorological data; buried and overhead electrical conductor cables (including poles) used to transport electricity from each turbine tower to an electrical substation; the electrical substation and electrical conductor cables used to transport electricity off of the project site; one or more buildings used to hold maintenance supplies, replacement parts, and related equipment; and various appurtenant equipment and small items related to the above. All of the property for which the Applicant is seeking a limitation on appraised value will be owned by the Applicant or a valid assignee pursuant to this Agreement. The facility will also require a relatively insubstantial amount of personal property.

Attachment H

December 8th, 2009 EC&R Letter
&
Revised Finance Report



Climate &
Renewables

December 8, 2009

Gregory-Portland ISD
c/o Kevin O'Hanlon
O'HANLON & ASSOCIATES
808 West Ave.
Austin, Texas 78701

**E.ON Climate & Renewables
North America Inc.**
812 San Antonio Street
Suite 201
Austin, TX 78701
U.S.A.
www.eon.com

*Re: Application for Ch. 313 Appraised Value Limitation Agreement,
as filed by EC&R Development, LLC (July 28, 2009)*

Dear Mr. O'Hanlon:

EC&R Development, LLC ("EON" or "we") hereby provides this notice of a modification to the wind turbine layout on the proposed wind energy project, Papalote Creek Phase II, which will result in an adjustment to the total investment amount that may be installed in the Gregory-Portland ISD.

Based on our most current construction planning, aviation and turbine efficiency considerations, the adjustments to the layout will, if constructed, result in a total of 30 wind turbine generators (69 MW at an estimated value of \$69.0 million) installed in your District.

Please feel free to contact me should you have any questions.

Respectfully submitted,

Bobby Blunt
VP, Development
512-482-4033

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED EC&R
PAPALOTE CREEK II, LLC PROJECT ON THE FINANCES OF
GREGORY-PORTLAND ISD UNDER A REQUESTED CHAPTER
313 PROPERTY VALUE LIMITATION**

December 10, 2009

**Final Report
(Revised-\$69 million Investment)**

PREPARED BY



Estimated Impact of the Proposed EC&R Papalote Creek II, LLC Project on the Finances of Gregory-Portland ISD under a Requested Chapter 313 Property Value Limitation

Introduction

EC&R Papalote Creek II, LLC (EC&R) has requested that the Gregory-Portland Independent School District (G-PISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new renewable electric wind generation project. An application was submitted to G-PISD on July 28, 2009. In the original application, EC&R proposed to invest \$108.1 million to construct a new wind energy project in G-PISD. An EC&R letter dated December 8, 2009, however, revised the estimates for the G-PISD Papalote Creek II project. The current construction planning suggests that a total of 39 wind turbine generators will be installed at a total investment of \$69 million, not \$108.1 million. This report revises the initial school finance impact study conducted by Moak, Casey & Associates.

The EC&R 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, the original language in Chapter 313 of the Tax Code made companies engaged in manufacturing, research and development, and renewable electric energy production eligible 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.

School Finance Mechanics

Under the provisions of Chapter 313, G-PISD may offer a minimum value limitation of \$20 million. Based on the application and adjustments to the construction plans, the qualifying time period would begin with the 2010-11 school year. The full taxable value of the investment is expected to reach \$69 million in 2011-12, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

The provisions of Chapter 313 call for the project to be fully taxable in the 2010-11 and 2011-12 school years, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2010-11 and 2011-12 school years. Beginning in 2012-13, the project would go on the local tax roll at \$20 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with G-PISD currently levying a \$0.190 I&S tax rate.

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct their property value study and

now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value. The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

Under the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the third year was typically problematical for a school district that approved a Chapter 313 value limitation. Based on the data provided in the December 8th letter, EC&R indicates that \$69 million in taxable value would be in place in the second year under the agreement. In year three (2012-13) of the agreement, the project is expected to go on the tax roll at \$20 million or, if applicable, a higher value limitation amount approved by the G-PISD Board of Trustees. This difference would result in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant in the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state property values are aligned with the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

HB 1 established a "target" revenue system per student that has the effect of largely neutralizing the third-year revenue losses associated with Chapter 313 property value limitations, at least up to a district's compressed M&O tax rate. The additional four to six cents of tax effort that a district may levy are subject to an enriched level of equalization (or no recapture in the case of Chapter 41 school district) and operate more like the pre-HB 1 system. A value limitation must be analyzed for any potential revenue loss associated with this component of the M&O tax levy. For tax effort in excess of the compressed plus six cents rate, equalization and recapture occur at the level of \$319,500 per weighted student in average daily attendance (WADA).

