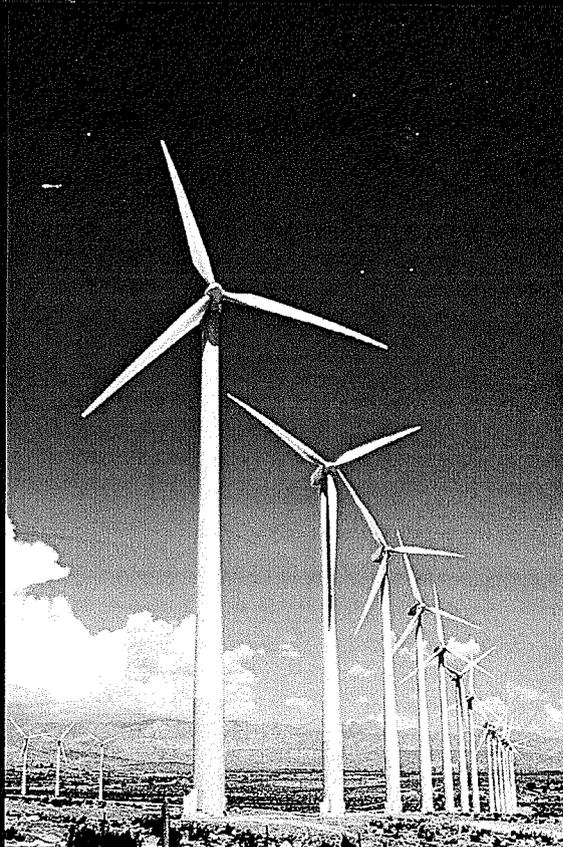


**FINDINGS OF THE ROTAN
INDEPENDENT SCHOOL DISTRICT BOARD
OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
WKN MOZART, LLC**



August 28, 2011

**FINDINGS
OF THE
ROTAN INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
WKN MOZART, LLC.**

AUGUST 28, 2011

Board Findings of the Rotan Independent School District

FINDINGS OF THE ROTAN INDEPENDENT SCHOOL
DISTRICT BOARD OF TRUSTEES UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
WKN MOZART LLC.

STATE OF TEXAS

§

COUNTIES OF KENT AND STONEWALL

§

On the 28th day of August, 2011, a public meeting of the Board of Trustees of the Rotan 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 WKN Mozart LLC. (WKN Mozart) 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 Rotan Independent School District makes the following findings with respect to the application of WKN Mozart, and the economic impact of that application:

On April 5, 2011, the Superintendent of Schools of the Rotan Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received a completed Application from WKN Mozart 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, WKN Mozart (Texas Taxpayer Id. 32039364255) 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**.

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.

Board Findings of the Rotan Independent School District

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 Kent and Stonewall County Appraisal Districts 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 June 2, 2011. 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 Rotan 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 Rotan 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 WKN Mozart, 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 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 focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the WKN Mozart 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 conditions of Kent and Stonewall Counties, Texas, are in need of long-term improvement.

Based on information provided by the Comptroller's Office, Kent and Stonewall Counties are two of the smallest in the state in terms of population. Population growth in Kent and Stonewall Counties lags behind the state average. The state population grew by 2.0 percent between 2007 and 2008, while the population of Kent and Stonewall Counties decreased by 0.6 percent and 2.2 percent, respectively, over the same period.

April 2011 employment rates for Kent and Stonewall Counties were down 0.2 percent and 1.3 percent, respectively, from March 2010, well below the state's 1.3 percent increase in total employment during the same period. The unemployment rate in Kent County was 5.6 percent in April of 2011, down from 6.3 percent in April 2010. The unemployment rate in Stonewall County was 4.4 percent in March 2011, down from 4.8 percent in April 2010. Both rates were lower than the current state average of 8.2 percent.

In terms of per capita income, Kent County's \$35,253 in 2009 ranked 87th among the 254 counties in Texas, while Stonewall County's \$40,777 in 2009 ranked twenty-eighth. The

Board Findings of the Rotan Independent School District

Texas average was \$38,609 for the same period. These data are more than two years old and the ongoing recovery from the recession could be expected to slow the growth in personal income in Kent and Stonewall Counties and throughout the state.

In the third quarter of 2010, taxable sales totaled \$258,385 in Kent County and \$3.13 million in Stonewall County. These figures reflect an increase of 14.7 percent and 15.0 percent, respectively, from the year-earlier third quarter.

Kent and Stonewall Counties will benefit from economic activity like that associated with the WKN Mozart project. Major capital investments like this project are beneficial to the community on a number of fronts, including direct and indirect employment, expanded opportunities for existing businesses and increased local tax bases.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be \$39,514 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. WKN Mozart indicates that total employment will be approximately three (3) new jobs, of which all will be qualifying 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 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 West Central Texas Council of Governments Region, Where Kent County and Stonewall are located, was \$35,916 in 2009. Data for the annual average wage in 2010 for manufacturing in Kent County and Stonewall County is unavailable. The annual average wage for all industries in 2010 for Kent County and Stonewall County was \$36,579. In addition to an annual average salary of \$39,514, each qualifying position will receive a full a benefits package including skills training, paid sick leave and vacation time, as well as medical, dental and vision insurance.

Board Finding Number 4.

The level of the applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$15 million on the basis of the goal of three (3) new qualifying positions for the entire WKN Mozart project.

In support of Finding 4, the economic impact evaluation states:

The project's total investment is \$45 million, resulting in a relative level of investment per qualifying job of \$15 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 farm employs one person per 15 wind turbines. This project is consistent with that 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 WKN Mozart'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.

Board Findings of the Rotan Independent School District

Table 1: Estimated Statewide Economic Impact of Investment and Employment in WKN Mozart

| Year | Employment | | | Personal Income | | |
|------|------------|--------------------|-------|-----------------|--------------------|--------------|
| | Direct | Indirect + Induced | Total | Direct | Indirect + Induced | Total |
| 2011 | 200 | 205 | 405 | \$8,320,000 | \$11,680,000 | \$20,000,000 |
| 2012 | 203 | 212 | 415 | \$8,438,542 | \$14,561,458 | \$23,000,000 |
| 2013 | 3 | 22 | 25 | \$118,542 | \$4,881,458 | \$5,000,000 |
| 2014 | 3 | 5 | 8 | \$118,542 | \$2,881,458 | \$3,000,000 |
| 2015 | 3 | 1 | 4 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2016 | 3 | 0 | 3 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2017 | 3 | -4 | -1 | \$118,542 | \$881,458 | \$1,000,000 |
| 2018 | 3 | 0 | 3 | \$118,542 | \$881,458 | \$1,000,000 |
| 2019 | 3 | 3 | 6 | \$118,542 | \$881,458 | \$1,000,000 |
| 2020 | 3 | 4 | 7 | \$118,542 | \$881,458 | \$1,000,000 |
| 2021 | 3 | 7 | 10 | \$118,542 | \$881,458 | \$1,000,000 |
| 2022 | 3 | 8 | 11 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2023 | 3 | 10 | 13 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2024 | 3 | 8 | 11 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2025 | 3 | 11 | 14 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2026 | 3 | 17 | 20 | \$118,542 | \$2,881,458 | \$3,000,000 |

Source: CPA, REMI, WKN Mozart, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Rotan ISD's ad valorem tax base in 2010 was \$68.3 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Rotan ISD's estimated wealth per WADA was \$107,547. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Kent County, Stonewall County, and the Stonewall County Memorial Hospital District, with all property tax incentives sought being granted using estimated market value from WKN Mozart's application. WKN Mozart has applied for both a value limitation under Chapter 313, Tax Code and tax abatement with the hospital district and both counties. Table 3 illustrates the estimated tax impact of the WKN Mozart project on the region if all taxes are assessed.

Board Findings of the Rotan Independent School District

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought

| Year | Estimated Taxable value for I&S | Estimated Taxable value for M&O | Tax Rate ¹ | Rotan ISD I&S Levy | Rotan ISD M&O Levy | Rotan ISD M&O and I&S Tax Levies (Before Credit Credited) | Rotan ISD M&O and I&S Tax Levies (After Credit Credited) | Kent County (61%) | Stonewall County (39%) | Stonewall County Memorial Hospital District (100%) | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|-----------------------|--------------------|--------------------|---|--|-------------------|------------------------|--|--------------------------------|
| | | | | 0.0450 | 1.1700 | | | 0.5324 | 0.5920 | 0.6135 | |
| 2012 | \$35,000,000 | \$35,000,000 | | \$15,750 | \$409,500 | \$425,250 | \$425,250 | \$45,469 | \$32,323 | \$85,890 | \$588,932 |
| 2013 | \$45,000,000 | \$45,000,000 | | \$20,250 | \$526,500 | \$546,750 | \$546,750 | \$58,460 | \$41,558 | \$110,430 | \$757,198 |
| 2014 | \$41,850,000 | \$10,000,000 | | \$18,833 | \$117,000 | \$135,833 | \$135,833 | \$54,368 | \$38,649 | \$102,700 | \$331,549 |
| 2015 | \$38,920,500 | \$10,000,000 | | \$17,514 | \$117,000 | \$134,514 | \$69,106 | \$50,562 | \$35,944 | \$95,511 | \$251,123 |
| 2016 | \$36,196,065 | \$10,000,000 | | \$16,288 | \$117,000 | \$133,288 | \$68,182 | \$47,023 | \$33,428 | \$88,825 | \$237,458 |
| 2017 | \$33,662,341 | \$10,000,000 | | \$15,148 | \$117,000 | \$132,148 | \$67,421 | \$65,597 | \$46,632 | \$123,911 | \$303,560 |
| 2018 | \$31,305,978 | \$10,000,000 | | \$14,088 | \$117,000 | \$131,088 | \$66,640 | \$61,005 | \$43,368 | \$115,237 | \$286,249 |
| 2019 | \$29,114,560 | \$10,000,000 | | \$13,102 | \$117,000 | \$130,102 | \$65,997 | \$56,735 | \$40,332 | \$107,171 | \$270,234 |
| 2020 | \$27,076,541 | \$10,000,000 | | \$12,184 | \$117,000 | \$129,184 | \$65,337 | \$52,763 | \$37,509 | \$99,669 | \$255,277 |
| 2021 | \$25,181,184 | \$10,000,000 | | \$11,332 | \$117,000 | \$128,332 | \$64,732 | \$49,070 | \$34,883 | \$92,692 | \$241,377 |
| 2022 | \$23,418,502 | \$23,418,502 | | \$10,538 | \$273,996 | \$284,535 | \$33,776 | \$76,058 | \$54,069 | \$143,673 | \$307,575 |
| 2023 | \$21,779,207 | \$21,779,207 | | \$9,801 | \$254,817 | \$264,617 | \$264,617 | \$70,734 | \$50,284 | \$133,615 | \$519,251 |
| 2024 | \$20,254,663 | \$20,254,663 | | \$9,115 | \$236,980 | \$246,094 | \$246,094 | \$65,783 | \$46,764 | \$124,262 | \$482,903 |
| 2025 | \$18,836,836 | \$18,836,836 | | \$8,477 | \$220,391 | \$228,868 | \$228,868 | \$61,178 | \$43,490 | \$115,564 | \$449,100 |
| 2026 | \$17,518,258 | \$17,518,258 | | \$7,883 | \$204,964 | \$212,847 | \$212,847 | \$56,895 | \$40,446 | \$107,475 | \$417,663 |
| | | | | | | Total | \$2,561,449 | \$871,698 | \$619,678 | \$1,646,625 | \$5,699,449 |

Assumes School Value Limitation and Tax Abatement with the hospital district and both counties.

Source: CPA, WKN Mozart, LLC

¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives

| Year | Estimated Taxable value for I&S | Estimated Taxable value for M&O | Tax Rate ¹ | Rotan ISD I&S Levy | Rotan ISD M&O Levy | Rotan ISD M&O and I&S Tax Levies | Kent County (61%) | Stonewall County (39%) | Stonewall County Memorial Hospital District (100%) | Estimated Total Property Taxes | |
|------|---------------------------------|---------------------------------|-----------------------|--------------------|--------------------|----------------------------------|--------------------|------------------------|--|--------------------------------|---------------------|
| | | | | 0.0450 | 1.1700 | | 0.5324 | 0.5920 | 0.6135 | | |
| 2012 | \$35,000,000 | \$35,000,000 | | \$15,750 | \$409,500 | \$425,250 | \$113,672 | \$80,808 | \$214,725 | \$834,455 | |
| 2013 | \$45,000,000 | \$45,000,000 | | \$20,250 | \$526,500 | \$546,750 | \$146,150 | \$103,896 | \$276,075 | \$1,072,871 | |
| 2014 | \$41,850,000 | \$41,850,000 | | \$18,833 | \$489,645 | \$508,478 | \$135,919 | \$96,623 | \$256,750 | \$997,770 | |
| 2015 | \$38,920,500 | \$38,920,500 | | \$17,514 | \$455,370 | \$472,884 | \$126,405 | \$89,860 | \$238,777 | \$927,926 | |
| 2016 | \$36,196,065 | \$36,196,065 | | \$16,288 | \$423,494 | \$439,782 | \$117,557 | \$83,569 | \$222,063 | \$862,971 | |
| 2017 | \$33,662,341 | \$33,662,341 | | \$15,148 | \$393,849 | \$408,997 | \$109,328 | \$77,720 | \$206,518 | \$802,563 | |
| 2018 | \$31,305,978 | \$31,305,978 | | \$14,088 | \$366,280 | \$380,368 | \$101,675 | \$72,279 | \$192,062 | \$746,384 | |
| 2019 | \$29,114,560 | \$29,114,560 | | \$13,102 | \$340,640 | \$353,742 | \$94,558 | \$67,220 | \$178,618 | \$694,137 | |
| 2020 | \$27,076,541 | \$27,076,541 | | \$12,184 | \$316,796 | \$328,980 | \$87,938 | \$62,514 | \$166,115 | \$645,547 | |
| 2021 | \$25,181,184 | \$25,181,184 | | \$11,332 | \$294,620 | \$305,951 | \$81,783 | \$58,138 | \$154,487 | \$600,359 | |
| 2022 | \$23,418,502 | \$23,418,502 | | \$10,538 | \$273,996 | \$284,535 | \$76,058 | \$54,069 | \$143,673 | \$558,334 | |
| 2023 | \$21,779,207 | \$21,779,207 | | \$9,801 | \$254,817 | \$264,617 | \$70,734 | \$50,284 | \$133,615 | \$519,251 | |
| 2024 | \$20,254,663 | \$20,254,663 | | \$9,115 | \$236,980 | \$246,094 | \$65,783 | \$46,764 | \$124,262 | \$482,903 | |
| 2025 | \$18,836,836 | \$18,836,836 | | \$8,477 | \$220,391 | \$228,868 | \$61,178 | \$43,490 | \$115,564 | \$449,100 | |
| 2026 | \$17,518,258 | \$17,518,258 | | \$7,883 | \$204,964 | \$212,847 | \$56,895 | \$40,446 | \$107,475 | \$417,663 | |
| | | | | | | Total | \$5,408,143 | \$1,445,632 | \$1,027,681 | \$2,730,778 | \$10,612,234 |

Source: CPA, WKN Mozart, LLC

¹Tax Rate per \$100 Valuation

Board Finding Number 7.

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

In support of this finding, the analysis prepared by Moak, Casey & Associates projects that the project would initially add \$45 million to the tax base for debt service purposes at the peak investment level for the 2013-14 school year. The WKN Mozart project remains fully taxable for debt services taxes, with Rotan ISD currently levying a \$0.045 per \$100 I&S rate. The value of the WKN Mozart 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 tax base. The additional value is expected to reduce the District's I&S tax rate to \$0.0334 in the 2012-13 school year. During the limitation period, the district may be eligible for a modest amount of state facilities funding.

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 WKN Mozart project.

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the WKN Mozart wind project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Rotan 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 Rotan Independent School District

In support of Finding 8, the economic impact evaluation states:

The applicant has identified this section as being confidential under Tax Code Section 313.028. There has been a recent expansion of wind energy projects in South Texas, suggesting investment opportunities in other regions of the state. Expansion in other states suggests the potential for wind investments outside of Texas.

Board Finding Number 10.

During the past two years, one project in the West Central Texas Council of Governments Region has applied for value limitation agreements under Tax Code, Chapter 313.

Board Finding Number 11.

The Board of Trustees hired consultants to review and verify the information in the Application from WKN Mozart. 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 Ten 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 2009 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2009 industrial value for Rotan ISD is \$13.93 million. Rotan ISD is categorized as a Subchapter C district, which applies only to a school district that has territory in a strategic investment area, as defined under Subchapter O, Chapter 171, Tax Code or in a county: (1) that has a population of less than 50,000 and (2) in which, from 1990 to 2000, according to the federal decennial census, the population: (A) remained the same; (B) decreased; or (C) increased, but at a rate of not more than three percent per annum. Given that the value of industrial property in Rotan ISD exceeds \$1 million but is less than \$90 million, it is classified as a Category III district which can offer a minimum value limitation of \$10 million.

Board Findings of the Rotan Independent School District

Board Finding Number 13.

The Applicant (Taxpayer Id. 32039364255) 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 a revenue loss in first year the value limitation is in effect without the proposed Agreement; however, with this Agreement, the negative consequences of granting the value limitation are offset through the revenue protection provisions agreed to by the Applicant and the District. In years 4-10, no additional revenue losses would be anticipated in the case of RISD when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study.

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 Rotan 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 Rotan Independent School District.

Board Findings of the Rotan Independent School District

Dated the 28th day of August 2011.

ROTAN INDEPENDENT SCHOOL DISTRICT

By: Scott Nowlin
Scott Nowlin, President Board of Trustees

ATTEST:

By: Scott Van Poppel
Scott Van Poppel, Secretary Board of Trustees



LYNN M. MOAK, PARTNER

DANIEL T. CASEY, PARTNER

July 28, 2011

President and Members
Board of Trustees
Rotan Independent School District
102 N. McKinley Avenue
Rotan, Texas 79546

Re: Recommendations and Findings of the Firm Concerning Application of WKN Mozart, LLC for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President Nowlin and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Rotan Independent School District, with respect to the pending Application of WKN Mozart, LLC for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes. Since our engagement on behalf of the District, we have been actively involved in reviewing the pending Application and verifying its contents. Based upon our review we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.
4. All applicable school finance implications arising from the contemplated Agreement have been explored.
5. The proposed Agreement contains adequate revenue protection provisions to protect the interests of the District.

As a result of the foregoing, it is our recommendation that the Board of Trustees approve the Application of WKN Mozart, LLC for the requested Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

Daniel T. Casey

www.moakcasey.com

Phone 512-485-7878

400 W. 15th Street★Suite 1410★Austin, TX 78701-1648

Fax 512-485-7888

O'HANLON, MCCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE

AUSTIN, TEXAS 78701

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KEVIN O'HANLON
CERTIFIED, CIVIL APPELLATE
CERTIFIED, CIVIL TRIAL

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

JUSTIN DEMERATH

July 25, 2011

President and Members
Board of Trustees
Rotan Independent School District
102 N McKinley Avenue
Rotan, Texas 79546-4609

Re: Recommendations and Findings of the firm Concerning Application of WindKraft Nord, USA for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President Nowlin and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Rotan Independent School District, with respect to the pending Application of WindKraft Nord, USA for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes. Since our engagement on behalf of the District, we have been actively engaged in reviewing the pending Application and verifying its contents. Based upon our review we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.
4. All applicable school finance implications arising from the contemplated Agreement have been explored.

Letter to Rotan ISD
July 19, 2011
Page 2 of 2

5. The proposed Agreement contains adequate legal provisions so as to protect the interests of the District.

As a result of the foregoing it is our recommendation that the Board of Trustees approve the Application of WindKraft Nord, USA for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin O'Hanlon", written over a horizontal line.

Kevin O'Hanlon
For the Firm

Attachment A

Application

WETSEL & CARMICHAEL, L.L.P.

ATTORNEYS AT LAW

THE NEWMAN BUILDING

207 OAK STREET

SWEETWATER, TEXAS 79556

(325) 235-3999

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RODERICK E. WETSEL
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TEXAS BOARD OF LEGAL SPECIALIZATION
H. ALAN CARMICHAEL
BOARD CERTIFIED-CIVIL TRIAL LAW
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March 29, 2011

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

Re: Application submitted by WKN Mozart, LLC to Rotan
Independent School District: Confidential Information

Mr. Wood:

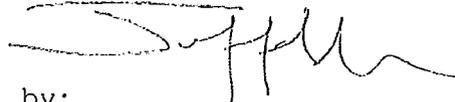
This firm has been retained by WKN Mozart, LLC (hereafter referred to as "WKN") in the above referenced Application for Appraised Value Limitation with the Rotan Independent School District. Within the application presented WKN has included certain information relating to specific business activities and specific tangible personal property to be located on real property covered by the application. The information is included as Attachments 4, 6, 7, 8 and 9 of the application.

As you are aware, a trade secret is "any formula, pattern, device or compilation of information which is used in one's business and presents an opportunity to obtain an advantage over competitors who do not know or use it." *In re Bass*, 113 S.W.3d 735, 739 (Tex. 2003). The above referenced Attachments include the fundamental structures of the wind farm which is the subject of the requested Appraised Value Limitation. Specifically the information included in the above referenced attachments refers to the specific location of the Project, the type of technology to be utilized, the size of the initial phase, and the location of the transmission interconnect. The compilation of information

necessary to develop this plan has been developed by WKN at great expense, is essential to the development of the Project and represents trade secrets of WKN. The release of the information prior to the construction of the Project could potentially jeopardize the business relationships of WKN as well as confer a business advantage to WKN's competitors in the area. Therefore, pursuant to Texas Tax Code §313.028 and Texas Administrative Code §9.1055(a), WKN requests the information contained in application as Attachments 4, 6, 7, 8 and 9, including the maps and exhibits attached thereto, remain confidential and not be released or published.

Very cordially yours,

Wetsel & Carmichael, L.L.P.

A handwritten signature in black ink, appearing to read "Jeffrey L. Allen", written over a horizontal line.

by:

Jeffrey L. Allen



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

Form 50-296
(Revised May 2010)

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

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

- notify the Comptroller that the school board has elected to consider the application.

This notice must include:

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

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

When the Comptroller receives the notice and required information from the school district, the Comptroller will publish all submitted application materials on its Web site. The Comptroller is authorized to treat some application information as confidential and withhold it from publication on the Internet. To do so, however, the information must be segregated and comply with the other requirements set out in the Comptroller rules as explained in the Confidentiality Notice below.

The Comptroller will independently determine whether the application has been completed according to the Comptroller's rules (34 TAC Chapter 9, Subchapter F). If the Comptroller finds the application is not complete, the Comptroller will request additional materials from the school district. When the Comptroller determines that the application is complete, it will send the school district a notice indicating so. The Comptroller will determine the eligibility of the project, make a recommendation to the school board regarding the application and prepare an economic impact evaluation by the 90th day after the Comptroller receives a complete application—as determined by the Comptroller.

The school board must approve or disapprove the application before the 151st day after the application review start date (the date the application is finally determined to be complete), unless an extension is granted. The Comptroller and school district are authorized to request additional information from the applicant that is reasonably necessary to complete the recommendation, economic impact evaluation or consider the application at any time during the application review period.

Please visit the Comptroller's Web site to find out more about the program at <http://www.window.state.tx.us/taxinfo/proptax/hb1200/index.html>. There are links on this Web page to the Chapter 313 statute, rules and forms. Information about minimum limitation values for particular districts and wage standards may also be found at that site.

SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION

| | | |
|--|--|---|
| Authorized School District Representative | | Date application received by district April 5, 2011 |
| First Name Kent | Last Name Ruffin | |
| Title Superintendent | | |
| School District Name Rotan ISD | | |
| Street Address 102 N MCKINLEY AVE | | |
| Mailing Address 102 N MCKINLEY AVE | | |
| City Rotan | State TX | ZIP 79546-4609 |
| Phone Number (325) 735-2332 | Fax Number (325) 735-2686 | |
| Mobile Number (optional) | E-mail Address kruffin@rotan.esc14.net | |

I authorize the consultant to provide and obtain information related to this application. Yes No

Will consultant be primary contact? Yes No



Application for Appraised Value Limitation on Qualified Property

SCHOOL DISTRICT CERTIFICATION OF SUBMITTATION OF APPLICATION (continued)

Authorized School District Consultant (If Applicable)

Name: Kevin
Title: Special Counsel
From Whom: O'Hanlon, McLillon, Demerath
Street Address: 808 West Avenue
City: Austin
Phone Number: (512) 494-9949
Mobile Number (Optional):

Last Name: O'Hanlon
State: TX
ZIP: 78761
Fax Number: (512) 494-9919
E-mail Address: Kohanku@808west.com; mhanley@808west.com

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

Signature (Authorized School District Representative): D. Kent Ruffain

Date

Has the district determined this application complete? [X] Yes [] No

If yes, date determined complete. April 6, 2011

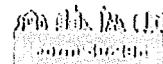
Have you completed the school finance documents required by TAC 9.1054(c)(3)? [] Yes [X] No

will supplement

SCHOOL DISTRICT CHECKLIST AND REQUIRED ATTACHMENTS

Table with 4 columns: Checklist, Page X of 16, Check Completed. Rows 1-6 detailing application steps and completion status.

