
FINDINGS
OF THE
SABINE PASS INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES

UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY

PORT ARTHUR LNG PHASE II, LLC
TEXAS TAXPAYER ID #32071937364
APPLICATION #1962

November 14, 2022

District. A copy of that report is attached to these findings as **Exhibit B**. The Texas Commissioner of Education has determined that the project will not impact school enrollment.

The Board of Trustees has confirmed that the taxable value of property in the Sabine Pass Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in the 2021 ISD Summary Worksheet posted on the Texas Comptroller's website at:

<https://comptroller.texas.gov/anto-data/PT2/PVS/2021F/1231239131D.php>.

After receipt of the Application, the District submitted a proposed form of Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, in the form required by the Comptroller of Public Accounts. The proposed Agreement and letter approving same are attached to these findings as **Exhibit C**.

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

Board Finding Number 1.

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

Board Finding Number 2.

The Applicant's entire proposed investment in the Sabine Pass Independent School District is \$4,000,000,000 — \$2,000,000,000 of which is proposed to be Qualified Investment under Texas Tax Code § 313.021.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least \$62,675 per year. The review of the Application by the State Comptroller's Office indicates that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs pay more than the minimum weekly wage required for Qualified Jobs under Texas Tax Code § 313.021.

Board Finding Number 4.

The level of the Applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$400,000,000 on the basis of the ten new qualifying positions committed to by the Applicant for this project. The project's total investment is \$4,000,000,000, resulting in a relative level of investment per qualifying job of \$400,000,000.

Board Finding Number 5.

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

Board Finding Number 6.

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

Table 2 depicts this project’s estimated economic impact to 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 15 years of annual investment and employment levels.

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2028	1385	1,599	2984	\$83,100,000	\$245,900,000	\$329,000,000
2029	1385	1,342	2727	\$83,100,000	\$179,900,000	\$263,000,000
2030	1385	1,324	2709	\$83,100,000	\$197,900,000	\$281,000,000
2031	1385	1,410	2795	\$83,100,000	\$222,900,000	\$306,000,000
2032	10	271	281	\$626,750	\$79,373,250	\$80,000,000
2033	10	131	141	\$626,750	\$55,373,250	\$56,000,000
2034	10	66	76	\$626,750	\$40,373,250	\$41,000,000
2035	10	51	61	\$626,750	\$32,373,250	\$33,000,000
2036	10	64	74	\$626,750	\$28,373,250	\$29,000,000
2037	10	94	104	\$626,750	\$28,373,250	\$29,000,000
2038	10	129	139	\$626,750	\$31,373,250	\$32,000,000
2039	10	174	184	\$626,750	\$36,373,250	\$37,000,000
2040	10	205	215	\$626,750	\$40,373,250	\$41,000,000
2041	10	154	164	\$626,750	\$34,373,250	\$35,000,000
2042	10	146	156	\$626,750	\$34,373,250	\$35,000,000

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Sabine Pass ISD I&S Tax Levy	Sabine Pass ISD M&O Tax Levy	Sabine Pass ISD M&O and I&S Tax Levies	Jefferson County Tax Levy	Port of Sabine Pass HD Tax Levy	Sabine Neches Nav Dist Tax Levy	Estimated Total Property Taxes
				0.2263	0.9505		0.3632	0.2042	0.0921	
2029	\$226,246,422	\$226,246,422		\$511,928	\$2,150,472	\$2,662,400	\$821,682	\$461,950	\$208,305	\$4,154,337
2030	\$903,346,422	\$903,346,422		\$2,044,002	\$8,586,308	\$10,630,310	\$3,280,774	\$1,844,453	\$831,711	\$16,587,247
2031	\$2,031,846,422	\$2,031,846,422		\$4,597,459	\$19,312,700	\$23,910,159	\$7,379,260	\$4,148,624	\$1,870,721	\$37,308,764
2032	\$3,576,754,422	\$30,000,000		\$8,093,122	\$285,150	\$8,378,272	\$12,990,057	\$7,303,017	\$3,293,118	\$31,964,464
2033	\$3,435,666,422	\$30,000,000		\$7,773,882	\$285,150	\$8,059,032	\$12,477,653	\$7,014,944	\$3,163,218	\$30,714,847
2034	\$3,267,791,222	\$30,000,000		\$7,394,031	\$285,150	\$7,679,181	\$11,867,964	\$6,672,176	\$3,008,655	\$29,227,977
2035	\$3,108,251,970	\$30,000,000		\$7,033,042	\$285,150	\$7,318,192	\$11,288,550	\$6,346,429	\$2,861,768	\$27,814,938