Under HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point is the target revenue provisions from HB 1, that are then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure. An additional \$120 per WADA guarantee is then added to the recalculated target revenue amount.

School districts do have the potential to earn revenue above the \$120 per WADA level under HB 3646, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 700 school districts are funded at the minimum \$120 per WADA level, while approximately 300 school districts are expected to generate higher revenue amounts per WADA. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district's base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system.

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

Underlying Assumptions

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

The approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. While the new target revenue system appears to limit the impact of property value changes for a majority of school districts, changes in underlying property value growth have the potential to influence the revenue stream of a number of school districts.

Student enrollment counts are held constant at 3,819 students in average daily attendance (ADA) in analyzing the effects of the EC&R project on the finances of G-PISD. This represents about a 200-student decrease from the 2008-09 school year, in part a function of the closing of the nearby Naval Station Ingleside. (The original estimates of enrollment decreases due to the Base closure totaled nearly 600 students.) The District's local tax base reached \$1.2 billion for the 2009 tax year. While the district's tax base has experienced steady growth in recent years, it appears to be slowing and the underlying \$1.2 billion taxable value for 2009-10 is maintained for the forecast period in order to isolate the effects of the property value limitation. G-PISD is not a property-wealthy district, with wealth per weighted ADA or WADA expected to average \$225,167 for the 2010-11 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for G-PISD under the assumptions outlined above through the 2024-25 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin ISD yields that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed EC&R project to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A third model is developed which adds the EC&R value but imposes the proposed property value limitation effective in the third year, which in this case is the 2012-13 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). An M&O tax rate of \$1.17 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$28 million a year in net General Fund revenue, after property wealth equalization and other adjustments have been made.

Under these assumptions, G-PISD would experience a revenue loss as a result of the implementation of the value limitation in the 2012-13 school year (-\$134,075). There are two major sources of this reduction: (1) a reduction of \$77,523 in M&O tax collections for tax effort

above the \$1.00 M&O compressed rate; and (2) reduced state aid of \$56,552 in response to the lower M&O tax effort that results from the implementation of the value limitation. These differences begin to roughly balance out in 2013-14 and in the years that follow under the value limitation.

One change that has been incorporated into these models is a more precise estimate of the deduction from the property value study conducted by the Comptroller's Office. At the school district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes; and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller's Office, a single deduction amount is calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. This methodology has been incorporated into these estimates and a typical result is an increase in the hold-harmless formula amounts owed to the school district by the company that receives the value limitation. The extent to which this affects a school district's finances appears to be influenced by the scale of the value limitation reduction relative to the district's underlying tax base, as well as its I&S tax rate. In the case of G-PISD, the calculated lower reduction in the state property value relative to the M&O benefit to be received by the taxpayer does not appear to be substantial. In large part this results because the underlying tax base is substantially larger than the proposed project.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.17 per \$100 of taxable value M&O rate is assumed in 2010-11 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$3.5 million over the life of the agreement. In addition, EC&R would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13, if necessary. The tax credits for the EC&R project are expected to total approximately \$573,300 over the life of the agreement, with no unpaid tax credits anticipated. (Tax credits to the company are reimbursed by the state.) The key G-PISD revenue losses are associated with changes in enrichment funding for tax effort in excess of the \$1.00 compressed M&O tax rate, as noted previously, which are expected to total approximately -\$199,377 over the course of the agreement. The potential total net tax benefits are estimated to reach \$3.9 million over the life of the agreement.

Facilities Funding Impact

The EC&R project remains fully taxable for debt services taxes, with G-PISD currently levying a \$0.190 I&S rate. The value of the EC&R project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA. The additional value is expected to reduce the district's I&S tax rate by less than \$0.01 to \$0.185. The property wealth per WADA for G-PISD with this value still falls

below the equalization provided by the \$35 yield provided for under the Existing Debt Allotment (EDA).