Application for Appraised Value Limitation on Qualified Property



APPLICANT INFORMATION (CERTIFICATION OF APPLICATION)

Authorized Business Representative (Applicant)

First Name

Florian

Last Name

Zerhusen

Title

President & CEO

Organization

Windkraft Nord USA, Inc.

Street Address

Suite 1470, 4365 Executive Drive

Usage Address

Suite 1470, 4365 Executive Drive

City

San Diego

State

CA

ZIP

92121

Phone Number

(858) 450-6800

Fax Number

(858) 450-6801

Mobile Number (optional)

(858) 531-0532

Business e-mail Address

zerhusen@windkraftnord.com

Will a company official other than the authorized business representative be responsible for responding to future information requests? Yes No

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

First Name

Eric

Last Name

Johnston

Title

Project Manager

Organization

Windkraft Nord USA, Inc.

Street Address

Suite 1470, 4365 Executive Drive

Usage Address

Suite 1470, 4365 Executive Drive

City

San Diego

State

CA

ZIP

92121

Phone Number

(858) 450-6800

Fax Number

(858) 450-6801

Mobile Number (optional)

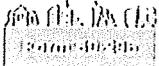
(619) 756-8085

E-mail Address

johnston@windkraftnord.com

I authorize the consultant to provide and obtain information related to this application. Yes No

Will consultant be primary contact? Yes No



Application for Appraised Value Limitation on Qualified Property

APPLICANT INFORMATION (CERTIFICATION OF APPLICATION) (continued)

Authorized Company Consultant (If Applicable)

Last Name

Last Name

Not applicable

Title

First Name

Street Address

City and State

City

State

ZIP

Phone Number

Fax Number

Business and Address

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

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

Signature (Authorized Business Representative (Applicant))

Date

[Handwritten Signature]

5/10/2011

GIVEN under my hand and seal of office this 10 day of March, 2011



[Handwritten Signature: Lou Kinsey]
Notary Public, State of Texas

(Notary Seal)

My commission expires 4 / 2 / 13

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.



FEES AND PAYMENTS

Enclosed is proof of application fee paid to the school district.

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

Please answer only either A OR B:

A. Will any "payments to the school district" that you may make in order to receive a property tax value limitation agreement result in payments that are not in compliance with Tax Code, 313.027(i)? Yes No

B. If "payments to the school district" will only be determined by a formula or methodology without a specific amount being specified, could such method result in "payments to the school district" that are not in compliance with Tax Code §313.027(i)? Yes No

BUSINESS APPLICANT INFORMATION

Legal Name under which application is made

WKN Mozart, LLC

Texas Taxpayer I.D. Number of entity subject to Tax Code, Chapter 171 (11 digits)

32039364255

NAICS code

221119

Is the applicant a party to any other Chapter 313 agreements? Yes No

If yes, please list name of school district and year of agreement.

N/A

APPLICANT BUSINESS STRUCTURE

Registered to do business in Texas with the Texas Secretary of State? Yes No

Identify business organization of applicant (corporation, limited liability corporation, etc.)

Limited Liability Company

1. Is the applicant a combined group, or comprised of members of a combined group, as defined by Texas Tax Code Chapter 171.0001(7)? Yes No
If so, please attach documentation of the combined group membership and contact information.

2. Is the applicant current on all tax payments due to the State of Texas? Yes No

3. Are all applicant members of the combined group current on all tax payments due to the State of Texas? NA Yes No

If the answer to either question is no, please explain and/or disclose any history of default, delinquencies and/or any material litigation, including litigation involving the State of Texas. (Use attachment if necessary.)

N/A



Application for Appraised Value Limitation on Qualified Property

ELIGIBILITY UNDER TAX CODE CHAPTER 313.022

- Are you an entity to which Tax Code, Chapter 171 applies?
The property will be used as an integral part, or as a necessary auxiliary part, in one of the following activities:
(1) manufacturing
(2) research and development
(3) a clean coal project, as defined by Section 5.001, Water Code
(4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code
(5) renewable energy electric generation
(6) electric power generation using integrated gasification combined cycle technology
(7) nuclear electric power generation
(8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7)
Are you requesting that any of the land be classified as qualified investment?
Will any of the proposed qualified investment be leased under a capitalized lease?
Will any of the proposed qualified investment be leased under an operating lease?
Are you including property that is owned by a person other than the applicant?
Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment?

PROJECT DESCRIPTION

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

Please see Attachment 4

Describe the ability of your company to locate or relocate in another state or another region of the state.

Please Attachment 4

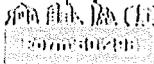
PROJECT CHARACTERISTICS (CHECK ALL THAT APPLY)

- New Jobs, Construct New Facility, New Business / Start-up, Expand Existing Facility, Relocation from Out-of-State, Expansion, Purchase Machinery & Equipment, Consolidation, Relocation within Texas

PROJECTED TIMELINE

Begin Construction 8/2011, Begin Hiring New Employees 7/2011, Construction Complete 3/2012, Fully Operational 5/2012, Purchase Machinery & Equipment 10/2011

Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)?
Note: Improvements made before that time may not be considered qualified property.
When do you anticipate the new buildings or improvements will be placed in service? 5/2012

Application for Appraised Value Limitation on Qualified Property 

ECONOMIC INCENTIVES

Identify state programs the project will apply for:

| State Source | Amount |
|----------------|--------|
| Not applicable | |
| | |
| | |
| Total | |

Will other incentives be offered by local units of government? Yes No

Please use the following box for additional details regarding incentives. (Use attachments if necessary.)

The Counties of Kent & Stonewall as well as the taxing entities within their jurisdiction (including the Stonewall County Memorial Hospital District) are presently considering the Project's applications for tax abatements.

PROPERTY

Identify county or counties in which the proposed project will be located Kent & Stonewall Counties

Central Appraisal District (CAD) that will be responsible for appraising the property Kent & Stonewall CADs

Will this CAD be acting on behalf of another CAD to appraise this property? Yes No

List all taxing entities that have jurisdiction for the property and the portion of project within each entity

| | |
|---|---|
| County: <u>Kent County; 61%</u> <small>(Name and percent of project)</small> | City: <u>NA</u> <small>(Name and percent of project)</small> |
| Hospital District: <u>Stonewall County Memorial; 100%</u> <small>(Name and percent of project)</small> | Water District: <u>NA</u> <small>(Name and percent of project)</small> |
| Other (describe): <u>Stonewall County; 39%</u> <small>(Name and percent of project)</small> | Other (describe): <u>NA</u> <small>(Name and percent of project)</small> |

Is the project located entirely within this ISD? Yes No
If not, please provide additional information on the project scope and size to assist in the economic analysis.



Application for Appraised Value Limitation on Qualified Property

INVESTMENT

NOTE: The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as rural, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's Web site at www.window.state.tx.us/taxinfo/proptax/hb1200/values.html.

At the time of application, what is the estimated minimum qualified investment required for this school district? \$10,000,000

What is the amount of appraised value limitation for which you are applying? \$10,000,000

What is your total estimated qualified investment? \$45,000,000

NOTE: See 313.021(1) for full definition. Generally, Qualified Investment is the sum of the investment in tangible personal property and buildings and new improvements made between beginning of the qualifying time period (date of application final approval by the school district) and the end of the second complete tax year.

What is the anticipated date of application approval? 6/14/2011

What is the anticipated date of the beginning of the qualifying time period? 8/1/2011

What is the total estimated investment for this project for the period from the time of application submission to the end of the limitation period? \$45,000,000

Describe the qualified investment. [See 313.021(1).]

Attach the following items to this application:

- (1) a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021,
(2) a description of any new buildings, proposed improvements or personal property which you intend to include as part of your minimum qualified investment and
(3) a map of the qualified investment showing location of new buildings or new improvements with vicinity map.

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 during the qualifying time period? [X] Yes [] No

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:

- (1) in or on the new building or other new improvement for which you are applying? [X] Yes [] No
(2) 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? [X] Yes [] No
(3) on the same parcel of land as the building for which you are applying for an appraised value limitation? [X] Yes [] No

("First placed in service" means the first use of the property by the taxpayer.)

Will the investment in real or personal property you propose 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? [X] Yes [] No

Does the investment in tangible personal property meet the requirements of Tax Code §313.021(1)? [X] Yes [] No

If the proposed investment includes a building or a permanent, non-removable component of a building, does it house tangible personal property? [X] Yes [] No

QUALIFIED PROPERTY

Describe the qualified property. [See 313.021(2)] (If qualified investment describes qualified property exactly you may skip items (1), (2) and (3) below.)

Attach the following items to this application:

- (1) a specific and detailed description of the qualified property for which you are requesting an appraised value limitation as defined by Tax Code §313.021,
(2) a description of any new buildings, proposed improvements or personal property which you intend to include as part of your qualified property and
(3) a map of the qualified property showing location of new buildings or new improvements - with vicinity map.

Land

Is the land on which you propose new construction or improvements currently located in an area designated as a reinvestment zone under Tax Code Chapter 311 or 312 or as an enterprise zone under Government Code Chapter 2303? [] Yes [X] No

If you answered "no" to the question above, what is the anticipated date on which you will submit proof of a reinvestment zone with boundaries encompassing the land on which you propose new construction or improvements? 4/8/2011

Will the applicant own the land by the date of agreement execution? [] Yes [X] No

Will the project be on leased land? [X] Yes [] No



QUALIFIED PROPERTY (CONTINUED)

If the land upon which the new building or new improvement is to be built is part of the qualified property described by §313.021(2)(A), please attach complete documentation, including:

1. Legal description of the land
2. Each existing appraisal parcel number of the land on which the improvements will be constructed, regardless of whether or not all of the land described in the current parcel will become qualified property
3. Owner
4. The current taxable value of the land. Attach estimate if land is part of larger parcel.
5. A detailed map (with a vicinity map) showing the location of the land

Attach 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. (With vicinity map)

Attach the order, resolution or ordinance establishing the zone, and the guidelines and criteria for creating the zone, if applicable.

Miscellaneous

Is the proposed project a building or new improvement to an existing facility? Yes No

Attach a description of any existing improvements and include existing appraisal district account numbers.

List current market value of existing property at site as of most recent tax year. Not applicable N/A
(Market Value) (Tax Year)

Is any of the existing property subject to a value limitation agreement under Tax Code 313? Yes No

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 limitation? Yes No

WAGE AND EMPLOYMENT INFORMATION

What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? Zero

The last complete calendar quarter before application review start date is the:

First Quarter Second Quarter Third Quarter Fourth Quarter of 2010
(Year)

What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the TWC? Zero

Note: For job definitions see TAC §9.1051(14) and Tax Code 313.021(3). If the applicant intends to apply a definition for "new job" other than TAC §9.1051(14)(C), then please provide the definition of "new job" as used in this application. Not applicable

Total number of new jobs that will have been created when fully operational Three (3) permanent full time jobs

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

Do you intend to request that the governing body waive the minimum new job creation requirement, as provided under Tax Code §313.025(f-1)? Yes No

If you answered "yes" to the question above, attach evidence documenting that the new job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards. Note: Even if a minimum new job waiver is provided, 80% of all new jobs must be qualifying jobs pursuant to Texas Tax Code, §313.024(d).

What is the maximum number of qualifying jobs meeting all criteria of §313.021(3) you are committing to create? Three (3) permanent full time jobs

If this project creates more than 1,000 new jobs, the minimum required wage for this project is 110% of the average county weekly wage for all jobs as described by 313.021(3)(E)(ii).

If this project creates less than 1,000 new jobs, does this district have territory in a county that meets the demographic characteristics of 313.051(2)? (see table of information showing this district characteristic at <http://www.window.state.tx.us/taxinfo/proptax/hb1200/values.html>)

If yes, the applicant must meet wage standard described in 313.051(b) (110% of the regional average weekly wage for manufacturing)

If no, the applicant shall designate one of the wage standards set out in §§313.021(5)(A) or 313.021(5)(B).



Application for Appraised Value Limitation on Qualified Property

WAGE AND EMPLOYMENT INFORMATION (CONTINUED)

For the following three wage calculations please include on an attachment the four most recent quarters of data for each wage calculation. Show the average and the 110% calculation. Include documentation from TWC Web site. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(7).

110% of the county average weekly wage for all jobs (all industries) in the county is \$703.45

110% of the county average weekly wage for manufacturing jobs in the county is No manufacturing job info available. Please see attachment 14

110% of the county average weekly wage for manufacturing jobs in the region is \$759.88

Please identify which Tax Code section you are using to estimate the wage standard required for this project:

Sections 313.021(5)(A), (5)(B), (3)(E)(ii), or 313.051(b)?

What is the estimated minimum required annual wage for each qualifying job based on the qualified property? \$39,513.76

What is the estimated minimum required annual wage you are committing to pay for each of the qualifying jobs you create on the qualified property? \$39,513.76

Will 80% of all new jobs created by the owner be qualifying jobs as defined by 313.021(3)? Yes No

Will each qualifying job require at least 1,600 of work a year? Yes No

Will any of the qualifying jobs be jobs transferred from one area of the state to another? Yes No

Will any of the qualifying jobs be retained jobs? Yes No

Will any of the qualifying jobs be created to replace a previous employee? Yes No

Will any required qualifying jobs be filled by employees of contractors? Yes No

If yes, what percent? Approximately 50%

Does the applicant or contractor of the applicant offer to pay at least 80% of the employee's health insurance premium for each qualifying job? Yes No

Describe each type of benefits to be offered to qualifying jobholders. (Use attachments as necessary.)

Please see Attachment 15

ECONOMIC IMPACT

Is an Economic Impact Analysis attached (If supplied by other than the Comptroller's office)? Yes No

Is Schedule A completed and signed for all years and attached? Yes No

Is Schedule B completed and signed for all years and attached? Yes No

Is Schedule C (Application) completed and signed for all years and attached? Yes No

Is Schedule D completed and signed for all years and attached? Yes No

Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.

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.

Form 11-10-03

Application for Appraised Value Limitation on Qualified Property

Application for Appraised Value Limitation on Qualified Property

| Checklist | Page X of 16 | Check Completed |
|---|--------------|----------------------|
| 1 Certification pages signed and dated by Authorized Business Representative (applicant) | 4 of 16 | ✓ |
| 2 Proof of Payment of Application Fee (Attachment) | 5 of 16 | ✓ |
| 3 For applicant members, documentation of Combined Group membership under Texas Tax Code 171.0004(7) (if Applicable) (Attachment) | 5 of 16 | N/A |
| 4 Detailed description of the project | 6 of 16 | ✓ |
| 5 If project is located in more than one district, name other districts and list percentage in each district (Attachment) | 7 of 16 | N/A |
| 6 Description of Qualified Investment (Attachment) | 8 of 16 | ✓ |
| 7 Map of qualified investment showing location of new buildings or new improvements with vicinity map. | 8 of 16 | ✓ |
| 8 Description of Qualified Property (Attachment) | 8 of 16 | ✓ |
| 9 Map of qualified property showing location of new buildings or new improvements with vicinity map | 8 of 16 | ✓ |
| 10 Description of Land (Attachment) | 9 of 16 | ✓ |
| 11 A detailed map showing location of the land with vicinity map. | 9 of 16 | ✓ |
| 12 A description of all existing (if any) improvements (Attachment) | 9 of 16 | N/A |
| 13 Request for Waiver of Job Creation Requirement (if applicable) (Attachment) | 9 of 16 | ✓ |
| 14 Calculation of three possible wage requirements with TWC documentation. (Attachment) | 10 of 16 | ✓ |
| 15 Description of Benefits | 10 of 16 | ✓ |
| 16 Economic Impact (if applicable) | 10 of 16 | N/A |
| 17 Schedule A completed and signed | 13 of 16 | ✓ |
| 18 Schedule B completed and signed | 14 of 16 | ✓ |
| 19 Schedule C (Application) completed and signed | 15 of 16 | ✓ |
| 20 Schedule D completed and signed | 16 of 16 | ✓ |
| 21 Map of Reinvestment Zone (Attachment) (Showing the actual or proposed boundaries and size, Certified to be accurate by either the government entity creating the zone, the local appraisal district, or a licensed surveyor, with vicinity map)* | 9 of 16 | WITH SURVEY EVIDENCE |
| 22 Order, Resolution, or Ordinance Establishing the Zone (Attachment)* | 9 of 16 | |
| 23 Legal Description of Reinvestment Zone (Attachment)* | 9 of 16 | |
| 24 Guidelines and Criteria for Reinvestment Zone(Attachment)* | 9 of 16 | |

*To be submitted with application or before date of final application approval by school board.

Attachment 1

See Page 4 of Form 50-296

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

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

Attachment 3

NOT APPLICABLE

CONFIDENTIAL

Attachment 5

NOT APPLICABLE

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

John F. Watson & Company

PROFESSIONAL LAND SURVEYORS & PLANNERS

200 N. Loraine, Suite 220, Midland, Texas 79701, (432) 520-2400, Fax (432) 520-2404

www.windearthwater.com

KENT COUNTY PORTION OF MOZART WIND - 1,540.172 ACRES OF LAND

LEGAL DESCRIPTION: BEING 1,540.172 ACRES OF LAND, LYING IN AND BEING SITUATED OUT OF SECTION 330, ABSTRACT 1163, SECTION 333, ABSTRACT 273 AND SECTION 332, ABSTRACT 1328, SECTION 334, ABSTRACT 1181, SECTION 335, ABSTRACT 876, SECTION 325, ABSTRACT 268, SECTION 324, ABSTRACT 1633 AND SECTION 308, ABSTRACT 1622, ALL IN BLOCK 2, KENT COUNTY, TEXAS, AND BEING A PORTION OF THOSE SAME TRACTS AS DESCRIBED AS TRACTS 1 THRU 5 UNDER ERMA LEE DANIEL AND WILLIAM BRADLEY LONG AND DILANA GOHLKE IN THAT CERTAIN MEMORANDUM OF REAL PROPERTY LEASE RECORDED IN VOLUME 34, PAGE 588 OF THE OFFICIAL PUBLIC RECORDS OF KENT COUNTY, TEXAS, VOLUME 447, PAGE 122 OF THE OFFICIAL PUBLIC RECORDS OF STONEWALL COUNTY, TEXAS, AND VOLUME 801, PAGE 95 OF THE OFFICIAL PUBLIC RECORDS OF FISHER COUNTY, TEXAS; SAID 1,540.172 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS AND AS SURVEYED UNDER THE SUPERVISION OF JOHN F. WATSON & COMPANY IN JUNE, 2010:

BEGINNING at a 120D nail in an old stone mound found for the common corner of Section 358, Abstract 275 and Section 359, Abstract 1165 of said Block 2 and said Sections 330 and 333 and an angle point hereof;

THENCE North 77°05'07" East a distance of 5295.76 feet along the common line of said Sections 333 and 358 to a point for the common corner of Section 357, Abstract 274 of said Block 2 and said Sections 333, 334 and 358;

THENCE North 77°05'07" East a distance of 3855.88 feet along the common line of said Sections 334 and 357 to a point in the common line of Kent and Stonewall County, Texas and the northeast corner hereof;

THENCE South 02°23'30" West a distance of 18100.17 feet along the common county line to a point in easterly r-o-w line of State Highway 70 for the south corner hereof;

THENCE along the easterly r-o-w line of said State Highway 70 the following twenty (20) calls:

1. North 18°38'30" West a distance of 1877.45 feet to a point for the point of curvature of a curve to the right;
2. Along said curve to the right with an arc length of 986.69 feet, a radius of 5653.38 feet, and a chord bearing of North 13°38'30" West a distance of 985.44 feet to a concrete r-o-w marker found for an angle point hereof;
3. North 08°38'30" West a distance of 4047.29 feet to an iron rod set at a 6 inch cedar fence corner post in the common line of said Sections 325 and 332 and an angle point hereof;
4. North 08°38'30" West a distance of 38.29 feet to a concrete r-o-w marker found for the point of curvature of a curve to the left;
5. Along said curve to the left with an arc length of 1290.95 feet, a radius of 2939.27 feet, and a chord bearing of North 21°13'33" West a distance of 1280.60 feet to a concrete r-o-w marker found for an angle point hereof;
6. North 33°48'30" West a distance of 2912.65 feet to a concrete r-o-w marker found for an angle point hereof;
7. North 19°46'20" West a distance of 103.06 feet to a concrete r-o-w marker found for an angle point hereof;
8. North 33°46'31" West a distance of 796.35 feet to a point for an angle point hereof;
9. North 19°44'21" West a distance of 206.11 feet to a point for an angle point hereof;
10. North 33°46'31" West a distance of 578.74 feet to a point for the point of curvature of a curve to the left;

11. Along said curve to the left with an arc length of 1411.75 feet, a radius of 2441.46 feet, and a chord bearing of North 50°20'36" West a distance of 1392.16 feet to a concrete r-o-w marker found for an angle point hereof;
12. North 66°54'31" West a distance of 1695.42 feet to a concrete r-o-w marker found for an angle point hereof;
13. North 80°56'42" West a distance of 309.16 feet to a concrete r-o-w marker found for an angle point hereof;
14. North 66°58'10" West a distance of 1097.67 feet to a point for an angle point hereof;
15. North 52°55'59" West a distance of 103.05 feet to a point for an angle point hereof;
16. North 66°58'10" West a distance of 39.79 feet to a concrete r-o-w marker found for the point of curvature of a curve to the right;
17. Along said curve to the right with an arc length of 192.98 feet, a radius of 2764.31 feet, and a chord bearing of North 64°58'05" West a distance of 192.94 feet to a point for an angle point hereof;
18. North 76°25'35" West a distance of 100.09 feet to a point for an angle point hereof;
19. Thence along a curve to the right with an arc length of 1707.89 feet, a radius of 2789.30 feet, and a chord bearing of North 43°25'38" West a distance of 1681.33 feet to a concrete r-o-w marker found for an angle point hereof;
20. North 25°53'10" West a distance of 382.19 feet to an iron rod set in the common line of said Sections 330 and 359 for the northwest corner hereof and from which an 8 inch cedar fence corner post found bears North 02°22'06" West a distance of 7.7 feet and from said northwest corner a 3/4 inch galvanized iron pipe with cap found in the westerly line of said r-o-w bears South 77°02'27" West a distance of 152.1 feet along said common line;

THENCE North 77°02'27" East a distance of 1944.89 feet along said common line to the **POINT OF BEGINNING** and containing 1,540.172 acres of land, more or less.

Note: Bearings, distances and acreage shown hereon are Grid, NAD83, Texas North-Central Zone. "Iron rods set" are 1/2 inch iron rebar with blue plastic caps marked "WATSON-5498".

Note: The common line between Kent County, Texas and Stonewall County, Texas is an indefinite line that is not surveyed and/or marked on the ground. The line described in this survey was determined from an USGS quadrangle map showing the approximate location of the common county line. No warranty is made or intended herein for the exact accuracy and/or location of this common county line.

COPY ONLY - SEE NOTE BELOW

April 1, 2011

John F. Watson
Texas Registered Professional Land Surveyor
RPLS No. 5498
Job no. 08-0056

Note: This survey metes and bounds description was prepared while performing an ALTA survey of the surrounding area. THIS DIGITAL COPY IS PROVIDED FOR THE INSERTION INTO LEGAL DOCUMENTS. The signed and sealed original copies of this survey description are part of this said ALTA survey and are retained in the office of John F. Watson & Company and their client.