Board Findings of the Sabine Pass Independent School District

2036	\$2,956,631,292	\$30,000,000		\$6,689,970	\$285,150	\$6,975,120	\$10,737,894	\$6,036,850	\$2,722,170	\$26,472,033
2037	\$2,812,535,819	\$30,000,000		\$6,363,925	\$285,150	\$6,649,075	\$10,214,568	\$5,742,636	\$2,589,502	\$25,195,780
2038	\$2,675,589,188	\$30,000,000		\$6,054,056	\$285,150	\$6,339,206	\$9,717,205	\$5,463,018	\$2,463,415	\$23,982,843
2039	\$2,545,435,041	\$30,000,000		\$5,759,556	\$285,150	\$6,044,706	\$9,244,511	\$5,197,269	\$2,343,582	\$22,830,068
2040	\$2,421,735,027	\$30,000,000		\$5,479,660	\$285,150	\$5,764,810	\$8,795,257	\$4,944,699	\$2,229,691	\$21,734,457
2041	\$2,304,166,798	\$30,000,000		\$5,213,638	\$285,150	\$5,498,788	\$8,368,273	\$4,704,648	\$2,121,446	\$20,693,155
2042	\$2,192,425,012	\$2,192,425,012		\$4,960,800	\$20,839,000	\$25,799,800	\$7,962,449	\$4,476,493	\$2,018,566	\$40,257,308
2043	\$2,086,218,333	\$2,086,218,333		\$4,720,486	\$19,829,505	\$24,549,991	\$7,576,728	\$4,259,641	\$1,920,781	\$38,307,141
2044	\$1,985,271,430	\$1,985,271,430		\$4,492,074	\$18,870,005	\$23,362,079	\$7,210,109	\$4,053,527	\$1,827,839	\$36,453,554
2045	\$1,889,321,975	\$1,889,321,975		\$4,274,969	\$17,958,005	\$22,232,974	\$6,861,640	\$3,857,618	\$1,739,499	\$34,691,730
2046	\$1,798,119,646	\$1,798,119,646		\$4,068,605	\$17,091,127	\$21,159,733	\$6,530,411	\$3,671,401	\$1,655,529	\$33,017,073
			Total	\$95,525,204	\$127,488,623	\$223,013,827	\$153,324,982	\$86,199,391	\$38,869,517	\$501,407,717
			Diff	\$0	\$273,787,316	\$273,787,31	\$0	\$0	\$0	\$273,787,316

¹Tax Rate per \$100 Valuation

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

Table 3—Estimated Direct Ad Valorem Taxes without Property Tax Incentives										
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Sabine Pass ISD I&S Tax Levy	Sabine Pass ISD M&O Tax Levy	Sabine Pass ISD M&O and I&S Tax Levies	Jefferson County Tax Levy	Port of Sabine Pass HD Tax Levy	Sabine Neches Nav Dist Tax Levy	Estimated Total Property Taxes
			Tax Rate¹	0.2263	0.9505		0.3632	0.2042	0.0921	
2029	\$226,246,422	\$226,246,422		\$511,928	\$2,150,472	\$2,662,400	\$821,682	\$461,950	\$208,305	\$4,154,337
2030	\$903,346,422	\$903,346,422		\$2,044,002	\$8,586,308	\$10,630,310	\$3,280,774	\$1,844,453	\$831,711	\$16,587,247
2031	\$2,031,846,422	\$2,031,846,422		\$4,597,459	\$19,312,700	\$23,910,159	\$7,379,260	\$4,148,624	\$1,870,721	\$37,308,764
2032	\$3,576,754,422	\$3,576,754,422		\$8,093,122	\$33,997,051	\$42,090,173	\$12,990,057	\$7,303,017	\$3,293,118	\$65,676,365
2033	\$3,435,666,422	\$3,435,666,422		\$7,773,882	\$32,656,009	\$40,429,892	\$12,477,653	\$7,014,944	\$3,163,218	\$63,085,707
2034	\$3,267,791,222	\$3,267,791,222		\$7,394,031	\$31,060,356	\$38,454,387	\$11,867,964	\$6,672,176	\$3,008,655	\$60,003,182
2035	\$3,108,251,970	\$3,108,251,970		\$7,033,042	\$29,543,935	\$36,576,977	\$11,288,550	\$6,346,429	\$2,861,768	\$57,073,723
2036	\$2,956,631,292	\$2,956,631,292		\$6,689,970	\$28,102,780	\$34,792,750	\$10,737,894	\$6,036,850	\$2,722,170	\$54,289,664
2037	\$2,812,535,819	\$2,812,535,819		\$6,363,925	\$26,733,153	\$33,097,078	\$10,214,568	\$5,742,636	\$2,589,502	\$51,643,783
2038	\$2,675,589,188	\$2,675,589,188		\$6,054,056	\$25,431,475	\$31,485,531	\$9,717,205	\$5,463,018	\$2,463,415	\$49,129,169
2039	\$2,545,435,041	\$2,545,435,041		\$5,759,556	\$24,194,360	\$29,953,916	\$9,244,511	\$5,197,269	\$2,343,582	\$46,739,278
2040	\$2,421,735,027	\$2,421,735,027		\$5,479,660	\$23,018,591	\$28,498,251	\$8,795,257	\$4,944,699	\$2,229,691	\$44,467,899
2041	\$2,304,166,798	\$2,304,166,798		\$5,213,638	\$21,901,105	\$27,114,744	\$8,368,273	\$4,704,648	\$2,121,446	\$42,309,111
2042	\$2,192,425,012	\$2,192,425,012		\$4,960,800	\$20,839,000	\$25,799,800	\$7,962,449	\$4,476,493	\$2,018,566	\$40,257,308
2043	\$2,086,218,333	\$2,086,218,333		\$4,720,486	\$19,829,505	\$24,549,991	\$7,576,728	\$4,259,641	\$1,920,781	\$38,307,141
2044	\$1,985,271,430	\$1,985,271,430		\$4,492,074	\$18,870,005	\$23,362,079	\$7,210,109	\$4,053,527	\$1,827,839	\$36,453,554
2045	\$1,889,321,975	\$1,889,321,975		\$4,274,969	\$17,958,005	\$22,232,974	\$6,861,640	\$3,857,618	\$1,739,499	\$34,691,730
2046	\$1,798,119,646	\$1,798,119,646		\$4,068,605	\$17,091,127	\$21,159,733	\$6,530,411	\$3,671,401	\$1,655,529	\$33,017,073
			Total	\$95,525,204	\$401,275,939	\$496,801,143	\$153,324,982	\$86,199,391	\$38,869,517	\$775,195,033

¹Tax Rate per \$100 Valuation

Board Finding Number 7.