The EC&R project is not expected to affect G-PISD in terms of enrollment. Continued expansion of the renewable energy industry could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis. In terms of school facilities, the closure of Naval Station Ingleside is expected to prompt some reduction in enrollment in G-PISD, although it is hoped that this phenomenon is short-lived.

Conclusion

The proposed EC&R wind energy project enhances the tax base of G-PISD. It reflects continued capital investment in renewable electric energy generation, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$3.9 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District. The additional value is expected to reduce the District's I&S tax rate by less than \$0.01 to \$0.185 in the 2011-12 school year.

Table 1 – Base District Information with EC&R Papatote Creek II, LLC Project Value and Limitation Values

School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTAD with Project	CPTAD With Limitation	CPTAD Value with Project per WADA	CPTAD Value with Limitation per WADA
2010-11	3,819.00	4,890.12	\$1.1700	\$0.1900	\$1,156,862,116	\$1,156,862,116	\$1,101,093,542	\$1,101,093,542	\$225,167	\$225,167
2011-12	3,819.00	4,890.12	\$1.1700	\$0.1780	\$1,225,862,116	\$1,225,862,116	\$1,114,091,161	\$1,114,091,161	\$227,825	\$227,825
2012-13	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,223,147,362	\$1,176,862,116	\$1,183,091,161	\$1,183,091,161	\$241,935	\$241,935
2013-14	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,220,492,492	\$1,176,862,116	\$1,180,376,407	\$1,140,703,339	\$241,380	\$233,267
2014-15	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,217,950,737	\$1,176,862,116	\$1,177,721,537	\$1,140,324,072	\$240,837	\$233,189
2015-16	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,215,508,789	\$1,176,862,116	\$1,175,179,782	\$1,139,960,964	\$240,317	\$233,115
2016-17	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,213,159,994	\$1,176,862,116	\$1,172,737,834	\$1,139,612,114	\$239,818	\$233,044
2017-18	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,210,911,007	\$1,176,862,116	\$1,170,389,039	\$1,139,276,572	\$239,337	\$232,975
2018-19	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,208,748,519	\$1,176,862,116	\$1,168,140,052	\$1,138,955,288	\$238,877	\$232,909
2019-20	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,206,672,531	\$1,176,862,116	\$1,165,977,564	\$1,138,646,361	\$238,435	\$232,846
2020-21	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,204,676,388	\$1,204,676,388	\$1,163,901,576	\$1,138,349,792	\$238,011	\$232,786
2021-22	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,202,766,745	\$1,202,766,745	\$1,161,905,433	\$1,161,905,433	\$237,603	\$237,603
2022-23	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,200,930,293	\$1,200,930,293	\$1,159,995,790	\$1,159,995,790	\$237,212	\$237,212
2023-24	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,199,167,034	\$1,199,167,034	\$1,158,159,338	\$1,158,159,338	\$236,836	\$236,836
2024-25	3,819.00	4,890.12	\$1.1700	\$0.1950	\$1,197,476,967	\$1,197,476,967	\$1,156,396,079	\$1,156,396,079	\$236,476	\$236,476

*Tier II Yield: \$48.19; AISD Yield: \$59.97; Equalized Wealth: \$481,900 per WADA