John F. Watson & Company

PROFESSIONAL LAND SURVEYORS & PLANNERS

200 N. Loraine, Suite 220, Midland, Texas 79701, (432) 520-2400, Fax (432) 520-2404

www.windearthwater.com

STONEWALL COUNTY PORTION OF MOZART WIND - 2,251.800 ACRES OF LAND

LEGAL DESCRIPTION: BEING 2,251.800 ACRES OF LAND, LYING IN AND BEING SITUATED OUT OF SECTION 334, ABSTRACT 1785, SECTION 335, ABSTRACT 408, SECTION 324, ABSTRACT 1302, SECTION 325, ABSTRACT 268, SECTION 309, ABSTRACT 98, SECTION 308, ABSTRACT 1745, AND ALL OF THE WEST ONE-HALF OF SECTION 336, ABSTRACT 1183, ALL IN BLOCK 2, STONEWALL COUNTY, TEXAS, AND BEING A PORTION OF THOSE SAME TRACTS AS DESCRIBED AS TRACTS 1 THRU 5 UNDER ERMA LEE DANIEL AND WILLIAM BRADLEY LONG AND DILANA GOHLKE IN THAT CERTAIN MEMORANDUM OF REAL PROPERTY LEASE RECORDED IN VOLUME 34, PAGE 588 OF THE OFFICIAL PUBLIC RECORDS OF KENT COUNTY, TEXAS, VOLUME 447, PAGE 122 OF THE OFFICIAL PUBLIC RECORDS OF STONEWALL COUNTY, TEXAS, AND VOLUME 801, PAGE 95 OF THE OFFICIAL PUBLIC RECORDS OF FISHER COUNTY, TEXAS; SAID 2,251.800 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS AND AS SURVEYED UNDER THE SUPERVISION OF JOHN F. WATSON & COMPANY IN JUNE, 2010:

BEGINNING at a 6 inch cedar fence corner post found for the common corner of Section 337, Abstract 274, Section 357, Abstract 274, Section 356, Abstract 1185 and said Section 334 and an ell corner hereof;

THENCE South 12°45'28" East a distance of 5289.20 feet along the common line of said Sections 334 and 337 to a 6 inch cedar fence corner post found for the common corner of Sections 335 and 336 of said Block 2 and said Sections 334 and 337 and an interior corner hereof;

THENCE North 76°57'53" East a distance of 2630.32 feet along the common line of said Sections 336 and 337 to an iron rod set for the northwest corner of the east one-half of said Section 336 conveyed to Wesley R. Stinson by deed recorded in Volume 386, Page 813 of the Deed Records of Stonewall County, Texas and an ell corner hereof and from which a 4 inch cedar fence corner post found for the easterly common corner of said Sections 336 and 337 bears North 76°57'53" East a distance of 2630.32 feet along said common line;

THENCE South 12°52'53" East a distance of 5257.46 feet along the west line of said east one-half to an iron rod set in the common line of said Sections 323 and 336 for the southwest corner of said east one-half and an ell corner hereof and from which a 4 inch cedar fence corner post found for the easterly common corner of Sections 323 and said Section 336 bears North 76°54'16" East a distance of 2632.88 feet along said common line;

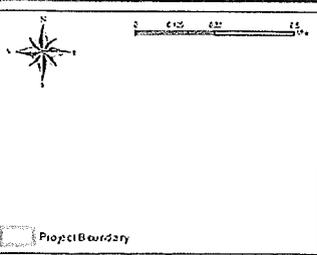
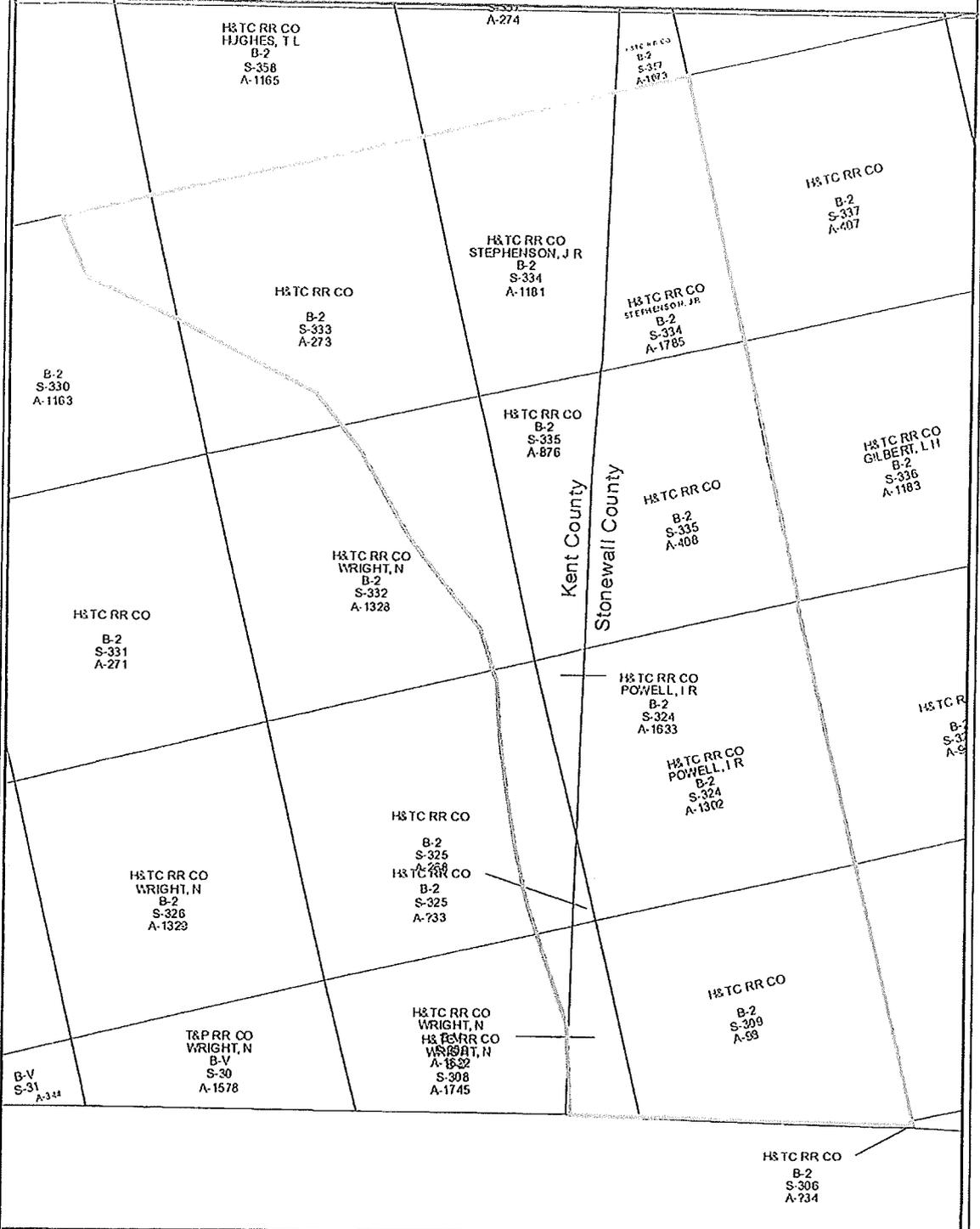
THENCE South 76°54'16" West a distance of 2632.88 feet along the common line of said Sections 323 and 336 to said iron rod set for the common corner of said Sections 323, 324, 335 and 336 and an interior corner hereof;

THENCE South 12°51'13" East along the common line of said Sections 323 and 324, passing at a distance of 5249.16 feet a 3 inch iron pipe fence corner post, continuing in all a distance of 5250.41 feet to a point in the north line of Section 310, Abstract 1301 of said Block 2 for the southerly common corner of said Sections 323 and 324 and an ell corner hereof;

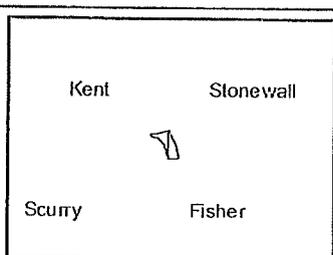
THENCE South 77°08'23" West a distance of 40.85 feet along the common line of said Sections 310 and 324 to an 8 inch cedar fence corner post found for the northerly common corner of said Sections 309 and 310 and an interior corner hereof;

THENCE South 12°46'18" East a distance of 5250.84 feet along the common line of said Sections 309 and 310 to a 12 inch cedar fence corner post found for the common corner of

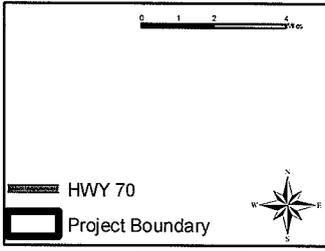
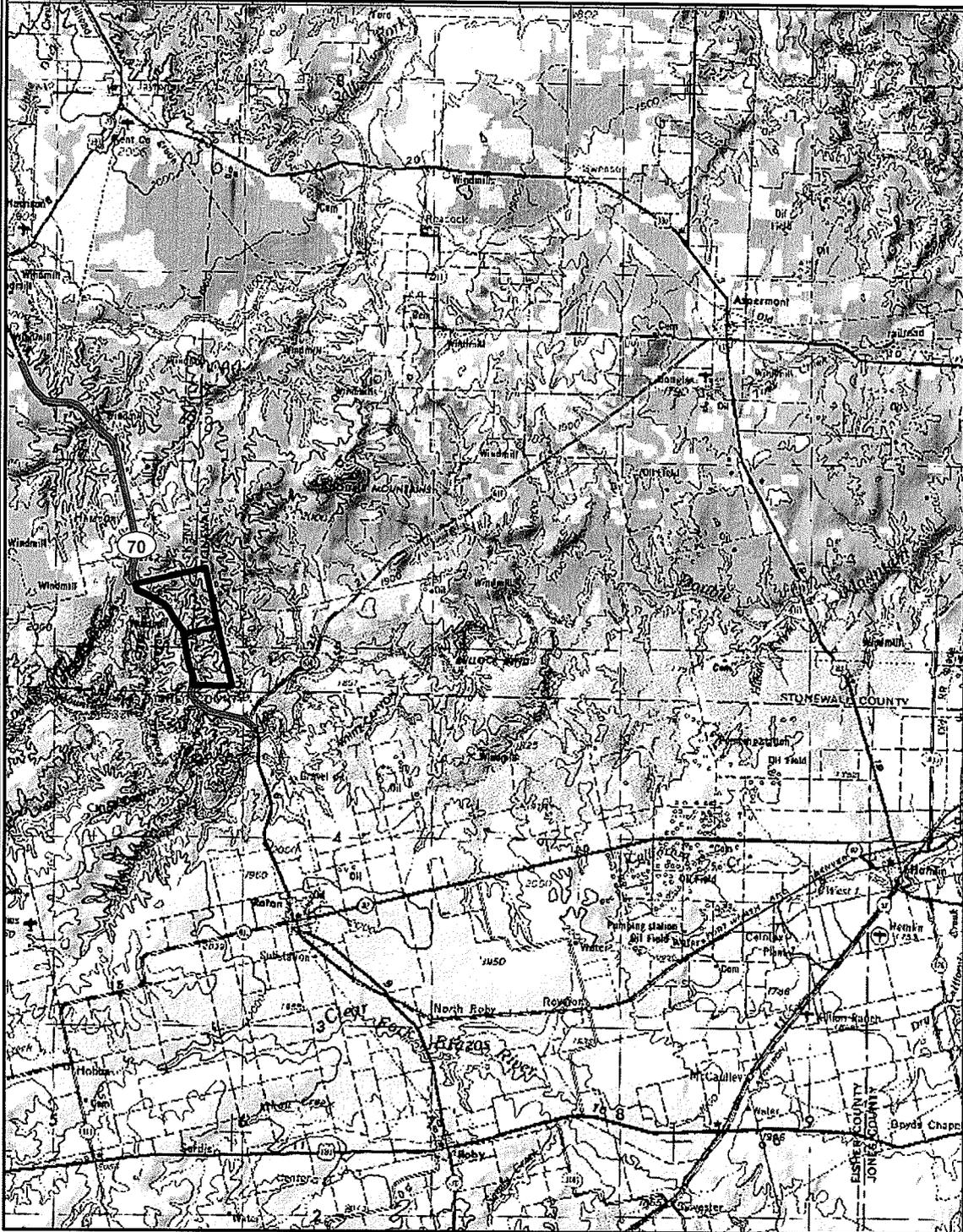
WKN Mozart, LLC



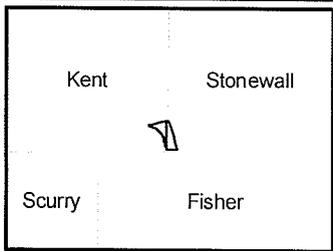
WKN Mozart
Kent & Stonewall Counties,
Texas



WKN Mozart, LLC



WKN Mozart
Kent & Stonewall Counties,
Texas



Attachment 12

NOT APPLICABLE

Rotan Independent School District Application for Appraised Value Limitation on Qualified Property

WKN Mozart, LLC Wind Project

Attachment 13: Job Requirement Waiver

The WKN Mozart, LLC renewable wind energy generation Project will create three qualifying jobs, as the term is defined in Chapter 313.021(3). Pursuant to Section 313.025(f-1) a school district's governing body may find that the job requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility that is described in the application.

Based on industry standard, the size and scope of this Project will require fewer than ten permanent jobs. Therefore, WKN will request that Rotan ISD's governing body may that finding and waive the job creation requirement.

Wind projects are labor intensive to construct but require far fewer workers to maintain. Therefore, as referenced in this application, the applicant estimates that approximately 200 temporary construction jobs will be created by the construction of the Project, but only three permanent workers will be required to maintain a Project of this size and scope. The permanent employees of the Project will maintain and service the WECS, underground electrical lines, substations and other infrastructure that will be installed to benefit the Project. In addition to employees working directly on the WECS onsite, there may also be asset managers or technicians who supervise, monitor, and support the Project from the operations facility located offsite. WKN Mozart has estimated three full time employees based upon its operating procedures. WKN Mozart staffs a wind farm in ratio of one full-time employee for every ten turbines, although this number can and does vary depending on the type of technology available, the technical assistance offered by the turbine manufacturer and other variables that are not known prior to construction of the facility.

Rotan Independent School District Application for Appraised Value Limitation on Qualified Property

WKN Mozart, LLC Wind Project

Attachment 14 (in response to "Wage and Employment Information," page 9)

Methodology

110% of Stonewall County Average Weekly Wage for All Jobs

2009 4Q \$636

2010 1Q \$446

2010 2Q \$530

2010 3Q \$602

Total: $\$2,214.00/4 = \553.00 average weekly wage

X 1.1

\$603.30

110% of Kent County Average Weekly Wage for all Jobs

2009 4Q \$947

2010 1Q \$639

2010 2Q \$651

2010 3Q \$667

Total: $\$2,904.00/4 = \726.00 average weekly wage

X 1.1

\$798.60

Attachment 14 continued (responsive to Wage and Employment Information, cont. page 10)

110% Combined County Average Weekly Wage for all Jobs

Stonewall County \$608.30

Kent County \$798.60

$\$1,406.90/2 = \underline{\$703.45 \text{ average combined weekly wage}}$

110% Stonewall County Average Weekly Wage for Manufacturing Jobs in County

N/A – Information is not provided for manufacturing jobs in Stonewall County.

110% Kent County Average Weekly Wage for Manufacturing Jobs in County

N/A – Information is not provided for manufacturing jobs in Kent County.

110% of County Average Wage for Manufacturing Jobs in Region (West-Central Texas Council of Governments)

\$17.27 per hour

X 40 hours per week:

\$690.80

X 1.10 (110%):

\$759.88

X 52 Weeks:

\$39,513.76

2009 Manufacturing Wages by Council of Government Region
Wages for All Occupations

| COG | Wages | |
|--|---------|----------|
| | Hourly | Annual |
| Texas | \$21.43 | \$44,583 |
| <u>1. Panhandle Regional Planning Commission</u> | \$18.38 | \$38,227 |
| <u>2. South Plains Association of Governments</u> | \$15.67 | \$32,596 |
| <u>3. NORTHEX Regional Planning Commission</u> | \$19.60 | \$40,768 |
| <u>4. North Central Texas Council of Governments</u> | \$23.44 | \$48,754 |
| <u>5. Ark-Tex Council of Governments</u> | \$15.14 | \$31,489 |
| <u>6. East Texas Council of Governments</u> | \$16.87 | \$35,091 |
| <u>7. West Central Texas Council of Governments</u> | \$17.27 | \$35,916 |
| <u>8. Rio Grande Council of Governments</u> | \$15.26 | \$31,732 |
| <u>9. Permian Basin Regional Planning Commission</u> | \$19.11 | \$39,757 |
| <u>10. Concho Valley Council of Governments</u> | \$14.80 | \$30,784 |
| <u>11. Heart of Texas Council of Governments</u> | \$17.41 | \$36,206 |
| <u>12. Capital Area Council of Governments</u> | \$25.60 | \$53,244 |
| <u>13. Brazos Valley Council of Governments</u> | \$15.33 | \$31,893 |
| <u>14. Deep East Texas Council of Governments</u> | \$15.46 | \$32,151 |
| <u>15. South East Texas Regional Planning Commission</u> | \$25.53 | \$53,095 |
| <u>16. Houston-Galveston Area Council</u> | \$22.90 | \$47,629 |
| <u>17. Golden Crescent Regional Planning Commission</u> | \$19.84 | \$41,273 |
| <u>18. Alamo Area Council of Governments</u> | \$16.82 | \$34,984 |
| <u>19. South Texas Development Council</u> | \$13.68 | \$28,445 |
| <u>20. Coastal Bend Council of Governments</u> | \$22.10 | \$45,967 |
| <u>21. Lower Rio Grande Valley Development Council</u> | \$13.52 | \$28,114 |
| <u>22. Texoma Council of Governments</u> | \$18.42 | \$38,305 |
| <u>23. Central Texas Council of Governments</u> | \$16.58 | \$34,484 |
| <u>24. Middle Rio Grande Development Council</u> | \$13.66 | \$28,416 |

Source: Texas Occupational Employment and Wages

Data published: July 2010

Data published annually, next update will be June 2011.

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

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

Data intended for TAC 313 purposes only.

Quarterly Employment and Wages (QCEW)

[Back]

Page 1 of 1 (40 results/page)

| $\frac{2}{Y}$ Year | $\frac{1}{Q}$ Quarter | $\frac{3}{N}$ Area | $\frac{4}{Y_1}$ Ownership | $\frac{5}{D}$ Division | $\frac{6}{L}$ Level | $\frac{7}{C}$ Ind Code | $\frac{8}{I}$ Industry | $\frac{9}{W}$ Avg Weekly Wages |
|--------------------|-----------------------|--------------------|---------------------------|------------------------|---------------------|------------------------|------------------------|--------------------------------|
| 2009 | 1st Qtr | Kent County | Private | 00 | 0 | 10 | Total, All Industries | \$431 |
| 2009 | 1st Qtr | Stonewall County | Private | 00 | 0 | 10 | Total, All Industries | \$460 |
| 2009 | 2nd Qtr | Kent County | Private | 00 | 0 | 10 | Total, All Industries | \$533 |
| 2009 | 2nd Qtr | Stonewall County | Private | 00 | 0 | 10 | Total, All Industries | \$528 |
| 2009 | 3rd Qtr | Kent County | Private | 00 | 0 | 10 | Total, All Industries | \$557 |
| 2009 | 3rd Qtr | Stonewall County | Private | 00 | 0 | 10 | Total, All Industries | \$574 |
| 2009 | 4th Qtr | Kent County | Private | 00 | 0 | 10 | Total, All Industries | \$547 |
| 2009 | 4th Qtr | Stonewall County | Private | 00 | 0 | 10 | Total, All Industries | \$536 |
| 2010 | 1st Qtr | Kent County | Private | 00 | 0 | 10 | Total, All Industries | \$559 |
| 2010 | 1st Qtr | Stonewall County | Private | 00 | 0 | 10 | Total, All Industries | \$446 |
| 2010 | 2nd Qtr | Kent County | Private | 00 | 0 | 10 | Total, All Industries | \$551 |
| 2010 | 2nd Qtr | Stonewall County | Private | 00 | 0 | 10 | Total, All Industries | \$520 |
| 2010 | 3rd Qtr | Kent County | Private | 00 | 0 | 10 | Total, All Industries | \$557 |
| 2010 | 3rd Qtr | Stonewall County | Private | 00 | 0 | 10 | Total, All Industries | \$602 |

Rotan Independent School District Application for Appraised Value Limitation on Qualified Property

WKN Mozart, LLC Wind Project

Attachment 15 (in response to "Wage and Employment Information," page 10)

In addition to the annual salary received by each qualified position, the employee will receive a full benefits package including skilled training, paid sick leave and vacation time as well as medical, dental and vision insurance.

Attachment 16

NOT APPLICABLE

Schedule B (Rev. May 2010): Estimated Market And Taxable Value

Applicant Name
ISD Name

WKN Mozart, LLC

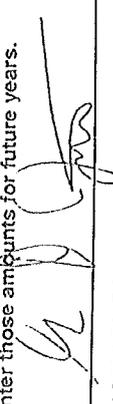
Rotan Independent School District

Form 50-296

| | Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year) YYYY | Estimated Market Value of Land | Qualified Property | | Reductions from Market Value | | Estimated Taxable Value | |
|--|------------|----------------------------|--|--------------------------------------|---|--|---------------------------------|--|--|------------|
| | | | | | Estimated Total Market Value of new buildings or other new improvements | Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement" | Exempted Value | Final taxable value for I&S - after all reductions | Final taxable value for M&O - after all reductions | |
| | pre-year 1 | 2011 - 2012 | 2011 | NA | 0 | 0 | 0 | 0 | 0 | 0 |
| Complete tax years of qualifying time period | 1 | 2012 - 2013 | 2012 | NA | 35,000,000 | 0 | 0 | 0 | 35,000,000 | 35,000,000 |
| | 2 | 2013 - 2014 | 2013 | NA | 45,000,000 | 0 | 0 | 0 | 45,000,000 | 45,000,000 |
| | 3 | 2014 - 2015 | 2014 | NA | 41,850,000 | 0 | 0 | 0 | 41,850,000 | 10,000,000 |
| | 4 | 2015 - 2016 | 2015 | NA | 38,920,500 | 0 | 0 | 0 | 38,920,500 | 10,000,000 |
| | 5 | 2016 - 2017 | 2016 | NA | 36,196,065 | 0 | 0 | 0 | 36,196,065 | 10,000,000 |
| Value Limitation Period | 6 | 2017 - 2018 | 2017 | NA | 33,662,341 | 0 | 0 | 0 | 33,662,341 | 10,000,000 |
| | 7 | 2018 - 2019 | 2018 | NA | 31,305,978 | 0 | 0 | 0 | 31,305,978 | 10,000,000 |
| | 8 | 2019 - 2020 | 2019 | NA | 29,114,560 | 0 | 0 | 0 | 29,114,560 | 10,000,000 |
| | 9 | 2020 - 2021 | 2020 | NA | 27,076,541 | 0 | 0 | 0 | 27,076,541 | 10,000,000 |
| | 10 | 2021 - 2022 | 2021 | NA | 25,181,184 | 0 | 0 | 0 | 25,181,184 | 10,000,000 |
| Credit Settle- Up Period | 11 | 2022 - 2023 | 2022 | NA | 23,418,502 | 0 | 0 | 0 | 23,418,502 | 23,418,502 |
| | 12 | 2023 - 2024 | 2023 | NA | 21,779,207 | 0 | 0 | 0 | 21,779,207 | 21,779,207 |
| | 13 | 2024 - 2025 | 2024 | NA | 20,254,663 | 0 | 0 | 0 | 20,254,663 | 20,254,663 |
| Post-Settle-Up Period | 14 | 2025 - 2026 | 2025 | NA | 18,836,836 | 0 | 0 | 0 | 18,836,836 | 18,836,836 |
| Post-Settle-Up Period | 15 | 2026 - 2027 | 2026 | NA | 17,518,258 | 0 | 0 | 0 | 17,518,258 | 17,518,258 |

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

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

3/25/11 25-Mar-11
DATE

Schedule C- Application: Employment Information

Applicant Name: WKN Mozart, LLC
 ISD Name: Rolan Independent School District

Form 50-233

| Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year) | Construction | | New Jobs | | Qualifying Jobs | |
|--|-------------------------|------------------------------------|--|--|---|---|--|--|
| | | | Column A: Number of Construction FTEs or man-hours (specify) | Column B: Average annual wage rates for construction workers | Column C: Number of new jobs applicant commits to create (cumulative) | Column D: Average annual wage rate for all new jobs | Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 513.021(2) (cumulative) | Column F: Average annual wage of qualifying jobs |
| Pre-Year 1 | 2011 - 2012 | 2011 | 200 FTE's | 41,600 | 0 | \$9,514 | 0 | 32,514 |
| Complete tax years of qualifying time period | 1 | 2012 - 2013 | 200 FTE's | 41,600 | 3 | \$9,514 | 3 | 36,514 |
| | 2 | 2013 - 2014 | 0 | 0 | 2 | \$9,514 | 2 | 38,514 |
| | 3 | 2014 - 2015 | 0 | 0 | 3 | \$9,514 | 3 | 40,514 |
| | 4 | 2015 - 2016 | 0 | 0 | 3 | \$9,514 | 3 | 42,514 |
| | 5 | 2016 - 2017 | 0 | 0 | 3 | \$9,514 | 3 | 44,514 |
| | 6 | 2017 - 2018 | 0 | 0 | 3 | \$9,514 | 3 | 46,514 |
| Value Limit on Period (with 50% cap on credit) | 7 | 2018 - 2019 | 0 | 0 | 3 | \$9,514 | 3 | 48,514 |
| | 8 | 2019 - 2020 | 0 | 0 | 3 | \$9,514 | 3 | 50,514 |
| | 9 | 2020 - 2021 | 0 | 0 | 3 | \$9,514 | 3 | 52,514 |
| | 10 | 2021 - 2022 | 0 | 0 | 3 | \$9,514 | 3 | 54,514 |
| | 11 | 2022 - 2023 | 0 | 0 | 3 | \$9,514 | 3 | 56,514 |
| Credit Settle-Up Period (Continue to Maintain Viable Presence) | 12 | 2023 - 2024 | 0 | 0 | 3 | \$9,514 | 3 | 58,514 |
| | 13 | 2024 - 2025 | 0 | 0 | 3 | \$9,514 | 3 | 60,514 |
| | 14 | 2025 - 2026 | 0 | 0 | 3 | \$9,514 | 3 | 62,514 |
| Post-Settle-Up Period | 2026 - 2027 | 0 | 0 | 3 | \$9,514 | 3 | 64,514 | |

Notes: For job definitions see TAC §9.1051(1-4) and Tax Code §913.021(2).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter these amounts for future years.