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

Board Findings of the Sabine Pass Independent School District

Board Finding Number 8.

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

Board Finding Number 9.

The Applicant’s project is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy and direct, indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application. Attachment B of the economic impact study contains a year-by-year analysis as depicted in the following table:

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2029	\$2,150,472	\$2,150,472	\$0	\$0
	2030	\$8,586,308	\$10,736,780	\$0	\$0
	2031	\$19,312,700	\$30,049,480	\$0	\$0
Limitation Period (10 Years)	2032	\$285,150	\$30,334,630	\$33,711,901	\$33,711,901
	2033	\$285,150	\$30,619,780	\$32,370,859	\$66,082,760
	2034	\$285,150	\$30,904,930	\$30,775,206	\$96,857,966
	2035	\$285,150	\$31,190,080	\$29,258,785	\$126,116,751
	2036	\$285,150	\$31,475,230	\$27,817,630	\$153,934,381
	2037	\$285,150	\$31,760,380	\$26,448,003	\$180,382,384
	2038	\$285,150	\$32,045,530	\$25,146,325	\$205,528,709
	2039	\$285,150	\$32,330,680	\$23,909,210	\$229,437,919
	2040	\$285,150	\$32,615,830	\$22,733,441	\$252,171,361
	2041	\$285,150	\$32,900,980	\$21,615,955	\$273,787,316
Maintain Viable Presence (5 Years)	2042	\$20,839,000	\$53,739,980	\$0	\$273,787,316
	2043	\$19,829,505	\$73,569,485	\$0	\$273,787,316
	2044	\$18,870,005	\$92,439,490	\$0	\$273,787,316
	2045	\$17,958,005	\$110,397,496	\$0	\$273,787,316
	2046	\$17,091,127	\$127,488,623	\$0	\$273,787,316
Additional Years as Required by § 313.026(c)(1) (10 Years)	2047	\$16,267,134	\$143,755,757	\$0	\$273,787,316
	2048	\$15,483,893	\$159,239,650	\$0	\$273,787,316
	2049	\$14,739,359	\$173,979,008	\$0	\$273,787,316
	2050	\$14,031,607	\$188,010,616	\$0	\$273,787,316
	2051	\$13,358,821	\$201,369,437	\$0	\$273,787,316
	2052	\$12,719,248	\$214,088,685	\$0	\$273,787,316
	2053	\$12,111,222	\$226,199,907	\$0	\$273,787,316
	2054	\$11,533,182	\$237,733,089	\$0	\$273,787,316
	2055	\$10,983,642	\$248,716,731	\$0	\$273,787,316
	2056	\$10,461,174	\$259,177,905	\$0	\$273,787,316

\$259,177,905 is less than **\$273,787,316**

Analysis Summary Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	No
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Board Findings of the Sabine Pass Independent School District

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2028	1385	1,599	2984	\$83,100,000	\$245,900,000	\$329,000,000	13000000	-6000000	\$19,000,000
2029	1385	1,342	2727	\$83,100,000	\$179,900,000	\$263,000,000	10000000	-3000000	\$13,000,000
2030	1385	1,324	2709	\$83,100,000	\$197,900,000	\$281,000,000	11000000	-1000000	\$12,000,000
2031	1385	1,410	2795	\$83,100,000	\$222,900,000	\$306,000,000	12000000	0	\$12,000,000
2032	10	271	281	\$626,750	\$79,373,250	\$80,000,000	4000000	7000000	-\$3,000,000
2033	10	131	141	\$626,750	\$55,373,250	\$56,000,000	3000000	7000000	-\$4,000,000
2034	10	66	76	\$626,750	\$40,373,250	\$41,000,000	3000000	6000000	-\$3,000,000
2035	10	51	61	\$626,750	\$32,373,250	\$33,000,000	3000000	6000000	-\$3,000,000
2036	10	64	74	\$626,750	\$28,373,250	\$29,000,000	3000000	5000000	-\$2,000,000
2037	10	94	104	\$626,750	\$28,373,250	\$29,000,000	2000000	5000000	-\$3,000,000
2038	10	129	139	\$626,750	\$31,373,250	\$32,000,000	3000000	5000000	-\$2,000,000
2039	10	174	184	\$626,750	\$36,373,250	\$37,000,000	3000000	4000000	-\$1,000,000
2040	10	205	215	\$626,750	\$40,373,250	\$41,000,000	3000000	4000000	-\$1,000,000
2041	10	154	164	\$626,750	\$34,373,250	\$35,000,000	2000000	4000000	-\$2,000,000
2042	10	146	156	\$626,750	\$34,373,250	\$35,000,000	2000000	4000000	-\$2,000,000
2043	10	142	152	\$626,750	\$35,373,250	\$36,000,000	2000000	3000000	-\$1,000,000
2044	10	142	152	\$626,750	\$38,373,250	\$39,000,000	2000000	3000000	-\$1,000,000
2045	10	154	164	\$626,750	\$39,373,250	\$40,000,000	2000000	3000000	-\$1,000,000
2046	10	154	164	\$626,750	\$41,373,250	\$42,000,000	2000000	3000000	-\$1,000,000
2047	10	162	172	\$626,750	\$44,373,250	\$45,000,000	2000000	2000000	\$0
2048	10	168	178	\$626,750	\$47,373,250	\$48,000,000	2000000	2000000	\$0
2049	10	160	170	\$626,750	\$49,373,250	\$50,000,000	2000000	2000000	\$0
2050	10	168	178	\$626,750	\$53,373,250	\$54,000,000	2000000	2000000	\$0
2051	10	168	178	\$626,750	\$56,373,250	\$57,000,000	2000000	2000000	\$0
2052	10	168	178	\$626,750	\$60,373,250	\$61,000,000	2000000	2000000	\$0
2053	10	164	174	\$626,750	\$62,373,250	\$63,000,000	2000000	2000000	\$0
2054	10	170	180	\$626,750	\$66,373,250	\$67,000,000	2000000	1000000	\$1,000,000
2055	10	178	188	\$626,750	\$70,373,250	\$71,000,000	2000000	1000000	\$1,000,000
						Total	\$103,000,000	\$75,000,000	\$28,000,000
							\$287,177,905	is greater than	\$273,787,316
Analysis Summary									
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?									Yes