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

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$11,037,316	\$13,882,948	\$0	\$0	\$0	\$1,875,698	\$1,608,036	\$0	\$28,403,999
2011-12	\$11,721,252	\$13,752,884	\$0	\$0	\$0	\$1,991,927	\$1,626,801	\$0	\$29,092,864
2012-13	\$11,689,002	\$13,062,850	\$72,426	\$0	\$0	\$1,986,446	\$1,449,087	\$0	\$28,259,811
2013-14	\$11,662,836	\$13,089,999	\$71,442	\$0	\$0	\$1,982,000	\$1,453,727	\$0	\$28,260,004
2014-15	\$11,637,785	\$13,116,549	\$69,943	\$0	\$0	\$1,977,743	\$1,458,333	\$0	\$28,260,353
2015-16	\$11,613,718	\$13,141,968	\$68,591	\$0	\$0	\$1,973,653	\$1,462,733	\$0	\$28,260,664
2016-17	\$11,590,569	\$13,166,388	\$67,320	\$0	\$0	\$1,969,719	\$1,466,959	\$0	\$28,260,955
2017-18	\$11,568,404	\$13,189,877	\$65,997	\$0	\$0	\$1,965,952	\$1,471,037	\$0	\$28,261,267
2018-19	\$11,547,091	\$13,212,368	\$64,818	\$0	\$0	\$1,962,330	\$1,474,932	\$0	\$28,261,540
2019-20	\$11,526,631	\$13,233,994	\$63,653	\$0	\$0	\$1,958,853	\$1,478,682	\$0	\$28,261,813
2020-21	\$11,506,957	\$13,254,755	\$62,565	\$0	\$0	\$1,955,510	\$1,482,279	\$0	\$28,262,067
2021-22	\$11,488,136	\$13,274,718	\$61,423	\$0	\$0	\$1,952,311	\$1,485,751	\$0	\$28,262,340
2022-23	\$11,470,037	\$13,293,815	\$60,425	\$0	\$0	\$1,949,235	\$1,489,062	\$0	\$28,262,575
2023-24	\$11,452,659	\$13,312,181	\$59,438	\$0	\$0	\$1,946,282	\$1,492,249	\$0	\$28,262,809
2024-25	\$11,436,002	\$13,329,814	\$58,461	\$0	\$0	\$1,943,451	\$1,495,314	\$0	\$28,263,043

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

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$11,037,316	\$13,882,948	\$0	\$0	\$0	\$1,875,698	\$1,608,036	\$0	\$28,403,999
2011-12	\$11,721,252	\$13,752,884	\$0	\$0	\$0	\$1,991,927	\$1,626,801	\$0	\$29,092,864
2012-13	\$11,232,828	\$13,062,850	\$528,599	\$0	\$0	\$1,908,924	\$1,392,535	\$0	\$28,125,737
2013-14	\$11,232,828	\$13,486,749	\$104,700	\$0	\$0	\$1,908,924	\$1,515,215	\$0	\$28,248,417
2014-15	\$11,232,828	\$13,490,542	\$100,907	\$0	\$0	\$1,908,924	\$1,516,354	\$0	\$28,249,556
2015-16	\$11,232,828	\$13,494,173	\$97,276	\$0	\$0	\$1,908,924	\$1,517,445	\$0	\$28,250,647
2016-17	\$11,232,828	\$13,497,662	\$93,787	\$0	\$0	\$1,908,924	\$1,518,494	\$0	\$28,251,695
2017-18	\$11,232,828	\$13,501,018	\$90,431	\$0	\$0	\$1,908,924	\$1,519,503	\$0	\$28,252,705
2018-19	\$11,232,828	\$13,504,231	\$87,218	\$0	\$0	\$1,908,924	\$1,520,471	\$0	\$28,253,672
2019-20	\$11,232,828	\$13,507,320	\$84,129	\$0	\$0	\$1,908,924	\$1,521,401	\$0	\$28,254,602
2020-21	\$11,506,957	\$13,510,286	\$0	\$0	\$0	\$1,955,510	\$1,551,666	\$0	\$28,524,419
2021-22	\$11,488,136	\$13,274,718	\$61,423	\$0	\$0	\$1,952,311	\$1,485,751	\$0	\$28,262,340
2022-23	\$11,470,037	\$13,293,815	\$60,425	\$0	\$0	\$1,949,235	\$1,489,062	\$0	\$28,262,575
2023-24	\$11,452,659	\$13,312,181	\$59,438	\$0	\$0	\$1,946,282	\$1,492,249	\$0	\$28,262,809
2024-25	\$11,436,002	\$13,329,814	\$58,461	\$0	\$0	\$1,943,451	\$1,495,314	\$0	\$28,263,043