 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

3/25/21 08:40:11
 DATE

Attachment 21

WILL SUPPLEMENT

Attachment 22

WILL SUPPLEMENT

Attachment 23

WILL SUPPLEMENT

Attachment 24

WILL SUPPLEMENT

Attachment B

Certificate of Account Status



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

July 26, 2011

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

WKN MOZART, LLC

is, as of this date, in good standing with this office having no franchise
tax reports or payments due at this time. This certificate is valid through
the date that the next franchise tax report will be due May 15, 2012.

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 26th day of
July 2011 A.D.

A handwritten signature in cursive script that reads "Susan Combs".

Susan Combs
Texas Comptroller

Taxpayer number: 32039364255
File number: 0801113383

Form 05-304 (Rev. 12-07/17)

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



June 2, 2011

Mr. Kent Ruffin
Superintendent
Rotan Independent School District
102 N. McKinley Ave.
Rotan, Texas 79546

Dear Superintendent Ruffin:

On April 7, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Rotan Independent School District (Rotan ISD) by WKN Mozart, LLC (WKN Mozart) on April 5, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding WKN Mozart'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, Rotan ISD is currently classified as a rural school district in Category 3. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$45,000,000) is consistent with the proposed appraised value limitation sought (\$10 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.

WKN Mozart is proposing the construction of a wind power electric generating facility in Kent County and Stonewall County. WKN Mozart 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 WKN Mozart, the Comptroller's recommendation is that WKN Mozart'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.

Mr. Kent Ruffin
June 2, 2011
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 following:

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. 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;
4. The district providing the Comptroller all the documents necessary to establish that a reinvestment zone has been created that includes the qualified property identified in the application, as required by Section 313.021(2) of the Tax Code. When that zone has been created, please forward to our office maps and legal descriptions for the zone as well as detailed maps showing that all proposed qualified property will be located inside the reinvestment zone.

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

D

Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

| | |
|---|---|
| Applicant | WKN Mozart, LLC |
| Tax Code, 313.024 Eligibility Category | Renewable Energy Electric Generation - Wind |
| School District | Rotan ISD |
| 2009-10 Enrollment in School District | 338 |
| County | Kent and Stonewall |
| Total Investment in District | \$45,000,000 |
| Qualified Investment | \$45,000,000 |
| Limitation Amount | \$10,000,000 |
| 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 | \$760 |
| Minimum Weekly Wage Required Tax Code, 313.051(b) | \$760 |
| Minimum Annual Wage committed to by applicant for qualified jobs | \$39,514 |
| Investment per Qualifying Job | \$15,000,000 |
| Estimated 15 year M&O levy without any limit or credit: | \$5,207,841 |
| Estimated gross 15 year M&O tax benefit | \$2,846,694 |
| Estimated 15 year M&O tax benefit (<i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses): | \$2,665,895 |
| Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program) | \$702,000 |
| Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection: | \$2,541,946 |
| Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted) | 51.2% |
| Percentage of tax benefit due to the limitation | 75.3% |
| Percentage of tax benefit due to the credit. | 24.7% |
| * 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 WKN Mozart (the project) applying to Rotan 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 Sections 313.051(b) and 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the West Central Texas Council of Governments Region, where Kent County and Stonewall County are located, was \$35,916 in 2009. Data for the annual average wage in 2010 for manufacturing in Kent County and Stonewall County is unavailable. The annual average wage for all industries in 2010 for Kent County and Stonewall County was \$36,579. In addition to a salary of \$39,514, each qualifying position will receive a full benefits package including skilled training, paid sick leave and vacation time, as well as medical, dental and vision insurance. The project's total investment is \$45 million, resulting in a relative level of investment per qualifying job of \$15 million.

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

The applicant has identified this section as being confidential under Tax Code Section 313.028.

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

During the past two years, one project in the West Central Texas Council of Governments Region has applied for a value limitation agreement under Tax Code, Chapter 313.

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

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the WKN Mozart 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 WKN Mozart'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 WKN Mozart

| Year | Employment | | | Personal Income | | |
|------|------------|--------------------|-------|-----------------|--------------------|--------------|
| | Direct | Indirect + Induced | Total | Direct | Indirect + Induced | Total |
| 2011 | 200 | 205 | 405 | \$8,320,000 | \$11,680,000 | \$20,000,000 |
| 2012 | 203 | 212 | 415 | \$8,438,542 | \$14,561,458 | \$23,000,000 |
| 2013 | 3 | 22 | 25 | \$118,542 | \$4,881,458 | \$5,000,000 |
| 2014 | 3 | 5 | 8 | \$118,542 | \$2,881,458 | \$3,000,000 |
| 2015 | 3 | 1 | 4 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2016 | 3 | 0 | 3 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2017 | 3 | -4 | -1 | \$118,542 | \$881,458 | \$1,000,000 |
| 2018 | 3 | 0 | 3 | \$118,542 | \$881,458 | \$1,000,000 |
| 2019 | 3 | 3 | 6 | \$118,542 | \$881,458 | \$1,000,000 |
| 2020 | 3 | 4 | 7 | \$118,542 | \$881,458 | \$1,000,000 |
| 2021 | 3 | 7 | 10 | \$118,542 | \$881,458 | \$1,000,000 |
| 2022 | 3 | 8 | 11 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2023 | 3 | 10 | 13 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2024 | 3 | 8 | 11 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2025 | 3 | 11 | 14 | \$118,542 | \$1,881,458 | \$2,000,000 |
| 2026 | 3 | 17 | 20 | \$118,542 | \$2,881,458 | \$3,000,000 |

Source: CPA, REMI, WKN Mozart, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Rotan ISD's ad valorem tax base in 2010 was \$68.3 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Rotan ISD's estimated wealth per WADA was \$107,547. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Kent County, Stonewall County, and the Stonewall County Memorial Hospital District, with all property tax incentives sought being granted using estimated market value from WKN Mozart's application. WKN Mozart has applied for both a value limitation under Chapter 313, Tax Code and tax abatement with the hospital district and both counties. Table 3 illustrates the estimated tax impact of the WKN Mozart project on the region if all taxes are assessed.

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought

| Year | Estimated Taxable value for I&S | Estimated Taxable value for M&O | Tax Rate ¹ | Rotan ISD I&S Levy | Rotan ISD M&O Levy | Rotan ISD M&O and I&S Tax Levies (Before Credit Credited) | Rotan ISD M&O and I&S Tax Levies (After Credit Credited) | Kent County (61%) | Stonewall County (39%) | Stonewall County Memorial Hospital District (100%) | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|-----------------------|--------------------|--------------------|---|--|-------------------|------------------------|--|--------------------------------|
| | | | | 0.0450 | 1.1700 | | | 0.5324 | 0.5920 | 0.6135 | |
| 2012 | \$35,000,000 | \$35,000,000 | | \$15,750 | \$409,500 | \$425,250 | \$425,250 | \$45,469 | \$32,323 | \$85,890 | \$588,932 |
| 2013 | \$45,000,000 | \$45,000,000 | | \$20,250 | \$526,500 | \$546,750 | \$546,750 | \$58,460 | \$41,558 | \$110,430 | \$757,198 |
| 2014 | \$41,850,000 | \$10,000,000 | | \$18,833 | \$117,000 | \$135,833 | \$135,833 | \$54,368 | \$38,649 | \$102,700 | \$331,549 |
| 2015 | \$38,920,500 | \$10,000,000 | | \$17,514 | \$117,000 | \$134,514 | \$69,106 | \$50,562 | \$35,944 | \$95,511 | \$251,123 |
| 2016 | \$36,196,065 | \$10,000,000 | | \$16,288 | \$117,000 | \$133,288 | \$68,182 | \$47,023 | \$33,428 | \$88,825 | \$237,458 |
| 2017 | \$33,662,341 | \$10,000,000 | | \$15,148 | \$117,000 | \$132,148 | \$67,421 | \$65,597 | \$46,632 | \$123,911 | \$303,560 |
| 2018 | \$31,305,978 | \$10,000,000 | | \$14,088 | \$117,000 | \$131,088 | \$66,640 | \$61,005 | \$43,368 | \$115,237 | \$286,249 |
| 2019 | \$29,114,560 | \$10,000,000 | | \$13,102 | \$117,000 | \$130,102 | \$65,997 | \$56,735 | \$40,332 | \$107,171 | \$270,234 |
| 2020 | \$27,076,541 | \$10,000,000 | | \$12,184 | \$117,000 | \$129,184 | \$65,337 | \$52,763 | \$37,509 | \$99,669 | \$255,277 |
| 2021 | \$25,181,184 | \$10,000,000 | | \$11,332 | \$117,000 | \$128,332 | \$64,732 | \$49,070 | \$34,883 | \$92,692 | \$241,377 |
| 2022 | \$23,418,502 | \$23,418,502 | | \$10,538 | \$273,996 | \$284,535 | \$33,776 | \$76,058 | \$54,069 | \$143,673 | \$307,575 |
| 2023 | \$21,779,207 | \$21,779,207 | | \$9,801 | \$254,817 | \$264,617 | \$264,617 | \$70,734 | \$50,284 | \$133,615 | \$519,251 |
| 2024 | \$20,254,663 | \$20,254,663 | | \$9,115 | \$236,980 | \$246,094 | \$246,094 | \$65,783 | \$46,764 | \$124,262 | \$482,903 |
| 2025 | \$18,836,836 | \$18,836,836 | | \$8,477 | \$220,391 | \$228,868 | \$228,868 | \$61,178 | \$43,490 | \$115,564 | \$449,100 |
| 2026 | \$17,518,258 | \$17,518,258 | | \$7,883 | \$204,964 | \$212,847 | \$212,847 | \$56,895 | \$40,446 | \$107,475 | \$417,663 |
| | | | | | | Total | \$2,561,449 | \$871,698 | \$619,678 | \$1,646,625 | \$5,699,449 |

Assumes School Value Limitation and Tax Abatement with the hospital district and both counties.

Source: CPA, WKN Mozart, LLC

¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives

| Year | Estimated Taxable value for I&S | Estimated Taxable value for M&O | Tax Rate ¹ | Rotan ISD I&S Levy | Rotan ISD M&O Levy | Rotan ISD M&O and I&S Tax Levies | Kent County (61%) | Stonewall County (39%) | Stonewall County Memorial Hospital District (100%) | Estimated Total Property Taxes | |
|------|---------------------------------|---------------------------------|-----------------------|--------------------|--------------------|----------------------------------|--------------------|------------------------|--|--------------------------------|---------------------|
| | | | | 0.0450 | 1.1700 | | 0.5324 | 0.5920 | 0.6135 | | |
| 2012 | \$35,000,000 | \$35,000,000 | | \$15,750 | \$409,500 | \$425,250 | \$113,672 | \$80,808 | \$214,725 | \$834,455 | |
| 2013 | \$45,000,000 | \$45,000,000 | | \$20,250 | \$526,500 | \$546,750 | \$146,150 | \$103,896 | \$276,075 | \$1,072,871 | |
| 2014 | \$41,850,000 | \$41,850,000 | | \$18,833 | \$489,645 | \$508,478 | \$135,919 | \$96,623 | \$256,750 | \$997,770 | |
| 2015 | \$38,920,500 | \$38,920,500 | | \$17,514 | \$455,370 | \$472,884 | \$126,405 | \$89,860 | \$238,777 | \$927,926 | |
| 2016 | \$36,196,065 | \$36,196,065 | | \$16,288 | \$423,494 | \$439,782 | \$117,557 | \$83,569 | \$222,063 | \$862,971 | |
| 2017 | \$33,662,341 | \$33,662,341 | | \$15,148 | \$393,849 | \$408,997 | \$109,328 | \$77,720 | \$206,518 | \$802,563 | |
| 2018 | \$31,305,978 | \$31,305,978 | | \$14,088 | \$366,280 | \$380,368 | \$101,675 | \$72,279 | \$192,062 | \$746,384 | |
| 2019 | \$29,114,560 | \$29,114,560 | | \$13,102 | \$340,640 | \$353,742 | \$94,558 | \$67,220 | \$178,618 | \$694,137 | |
| 2020 | \$27,076,541 | \$27,076,541 | | \$12,184 | \$316,796 | \$328,980 | \$87,938 | \$62,514 | \$166,115 | \$645,547 | |
| 2021 | \$25,181,184 | \$25,181,184 | | \$11,332 | \$294,620 | \$305,951 | \$81,783 | \$58,138 | \$154,487 | \$600,359 | |
| 2022 | \$23,418,502 | \$23,418,502 | | \$10,538 | \$273,996 | \$284,535 | \$76,058 | \$54,069 | \$143,673 | \$558,334 | |
| 2023 | \$21,779,207 | \$21,779,207 | | \$9,801 | \$254,817 | \$264,617 | \$70,734 | \$50,284 | \$133,615 | \$519,251 | |
| 2024 | \$20,254,663 | \$20,254,663 | | \$9,115 | \$236,980 | \$246,094 | \$65,783 | \$46,764 | \$124,262 | \$482,903 | |
| 2025 | \$18,836,836 | \$18,836,836 | | \$8,477 | \$220,391 | \$228,868 | \$61,178 | \$43,490 | \$115,564 | \$449,100 | |
| 2026 | \$17,518,258 | \$17,518,258 | | \$7,883 | \$204,964 | \$212,847 | \$56,895 | \$40,446 | \$107,475 | \$417,663 | |
| | | | | | | Total | \$5,408,143 | \$1,445,632 | \$1,027,681 | \$2,730,778 | \$10,612,234 |

Source: CPA, WKN Mozart, LLC

¹Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement 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 \$5,207,841. The estimated gross 15 year M&O tax benefit, or levy loss, is \$2,846,694.

Attachment 3 includes economic overviews of Stonewall County and Kent 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.

Attachments

1. Schedules A, B, C, and D provided by applicant in application
2. School finance and tax benefit provided by district
3. County Economic Overview

Attachment 1

Schedule A (Rev. May 2010): Investment

Applicant Name: WKN Mozart LLC
 ISD Name: Robin Independent School District

Form 50-293

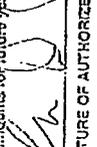
| PROPERTY INVESTMENT AMOUNTS | | | | | | | | | | |
|--|--|-------------|-----------|---|---|--|---|----------------------------|----------------------------|---|
| (Estimated investment in each year. Do not put cumulative totals.) | | | | | | | | | | |
| | Year | School Year | Tax Year | Personal Property Investment (original cost) placed in service during this year | Building or permanent nonremovable component of building (annual amount only) | Column C: Sum of A and B Qualifying investment (during the qualifying time period) | Column D: Other investments that are not qualified investments but investment affecting economic interest and total value | Column E: Total investment | Column F: Total investment | |
| The year preceding the first complete tax year of the qualifying time period (assuming no credits) | 1 | 2012-2013 | 2012 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 2 | 2013-2014 | 2013 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 3 | 2014-2015 | 2014 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 4 | 2015-2016 | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 5 | 2016-2017 | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 6 | 2017-2018 | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 7 | 2018-2019 | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 8 | 2019-2020 | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 9 | 2020-2021 | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 10 | 2021-2022 | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Credit Start-Up Period | 11 | 2022-2023 | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 12 | 2023-2024 | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 13 | 2024-2025 | 2024 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Post-Start-Up Period | 14 | 2025-2026 | 2025 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 15 | 2026-2027 | 2026 | 0 | 0 | 0 | 0 | 0 | 0 |
| Qualifying Time Period usually begins with the final board 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 for the applicant considered qualified investment - as defined in Tax Code §513.02(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative total. | | | | | | | | | |
| Column B: | Include estimates of investment for "replacement" property/property that is part of original agreement but scheduled for probable replacement during limitation period. 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 §513.02(1)(E). | | | | | | | | | |
| 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. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility. 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. | | | | | | | | | |
| Notes: | 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. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years. | | | | | | | | | |

Column C: Sum of A and B Qualifying investment (during the qualifying time period) \$5,000,000

Column D: Other investments that are not qualified investments but investment affecting economic interest and total value 0

Column E: Total investment 10,000,000

Column F: Total investment 10,000,000

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE:  DATE: 3/23/11 25-Mar-11

Schedule B (Rev. May 2010): Estimated Market And Taxable Value

Applicant Name: WKN Mozart, LLC
 ISD Name: Rotan Independent School District

Form 50-296

| Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year) YYYY | Estimated Market Value of Land | Qualified Property | | Estimated Total Market Value of tangible personal property in the new building or 'in or on the new improvement' | Reductions from Market Value | | Estimated Taxable Value | |
|--|-------------------------|---|--------------------------------|---|--|--|------------------------------|--|--|------------|
| | | | | Estimated Market Value of new buildings or improvements | Estimated Total Market Value of property in the new building or 'in or on the new improvement' | | Exempted Value | Final taxable value for ISS - after all reductions | Final taxable value for M&O - after all reductions | |
| pre-year 1 | 2011 - 2012 | 2011 | NA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Complete tax years of qualifying time period | 1 | 2012 - 2013 | NA | 35,000,000 | 0 | 0 | 0 | 0 | 35,000,000 | 35,000,000 |
| | 2 | 2013 - 2014 | NA | 45,000,000 | 0 | 0 | 0 | 0 | 45,000,000 | 45,000,000 |
| | 3 | 2014 - 2015 | NA | 41,850,000 | 0 | 0 | 0 | 0 | 41,850,000 | 41,850,000 |
| | 4 | 2015 - 2016 | NA | 38,920,500 | 0 | 0 | 0 | 0 | 38,920,500 | 38,920,500 |
| | 5 | 2016 - 2017 | NA | 36,196,065 | 0 | 0 | 0 | 0 | 36,196,065 | 36,196,065 |
| Value Limitation Period | 6 | 2017 - 2018 | NA | 33,662,341 | 0 | 0 | 0 | 0 | 33,662,341 | 33,662,341 |
| | 7 | 2018 - 2019 | NA | 31,305,978 | 0 | 0 | 0 | 0 | 31,305,978 | 31,305,978 |
| | 8 | 2019 - 2020 | NA | 29,114,560 | 0 | 0 | 0 | 0 | 29,114,560 | 29,114,560 |
| | 9 | 2020 - 2021 | NA | 27,076,541 | 0 | 0 | 0 | 0 | 27,076,541 | 27,076,541 |
| | 10 | 2021 - 2022 | NA | 25,181,184 | 0 | 0 | 0 | 0 | 25,181,184 | 25,181,184 |
| Credit Settle-Up Period | 11 | 2022 - 2023 | NA | 23,418,502 | 0 | 0 | 0 | 0 | 23,418,502 | 23,418,502 |
| | 12 | 2023 - 2024 | NA | 21,779,207 | 0 | 0 | 0 | 0 | 21,779,207 | 21,779,207 |
| | 13 | 2024 - 2025 | NA | 20,254,663 | 0 | 0 | 0 | 0 | 20,254,663 | 20,254,663 |
| Post-Settle-Up Period | 14 | 2025 - 2026 | NA | 18,836,836 | 0 | 0 | 0 | 0 | 18,836,836 | 18,836,836 |
| | 15 | 2026 - 2027 | NA | 17,518,258 | 0 | 0 | 0 | 0 | 17,518,258 | 17,518,258 |

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

[Signature]

3/25/11 25-Mar-11
 DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Schedule C- Application: Employment Information

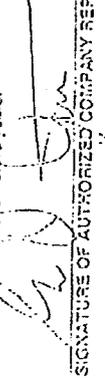
Applicant Name: WKN Inozant, LLC
 SD Name: Rotan Independent School District

Form 50-223

| | Year | School Year (YYYY-YYYY) | Tax Year (Year in actual tax year) | Construction | | | New Jobs | | | Qualifying Jobs | | |
|--|------------|-------------------------|------------------------------------|---|--|---|---|--|--|-----------------|--------|--|
| | | | | Column A: Number of Construction FTE's or man-hours (specify) | Column B: Average annual wage rates for construction workers | Column C: Number of new jobs applicant commits to create (cumulative) | Column D: Average annual wage rate for all new jobs | Column E: Number of qualifying jobs applicant commits to create (cumulative) | Column F: Average annual wage rate for all qualifying jobs | | | |
| | one-year 1 | 2011 - 2012 | 2011 | 203 FTE's | 41,933 | 0 | 39,514 | 0 | 39,514 | 0 | 39,514 | |
| Complete tax years of qualifying time period | 1 | 2012 - 2013 | 2012 | 203 FTE's | 41,600 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 2 | 2013 - 2014 | 2013 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 3 | 2014 - 2015 | 2014 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 4 | 2015 - 2016 | 2015 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 5 | 2016 - 2017 | 2016 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| Value Limited on Period | 6 | 2017 - 2018 | 2017 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 7 | 2018 - 2019 | 2018 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 8 | 2019 - 2020 | 2019 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 9 | 2020 - 2021 | 2020 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 10 | 2021 - 2022 | 2021 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| Credit Settle-Up Period | 11 | 2022 - 2023 | 2022 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 12 | 2023 - 2024 | 2023 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 13 | 2024 - 2025 | 2024 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| Post-Settle-Up Period | 14 | 2025 - 2026 | 2025 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |
| | 15 | 2026 - 2027 | 2026 | 0 | 0 | 3 | 39,514 | 3 | 39,514 | 3 | 39,514 | |

Notes: For job definitions see TAC §§9.105 (1-4) and Tax Code §§913.021 (3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter zero amounts for future years.