Board Finding Number 10.

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

Board Finding Number 11.

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

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

The Comptroller has determined that the limitation on appraised value is a determining factor in the Applicant’s decision to invest capital and construct the project in this state. This is based on

information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per Port Arthur LNG Phase II LLC and PALNG Common Facilities Company in Tab 4 of their Application for a Limitation on Appraised Value:
 - A. “This application is the first in a series of two applications being filed contemporaneously with the Sabine Pass Independent School District.”
 - B. “Port Arthur LNG’s proposed liquefaction facility and export terminal will take advantage of the huge natural gas reserves that have been unlocked in recent years to provide substantial job creation and economic stimulus to the U.S. at large.”
 - C. “Natural gas will be delivered to the Project through proposed new pipelines and associated facilities being developed by Port Arthur Pipeline, LLC, which is not part of this Chapter 313 application.”
 - D. “The proposed project primarily consists of property classified by Jefferson CAD as real estate improvements including, but not limiting to the following: Up to two natural gas liquefaction trains capable of producing, under optimal conditions, up to 13.5 MTPA in the aggregate (or approximately 698 BCF of natural gas per year)”
- Per Port Arthur LNG Phase II LLC and PALNG Common Facilities Company in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “[T]his application is the second in a series of applications and development of the project subject to this application is contingent on development and approval of the project subject to the first application in this series of applications.
 - B. “No site development activities have been done relative to this phase of the project. The company acknowledges that it has undertaken certain development and permitting activities and has made public statements about the proposed project and has hosted meetings in the Port Arthur area to gauge public reaction to the project. Those statements and releases made by the company relative to the proposed first phase of the project were included in the Application for Phase I and can be viewed in that document. Despite having undertaken such development activities, as of yet the company has been unable to advance commercial development to a point that would support a final investment decision.”
 - C. “In an effort to make the land more suitable for industrial development, the company made the decision to relocate, at its own significant cost, State Highway 87 away from the river’s edge. The relocated and upgraded highway benefits the State of Texas and the Port Arthur region. Other third-party-owned infrastructure, such as pipelines that traversed the site, was also relocated to make the land more suitable for industrial development. While these relocations will be necessary for the project facilities to be constructed, they do not by themselves represent a decision to move forward with the project, Sempra has other existing sites for potential LNG liquefaction projects under consideration that are also competing for internal funding.”
 - D. “If developed and constructed, these projects may be located in Cameron Parish, Louisiana and/or Ensenada, Baja California, Mexico or, as announced early in 2022, Topolobampo, Sinaloa, Mexico. The former two sites already have LNG facilities in place and the latter, which creates additional internal competition for PALNG, is being progressed in conjunction with the state- owned electric utility

in Mexico. As discussed below, all three sites either have a property tax abatement in place, or minimal property tax exposure that impacts project economics.”