Table 4 – Value Limit less Project Value with No Limit

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2011-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2012-13	-\$456,173	\$0	\$456,173	\$0	\$0	-\$77,523	-\$56,552	\$0	-\$134,075
2013-14	-\$430,008	\$396,750	\$33,258	\$0	\$0	-\$73,076	\$61,488	\$0	-\$11,588
2014-15	-\$404,957	\$373,993	\$30,964	\$0	\$0	-\$68,819	\$58,021	\$0	-\$10,798
2015-16	-\$380,890	\$352,205	\$28,685	\$0	\$0	-\$64,729	\$54,712	\$0	-\$10,017
2016-17	-\$357,741	\$331,274	\$26,467	\$0	\$0	-\$60,795	\$51,535	\$0	-\$9,260
2017-18	-\$335,575	\$311,141	\$24,434	\$0	\$0	-\$57,028	\$48,466	\$0	-\$8,562
2018-19	-\$314,263	\$291,863	\$22,400	\$0	\$0	-\$53,406	\$45,538	\$0	-\$7,868
2019-20	-\$293,802	\$273,326	\$20,476	\$0	\$0	-\$49,929	\$42,719	\$0	-\$7,210
2020-21	\$0	\$255,531	-\$62,565	\$0	\$0	\$0	\$69,386	\$0	\$262,352
2021-22	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022-23	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023-24	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024-25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 5 - Estimated Financial impact of the EC&R Papalote Creek II, LLC Project Property Value Limitation Request Submitted to G-PISD at \$1.17 M&O Tax Rate

School Year	Project Value	Estimated Taxable Value	Value Savings	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
2010-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2011-12	\$69,000,000	\$69,000,000	\$0	\$807,300	\$807,300	\$0	\$0	\$0	\$0	\$0
2012-13	\$66,285,246	\$20,000,000	\$46,285,246	\$775,537	\$234,000	\$541,537	\$0	\$541,537	-\$134,075	\$407,463
2013-14	\$63,630,376	\$20,000,000	\$43,630,376	\$744,475	\$234,000	\$510,475	\$81,900	\$592,375	-\$11,588	\$580,788
2014-15	\$61,088,621	\$20,000,000	\$41,088,621	\$714,737	\$234,000	\$480,737	\$81,900	\$562,637	-\$10,798	\$551,839
2015-16	\$58,646,673	\$20,000,000	\$38,646,673	\$686,166	\$234,000	\$452,166	\$81,900	\$534,066	-\$10,017	\$524,049
2016-17	\$56,297,878	\$20,000,000	\$36,297,878	\$658,685	\$234,000	\$424,685	\$81,900	\$506,585	-\$9,260	\$497,325
2017-18	\$54,048,891	\$20,000,000	\$34,048,891	\$632,372	\$234,000	\$398,372	\$81,900	\$480,272	-\$8,562	\$471,710
2018-19	\$51,886,403	\$20,000,000	\$31,886,403	\$607,071	\$234,000	\$373,071	\$81,900	\$454,971	-\$7,868	\$447,103
2019-20	\$49,810,415	\$20,000,000	\$29,810,415	\$582,782	\$234,000	\$348,782	\$81,900	\$430,682	-\$7,210	\$423,471
2020-21	\$47,814,272	\$47,814,272	\$0	\$559,427	\$559,427	\$0	\$0	\$0	\$0	\$0
2021-22	\$45,904,629	\$45,904,629	\$0	\$537,084	\$537,084	\$0	\$0	\$0	\$0	\$0
2022-23	\$44,068,177	\$44,068,177	\$0	\$515,598	\$515,598	\$0	\$0	\$0	\$0	\$0
2023-24	\$42,304,918	\$42,304,918	\$0	\$494,968	\$494,968	\$0	\$0	\$0	\$0	\$0
2024-25	\$40,614,851	\$40,614,851	\$0	\$475,194	\$475,194	\$0	\$0	\$0	\$0	\$0
Totals:				\$8,791,396	\$5,261,570	\$3,529,826	\$573,300	\$4,103,126	-\$199,377	\$3,903,748
Tax Credit for Value Over Limit in First 2 Years						<u>2010</u>	<u>2011</u>	<u>Max Credits</u>		
						\$0	\$573,300	\$573,300		
						Credits Earned		\$573,300		
						Credits Paid		<u>\$573,300</u>		
						Excess Credits Unpaid		\$0		