 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

3/25/11 23-MAR-11
 DATE

Schedule D: (Rev. May 2010): Other Tax Information

Applicant Name: WKN Mozart, LLC

ISD Name: Roan Independent School District

Form 50-255

| Sales Tax Information | | Franchise Tax | | Kent County | | City | | Hospital | | Stonewall County | |
|--|--|-------------------------------|---|---|---|---|---|---|---|---|---|
| Year | School Year (YYYY-YYYY) | Tax/Calendar Year (YYYY-YYYY) | 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 | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement |
| The year preceding the first complete tax year of the qualifying time period (assuming no deferrals) | | 2011-2012 | \$5,000,000 | \$10,000,000** | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax Credit Period (with 50% cap on credit) | Complete tax years of qualifying time period | 1 | 2012 - 2013 | 2012 | 2012 | 13,500 | 50% NA | 0 | 0 | 50% | 50% |
| | | 2 | 2013-2014 | 2013 | 2013 | 13,500 | 50% NA | 0 | 0 | 50% | 50% |
| | | 3 | 2014 - 2015 | 2014 | 2014 | 13,500 | 50% NA | 0 | 0 | 50% | 50% |
| | | 4 | 2015 - 2016 | 2015 | 2015 | 13,500 | 50% NA | 0 | 0 | 50% | 50% |
| | | 5 | 2016 - 2017 | 2016 | 2016 | 13,500 | 50% NA | 0 | 0 | 50% | 50% |
| | | 6 | 2017-2018 | 2017 | 2017 | 13,500 | 40% NA | 0 | 0 | 40% | 40% |
| | | 7 | 2018 - 2019 | 2018 | 2018 | 13,500 | 40% NA | 0 | 0 | 40% | 40% |
| | | 8 | 2019 - 2020 | 2019 | 2019 | 13,500 | 40% NA | 0 | 0 | 40% | 40% |
| | | 9 | 2020 - 2021 | 2020 | 2020 | 13,500 | 40% NA | 0 | 0 | 40% | 40% |
| | | 10 | 2021 - 2022 | 2021 | 2021 | 13,500 | 40% NA | 0 | 0 | 40% | 40% |
| | | 11 | 2022 - 2023 | 2022 | 2022 | 13,500 | 0 NA | 0 | 0 | 0 | 0 |
| | | 12 | 2023 - 2024 | 2023 | 2023 | 13,500 | 0 NA | 0 | 0 | 0 | 0 |
| | | 13 | 2024 - 2025 | 2024 | 2024 | 13,500 | 0 NA | 0 | 0 | 0 | 0 |
| | | 14 | 2025 - 2026 | 2025 | 2025 | 13,500 | 0 NA | 0 | 0 | 0 | 0 |
| | | 15 | 2026 - 2027 | 2026 | 2026 | 13,500 | 0 NA | 0 | 0 | 0 | 0 |

*For planning, construction and operation of the facility.
 ** Column G represents labor expenses not subject to state sales tax

DATE: 3/25/11

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Attachment 2



TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott
Commissioner

May 25, 2011

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 WKN Mozart LLC project for the Rotan Independent School District (RISD). 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 regarding the potential revenue gain are valid, and their estimates of the impact of the WKN Mozart LLC project on RISD 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,

A handwritten signature in cursive script that reads 'Helen Daniels'.

Helen Daniels
Director of State Funding

HD/hd



TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott
Commissioner

May 25, 2011

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 WKN Mozart LLC project on the number and size of school facilities in Rotan Independent School District (RISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the RISD superintendent, Mr. Douglas Ruffin, the TEA has found that the WKN Mozart LLC project would not have a significant impact on the number or size of school facilities in RISD.

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,

A handwritten signature in cursive script that reads "Helen Daniels".

Helen Daniels
Director of State Funding

HD/hd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED WKN
MOZART, LLC PROJECT ON THE FINANCES OF THE ROTAN
INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED
CHAPTER 313 PROPERTY VALUE LIMITATION**

April 28, 2011

Final Report

PREPARED BY



Estimated Impact of the Proposed WKN Mozart, LLC Project on the Finances of the Rotan Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

WKN Mozart, LLC (WKN Mozart) has requested that the Rotan Independent School District (RISD) 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 RISD on April 5, 2011. WKN Mozart proposes to invest \$45 million to construct a new wind energy project in RISD.

The WKN Mozart 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, RISD may offer a minimum value limitation of \$10 million. Based on the application, the qualifying time period would begin with the 2012-13 school year. The full value of the investment is expected to reach \$45 million in 2013-14, 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 2012-13 and 2013-14 school years during the two-year qualifying time period. Beginning in 2014-15, the project would go on the local tax roll at \$10 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 RISD currently levying a \$0.045 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 throughout the qualifying and value limitation period (and thereafter). 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.

For 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, WKN Mozart indicates that \$45.0 million in taxable value would be in place in the second year under the agreement. In year three (2014-15) of the agreement, the project is expected to go on the tax roll at \$10 million or, if applicable, a higher value limitation amount approved by the RISD 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, no additional revenue losses would be anticipated in the case of RISD when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study.

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 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). RISD currently levies a \$1.17 per \$100 M&O tax rate.

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, as well as an additional \$120 per WADA guarantee.

Under the provisions of HB 3646, school districts do have the potential to earn revenue above the \$120 per WADA level, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 750 school districts are funded at the minimum \$120 per WADA level, while approximately 250 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. RISD is a formula district under these estimates in most years for the projections shown.

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 WKN Mozart 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 294 students in average daily attendance (ADA) in analyzing the effects of the WKN Mozart project on the finances of RISD. The District's local tax base reached \$78.5 million for the 2010 tax year. The underlying \$78.5 million taxable value for 2010-11 is maintained for the forecast period in order to isolate the effects of the property value limitation. RISD is not a property-wealthy district, with wealth per weighted ADA or WADA of approximately \$118,174 for the 2010-11 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for RISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin yield 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 WKN Mozart facility 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 WKN Mozart value but imposes the proposed property value limitation effective in the third year, which in this case is the 2014-15 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 \$3.6 million a year in net General Fund revenue.

Under these assumptions, RISD would experience a revenue loss as a result of the implementation of the value limitation in the 2014-15 school year (-\$180,798). The revenue reduction results from the mechanics of six cents equalized to the Austin ISD yield, which reflect the one-year lag in value associated with the property value study. It appears that this reduction does not persist between the two models beyond the third year of the agreement.

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, however, only 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. The result of the composite deduction calculation is that the amount deducted for the value limitation from the state value study is always less than the tax benefit that has been provided for the taxpayer receiving the value limitation in school districts that levy M&O taxes. In the case of RISD, 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.

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 and 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 \$2.1 million over the life of the agreement. In addition, WKN Mozart 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. The tax credits are expected to total \$702,000 over the life of the agreement, with no unpaid tax credits anticipated. The key RISD revenue losses are associated with the additional six-cent levy not subject to recapture and expected to total approximately -\$180,798 over the course of the agreement, with the school district to be reimbursed by the state for the tax credit payments. The potential net tax benefits are estimated to total \$2.7 million over the life of the agreement.

Facilities Funding Impact

The WKN Mozart project remains fully taxable for debt services taxes, with RISD currently levying a \$0.045 I&S tax rate. The value of the WKN Mozart 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 \$0.0335 per \$100 in 2012-13—\$0.012 cents of tax effort—with the rate reduction diminishing as the project value depreciates. State facilities support for the reduction of debt service taxes in RISD remains relatively modest, assuming the project is completed.

The WKN Mozart project is not expected to affect RISD 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.

Conclusion

The proposed WKN Mozart wind energy project enhances the tax base of RISD. 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 \$2.7 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 RISD in meeting its future debt service obligations.

Table 1 – Base District Information with WKN Mozart, LLC Project Value and Limitation Values

| Year of Agreement | School Year | ADA | WADA | M&O Tax Rate | I&S Tax Rate | CAD Value with Project | CAD Value with Limitation | CPTD with Project | CPTD With Limitation | CPTD Value with Project per WADA | CPTD Value with Limitation per WADA |
|-------------------|-------------|--------|--------|--------------|--------------|------------------------|---------------------------|-------------------|----------------------|----------------------------------|-------------------------------------|
| 1 | 2012-13 | 294.00 | 634.66 | \$1.1700 | \$0.0335 | \$113,528,088 | \$113,528,088 | \$75,000,000 | \$75,000,000 | \$118,174 | \$118,174 |
| 2 | 2013-14 | 294.00 | 634.66 | \$1.1700 | \$0.0420 | \$123,528,088 | \$123,528,088 | \$110,000,000 | \$110,000,000 | \$173,322 | \$173,322 |
| 3 | 2014-15 | 294.00 | 634.66 | \$1.1700 | \$0.0456 | \$120,378,088 | \$88,528,088 | \$120,000,000 | \$120,000,000 | \$189,078 | \$189,078 |
| 4 | 2015-16 | 294.00 | 634.66 | \$1.1700 | \$0.0355 | \$117,448,588 | \$88,528,088 | \$116,850,000 | \$86,194,768 | \$184,115 | \$135,813 |
| 5 | 2016-17 | 294.00 | 634.66 | \$1.1700 | \$0.0365 | \$114,724,153 | \$88,528,088 | \$113,920,500 | \$85,851,661 | \$179,499 | \$135,272 |
| 6 | 2017-18 | 294.00 | 634.66 | \$1.1700 | \$0.0370 | \$112,190,429 | \$88,528,088 | \$111,196,065 | \$85,792,504 | \$175,206 | \$135,179 |
| 7 | 2018-19 | 294.00 | 634.66 | \$1.1700 | \$0.0380 | \$109,834,066 | \$88,528,088 | \$108,662,341 | \$85,725,358 | \$171,214 | \$135,073 |
| 8 | 2019-20 | 294.00 | 634.66 | \$1.1700 | \$0.0385 | \$107,642,648 | \$88,528,088 | \$106,305,978 | \$85,670,221 | \$167,501 | \$134,986 |
| 9 | 2020-21 | 294.00 | 634.66 | \$1.1700 | \$0.0395 | \$105,604,629 | \$88,528,088 | \$104,114,560 | \$85,608,945 | \$164,048 | \$134,890 |
| 10 | 2021-22 | 294.00 | 634.66 | \$1.1700 | \$0.0405 | \$103,709,272 | \$88,528,088 | \$102,076,541 | \$85,557,688 | \$160,837 | \$134,809 |
| 11 | 2022-23 | 294.00 | 634.66 | \$1.1700 | \$0.0405 | \$101,946,590 | \$101,946,590 | \$100,181,184 | \$85,507,921 | \$157,851 | \$134,731 |
| 12 | 2023-24 | 294.00 | 634.66 | \$1.1700 | \$0.0475 | \$100,307,295 | \$100,307,295 | \$98,418,502 | \$98,418,502 | \$155,073 | \$155,073 |
| 13 | 2024-25 | 294.00 | 634.66 | \$1.1700 | \$0.0475 | \$98,782,751 | \$98,782,751 | \$96,779,207 | \$96,779,207 | \$152,490 | \$152,490 |
| 14 | 2025-26 | 294.00 | 634.66 | \$1.1700 | \$0.0475 | \$97,364,924 | \$97,364,924 | \$95,254,663 | \$95,254,663 | \$150,088 | \$150,088 |
| 15 | 2026-27 | 294.00 | 634.66 | \$1.1700 | \$0.0475 | \$96,046,346 | \$96,046,346 | \$93,836,836 | \$93,836,836 | \$147,854 | \$147,854 |

*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

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

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | 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 |
|-------------------|-------------|-----------------------------|-------------|------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| 1 | 2012-13 | \$1,096,517 | \$2,383,793 | \$0 | \$139,831 | \$0 | \$186,344 | \$473,451 | \$0 | \$4,000,274 |
| 2 | 2013-14 | \$1,192,938 | \$2,033,776 | \$0 | \$0 | \$0 | \$202,730 | \$286,689 | \$0 | \$3,716,132 |
| 3 | 2014-15 | \$1,173,652 | \$1,933,771 | \$0 | \$0 | \$0 | \$199,452 | \$241,928 | \$0 | \$3,548,803 |
| 4 | 2015-16 | \$1,144,454 | \$1,965,273 | \$0 | \$0 | \$0 | \$194,490 | \$247,512 | \$0 | \$3,551,730 |
| 5 | 2016-17 | \$1,117,198 | \$1,994,569 | \$0 | \$0 | \$0 | \$189,858 | \$252,713 | \$0 | \$3,554,339 |
| 6 | 2017-18 | \$1,091,855 | \$2,021,815 | \$0 | \$0 | \$0 | \$185,552 | \$257,578 | \$0 | \$3,556,800 |
| 7 | 2018-19 | \$1,068,281 | \$2,047,153 | \$0 | \$0 | \$0 | \$181,545 | \$262,126 | \$0 | \$3,559,105 |
| 8 | 2019-20 | \$1,046,360 | \$2,070,718 | \$0 | \$0 | \$0 | \$177,820 | \$266,380 | \$0 | \$3,561,278 |
| 9 | 2020-21 | \$1,025,969 | \$2,092,633 | \$0 | \$0 | \$0 | \$174,355 | \$270,355 | \$0 | \$3,563,314 |
| 10 | 2021-22 | \$1,007,005 | \$2,113,015 | \$0 | \$0 | \$0 | \$171,132 | \$274,074 | \$0 | \$3,565,226 |
| 11 | 2022-23 | \$984,680 | \$2,131,969 | \$0 | \$0 | \$0 | \$167,938 | \$276,234 | \$0 | \$3,560,222 |
| 12 | 2023-24 | \$968,792 | \$2,149,597 | \$0 | \$0 | \$0 | \$164,638 | \$279,593 | \$0 | \$3,562,620 |
| 13 | 2024-25 | \$954,080 | \$2,165,991 | \$0 | \$0 | \$0 | \$162,138 | \$282,757 | \$0 | \$3,564,966 |
| 14 | 2025-26 | \$940,397 | \$2,181,237 | \$0 | \$0 | \$0 | \$159,812 | \$285,721 | \$0 | \$3,567,167 |
| 15 | 2026-27 | \$927,672 | \$2,195,416 | \$0 | \$0 | \$0 | \$157,650 | \$288,495 | \$0 | \$3,569,233 |

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

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | 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 |
|-------------------|-------------|-----------------------------|-------------|------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| 1 | 2012-13 | \$1,096,517 | \$2,383,793 | \$0 | \$139,831 | \$0 | \$186,344 | \$473,451 | \$0 | \$4,000,274 |
| 2 | 2013-14 | \$1,192,938 | \$2,033,776 | \$0 | \$0 | \$0 | \$202,730 | \$286,689 | \$0 | \$3,716,132 |
| 3 | 2014-15 | \$855,136 | \$1,933,771 | \$257,504 | \$0 | \$0 | \$145,323 | \$176,272 | \$0 | \$3,368,005 |
| 4 | 2015-16 | \$855,235 | \$2,271,840 | \$0 | \$0 | \$0 | \$145,340 | \$302,435 | \$0 | \$3,574,849 |
| 5 | 2016-17 | \$855,225 | \$2,275,271 | \$0 | \$0 | \$0 | \$145,338 | \$304,221 | \$0 | \$3,580,055 |
| 6 | 2017-18 | \$855,220 | \$2,275,863 | \$0 | \$0 | \$0 | \$145,337 | \$304,529 | \$0 | \$3,580,949 |
| 7 | 2018-19 | \$855,210 | \$2,276,535 | \$0 | \$0 | \$0 | \$145,336 | \$304,878 | \$0 | \$3,581,959 |
| 8 | 2019-20 | \$855,205 | \$2,277,086 | \$0 | \$0 | \$0 | \$145,335 | \$305,166 | \$0 | \$3,582,792 |
| 9 | 2020-21 | \$855,195 | \$2,277,699 | \$0 | \$0 | \$0 | \$145,333 | \$305,485 | \$0 | \$3,583,712 |
| 10 | 2021-22 | \$855,185 | \$2,278,211 | \$0 | \$0 | \$0 | \$145,332 | \$305,751 | \$0 | \$3,584,479 |
| 11 | 2022-23 | \$984,680 | \$2,278,709 | \$0 | \$0 | \$0 | \$167,338 | \$352,352 | \$0 | \$3,783,079 |
| 12 | 2023-24 | \$968,792 | \$2,149,597 | \$0 | \$0 | \$0 | \$164,638 | \$279,593 | \$0 | \$3,562,620 |
| 13 | 2024-25 | \$954,080 | \$2,165,991 | \$0 | \$0 | \$0 | \$162,138 | \$282,757 | \$0 | \$3,564,966 |
| 14 | 2025-26 | \$940,397 | \$2,181,237 | \$0 | \$0 | \$0 | \$159,812 | \$285,721 | \$0 | \$3,567,167 |
| 15 | 2026-27 | \$927,672 | \$2,195,416 | \$0 | \$0 | \$0 | \$157,650 | \$288,495 | \$0 | \$3,569,233 |

Table 4 - Value Limit less Project Value with No Limit

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | 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 |
|-------------------|-------------|-----------------------------|-----------|------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| 1 | 2012-13 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | 2013-14 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | 2014-15 | \$318,516 | \$0 | \$257,504 | \$0 | \$0 | -\$54,129 | -\$65,657 | \$0 | \$180,798 |
| 4 | 2015-16 | -\$289,220 | \$306,567 | \$0 | \$0 | \$0 | -\$49,150 | \$54,922 | \$0 | \$23,120 |
| 5 | 2016-17 | -\$261,974 | \$280,702 | \$0 | \$0 | \$0 | -\$44,520 | \$51,508 | \$0 | \$25,716 |
| 6 | 2017-18 | -\$236,635 | \$254,048 | \$0 | \$0 | \$0 | -\$40,214 | \$46,951 | \$0 | \$24,149 |
| 7 | 2018-19 | -\$213,071 | \$229,382 | \$0 | \$0 | \$0 | -\$36,210 | \$42,752 | \$0 | \$22,854 |
| 8 | 2019-20 | -\$191,155 | \$206,368 | \$0 | \$0 | \$0 | -\$32,485 | \$38,786 | \$0 | \$21,514 |
| 9 | 2020-21 | -\$170,774 | \$185,066 | \$0 | \$0 | \$0 | -\$29,022 | \$35,128 | \$0 | \$20,399 |
| 10 | 2021-22 | -\$151,820 | \$165,196 | \$0 | \$0 | \$0 | -\$25,800 | \$31,678 | \$0 | \$19,253 |
| 11 | 2022-23 | \$0 | \$146,740 | \$0 | \$0 | \$0 | \$0 | \$76,118 | \$0 | \$222,858 |
| 12 | 2023-24 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 13 | 2024-25 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2025-26 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2026-27 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Table 5 - Estimated Financial impact of the WKN Mozart, LLC Project Property Value Limitation Request Submitted to RISD at \$1.17 M&O Tax Rate

| Year of Agreement | 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 |
|-------------------|-------------|---------------|-------------------------|---------------|--------------------------|-------------------------|----------------------------------|---|--|--------------------------------|----------------------------|
| 1 | 2012-13 | \$35,000,000 | \$35,000,000 | \$0 | \$409,500 | \$409,500 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | 2013-14 | \$45,000,000 | \$45,000,000 | \$0 | \$526,500 | \$526,500 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | 2014-15 | \$41,850,000 | \$10,000,000 | \$31,850,000 | \$489,645 | \$117,000 | \$372,645 | \$0 | \$372,645 | \$180,798 | \$191,847 |
| 4 | 2015-16 | \$38,920,500 | \$10,000,000 | \$28,920,500 | \$455,370 | \$117,000 | \$338,370 | \$65,408 | \$403,778 | \$0 | \$403,778 |
| 5 | 2016-17 | \$36,196,065 | \$10,000,000 | \$26,196,065 | \$423,494 | \$117,000 | \$306,494 | \$65,106 | \$371,600 | \$0 | \$371,600 |
| 6 | 2017-18 | \$33,662,341 | \$10,000,000 | \$23,662,341 | \$393,849 | \$117,000 | \$276,849 | \$64,728 | \$341,577 | \$0 | \$341,577 |
| 7 | 2018-19 | \$31,305,978 | \$10,000,000 | \$21,305,978 | \$366,280 | \$117,000 | \$249,280 | \$64,448 | \$313,728 | \$0 | \$313,728 |
| 8 | 2019-20 | \$29,114,560 | \$10,000,000 | \$19,114,560 | \$340,640 | \$117,000 | \$223,640 | \$64,105 | \$287,745 | \$0 | \$287,745 |
| 9 | 2020-21 | \$27,076,541 | \$10,000,000 | \$17,076,541 | \$316,796 | \$117,000 | \$199,796 | \$63,848 | \$263,643 | \$0 | \$263,643 |
| 10 | 2021-22 | \$25,181,184 | \$10,000,000 | \$15,181,184 | \$294,620 | \$117,000 | \$177,620 | \$63,599 | \$241,219 | \$0 | \$241,219 |
| 11 | 2022-23 | \$23,418,502 | \$23,418,502 | \$0 | \$273,996 | \$273,996 | \$0 | \$250,759 | \$250,759 | \$0 | \$250,759 |
| 12 | 2023-24 | \$21,779,207 | \$21,779,207 | \$0 | \$254,817 | \$254,817 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 13 | 2024-25 | \$20,254,663 | \$20,254,663 | \$0 | \$236,980 | \$236,980 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2025-26 | \$18,836,836 | \$18,836,836 | \$0 | \$220,391 | \$220,391 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2026-27 | \$17,518,258 | \$17,518,258 | \$0 | \$204,964 | \$204,964 | \$0 | \$0 | \$0 | \$0 | \$0 |

\$5,207,841 \$3,063,147 \$2,144,694 \$702,000 \$2,846,694 -\$180,798 \$2,665,895

| Tax Credit for Value Over Limit in First 2 Years | Year 1 | Year 2 | Max Credits |
|--|-----------|-----------|------------------|
| | \$292,500 | \$409,500 | \$702,000 |
| Credits Earned | | | \$702,000 |
| Credits Paid | | | <u>\$702,000</u> |
| Excess Credits Unpaid | | | \$0 |

Attachment 3

Kent County

Population

Total county population in 2009 for Kent County: 703, down 0.6 percent from 2008. State population increased 2.0 percent in the same time period. Kent County was the state's 250th largest county in population in 2009 and the 209th fastest growing county from 2008 to 2009. Kent County's population in 2009 was 83.1 percent Anglo (above the state average of 46.7 percent), 0.3 percent African-American (below the state average of 11.3 percent) and 16.4 percent Hispanic (below the state average of 36.9 percent).

2009 population of the largest cities and places in Kent County:

Jayton: 422

Economy and Income

Employment

April 2011 total employment in Kent County: 403, down 0.2 percent from April 2010. State total employment increased 1.3 percent during the same period.

April 2011 Kent County unemployment rate: 5.6 percent, down from 6.3 percent in April 2010. The statewide unemployment rate for April 2011 was 8.0 percent, down from 8.2 percent in April 2010.

April 2011 unemployment rate in the city of: NA

(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

Kent County's ranking in per capita personal income in 2009: 87th with an average per capita income of \$35,253, up 8.4 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

Agricultural cash values in Kent County averaged \$9.67 million annually from 2006 to 2009. County total agricultural values in 2009 were up 7.2 percent from 2008. Major agriculture related commodities in Kent County during 2009 included:

| | | | | |
|-----|-------|--------|---------|------------|
| Hay | Wheat | Cotton | Hunting | Other Beef |
|-----|-------|--------|---------|------------|

2010 oil and gas production in Kent County: 3.9 million barrels of oil and 6.5 million Mcf of gas. In February 2011, there were 574 producing oil wells and 0 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Taxable sales in Kent County during the third quarter 2010: \$258,385.00, up 14.7 percent from the same quarter in 2009.

Taxable sales during the third quarter 2010 in the city of:

Jayton: \$233,806.00, up 11.4 percent from the same quarter in 2009.

Annual (2009)

Taxable sales in Kent County during 2009: \$900,562.00, down 2.2 percent from 2008. Kent County sent an estimated \$56,285.13 (or 0.00 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009. Taxable sales during 2009 in the city of:

Jayton: \$851,573.00, down 1.9 percent from 2008.

Sales Tax – Local Sales Tax Allocations

Monthly

Payments to all cities in Kent County based on the sales activity month of March 2011: \$1,645.00, up 2.6 percent from March 2010.

Payment based on the sales activity month of March 2011 to the city of:

Jayton: \$1,645.00, up 2.6 percent from March 2010.

Annual (2010)

Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.

Payments to all cities in Kent County based on sales activity months in 2010: \$15,537.94, up 7.9 percent from 2009.

Payment based on sales activity months in 2010 to the city of:

Jayton: \$15,537.94, up 7.9 percent from 2009.

Property Tax

As of January 2009, property values in Kent County: \$964.78 million, up 14.6 percent from January 2008 values. The property tax base per person in Kent County is \$1,372,374, above the statewide average of \$85,809. About 89.0 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

Kent County's ranking in state expenditures by county in fiscal year 2009: 247th. State expenditures in the county for FY2009: \$4.78 million, up 13.0 percent from FY2008.

In Kent County, 2 state agencies provide a total of 15 jobs and \$347,949.00 in annualized wages (as of 3rd quarter 2010). Statewide payments based on the sales activity month of March 2011: \$600.06 million, up 5.8 percent from March 2010.

Major state agencies in the county (as of third quarter 2010):

Department of Transportation
AgriLife Extension Service

Higher Education

Community colleges in Kent County fall 2010 enrollment:

None.

Kent County is in the service area of the following:

Western Texas College with a fall 2010 enrollment of 2,307. Counties in the service area include:
Borden County
Dickens County
Fisher County
Jones County
Kent County
Mitchell County
Nolan County
Runnels County
Scurry County
Stonewall County

Institutions of higher education in Kent County fall 2010 enrollment:

None.

School Districts

Kent County had 1 school districts with 1 school and 143 students in the 2009-10 school year.

(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)

Jayton-Girard ISD had 143 students in the 2009-10 school year. The average teacher salary was \$46,312. The percentage of students meeting the 2010 TAKS passing standard for all tests was 78 percent.