- E. Applicant include a table demonstrating the economic factor comparison of the various proposed sites for Sempra’s various LNG development projects (Port Arthur, TX, Cameron, LA and Ensenada, Baja California, Mexico).
- F. “Sempra’s decision to invest in the continued development of PALNG in Texas will be based on several commercial and financial considerations, including, importantly, the ability to secure available tax incentives such as the Chapter 313 value limitation, so that the project can compete in the current global market. Without the Chapter 313 value limitation, the economics of siting a greenfield natural gas liquefaction project in Texas are less supportive for a project FID than the expansion prospects of brownfield projects already in Sempra’s portfolio and those of our competitors. Without such benefit the project is simply uncompetitive from an LNG pricing perspective. Thus, it is critical that this Chapter 313 application be approved.”
- G. “In its 2021 Form 10-K filed with the Securities and Exchange Commission on February 25, 2022...Sempra outlined its current and most recent outlook regarding the proposed PALNG project. Among other items, Sempra noted that:
 - a. Previous agreements with potential buyers for the offtake of the project have expired, One potential buyer subsequently entered into a new agreement to potentially move its needs to Sempra’s “portfolio of other projects”. Agreements with another potential buyer terminated with no renewal
 - b. While work continued on the development of the project, no final investment decision timeline has been established
 - c. Full notice to proceed on the construction of the project had not been given by the timeline specified in the engineering, procurement, and construction (EPC) contract, and an amendment to such contract would be needed to proceed.”
- H. The Applicant also included several internal announcements regarding the project in Tab 5.
 - The Sempra project website for the Port Arthur Liquefaction Project states the following:
 - A. “The Port Arthur liquefaction project, as proposed in the Federal Energy Regulatory Commission (FERC) application, includes two natural gas liquefaction trains capable of producing, under optimal conditions, up to approximately 13.5 million metric tons per annum (mtpa), up to three LNG storage tanks and ancillary support facilities to liquefy and load LNG onto ships.”
 - B. “DAVOS, Switzerland, May 25, 2022 – Sempra Infrastructure, a subsidiary of [sic], today announced it has entered into a heads of agreement (HOA) with RWE Supply & Trading, a subsidiary of RWE (RWE: AG), for the purchase of approximately 2.25 million tonnes per annum (Mtpa) of liquefied natural gas (LNG). The LNG is to be supplied on a long-term, free-on-board basis from the Port Arthur LNG Phase 1 project under development in Jefferson County, Texas.”
 - C. “The HOA contemplates the negotiation and finalization of a definitive 15-year LNG sale and purchase agreement for 2.25 Mtpa to be delivered from the Port Arthur LNG project. Additionally, Sempra Infrastructure and RWE have agreed to work toward a broad framework for the reduction, mitigation, and reporting of GHG emissions

associated with deliveries of LNG from the Port Arthur LNG project, including addressing the use of responsibly sourced natural gas as part of the project's feed gas supply and renewable energy as part of the project power mix."

- D. "Phase 1 of the Port Arthur LNG project is fully permitted and is expected to include two liquefaction trains and LNG storage tanks, as well as associated facilities capable of producing, under optimal conditions, up to approximately 13.5 Mtpa of LNG."
- E. "MIĘDZYDROJE, Poland, May 16, 2022 – Sempra Infrastructure, a subsidiary of Sempra (sic), and the Polish Oil & Gas Company (PGNiG) today announced they have entered into a heads of agreement (HOA) for the purchase of approximately 3 million tonnes per annum (Mtpa) of liquefied natural gas (LNG) delivered free-on-board from Sempra Infrastructure's portfolio of LNG projects in North America."
- F. "The referenced HOA contemplates the negotiation and finalization of definitive 20-year LNG sale-and-purchase agreements for 2 Mtpa from the Cameron LNG Phase 2 project under development in Louisiana, and 1 Mtpa from the Port Arthur LNG project under development in Texas. The HOA also provides PGNiG the opportunity in 2022 to reallocate volumes from the Cameron LNG Phase 2 project to the Port Arthur LNG project."
- G. "The HOA is a preliminary, non-binding arrangement, and the development of the Cameron LNG Phase 2 and Port Arthur LNG projects remains subject to a number of risks and uncertainties, including reaching definitive agreements, securing all necessary permits, signing engineering and construction contracts, obtaining financing and incentives and reaching a final investment decision for each project."

Supporting Information

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

Board Finding Number 12.

The Board of Trustees of the Sabine Pass Independent School District hired consultants to review and verify the information in Application #1962. Based upon the consultants' review, the Board has determined that the information provided by the Applicant appears to be true and correct.

Board Finding Number 13.

The Board of Trustees has determined that the Tax Limitation Amount requested by the Applicant is currently \$30,000,000, which is consistent with the minimum values currently set out by Texas Tax Code § 313.054(a).

Board Finding Number 14.

The Applicant (Taxpayer ID 32071937364) is eligible for the limitation on appraised value of Qualified Property as specified in the Agreement based on its "good standing" certification as a franchise-tax paying entity.

Board Finding Number 15.

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

Board Finding Number 16.

Considering the purpose and effect of the law and the terms of the Agreement, it is in the best interest of the District and the State 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 **Exhibit C** is approved and hereby authorized to be executed and delivered by and on behalf of the Sabine Pass 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 Sabine Pass Independent School District.

Dated the 14th day of November, 2022.

SABINE PASS INDEPENDENT SCHOOL DISTRICT

By: Phyllis Almond
Phyllis Almond, President, Board of Trustees

ATTEST:

Julie Saunders
Julie Saunders, Secretary, Board of Trustees

Findings and Order of the Sabine Pass Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Port Arthur LNG Phase II, LLC (Tax ID 32071937364) (Application #1962)

EXHIBIT A

Comptroller's Economic Impact Analysis



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

October 14, 2022

Kristi Heid
Superintendent
Sabine Pass Independent School District
5641 S Gulfway Drive
Sabine Pass, Texas 77655-1148

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Sabine Pass Independent School District and Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC, Application 1962

Dear Superintendent Heid:

On July 25, 2022, the Comptroller issued written notice that Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC (applicant) submitted a completed application (Application 1962) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on April 26, 2022, to the Sabine Pass Independent School District (school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a) Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b) Applicant is proposing to use the property for an eligible project.

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

- Sec. 313.024(d) Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
- Sec. 313.024(d-2) Not applicable to Application 1962.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district's maintenance and operations *ad valorem tax* revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period, see Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state, see Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value subject to the inclusion of the following provision in the agreement:

The limitation period for the project is deferred to 2032. At any time prior to the commencement of the limitation period, the Comptroller may require the applicant to provide additional information necessary to reassess the economic impact for the project. If, after completing a reassessment of the economic impact analysis the Comptroller determines the project does not meet the requirements under Section 313.026(c), Tax Code, the Comptroller may withdraw its certificate for the limitation based on the revised economic impact analysis, and the District shall terminate this Agreement upon the withdrawal of the certificate. In the event of such termination, the Applicant shall pay to the District liquidated damages as calculated in Section 9.4C of the agreement. This provision inures to the benefit of the Comptroller and may be enforced by the Comptroller.

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1). This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application.

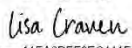
If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

Additionally, this certificate is contingent on the school district approving and executing the agreement by **December 31, 2022**.

Note that any building or improvement existing as of the application review start date of July 25, 2022, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,

DocuSigned by:

11EA8DEF0EC441E...

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC (project) applying to Sabine Pass Independent School District (district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC.

Applicant	Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Sabine Pass ISD
2020-2021 Average Daily Attendance	347
County	Jefferson
Proposed Total Investment in District	\$4,000,000,000
Proposed Qualified Investment	\$2,000,000,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2028-2029
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,205.29
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,204.86
Minimum annual wage committed to by applicant for qualified jobs	\$62,675
Minimum weekly wage required for non-qualifying jobs	\$1,149.50
Minimum annual wage required for non-qualifying jobs	\$59,774
Investment per Qualifying Job	\$400,000,000
Estimated M&O levy without any limit (15 years)	\$401,275,939
Estimated M&O levy with Limitation (15 years)	\$127,488,623
Estimated gross M&O tax benefit (15 years)	\$273,787,316

Table 2 is the estimated statewide economic impact of Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2028	1385	1,599	2984	\$83,100,000	\$245,900,000	\$329,000,000
2029	1385	1,342	2727	\$83,100,000	\$179,900,000	\$263,000,000
2030	1385	1,324	2709	\$83,100,000	\$197,900,000	\$281,000,000
2031	1385	1,410	2795	\$83,100,000	\$222,900,000	\$306,000,000
2032	10	271	281	\$626,750	\$79,373,250	\$80,000,000
2033	10	131	141	\$626,750	\$55,373,250	\$56,000,000
2034	10	66	76	\$626,750	\$40,373,250	\$41,000,000
2035	10	51	61	\$626,750	\$32,373,250	\$33,000,000
2036	10	64	74	\$626,750	\$28,373,250	\$29,000,000
2037	10	94	104	\$626,750	\$28,373,250	\$29,000,000
2038	10	129	139	\$626,750	\$31,373,250	\$32,000,000
2039	10	174	184	\$626,750	\$36,373,250	\$37,000,000
2040	10	205	215	\$626,750	\$40,373,250	\$41,000,000
2041	10	154	164	\$626,750	\$34,373,250	\$35,000,000
2042	10	146	156	\$626,750	\$34,373,250	\$35,000,000

Source: CPA REMI, Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC.

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Sabine Pass ISD I&S Tax Levy	Sabine Pass ISD M&O Tax Levy	Sabine Pass ISD M&O and I&S Tax Levies	Jefferson County Tax Levy	Port of Sabine Pass HD Tax Levy	Sabine Neches Nav Dist Tax Levy	Estimated Total Property Taxes
				0.2263	0.9505		0.3632	0.2042	0.0921	
2029	\$226,246,422	\$226,246,422		\$511,928	\$2,150,472	\$2,662,400	\$821,682	\$461,950	\$208,305	\$4,154,337
2030	\$903,346,422	\$903,346,422		\$2,044,002	\$8,586,308	\$10,630,310	\$3,280,774	\$1,844,453	\$831,711	\$16,587,247
2031	\$2,031,846,422	\$2,031,846,422		\$4,597,459	\$19,312,700	\$23,910,159	\$7,379,260	\$4,148,624	\$1,870,721	\$37,308,764
2032	\$3,576,754,422	\$3,576,754,422		\$8,093,122	\$33,997,051	\$42,090,173	\$12,990,057	\$7,303,017	\$3,293,118	\$65,676,365
2033	\$3,435,666,422	\$3,435,666,422		\$7,773,882	\$32,656,009	\$40,429,892	\$12,477,653	\$7,014,944	\$3,163,218	\$63,085,707
2034	\$3,267,791,222	\$3,267,791,222		\$7,394,031	\$31,060,356	\$38,454,387	\$11,867,964	\$6,672,176	\$3,008,655	\$60,003,182
2035	\$3,108,251,970	\$3,108,251,970		\$7,033,042	\$29,543,935	\$36,576,977	\$11,288,550	\$6,346,429	\$2,861,768	\$57,073,723
2036	\$2,956,631,292	\$2,956,631,292		\$6,689,970	\$28,102,780	\$34,792,750	\$10,737,894	\$6,036,850	\$2,722,170	\$54,289,664
2037	\$2,812,535,819	\$2,812,535,819		\$6,363,925	\$26,733,153	\$33,097,078	\$10,214,568	\$5,742,636	\$2,589,502	\$51,643,783
2038	\$2,675,589,188	\$2,675,589,188		\$6,054,056	\$25,431,475	\$31,485,531	\$9,717,205	\$5,463,018	\$2,463,415	\$49,129,169
2039	\$2,545,435,041	\$2,545,435,041		\$5,759,556	\$24,194,360	\$29,953,916	\$9,244,511	\$5,197,269	\$2,343,582	\$46,739,278
2040	\$2,421,735,027	\$2,421,735,027		\$5,479,660	\$23,018,591	\$28,498,251	\$8,795,257	\$4,944,699	\$2,229,691	\$44,467,899
2041	\$2,304,166,798	\$2,304,166,798		\$5,213,638	\$21,901,105	\$27,114,744	\$8,368,273	\$4,704,648	\$2,121,446	\$42,309,111
2042	\$2,192,425,012	\$2,192,425,012		\$4,960,800	\$20,839,000	\$25,799,800	\$7,962,449	\$4,476,493	\$2,018,566	\$40,257,308
2043	\$2,086,218,333	\$2,086,218,333		\$4,720,486	\$19,829,505	\$24,549,991	\$7,576,728	\$4,259,641	\$1,920,781	\$38,307,141
2044	\$1,985,271,430	\$1,985,271,430		\$4,492,074	\$18,870,005	\$23,362,079	\$7,210,109	\$4,053,527	\$1,827,839	\$36,453,554
2045	\$1,889,321,975	\$1,889,321,975		\$4,274,969	\$17,958,005	\$22,232,974	\$6,861,640	\$3,857,618	\$1,739,499	\$34,691,730
2046	\$1,798,119,646	\$1,798,119,646		\$4,068,605	\$17,091,127	\$21,159,733	\$6,530,411	\$3,671,401	\$1,655,529	\$33,017,073
			Total	\$95,525,204	\$401,275,939	\$496,801,143	\$153,324,982	\$86,199,391	\$38,869,517	\$775,195,033