Stonewall County

Population

Total county population in 2009 for Stonewall County: 1,354, down 2.2 percent from 2008. State population increased 2.0 percent in the same time period. Stonewall County was the state's 242nd largest county in population in 2009 and the 247th fastest growing county from 2008 to 2009. Stonewall County's population in 2009 was 74.4 percent Anglo (above the state average of 46.7 percent), 4.2 percent African-American (below the state average of 11.3 percent) and 18.8 percent Hispanic (below the state average of 36.9 percent).
2009 population of the largest cities and places in Stonewall County:

Aspermont: 820

Economy and Income

Employment

April 2011 total employment in Stonewall County: 784, down 1.3 percent from April 2010. State total employment increased 1.3 percent during the same period.

April 2011 Stonewall County unemployment rate: 4.4 percent, down from 4.8 percent in April 2010. The statewide unemployment rate for April 2011 was 8.0 percent, down from 8.2 percent in April 2010.

April 2011 unemployment rate in the city of: NA

(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

Stonewall County's ranking in per capita personal income in 2009: 28th with an average per capita income of \$40,777, up 4.2 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

Agricultural cash values in Stonewall County averaged \$13.22 million annually from 2006 to 2009. County total agricultural values in 2009 were down 21.3 percent from 2008. Major agriculture related commodities in Stonewall County during 2009 included:

| | | | | |
|-----|-------|--------|---------|------------|
| Hay | Wheat | Cotton | Hunting | Other Beef |
|-----|-------|--------|---------|------------|

2010 oil and gas production in Stonewall County: 972,499.0 barrels of oil and 415,141.0 Mcf of gas. In February 2011, there were 584 producing oil wells and 0 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Taxable sales in Stonewall County during the third quarter 2010: \$3.13 million, up 15.0 percent from the same quarter in 2009.

Taxable sales during the third quarter 2010 in the city of:

Aspermont: \$1.78 million, up 14.1 percent from the same quarter in 2009.

Annual (2009)

Taxable sales in Stonewall County during 2009: \$10.50 million, down 28.5 percent from 2008.

Stonewall County sent an estimated \$656,122.44 (or 0.00 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009. Taxable sales during 2009 in the city of:

Aspermont: \$6.00 million, down 15.4 percent from 2008.

Sales Tax - Local Sales Tax Allocations

Monthly

Payments to all cities in Stonewall County based on the sales activity month of March 2011: \$21,052.77, up 24.5 percent from March 2010. Payment based on the sales activity month of March 2011 to the city of:

Aspermont: \$21,052.77, up 24.5 percent from March 2010.

Annual (2010)

Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.

Payments to all cities in Stonewall County based on sales activity months in 2010: \$189,873.11, up 14.2 percent from 2009.

Payment based on sales activity months in 2010 to the city of:

Aspermont: \$189,873.11, up 14.2 percent from 2009.

Property Tax

As of January 2009, property values in Stonewall County: \$503.76 million, up 0.8 percent from January 2008 values. The property tax base per person in Stonewall County is \$372,052, above the statewide average of \$85,809. About 58.5 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

Stonewall County's ranking in state expenditures by county in fiscal year 2009: 234th. State expenditures in the county for FY2009: \$9.80 million, up 10.2 percent from FY2008.

In Stonewall County, 4 state agencies provide a total of 16 jobs and \$713,011.00 in annualized wages (as of 3rd quarter 2010). Statewide payments based on the sales activity month of March 2011: \$600.06 million, up 5.8 percent from March 2010.

Major state agencies in the county (as of third quarter 2010):

- Department of Transportation
- Department of Public Safety
- Parks & Wildlife Department
- AgriLife Extension Service

Higher Education

Community colleges in Stonewall County fall 2010 enrollment:

None.

Stonewall County is in the service area of the following:

Western Texas College with a fall 2010 enrollment of 2,307. Counties in the service area include:

- Borden County
- Dickens County
- Fisher County
- Jones County
- Kent County
- Mitchell County
- Nolan County
- Runnels County
- Scurry County
- Stonewall County

Institutions of higher education in Stonewall County fall 2010 enrollment:

None.

School Districts

Stonewall County had 1 school districts with 2 schools and 238 students in the 2009-10 school year.

(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)

Aspermont ISD had 238 students in the 2009-10 school year. The average teacher salary was \$40,578. The percentage of students meeting the 2010 TAKS passing standard for all tests was 82 percent.

Attachment E

Summary of Financial Impact

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED WKN
MOZART, LLC PROJECT ON THE FINANCES OF THE ROTAN
INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED
CHAPTER 313 PROPERTY VALUE LIMITATION**

April 28, 2011

Final Report

PREPARED BY



Estimated Impact of the Proposed WKN Mozart, LLC Project on the Finances of the Rotan Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

WKN Mozart, LLC (WKN Mozart) has requested that the Rotan Independent School District (RISD) 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 RISD on April 5, 2011. WKN Mozart proposes to invest \$45 million to construct a new wind energy project in RISD.

The WKN Mozart 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, RISD may offer a minimum value limitation of \$10 million. Based on the application, the qualifying time period would begin with the 2012-13 school year. The full value of the investment is expected to reach \$45 million in 2013-14, 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 2012-13 and 2013-14 school years during the two-year qualifying time period. Beginning in 2014-15, the project would go on the local tax roll at \$10 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 RISD currently levying a \$0.045 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 throughout the qualifying and value limitation period (and thereafter). 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.

For 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, WKN Mozart indicates that \$45.0 million in taxable value would be in place in the second year under the agreement. In year three (2014-15) of the agreement, the project is expected to go on the tax roll at \$10 million or, if applicable, a higher value limitation amount approved by the RISD 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, no additional revenue losses would be anticipated in the case of RISD when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study.

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 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). RISD currently levies a \$1.17 per \$100 M&O tax rate.

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, as well as an additional \$120 per WADA guarantee.

Under the provisions of HB 3646, school districts do have the potential to earn revenue above the \$120 per WADA level, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 750 school districts are funded at the minimum \$120 per WADA level, while approximately 250 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. RISD is a formula district under these estimates in most years for the projections shown.

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 WKN Mozart 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 294 students in average daily attendance (ADA) in analyzing the effects of the WKN Mozart project on the finances of RISD. The District's local tax base reached \$78.5 million for the 2010 tax year. The underlying \$78.5 million taxable value for 2010-11 is maintained for the forecast period in order to isolate the effects of the property value limitation. RISD is not a property-wealthy district, with wealth per weighted ADA or WADA of approximately \$118,174 for the 2010-11 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for RISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin yield 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 WKN Mozart facility 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 WKN Mozart value but imposes the proposed property value limitation effective in the third year, which in this case is the 2014-15 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 \$3.6 million a year in net General Fund revenue.

Under these assumptions, RISD would experience a revenue loss as a result of the implementation of the value limitation in the 2014-15 school year (-\$180,798). The revenue reduction results from the mechanics of six cents equalized to the Austin ISD yield, which reflect the one-year lag in value associated with the property value study. It appears that this reduction does not persist between the two models beyond the third year of the agreement.

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, however, only 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. The result of the composite deduction calculation is that the amount deducted for the value limitation from the state value study is always less than the tax benefit that has been provided for the taxpayer receiving the value limitation in school districts that levy M&O taxes. In the case of RISD, 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.

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 and 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 \$2.1 million over the life of the agreement. In addition, WKN Mozart 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. The tax credits are expected to total \$702,000 over the life of the agreement, with no unpaid tax credits anticipated. The key RISD revenue losses are associated with the additional six-cent levy not subject to recapture and expected to total approximately -\$180,798 over the course of the agreement, with the school district to be reimbursed by the state for the tax credit payments. The potential net tax benefits are estimated to total \$2.7 million over the life of the agreement.

Facilities Funding Impact

The WKN Mozart project remains fully taxable for debt services taxes, with RISD currently levying a \$0.045 I&S tax rate. The value of the WKN Mozart 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 \$0.0335 per \$100 in 2012-13—\$0.012 cents of tax effort—with the rate reduction diminishing as the project value depreciates. State facilities support for the reduction of debt service taxes in RISD remains relatively modest, assuming the project is completed.

The WKN Mozart project is not expected to affect RISD 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.

Conclusion

The proposed WKN Mozart wind energy project enhances the tax base of RISD. 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 \$2.7 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 RISD in meeting its future debt service obligations.

Table 1 – Base District Information with WKN Mozart, LLC Project Value and Limitation Values

| Year of Agreement | School Year | ADA | WADA | M&O Tax Rate | I&S Tax Rate | CAD Value with Project | CAD Value with Limitation | CPTD with Project | CPTD With Limitation | CPTD Value with Project per WADA | CPTD Value with Limitation per WADA |
|-------------------|-------------|--------|--------|--------------|--------------|------------------------|---------------------------|-------------------|----------------------|----------------------------------|-------------------------------------|
| 1 | 2012-13 | 294.00 | 634.66 | \$1.1700 | \$0.0335 | \$113,528,088 | \$113,528,088 | \$75,000,000 | \$75,000,000 | \$118,174 | \$118,174 |
| 2 | 2013-14 | 294.00 | 634.66 | \$1.1700 | \$0.0420 | \$123,528,088 | \$123,528,088 | \$110,000,000 | \$110,000,000 | \$173,322 | \$173,322 |
| 3 | 2014-15 | 294.00 | 634.66 | \$1.1700 | \$0.0456 | \$120,378,088 | \$88,528,088 | \$120,000,000 | \$120,000,000 | \$189,078 | \$189,078 |
| 4 | 2015-16 | 294.00 | 634.66 | \$1.1700 | \$0.0355 | \$117,448,588 | \$88,528,088 | \$116,850,000 | \$86,194,768 | \$184,115 | \$135,813 |
| 5 | 2016-17 | 294.00 | 634.66 | \$1.1700 | \$0.0365 | \$114,724,153 | \$88,528,088 | \$113,920,500 | \$85,851,661 | \$179,499 | \$135,272 |
| 6 | 2017-18 | 294.00 | 634.66 | \$1.1700 | \$0.0370 | \$112,190,429 | \$88,528,088 | \$111,196,065 | \$85,792,504 | \$175,206 | \$135,179 |
| 7 | 2018-19 | 294.00 | 634.66 | \$1.1700 | \$0.0380 | \$109,834,066 | \$88,528,088 | \$108,662,341 | \$85,725,358 | \$171,214 | \$135,073 |
| 8 | 2019-20 | 294.00 | 634.66 | \$1.1700 | \$0.0385 | \$107,642,648 | \$88,528,088 | \$106,305,978 | \$85,670,221 | \$167,501 | \$134,986 |
| 9 | 2020-21 | 294.00 | 634.66 | \$1.1700 | \$0.0395 | \$105,604,629 | \$88,528,088 | \$104,114,560 | \$85,608,945 | \$164,048 | \$134,890 |
| 10 | 2021-22 | 294.00 | 634.66 | \$1.1700 | \$0.0405 | \$103,709,272 | \$88,528,088 | \$102,076,541 | \$85,557,688 | \$160,837 | \$134,809 |
| 11 | 2022-23 | 294.00 | 634.66 | \$1.1700 | \$0.0405 | \$101,946,590 | \$101,946,590 | \$100,181,184 | \$85,507,921 | \$157,851 | \$134,731 |
| 12 | 2023-24 | 294.00 | 634.66 | \$1.1700 | \$0.0475 | \$100,307,295 | \$100,307,295 | \$98,418,502 | \$98,418,502 | \$155,073 | \$155,073 |
| 13 | 2024-25 | 294.00 | 634.66 | \$1.1700 | \$0.0475 | \$98,782,751 | \$98,782,751 | \$96,779,207 | \$96,779,207 | \$152,490 | \$152,490 |
| 14 | 2025-26 | 294.00 | 634.66 | \$1.1700 | \$0.0475 | \$97,364,924 | \$97,364,924 | \$95,254,663 | \$95,254,663 | \$150,088 | \$150,088 |
| 15 | 2026-27 | 294.00 | 634.66 | \$1.1700 | \$0.0475 | \$96,046,346 | \$96,046,346 | \$93,836,836 | \$93,836,836 | \$147,854 | \$147,854 |

*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

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

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | 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 |
|-------------------|-------------|-----------------------------|-------------|------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| 1 | 2012-13 | \$1,096,517 | \$2,383,793 | \$0 | -\$139,831 | \$0 | \$186,344 | \$473,451 | \$0 | \$4,000,274 |
| 2 | 2013-14 | \$1,192,938 | \$2,033,776 | \$0 | \$0 | \$0 | \$202,730 | \$286,689 | \$0 | \$3,716,132 |
| 3 | 2014-15 | \$1,173,652 | \$1,933,771 | \$0 | \$0 | \$0 | \$199,452 | \$241,928 | \$0 | \$3,548,803 |
| 4 | 2015-16 | \$1,144,454 | \$1,965,273 | \$0 | \$0 | \$0 | \$194,490 | \$247,512 | \$0 | \$3,551,730 |
| 5 | 2016-17 | \$1,117,198 | \$1,994,569 | \$0 | \$0 | \$0 | \$189,858 | \$252,713 | \$0 | \$3,554,339 |
| 6 | 2017-18 | \$1,091,855 | \$2,021,815 | \$0 | \$0 | \$0 | \$185,552 | \$257,578 | \$0 | \$3,556,800 |
| 7 | 2018-19 | \$1,068,281 | \$2,047,153 | \$0 | \$0 | \$0 | \$181,545 | \$262,126 | \$0 | \$3,559,105 |
| 8 | 2019-20 | \$1,046,360 | \$2,070,718 | \$0 | \$0 | \$0 | \$177,820 | \$266,380 | \$0 | \$3,561,278 |
| 9 | 2020-21 | \$1,025,969 | \$2,092,633 | \$0 | \$0 | \$0 | \$174,355 | \$270,356 | \$0 | \$3,563,314 |
| 10 | 2021-22 | \$1,007,005 | \$2,113,015 | \$0 | \$0 | \$0 | \$171,132 | \$274,074 | \$0 | \$3,565,226 |
| 11 | 2022-23 | \$984,680 | \$2,131,969 | \$0 | \$0 | \$0 | \$167,338 | \$276,234 | \$0 | \$3,560,222 |
| 12 | 2023-24 | \$968,792 | \$2,149,597 | \$0 | \$0 | \$0 | \$164,638 | \$279,593 | \$0 | \$3,562,620 |
| 13 | 2024-25 | \$954,080 | \$2,165,991 | \$0 | \$0 | \$0 | \$162,138 | \$282,757 | \$0 | \$3,564,966 |
| 14 | 2025-26 | \$940,397 | \$2,181,237 | \$0 | \$0 | \$0 | \$159,812 | \$285,721 | \$0 | \$3,567,167 |
| 15 | 2026-27 | \$927,672 | \$2,195,416 | \$0 | \$0 | \$0 | \$157,650 | \$288,495 | \$0 | \$3,569,233 |

Table 3-- “Value Limitation Revenue Model”--Project Value Added with Value Limit

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | 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 |
|-------------------|-------------|-----------------------------|-------------|------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| 1 | 2012-13 | \$1,096,517 | \$2,383,793 | \$0 | -\$139,831 | \$0 | \$186,344 | \$473,451 | \$0 | \$4,000,274 |
| 2 | 2013-14 | \$1,192,938 | \$2,033,776 | \$0 | \$0 | \$0 | \$202,730 | \$286,689 | \$0 | \$3,716,132 |
| 3 | 2014-15 | \$855,136 | \$1,933,771 | \$257,504 | \$0 | \$0 | \$145,323 | \$176,272 | \$0 | \$3,368,005 |
| 4 | 2015-16 | \$855,235 | \$2,271,840 | \$0 | \$0 | \$0 | \$145,340 | \$302,435 | \$0 | \$3,574,849 |
| 5 | 2016-17 | \$855,225 | \$2,275,271 | \$0 | \$0 | \$0 | \$145,338 | \$304,221 | \$0 | \$3,580,055 |
| 6 | 2017-18 | \$855,220 | \$2,275,863 | \$0 | \$0 | \$0 | \$145,337 | \$304,529 | \$0 | \$3,580,949 |
| 7 | 2018-19 | \$855,210 | \$2,276,535 | \$0 | \$0 | \$0 | \$145,336 | \$304,878 | \$0 | \$3,581,959 |
| 8 | 2019-20 | \$855,205 | \$2,277,086 | \$0 | \$0 | \$0 | \$145,335 | \$305,166 | \$0 | \$3,582,792 |
| 9 | 2020-21 | \$855,195 | \$2,277,699 | \$0 | \$0 | \$0 | \$145,333 | \$305,485 | \$0 | \$3,583,712 |
| 10 | 2021-22 | \$855,185 | \$2,278,211 | \$0 | \$0 | \$0 | \$145,332 | \$305,751 | \$0 | \$3,584,479 |
| 11 | 2022-23 | \$884,680 | \$2,278,709 | \$0 | \$0 | \$0 | \$167,338 | \$352,352 | \$0 | \$3,783,079 |
| 12 | 2023-24 | \$968,792 | \$2,149,597 | \$0 | \$0 | \$0 | \$164,638 | \$279,593 | \$0 | \$3,562,620 |
| 13 | 2024-25 | \$954,080 | \$2,165,991 | \$0 | \$0 | \$0 | \$162,138 | \$282,757 | \$0 | \$3,564,966 |
| 14 | 2025-26 | \$940,397 | \$2,181,237 | \$0 | \$0 | \$0 | \$159,812 | \$285,721 | \$0 | \$3,567,167 |
| 15 | 2026-27 | \$927,672 | \$2,195,416 | \$0 | \$0 | \$0 | \$157,650 | \$288,495 | \$0 | \$3,569,233 |

Table 4 – Value Limit less Project Value with No Limit

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | 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 |
|-------------------|-------------|-----------------------------|-----------|------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| 1 | 2012-13 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | 2013-14 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | 2014-15 | -\$318,516 | \$0 | \$257,504 | \$0 | \$0 | -\$54,129 | -\$65,657 | \$0 | -\$180,798 |
| 4 | 2015-16 | -\$289,220 | \$306,567 | \$0 | \$0 | \$0 | -\$49,150 | \$54,922 | \$0 | \$23,120 |
| 5 | 2016-17 | -\$261,974 | \$280,702 | \$0 | \$0 | \$0 | -\$44,520 | \$51,508 | \$0 | \$25,716 |
| 6 | 2017-18 | -\$236,635 | \$254,048 | \$0 | \$0 | \$0 | -\$40,214 | \$46,951 | \$0 | \$24,149 |
| 7 | 2018-19 | -\$213,071 | \$229,382 | \$0 | \$0 | \$0 | -\$36,210 | \$42,752 | \$0 | \$22,854 |
| 8 | 2019-20 | -\$191,155 | \$206,368 | \$0 | \$0 | \$0 | -\$32,485 | \$38,786 | \$0 | \$21,514 |
| 9 | 2020-21 | -\$170,774 | \$185,066 | \$0 | \$0 | \$0 | -\$29,022 | \$35,128 | \$0 | \$20,399 |
| 10 | 2021-22 | -\$151,820 | \$165,196 | \$0 | \$0 | \$0 | -\$25,800 | \$31,678 | \$0 | \$19,253 |
| 11 | 2022-23 | \$0 | \$146,740 | \$0 | \$0 | \$0 | \$0 | \$76,118 | \$0 | \$222,858 |
| 12 | 2023-24 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 13 | 2024-25 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2025-26 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2026-27 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Table 5 - Estimated Financial impact of the WKN Mozart, LLC Project Property Value Limitation Request Submitted to RISD at \$1.17 M&O Tax Rate

| Year of Agreement | 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 |
|-------------------|-------------|---------------|-------------------------|---------------|--------------------------|-------------------------|----------------------------------|---|--|--------------------------------|----------------------------|
| 1 | 2012-13 | \$35,000,000 | \$35,000,000 | \$0 | \$409,500 | \$409,500 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | 2013-14 | \$45,000,000 | \$45,000,000 | \$0 | \$526,500 | \$526,500 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | 2014-15 | \$41,850,000 | \$10,000,000 | \$31,850,000 | \$489,645 | \$117,000 | \$372,645 | \$0 | \$372,645 | -\$180,798 | \$191,847 |
| 4 | 2015-16 | \$38,920,500 | \$10,000,000 | \$28,920,500 | \$455,370 | \$117,000 | \$338,370 | \$65,408 | \$403,778 | \$0 | \$403,778 |
| 5 | 2016-17 | \$36,196,065 | \$10,000,000 | \$26,196,065 | \$423,494 | \$117,000 | \$306,494 | \$65,106 | \$371,600 | \$0 | \$371,600 |
| 6 | 2017-18 | \$33,662,341 | \$10,000,000 | \$23,662,341 | \$393,849 | \$117,000 | \$276,849 | \$64,728 | \$341,577 | \$0 | \$341,577 |
| 7 | 2018-19 | \$31,305,978 | \$10,000,000 | \$21,305,978 | \$366,280 | \$117,000 | \$249,280 | \$64,448 | \$313,728 | \$0 | \$313,728 |
| 8 | 2019-20 | \$29,114,560 | \$10,000,000 | \$19,114,560 | \$340,640 | \$117,000 | \$223,640 | \$64,105 | \$287,745 | \$0 | \$287,745 |
| 9 | 2020-21 | \$27,076,541 | \$10,000,000 | \$17,076,541 | \$316,796 | \$117,000 | \$199,796 | \$63,848 | \$263,643 | \$0 | \$263,643 |
| 10 | 2021-22 | \$25,181,184 | \$10,000,000 | \$15,181,184 | \$294,620 | \$117,000 | \$177,620 | \$63,599 | \$241,219 | \$0 | \$241,219 |
| 11 | 2022-23 | \$23,418,502 | \$23,418,502 | \$0 | \$273,996 | \$273,996 | \$0 | \$250,759 | \$250,759 | \$0 | \$250,759 |
| 12 | 2023-24 | \$21,779,207 | \$21,779,207 | \$0 | \$254,817 | \$254,817 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 13 | 2024-25 | \$20,254,663 | \$20,254,663 | \$0 | \$236,980 | \$236,980 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2025-26 | \$18,836,836 | \$18,836,836 | \$0 | \$220,391 | \$220,391 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2026-27 | \$17,518,258 | \$17,518,258 | \$0 | \$204,964 | \$204,964 | \$0 | \$0 | \$0 | \$0 | \$0 |

\$5,207,841 \$3,063,147 \$2,144,694 \$702,000 \$2,846,694 -\$180,798 \$2,665,895

| Tax Credit for Value Over Limit in First 2 Years | Year 1 | Year 2 | Max Credits |
|--|-----------|-----------|------------------|
| | \$292,500 | \$409,500 | \$702,000 |
| Credits Earned | | | \$702,000 |
| Credits Paid | | | <u>\$702,000</u> |
| Excess Credits Unpaid | | | \$0 |

F

Attachment F

Taxable Value of Property

COMPTROLLER OF PUBLIC ACCOUNTS - PROPERTY TAX ASSISTANCE DIVISION
 2009 ISD SUMMARY WORKSHEET
 076-904/Rotan ISD
 SCHOOL DISTRICT TOTALS

| CATEGORY | LOCAL TAX ROLL VALUE | 2009 WTD MEAN RATIO | 2009 PTD VALUE ESTIMATE | 2009 VALUE ASSIGNED |
|------------------------------|-------------------------|------------------------|----------------------------|------------------------|
| A. SINGLE-FAMILY RESIDENCES | 12,156,060 | .9207 | 13,203,063 | 12,156,060 |
| B. MULTIFAMILY RESIDENCES | 0 | N/A | 0 | 0 |
| C. VACANT LOTS | 237,093 | N/A | 237,093 | 237,093 |
| D. RURAL REAL (TAXABLE) | 28,137,732 | .9489 | 29,653,060 | 28,137,732 |
| F1. COMMERCIAL REAL | 2,034,037 | N/A | 2,034,037 | 2,034,037 |
| F2. INDUSTRIAL REAL | 1,989,323 | N/A | 1,989,323 | 1,989,323 |
| G. OIL, GAS, MINERALS | 14,270,290 | 1.0187 | 14,008,244 | 14,270,290 |
| J. UTILITIES | 5,942,730 | 1.0694 | 5,556,849 | 5,942,730 |
| L1. COMMERCIAL PERSONAL | 3,344,530 | 1.0147 | 3,296,104 | 3,344,530 |
| L2. INDUSTRIAL PERSONAL | 12,097,450 | N/A | 12,097,450 | 12,097,450 |
| M. MOBILE HOMES | 190,290 | N/A | 190,290 | 190,290 |
| N. INTANGIBLE PERS/UNCERT | 0 | N/A | 0 | 0 |
| O. RESIDENTIAL INVENTORY | 0 | N/A | 0 | 0 |
| S. SPECIAL INVENTORY | 285,260 | N/A | 285,260 | 285,260 |
| SUBTOTAL | 80,684,795 | | 82,550,773 | 80,684,795 |
| LESS TOTAL DEDUCTIONS | 9,639,957 | | 10,137,809 | 9,639,957 |
| TOTAL TAXABLE VALUE | 71,044,838 | | 72,412,964 | 71,044,838 T2 |

| CATEGORY D DETAIL | LOCAL TAX ROLL | RATIO | PTD VALUE |
|----------------------------|-------------------|-------|-------------------|
| MARKET VALUE NON-QUALIFIED | | | |
| ACRES & FARM/RANCH IMP | 10,192,392 | .9732 | 10,473,582 |
| PROD VALUE QUALIFIED ACRES | 17,945,340 | .9357 | 19,179,478 |
| TAXABLE VALUE | 28,137,732 | | 29,653,060 |