Source: CPA, Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC.

*Tax Rate per \$100 Valuation

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

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Sabine Pass ISD I&S Tax Levy	Sabine Pass ISD M&O Tax Levy	Sabine Pass ISD M&O and I&S Tax Levies	Jefferson County Tax Levy	Port of Sabine Pass HD Tax Levy	Sabine Neches Nav Dist Tax Levy	Estimated Total Property Taxes
2029	\$226,246,422	\$226,246,422		\$511,928	\$2,150,472	\$2,662,400	\$821,682	\$461,950	\$208,305	\$4,154,337
2030	\$903,346,422	\$903,346,422		\$2,044,002	\$8,586,308	\$10,630,310	\$3,280,774	\$1,844,453	\$831,711	\$16,587,247
2031	\$2,031,846,422	\$2,031,846,422		\$4,597,459	\$19,312,700	\$23,910,159	\$7,379,260	\$4,148,624	\$1,870,721	\$37,308,764
2032	\$3,576,754,422	\$30,000,000		\$8,093,122	\$285,150	\$8,378,272	\$12,990,057	\$7,303,017	\$3,293,118	\$31,964,464
2033	\$3,435,666,422	\$30,000,000		\$7,773,882	\$285,150	\$8,059,032	\$12,477,653	\$7,014,944	\$3,163,218	\$30,714,847
2034	\$3,267,791,222	\$30,000,000		\$7,394,031	\$285,150	\$7,679,181	\$11,867,964	\$6,672,176	\$3,008,655	\$29,227,977
2035	\$3,108,251,970	\$30,000,000		\$7,033,042	\$285,150	\$7,318,192	\$11,288,550	\$6,346,429	\$2,861,768	\$27,814,938
2036	\$2,956,631,292	\$30,000,000		\$6,689,970	\$285,150	\$6,975,120	\$10,737,894	\$6,036,850	\$2,722,170	\$26,472,033
2037	\$2,812,535,819	\$30,000,000		\$6,363,925	\$285,150	\$6,649,075	\$10,214,568	\$5,742,636	\$2,589,502	\$25,195,780
2038	\$2,675,589,188	\$30,000,000		\$6,054,056	\$285,150	\$6,339,206	\$9,717,205	\$5,463,018	\$2,463,415	\$23,982,843
2039	\$2,545,435,041	\$30,000,000		\$5,759,556	\$285,150	\$6,044,706	\$9,244,511	\$5,197,269	\$2,343,582	\$22,830,068
2040	\$2,421,735,027	\$30,000,000		\$5,479,660	\$285,150	\$5,764,810	\$8,795,257	\$4,944,699	\$2,229,691	\$21,734,457
2041	\$2,304,166,798	\$30,000,000		\$5,213,638	\$285,150	\$5,498,788	\$8,368,273	\$4,704,648	\$2,121,446	\$20,693,155
2042	\$2,192,425,012	\$2,192,425,012		\$4,960,800	\$20,839,000	\$25,799,800	\$7,962,449	\$4,476,493	\$2,019,566	\$40,257,308
2043	\$2,086,218,333	\$2,086,218,333		\$4,720,486	\$19,829,505	\$24,549,991	\$7,576,728	\$4,259,641	\$1,920,781	\$38,307,141
2044	\$1,985,271,430	\$1,985,271,430		\$4,492,074	\$18,870,095	\$23,362,079	\$7,210,109	\$4,053,527	\$1,827,839	\$36,453,554
2045	\$1,889,321,975	\$1,889,321,975		\$4,274,969	\$17,958,005	\$22,232,974	\$6,861,640	\$3,857,618	\$1,739,499	\$34,691,730
2046	\$1,798,119,646	\$1,798,119,646		\$4,068,605	\$17,091,127	\$21,159,733	\$6,530,411	\$3,671,401	\$1,655,529	\$33,017,073
			Total	\$95,525,204	\$127,488,623	\$223,013,827	\$153,324,982	\$86,199,391	\$38,869,517	\$501,407,717
			Diff	\$0	\$273,787,316	\$273,787,316	\$0	\$0	\$0	\$273,787,316