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

G

Attachment G

Participation Agreement

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

by and between

ROTAN INDEPENDENT SCHOOL DISTRICT

and

WKN MOZART, LLC
(Texas Taxpayer ID # 32039364255)

Dated

July 28, 2011

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

STATE OF TEXAS §

COUNTY OF FISHER §

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 **ROTAN 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 **WKN MOZART, LLC**, Texas Taxpayer Identification Number 32039364255, hereinafter collectively referred to as the "Applicant." The Applicant and the District are each 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 or about March 10, 2011, the Superintendent of Schools of the Rotan 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 April 5, 2011, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from WKN Mozart, LLC, and on April 5, 2011, the Superintendent acknowledged receipt of the Application and 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, together with the supplemental materials, were delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d); and,

WHEREAS, The Comptroller's Office has established April 7, 2011 as the completed Application date; and,

WHEREAS, pursuant to 34 Tex. Admin Code §9.1054, the Application was delivered for review to the appropriate County Appraisal Districts under Texas law (the "County Appraisal Districts"), pursuant to Texas Tax Code § 6.01; and,

WHEREAS, the Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.025(d), and on June 2, 2011, 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 which was presented to the Board of Trustees at the July 28, 2011 public hearing held in connection with the Board's consideration of the Application; and,

WHEREAS, the Board of Trustees has carefully reviewed the economic impact evaluation pursuant to Tex. Tax Code § 313.026 and has carefully considered such The Comptroller's positive recommendation for the project; and,

WHEREAS, on July 28, 2011, 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 July 28, 2011, 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; and, (iv) each criterion listed in Texas Tax Code § 313.025(e) has been met ; and,

WHEREAS, on July 28, 2011, 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), based upon its factual Finding, made on July 28, 2011, that the if the number of jobs required by law (*i.e.* 10 jobs) was applied to this project, given its size and scope as described in the Application and in **EXHIBIT 3**, the number of jobs required by statute will exceed the industry standard for the number of employees reasonably necessary for the operation of the facility; and,

WHEREAS, on July 28, 2011, 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 as of the date of this Agreement; and,

WHEREAS, on July 15, 2011, the District received written notification, pursuant to 34 Tex. Admin Code § 9.1055(e)(2)(A), that the Texas Comptroller of Public Accounts reviewed this Agreement, and reaffirming the recommendation previously made on June 2, 2011 that the Application be approved: and,

WHEREAS, on July 28, 2011, 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 on the Commencement Date, as defined in Section 1.3, below. In the event that Applicant makes a Qualified Investment in the amount defined in Section 2.6 below, between the Commencement Date and the end of the Qualifying Time Period, Applicant will be entitled to the Tax Limitation Amount defined in Section 1.3 below, for the following Tax Years: 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021. The limitation on the local ad valorem property values for Maintenance and Operations purposes shall commence with the property valuations made as of January 1, 2014, the appraisal date for the third full Tax Year following the Commencement Date.

The period beginning with the Commencement Date of July 28, 2011 and ending on December 31, 2013 will be referred to herein as the "Qualifying Time Period," as that term is defined in Texas Tax Code § 313.021(4). Applicant shall not be entitled to a tax limitation during the Qualifying Time Period.

Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2021. Except, as otherwise provided herein, this Agreement will terminate in full on the Final Termination Date. 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):

| Full Tax Year of Agreement | Date of Appraisal | School Year | Tax Year | Summary Description of Provisions |
|-----------------------------------|--------------------------|--------------------|-----------------|--|
|-----------------------------------|--------------------------|--------------------|-----------------|--|

| Full Tax Year of Agreement | Date of Appraisal | School Year | Tax Year | Summary Description of Provisions |
|---|--------------------------|--------------------|-----------------|---|
| Partial Year (Commencing July 28, 2011) | January 1, 2011 | 2011-12 | 2011 | Start of Qualifying Time Period beginning with Commencement Date. No limitation on value. First year for computation of Annual Limit. |
| 1 | January 1, 2012 | 2012-13 | 2012 | Qualifying Time Period. No limitation on value. Possible tax credit in future years. |
| 2 | January 1, 2013 | 2013-14 | 2013 | Qualifying Time Period. No limitation on value. Possible tax credit in future years. |
| 3 | January 1, 2014 | 2014-15 | 2014 | \$ 10 million property value limitation. |
| 4 | January 1, 2015 | 2015-16 | 2015 | \$ 10 million property value limitation. Possible tax credit due to Applicant. |
| 5 | January 1, 2016 | 2016-17 | 2016 | \$ 10 million property value limitation. Possible tax credit due to Applicant. |
| 6 | January 1, 2017 | 2017-18 | 2017 | \$ 10 million property value limitation. Possible tax credit due to Applicant. |
| 7 | January 1, 2018 | 2018-19 | 2018 | \$ 10 million property value limitation. Possible tax credit due to Applicant. |
| 8 | January 1, 2019 | 2019-20 | 2019 | \$ 10 million property value limitation. Possible tax credit due to Applicant. |
| 9 | January 1, 2020 | 2020-21 | 2020 | \$ 10 million property value limitation. Possible tax credit due to Applicant. |

| Full Tax Year of Agreement | Date of Appraisal | School Year | Tax Year | Summary Description of Provisions |
|----------------------------|-------------------|-------------|----------|---|
| 10 | January 1, 2021 | 2021-22 | 2021 | \$ 10 million property value limitation. Possible tax credit due to Applicant. |
| 11 | 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. |
| 12 | January 1, 2023 | 2023-24 | 2023 | No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination. |
| 13 | January 1, 2024 | 2024-25 | 2024 | 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.

“*Aggregate Limit*” means, for any year of this Agreement, the cumulative total of the Annual Limit amount for the current year and all previous years of the Agreement, less all amounts paid by the Applicant to or on behalf of the District under Article IV, below.

“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 Thirty Thousand Seven Hundred Forty-Five Dollars and Forty Cents (\$30,745.40), based upon the District’s 2009-10 Average Daily Attendance of 307.454.

“Applicant” means WKN Mozart, LLC (*Texas Taxpayer ID # 32039364255*), the company listed in the Preamble of this Agreement who, on or about April 5, 2011, filed the Original Application materials 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.

“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 the Original Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) filed with the District by the Applicant on or about April 5, 2011, which have been certified by the Comptroller’s office to collectively constitute a complete final Application as of the date of June 2, 2011. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by Applicant for the purpose of obtaining an Agreement with the District. The term also includes all amendments and supplements thereto submitted by Applicant.

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

“Appraisal Districts” or “County Appraisal Districts” means the collectively the Kent County Appraisal District and the Stonewall County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Rotan Independent School District.

“Commencement Date” means July 28, 2011, the date upon which this Agreement was approved by the District’s Board of Trustees.

“Completed Application Date” means the date upon which the Comptroller determined to be the date of its receipt of a completed Chapter 313 application from Applicant, to wit: April 7, 2011.

“Comptroller” means the Texas Comptroller of Public Accounts, or the designated representative of the Texas Comptroller of Public Accounts acting on behalf of the Comptroller.

“Comptroller’s Rules” means the applicable rules and regulations of the Comptroller set forth at Chapter 34 Texas Administrative Code, Chapter 9, Subchapter D, together with any court or administrative decisions interpreting same.

“County” means collectively Kent County, Texas, and Stonewall County, Texas.

“Determination of Breach” shall have the meaning assigned to such term in Section 7.8 of the Agreement

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

“Final Termination Date” means December 31, 2024.

“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 after the development and construction of the project described in the Application and in the description of Qualified Investment/Qualified property as set forth in Section 2.3, below, (i) 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; (ii) the retention over the term of this Agreement of the number of New Jobs and Qualifying Jobs set forth in its Application by the Applicant, and the retention of the highest number of New Jobs and Qualifying Jobs set forth in its Application through the Final Termination Date of this Agreement.

"M&O Amount" shall have the meaning assigned to such term in Section 3.2 of the Agreement.

"Maintenance and Operations Revenue" or "M&O Revenue" means (i) those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to 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.

"Net Tax Benefit" means, (i) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for all Tax Years if this Agreement had not been entered into by the Parties, (ii) adding to the amount determined under clause (i) all Tax Credits received by the Applicant under Chapter 313, Tax Code, 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 all Tax Years of this Agreement, plus (B) any payments due to the District under Article III under this Agreement.

"New Jobs" means the total number of jobs, defined by 34 Tex. Admin. Code § 9.1051, which Applicant will create in connection with the project, which is the subject of its Application. In accordance with the requirements of Tex. Tax Code § 313.024(d), Eighty

Percent (80%), of all New Jobs created by Applicant on the project shall also be Qualifying Jobs, as defined below.

“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.

“Qualifying Jobs” means the number of New Jobs Applicant will create in connection with the project which is the subject of its Application, which meet the requirements of Tex. Tax Code 313.021(3).

“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 Commencement Date of July 28, 2011 and ends on December 31, 2013.

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

“State” means the State of Texas.

“Substantive Document” means a document or other information or data in electronic media determined by the Comptroller to substantially involve or include information or data significant to an application, the evaluation or consideration of an application, or the agreement or implementation of an agreement for limitation of appraised value pursuant to Tax Code, Chapter 313. The term includes, but is not limited to, any application requesting a limitation on appraised value and any amendments or supplements, any economic impact evaluation made in connection with an application, any agreement between applicant and the school district and any subsequent amendments or assignments, any school district written finding or report filed with the comptroller as required under this subchapter, and any application requesting school tax credits under Tax Code, §313.103.

“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 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021, 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) Ten Million Dollars (\$10,000,000.00).

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 Title 19 – Part 2, Texas Administrative Code, together with any court or administrative decisions interpreting same.

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 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 AND QUALIFIED PROPERTY

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”). Qualified Investment shall be that property, described in **EXHIBIT 3** which is placed in service under the terms of the Application, during the Qualifying Time Period described in both Section 1.2, above and the definition of Qualifying Time Period set forth in Section 1.3, above. Qualified Property shall be all property, described in **EXHIBIT 3**, including, but not limited to Applicant’s Qualified Investment, which: 1) is owned by Applicant; 2) was first placed in service after April 7, 2011, the completed Application date established by the Comptroller; and 3) is used in connection with the activities described in the Application. 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 or Qualified Property 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.

Property owned by Applicant which is not described on **EXHIBIT 3** may not be considered to be Qualified Property unless the Applicant:

- (a) submits to the school district and the Comptroller a written request to add property to the limitation agreement, which request shall include a specific description of the additional property to which the applicant requests that the limitation apply;
- (b) notifies the District and the Comptroller of any other changes to the information that was provided in the Application approved by the District; and,
- (c) provides any additional information reasonably requested by the District or the Comptroller necessary to re-evaluate the economic impact analysis for the new or changed conditions.

Section 2.4. APPLICANT’S OBLIGATIONS TO PROVIDE CURRENT INVENTORY OF QUALIFIED PROPERTY

At the end of the Qualifying Time Period, or at any other time when there is a material change in the Qualified Property located on the land described in **EXHIBIT 2**; upon a reasonable request of the District, the Comptroller, or the Appraisal District, Applicant shall provide to the District, the Comptroller, and the Appraisal District a specific and detailed description of the tangible personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Qualified Property to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property which is subject to the agreement.

Section 2.5. 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 electric generation facility.

Section 2.6. LIMITATION ON APPRAISED VALUE

So long as Applicant makes a Qualified Investment in the amount Ten Million Dollars (\$10,000,000.00), 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 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021, 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) Ten Million Dollars (\$10,000,000.00).

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 Tex. Tax Code § 313.023.

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 accordance with the provisions of Tex. Tax Code §313.027(f)(1), be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to, all such other payments as are set forth in Article IV. Subject only 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, and paid by Applicant to the District in addition to any and all payments due under Article IV.

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 (the "M&O

Amount") shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

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, after all adjustments have been made to Maintenance and Operations Revenue because of any portion of this agreement.

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 the full M & O revenue impact caused by this Agreement. Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements, on account of any other factors not contained in this Agreement.

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 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 7.9 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 respective County Appraisal Districts in their annual certified tax rolls submitted to the District pursuant to Texas Tax Code § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the 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 either of the County Appraisal Districts to the District's certified tax rolls 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 and Article IV, or under Section 5.1 of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed. 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 five (5) 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 for all calculations under this Agreement under Section 3.6, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or 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 and Section 3.6, above, in excess of Three Thousand Five Hundred Dollars (\$3,500.00).

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 thirty (30) days of receipt of the certification. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Thereafter, the Applicant may appeal the final determination of certification containing the calculations to the District. Any appeal by the Applicant of the final determination of the Third Party may be made, in writing, to the Rotan Independent School District Board of Trustees within thirty (30) days of the final determination of certification containing the calculations.

Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT

In the event that, at the time the Third Party selected under Section 3.4 makes its calculations under this Agreement, Applicant has appealed the taxable values placed by the County Appraisal District on the Qualified Property, and the appeal of the appraised values are unresolved, the Third Party shall base its calculations upon the values placed upon the Qualified Property by the County Appraisal District.

In the event that the result of an appraisal appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed, once the determination of a new value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years. In the event the new calculations result in the change of any amount payable by the Applicant under this Agreement, the party from whom the adjustment is payable shall remit such amounts to the counter-party within thirty (30) days of the 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

Section 4.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS

In interpreting the provisions of Article IV, the parties agree as follows:

- (a) 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 further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the Supplemental Payments set forth in this Article IV. Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised

value made pursuant to Chapter 313, Tex. Tax Code, unless it is explicitly set forth in this Agreement. It is the express intent of the Parties that the obligation for Supplemental Payments under this Article IV are separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that all payments under Articles III and IV are subject to the limitations contained in Section 5.1, and that all payments under Article IV are subject to the separate limitations contained in Section 4.4.

(b) Adherence to Statutory Limits on Supplemental Payments

It is the express intent of the parties that any Supplemental Payments made to or on behalf of the District by Applicant, under this Article IV, shall not exceed the limit imposed by the provisions of Tex. Tax Code 313.027(i) unless that limit is increased by the Legislature at a future date; however, in such event it shall not exceed the stipulated Supplemental Payment amount described in Section 4.2 and 4.3 below.

Section 4.2. STIPULATED SUPPLEMENTAL PAYMENT AMOUNT - SUBJECT TO AGGREGATE LIMIT

On or before January 31, 2015, and continuing thereafter on or before the January 31 of each of the nine (9) years thereafter (that is through January 31, 2024), Applicant shall make a Supplemental Payment to the District in an amount equal to the lesser of the following:

- (a) Seventy-Two Thousand Dollars (\$72,000.00); or,
- (b) the Aggregate Limit, as the term is defined in Section 1.3, above.

In the event that, after the last Supplemental Payment to the District, due on or before January 31, 2024, Applicant has not made cumulative Supplemental Payments in the amount of Seven Hundred Twenty Thousand Dollars (\$720,000.00), Applicant shall make another Supplemental Payment to the District in an amount equal to the least of the following:

- (a) Seventy-Two Thousand Dollars (\$72,000.00);
- (b) the Aggregate Limit, as the term is defined in Section 1.3, above; or,
- (c) The difference between Seven Hundred Twenty Thousand Dollars (\$720,000.00) and the amounts of Supplemental Payments previously made by Applicant to the District.

Section 4.3. ANNUAL CALCULATION OF STIPULATED SUPPLEMENTAL PAYMENT AMOUNT

The Parties agree that for each Tax Year of this Agreement, beginning with the third full year (Tax Year 2014), the Stipulated Supplemental Payment amount, described in Section 4.2 will annually be calculated , based upon assumptions of student counts, tax collections, and other applicable data.

In the event that there are changes in the data upon which the calculations set forth herein are made, the Third Party described in Section 3.4, above, shall adjust the Stipulated Supplemental Payment amount calculation to reflect any changes in the data.

Section 4.4. CALCULATION OF ANNUAL SUPPLEMENTAL PAYMENTS TO THE DISTRICT AND APPLICATION OF AGGREGATE LIMIT

For each year of, for each year of this Agreement, beginning with year three (Tax Year 2014) and continuing thereafter through year thirteen (Tax Year 2024), the District, or its Successor Beneficiary should one be designated under Section 4.6, below, shall not be entitled to receive Supplemental Payments, computed under Sections 4.2 and 4.3, above, that exceed the Aggregate Limit, defined in Section 1.3, above.

If, for any year of this Agreement the payment of Applicant's Stipulated Supplemental Payment amount, calculated under sections 4.2 and 4.3, above, exceeds the Aggregate Limit for that year, the difference between the Stipulated Supplemental Payment amount and the Aggregate Limit, shall be carried forward from year-to-year into subsequent years of this Agreement, and to the extent not limited by the Aggregate Limit in any subsequent year of this Agreement, shall be paid to the District.

Any Stipulated Supplemental Payment amount, which cannot be made to the District prior to the end of year thirteen (Tax Year 2024), because such payment would exceed the Aggregate Limit, will be deemed to have been cancelled by operation of law.

Section 4.5. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS

- (a) All calculations required by this Article, including but not limited to: (i) the calculation of the Stipulated Supplemental Payment amount; (ii) the determination of both the Annual Limit and the Aggregate Limit; (iii) the effect, if any, of the Aggregate Limit upon the actual amount of Supplemental Payments eligible to be paid to the District by the Applicant; and, (iv) the carry forward and accumulation of any Stipulated Supplemental Payment amounts unpaid by Applicant due to the Aggregate Limit in previous years, shall be calculated by the Third Party selected pursuant to Section 3.4.
- (b) The calculations made by the Third Party shall be made at the same time and on the same schedule as the calculations made pursuant to Section 3.6.

- (c) The payment of all amounts due under this Article shall be made at the time set forth in Section 3.7.

Section 4.6. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY

At any time during this Agreement, the District's Board of Trustees may, in its sole discretion, so long as such decision does not result in additional costs to Applicant under this Agreement, direct that Applicant's payment obligations under this Article IV be made to its educational foundation, or to a similar entity. The alternative entity may only use such funds received under this Article to support the educational mission of the District and its students. Any designation of an alternative entity must be made by recorded vote of the District's Board of Trustees at a properly posted public Board meeting. Any such designation will become effective after public vote and the delivery of notice of said vote to Applicant in conformance with the provisions of Section 6.1, below. Such designation may be rescinded by the District's Board of Trustees, by Board action, at any time.

Any designation of a successor beneficiary under this Section shall not alter the Aggregate Limitation on Supplemental payments described in Section 4.4, above.

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 2016 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 7.4 and 7.5. 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 or by the Comptroller (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, the Comptroller, and/or either of the respective County Appraisal Districts to have access to the Applicant's Qualified Property and/or business records, in accordance with Texas Tax Code § 22.07, 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. 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, the Comptroller, or either of the respective County Appraisal Districts 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. 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 Final Termination Date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of, and shall not be subject to

any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure (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.

Section 7.4. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT

(a) In the event that the Applicant terminates this Agreement without the consent of the District, except as provided in Section 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 7.8, 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 7.5, 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 7.4(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 7.5. 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 7.5. 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 7.4 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 7.4 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 7.6 MATERIAL BREACH OF AGREEMENT

Applicant shall be in Material Breach of this Agreement if it commits one or more of the following acts or omissions:

- (a) Applicant is determined to have failed to meet its obligations to have made accurate representations of fact in submission of its Application as is required by Section 8.13, below.
- (b) Applicant fails to Maintain Viable Presence in the District, as required by Section 7.3 of this Agreement, through the Final Termination Date of this Agreement.
- (c) Applicant fails to make any payment required under Articles III or IV of this Agreement on or before its due date.
- (d) Applicant fails to create and maintain at least the number of New Jobs set forth it committed to create and maintain on Schedule C, Column C of its Application.
- (e) Applicant fails to create and maintain at least the number of New Jobs set forth it committed to create and maintain on Schedule C, Column E of its Application.
- (f) Applicant fails to create and maintain at least Eighty Percent (80%) of all New Jobs created by Applicant on the project as Qualifying Jobs.
- (g) Applicant makes any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Tex. Tax Code, in excess of the amounts set forth in Articles III and IV, above. Voluntary donations made by Applicant to the District after the date of execution of this Agreement, and not mandated by this Agreement or made in recognition of consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 are not barred by this provision.
- (h) Applicant fails to comply with any other term of this Agreement, or Applicant fails to meet its obligations under the applicable Comptroller's Rules, and under the Texas Economic Development Act.

Section 7.7 LIMITED STATUTORY CURE OF MATERIAL BREACH

In accordance with the provisions of Tex. Tax Code § 313.0275, for any full tax year which commences after the project has become operational, Applicant shall may cure the Material Breaches of this Agreement, defined in Sections 7.6(d) and 7.6(e) or 7.6(f), above, without the termination of the remaining term of this Agreement. In order to cure its non-compliance with Sections 7.6(d) and 7.6(e) or 7.6(f) for the particular Tax Year of non-compliance only, Applicant may make the liquidated damages payment required by Tex. Tax Code § 313.0275(b), in accordance with the provisions of Tex. Tax Code § 313.0275(c).

Section 7.8. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT

Prior to making a determination that the Applicant has committed a material breach of this Agreement, such as making a misrepresentation in the Application, failing to Maintain Viable Presence in the District as required by Section 7.3 of this Agreement, failing to make any payment required under this Agreement when due, 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 ninety (90) 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 terminate the Agreement and determine the amount of recaptured taxes under Section 7.4 (net of all credits under Section 7.4), and the amount of any penalty and/or interest under Section 7.5 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 (a "Determination of Breach and Notice of Contract Termination.").

Section 7.9. DISPUTE RESOLUTION

After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, the Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after

the Applicant's receipt of notice of the Board of Trustee's determination of breach under Section 7.8, 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 Fisher 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 ninety (90) days, the District shall have the remedies for the collection of the amounts determined under Section 7.8 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 7.10. 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 7.4 and 7.5 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 7.10 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 7.11. 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 to the District’s Authorized Representative as follows:

Douglas Kent Ruffin, Superintendent
ROTAN INDEPENDENT SCHOOL DISTRICT
102 North McKinley Avenue
Rotan, Texas 79546-4609
Fax: (325) 735-2686
E-mail: pporter@rotan.esc14.net

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:

Florian Zerhusen, President & CEO
WINDKRAFT NORD USA, INC.
4365 Executive Drive, Suite 1470
San Diego, California 92121
Fax: (858) 450-6801
Email: zerhusen@windkraftnord.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 Ten Million Dollars (\$10,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2013.

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 each of the respective County Appraisal Districts 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 Fisher County, Texas, the County seat of the county in which the District's central office is located.

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. ACCURACY OF REPRESENTATIONS CONTAINED IN APPLICATION

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application. Applicant warrants that all information, facts, and representations contained therein are true and correct. The parties further agree that the Application and all the attachments thereto are included by reference into this Agreement as if set forth herein in full.

In the event that the Board of Trustees, after completing the procedures required by Sections 7.8 and 7.9 of this Agreement, makes a written determination that the Application was either incomplete or inaccurate as to any material representation, information, or fact, the Agreement shall be invalid and void except for the enforcement of the provisions required by 34. Tex. Admin. Code § 9.1053(f)(2)(K).

Section 8.14. PUBLICATION OF DOCUMENTS

The Parties acknowledge that the District is requires 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 ___ day of _____ 2011.

WKN MOZART, LLC

ROTAN INDEPENDENT SCHOOL DISTRICT

By: 
FLORIAN ZERHUSEN
PRESIDENT & CEO
WINDKRAFT NORD USA, INC.

By: 
SCOTT NOWLIN
President
Board of Trustees

ATTEST:

SCOTT VAN POPPEL
Secretary
Board of Trustees

EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

The Stonewall County Reinvestment Zone was originally created on March 28, 2011 by action of the Stonewall Commissioner Court. *The Stonewall County Reinvestment Zone* was originally created on April 5, 2011 by action of the Stonewall Commissioner Courts. Maps of *the Stonewall County Reinvestment Zone and the Kent Co. Mozart Reinvestment Zone* are attached as the last pages of this **EXHIBIT 1**.

As a result of the action of the Commissioner Courts of the Kent and Stonewall Counties, more specifically the following property and tracks:

- 286 acres, more or less out of Section 334, Block 2, H&TC Ry. Co. Survey, Stonewall County, Texas.
- 428 acres, more or less out of Section 335, Block 2, H&TC Ry. Co. Survey, Stonewall County Texas.
- 50 acres more or less out of the East One-half (E/2) of Section 308, Block 2, H&TC Ry . Co. Survey, Stonewall County, Texas.
- 605 acres, more or less out of Section 309, Block 2, H&TC Ry. Co. Survey, Stonewall County, Texas.
- 615 acres more or less of Section 324, Block 2. H&TC Ry. Co. Survey, Stonewall County, Texas.
- 320 acres, more or less out of the West One-Half (W/2) of Section 336, Block 2, H&TC Ry. Co. Survey, Stonewall County, Texas.
- 9.3 acres, more or less out of the Southeast One-Half (SE/2) of Section 325, Block 2, H&TC Ry. Co. Survey, Stonewall County, Texas.

[CONTINUED ON NEXT PAGES]

John F. Watson & Company

PROFESSIONAL LAND SURVEYORS & PLANNERS

200 N. Lorraine, Suite 220, Midland, Texas 79701, (432) 520-2400, Fax (432) 520-2404

www.windearthwater.com

KENT COUNTY PORTION OF MOZART WIND - 1,540.172 ACRES OF LAND

LEGAL DESCRIPTION: BEING 1,540.172 ACRES OF LAND, LYING IN AND BEING SITUATED OUT OF SECTION 330, ABSTRACT 1163, SECTION 333, ABSTRACT 273 AND SECTION 332, ABSTRACT 1328, SECTION 334, ABSTRACT 1181, SECTION 335, ABSTRACT 876, SECTION 325, ABSTRACT 268, SECTION 324, ABSTRACT 1633 AND SECTION 308, ABSTRACT 1622, ALL IN BLOCK 2, KENT COUNTY, TEXAS, AND BEING A PORTION OF THOSE SAME TRACTS AS DESCRIBED AS TRACTS 1 THRU 5 UNDER ERMA LEE DANIEL AND WILLIAM BRADLEY LONG AND DILANA GOHLKE IN THAT CERTAIN MEMORANDUM OF REAL PROPERTY LEASE RECORDED IN VOLUME 34, PAGE 588 OF THE OFFICIAL PUBLIC RECORDS OF KENT COUNTY, TEXAS, VOLUME 447, PAGE 122 OF THE OFFICIAL PUBLIC RECORDS OF STONEWALL COUNTY, TEXAS, AND VOLUME 801, PAGE 95 OF THE OFFICIAL PUBLIC RECORDS OF FISHER COUNTY, TEXAS; SAID 1,540.172 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS AND AS SURVEYED UNDER THE SUPERVISION OF JOHN F. WATSON & COMPANY IN JUNE, 2010:

BEGINNING at a 120D nail in an old stone mound found for the common corner of Section 358, Abstract 275 and Section 359, Abstract 1165 of said Block 2 and said Sections 330 and 333 and an angle point hereof;

THENCE North 77°05'07" East a distance of 5295.76 feet along the common line of said Sections 333 and 358 to a point for the common corner of Section 357, Abstract 274 of said Block 2 and said Sections 333, 334 and 358;

THENCE North 77°05'07" East a distance of 3855.88 feet along the common line of said Sections 334 and 357 to a point in the common line of Kent and Stonewall County, Texas and the northeast corner hereof;

THENCE South 02°23'30" West a distance of 18100.17 feet along the common county line to a point in easterly r-o-w line of State Highway 70 for the south corner hereof;

THENCE along the easterly r-o-w line of said State Highway 70 the following twenty (20) calls:

1. North 18°38'30" West a distance of 1877.45 feet to a point for the point of curvature of a curve to the right;
2. Along said curve to the right with an arc length of 986.69 feet, a radius of 5653.38 feet, and a chord bearing of North 13°38'30" West a distance of 985.44 feet to a concrete r-o-w marker found for an angle point hereof;
3. North 08°38'30" West a distance of 4047.29 feet to an iron rod set at a 6 inch cedar fence corner post in the common line of said Sections 325 and 332 and an angle point hereof;
4. North 08°38'30" West a distance of 38.29 feet to a concrete r-o-w marker found for the point of curvature of a curve to the left;
5. Along said curve to the left with an arc length of 1290.95 feet, a radius of 2939.27 feet, and a chord bearing of North 21°13'33" West a distance of 1280.60 feet to a concrete r-o-w marker found for an angle point hereof;
6. North 33°48'30" West a distance of 2912.65 feet to a concrete r-o-w marker found for an angle point hereof;
7. North 19°46'20" West a distance of 103.06 feet to a concrete r-o-w marker found for an angle point hereof;
8. North 33°46'31" West a distance of 796.35 feet to a point for an angle point hereof;
9. North 19°44'21" West a distance of 206.11 feet to a point for an angle point hereof;
10. North 33°46'31" West a distance of 578.74 feet to a point for the point of curvature of a curve to the left;

156

11. Along said curve to the left with an arc length of 1411.75 feet, a radius of 2441.46 feet, and a chord bearing of North 50°20'36" West a distance of 1392.16 feet to a concrete r-o-w marker found for an angle point hereof;
12. North 66°54'31" West a distance of 1695.42 feet to a concrete r-o-w marker found for an angle point hereof;
13. North 80°56'42" West a distance of 309.16 feet to a concrete r-o-w marker found for an angle point hereof;
14. North 66°58'10" West a distance of 1097.67 feet to a point for an angle point hereof;
15. North 52°55'59" West a distance of 103.05 feet to a point for an angle point hereof;
16. North 66°58'10" West a distance of 39.79 feet to a concrete r-o-w marker found for the point of curvature of a curve to the right;
17. Along said curve to the right with an arc length of 192.98 feet, a radius of 2764.31 feet, and a chord bearing of North 64°58'05" West a distance of 192.94 feet to a point for an angle point hereof;
18. North 76°25'35" West a distance of 100.09 feet to a point for an angle point hereof;
19. Thence along a curve to the right with an arc length of 1707.89 feet, a radius of 2789.30 feet, and a chord bearing of North 43°25'38" West a distance of 1681.33 feet to a concrete r-o-w marker found for an angle point hereof;
20. North 25°53'10" West a distance of 382.19 feet to an iron rod set in the common line of said Sections 330 and 359 for the northwest corner hereof and from which an 8 inch cedar fence corner post found bears North 02°22'06" West a distance of 7.7 feet and from said northwest corner a 3/4 inch galvanized iron pipe with cap found in the westerly line of said r-o-w bears South 77°02'27" West a distance of 152.1 feet along said common line;

THENCE North 77°02'27" East a distance of 1944.89 feet along said common line to the POINT OF BEGINNING and containing 1,540.172 acres of land, more or less.

Note: Bearings, distances and acreage shown hereon are Grid, NAD83, Texas North-Central Zone. "Iron rods set" are 1/2 inch iron rebar with blue plastic caps marked "WATSON-5498".

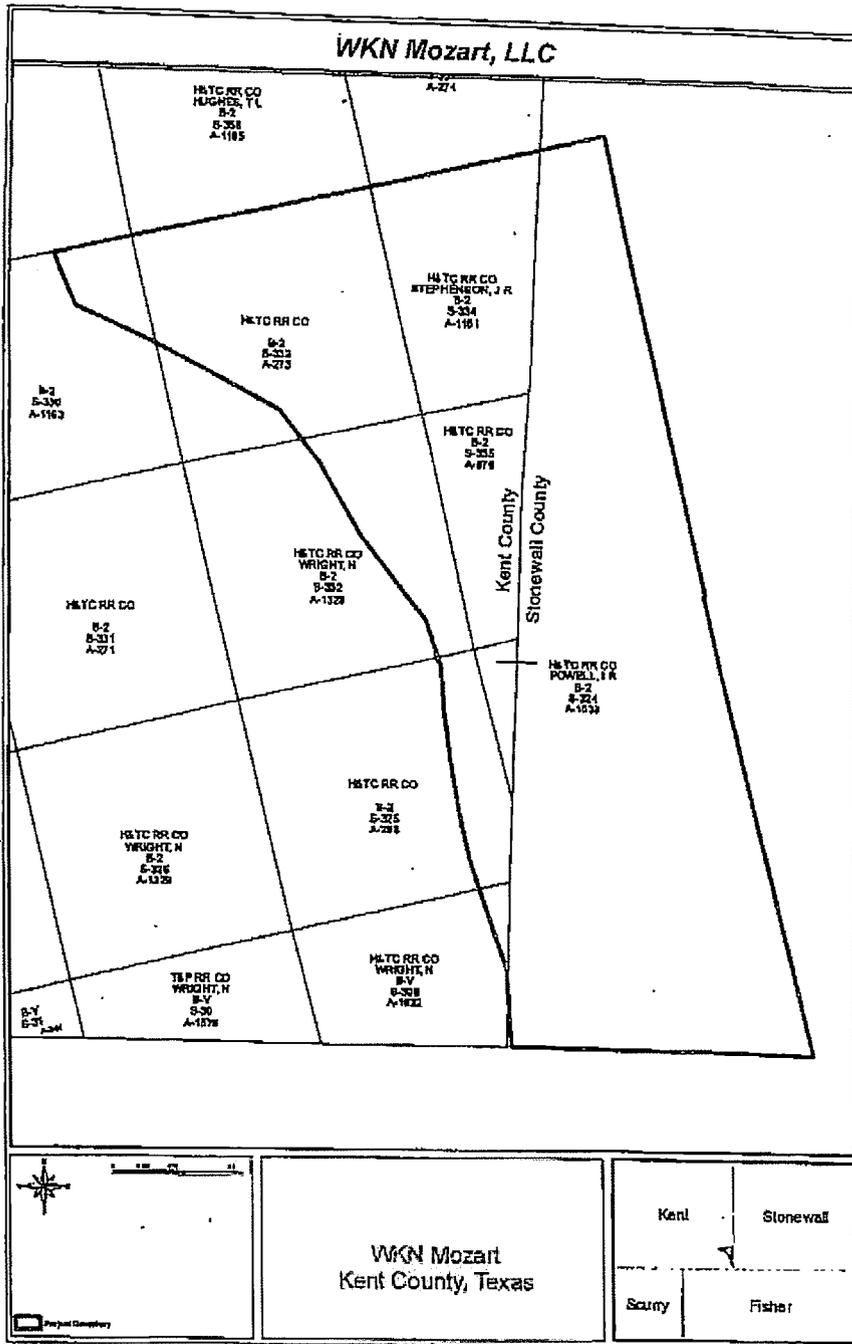
Note: The common line between Kent County, Texas and Stonewall County, Texas is an indefinite line that is not surveyed and/or marked on the ground. The line described in this survey was determined from an USGS quadrangle map showing the approximate location of the common county line. No warranty is made or intended herein for the exact accuracy and/or location of this common county line.

COPY ONLY - SEE NOTE BELOW

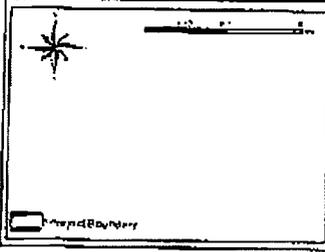
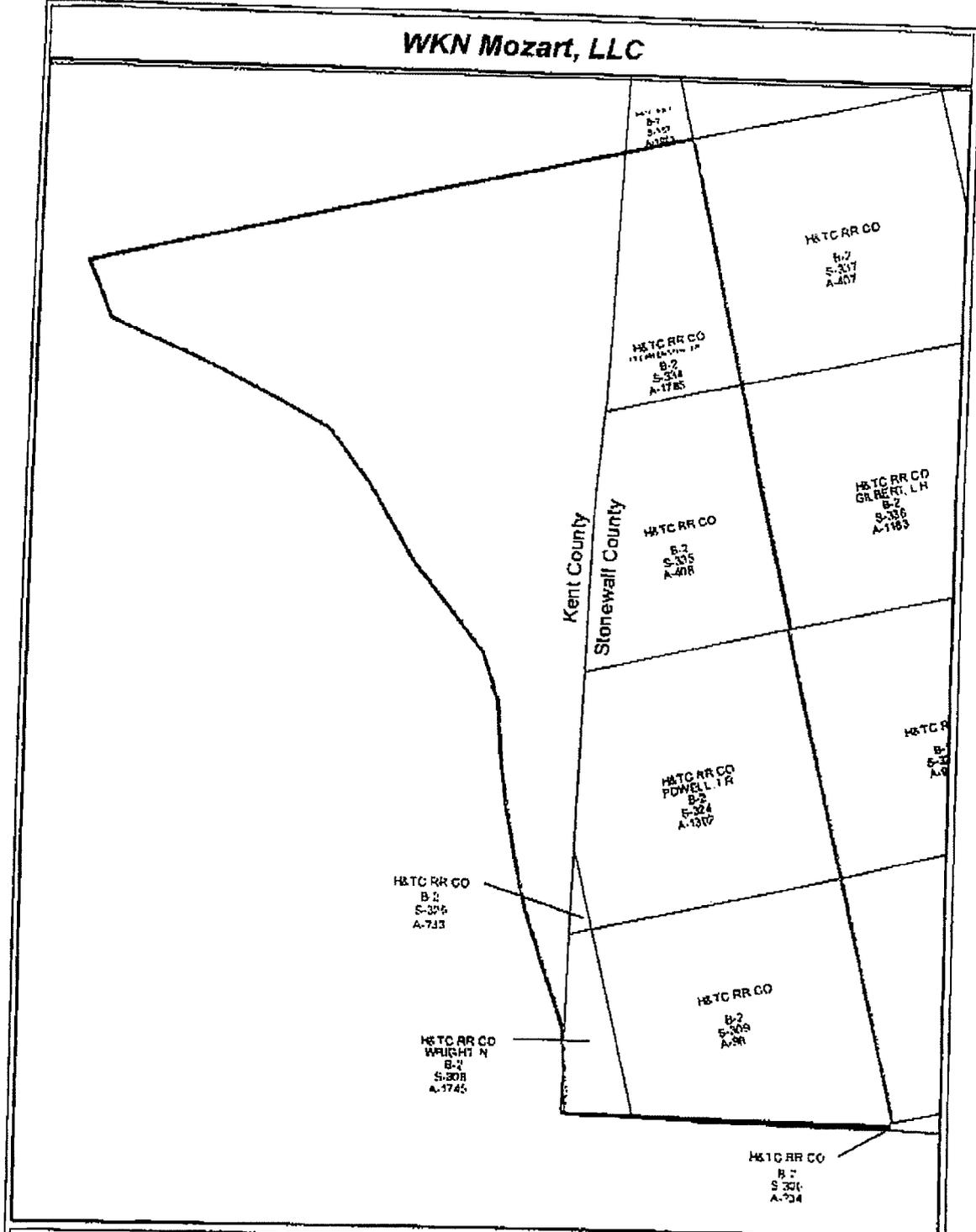
April 1, 2011

John F. Watson
Texas Registered Professional Land Surveyor
RPLS No. 5498
Job no. 08-0056

Note: This survey metes and bounds description was prepared while performing an ALTA survey of the surrounding area. THIS DIGITAL COPY IS PROVIDED FOR THE INSERTION INTO LEGAL DOCUMENTS. The signed and sealed original copies of this survey description are part of this said ALTA survey and are retained in the office of John F. Watson & Company and their client.



WKN Mozart, LLC



WKN Mozart
Stonewall County, Texas

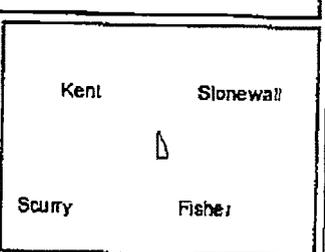


EXHIBIT 2

LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property owned by Applicant and located within the boundaries of both the Rotan Independent School District and the Kent Co. Mozart Reinvestment Zone and the Stonewall 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:

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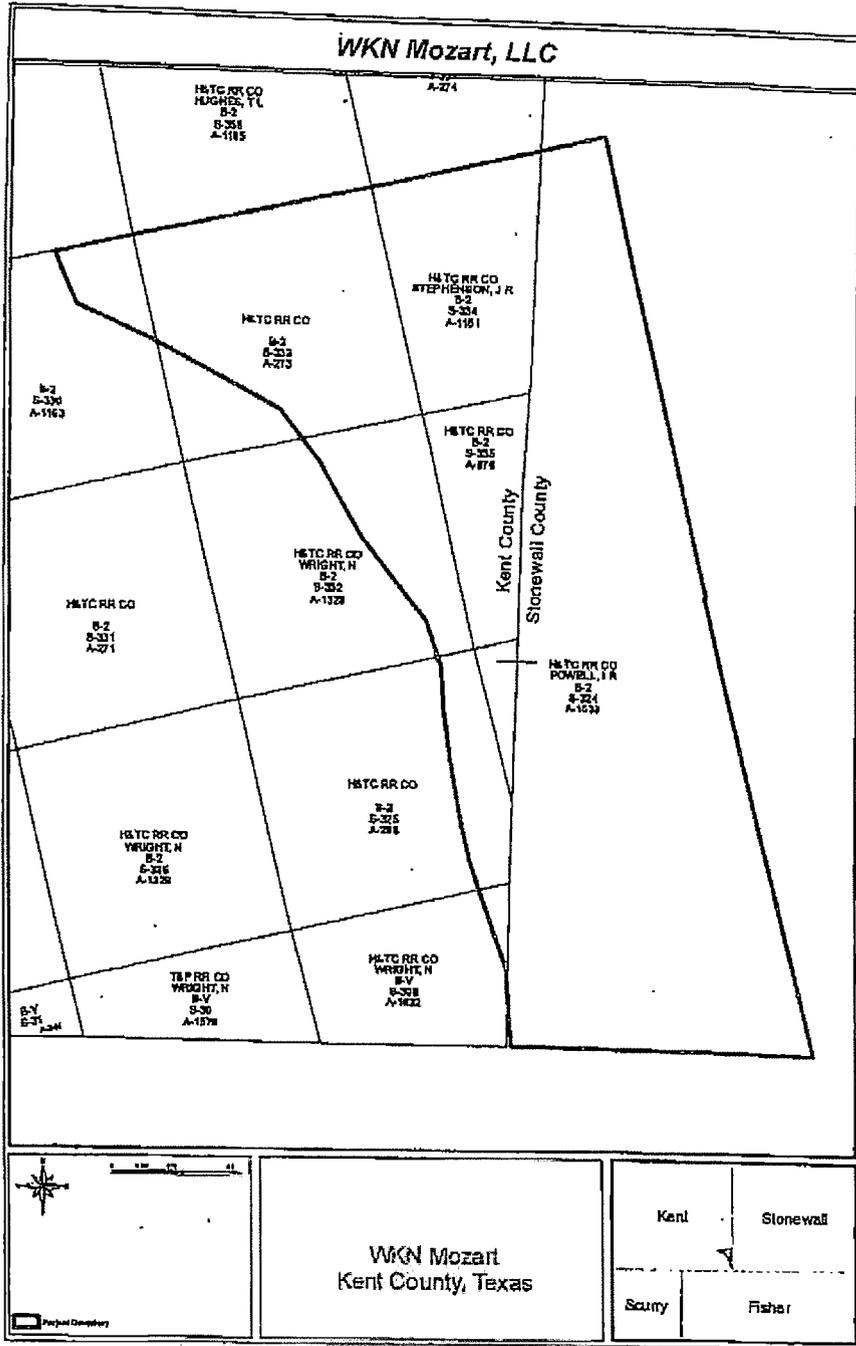
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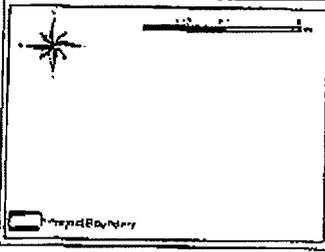
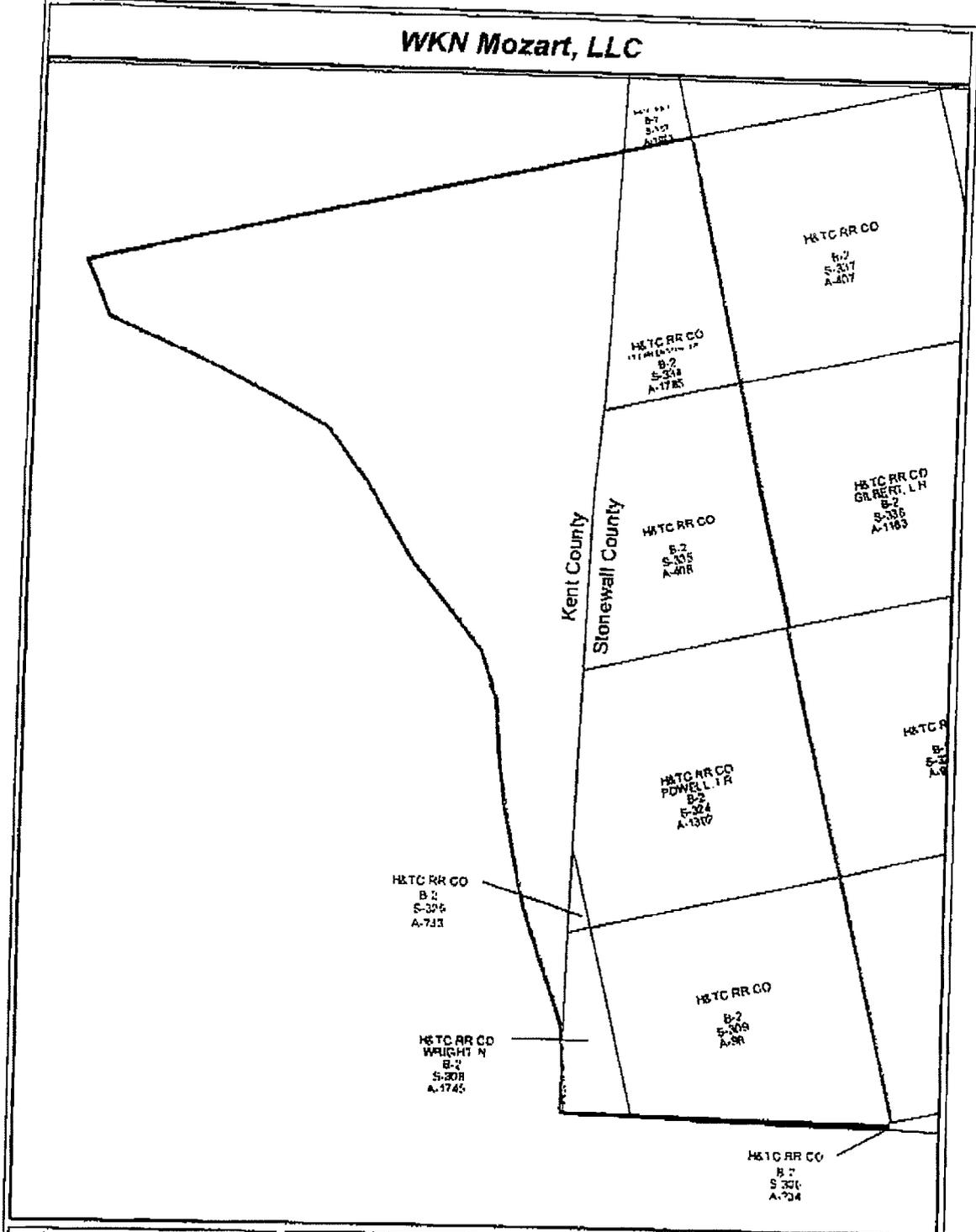
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WKN Mozart, LLC



WKN Mozart
Stonewall County, Texas

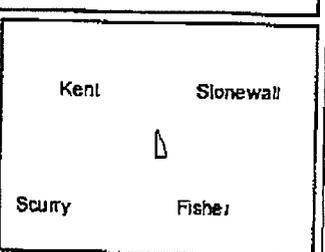


EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

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 13 megawatt wind power turbine generators with a nameplate generating capacity of approximately 30 megawatts; 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 the use of some amount of personal property.