Source: CPA, Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC
 *Tax Rate per \$100 Valuation

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

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

This represents the Comptroller’s determination that Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy and direct, indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2029	\$2,150,472	\$2,150,472	\$0	\$0
	2030	\$8,586,308	\$10,736,780	\$0	\$0
	2031	\$19,312,700	\$30,049,480	\$0	\$0
Limitation Period (10 Years)	2032	\$285,150	\$30,334,630	\$33,711,901	\$33,711,901
	2033	\$285,150	\$30,619,780	\$32,370,859	\$66,082,760
	2034	\$285,150	\$30,904,930	\$30,775,206	\$96,857,966
	2035	\$285,150	\$31,190,080	\$29,258,785	\$126,116,751
	2036	\$285,150	\$31,475,230	\$27,817,630	\$153,934,381
	2037	\$285,150	\$31,760,380	\$26,448,003	\$180,382,384
	2038	\$285,150	\$32,045,530	\$25,146,325	\$205,528,709
	2039	\$285,150	\$32,330,680	\$23,909,210	\$229,437,919
	2040	\$285,150	\$32,615,830	\$22,733,441	\$252,171,361
	2041	\$285,150	\$32,900,980	\$21,615,955	\$273,787,316
Maintain Viable Presence (5 Years)	2042	\$20,839,000	\$53,739,980	\$0	\$273,787,316
	2043	\$19,829,505	\$73,569,485	\$0	\$273,787,316
	2044	\$18,870,005	\$92,439,490	\$0	\$273,787,316
	2045	\$17,958,005	\$110,397,496	\$0	\$273,787,316
	2046	\$17,091,127	\$127,488,623	\$0	\$273,787,316
Additional Years as Required by 313.026(c)(1) (10 Years)	2047	\$16,267,134	\$143,755,757	\$0	\$273,787,316
	2048	\$15,483,893	\$159,239,650	\$0	\$273,787,316
	2049	\$14,739,359	\$173,979,008	\$0	\$273,787,316
	2050	\$14,031,607	\$188,010,616	\$0	\$273,787,316
	2051	\$13,358,821	\$201,369,437	\$0	\$273,787,316
	2052	\$12,719,248	\$214,088,685	\$0	\$273,787,316
	2053	\$12,111,222	\$226,199,907	\$0	\$273,787,316
	2054	\$11,533,182	\$237,733,089	\$0	\$273,787,316
	2055	\$10,983,642	\$248,716,731	\$0	\$273,787,316
	2056	\$10,461,174	\$259,177,905	\$0	\$273,787,316

\$259,177,905

is less than

\$273,787,316

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	No

NOTE: The analysis above only takes into account this project’s estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, Port Arthur LNG Phase II LLC and PALNG Common Facilities Company, LLC.

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2028	1385	1,599	2984	\$83,100,000	\$245,900,000	\$329,000,000	13000000	-6000000	\$19,000,000
2029	1385	1,342	2727	\$83,100,000	\$179,900,000	\$263,000,000	10000000	-3000000	\$13,000,000
2030	1385	1,324	2709	\$83,100,000	\$197,900,000	\$281,000,000	11000000	-1000000	\$12,000,000
2031	1385	1,410	2795	\$83,100,000	\$222,900,000	\$306,000,000	12000000	0	\$12,000,000
2032	10	271	281	\$626,750	\$79,373,250	\$80,000,000	4000000	7000000	-\$3,000,000
2033	10	131	141	\$626,750	\$55,373,250	\$56,000,000	3000000	7000000	-\$4,000,000
2034	10	66	76	\$626,750	\$40,373,250	\$41,000,000	3000000	6000000	-\$3,000,000
2035	10	51	61	\$626,750	\$32,373,250	\$33,000,000	3000000	6000000	-\$3,000,000
2036	10	64	74	\$626,750	\$28,373,250	\$29,000,000	3000000	5000000	-\$2,000,000
2037	10	94	104	\$626,750	\$28,373,250	\$29,000,000	2000000	5000000	-\$3,000,000
2038	10	129	139	\$626,750	\$31,373,250	\$32,000,000	3000000	5000000	-\$2,000,000
2039	10	174	184	\$626,750	\$36,373,250	\$37,000,000	3000000	4000000	-\$1,000,000
2040	10	205	215	\$626,750	\$40,373,250	\$41,000,000	3000000	4000000	-\$1,000,000
2041	10	154	164	\$626,750	\$34,373,250	\$35,000,000	2000000	4000000	-\$2,000,000
2042	10	146	156	\$626,750	\$34,373,250	\$35,000,000	2000000	4000000	-\$2,000,000
2043	10	142	152	\$626,750	\$35,373,250	\$36,000,000	2000000	3000000	-\$1,000,000
2044	10	142	152	\$626,750	\$38,373,250	\$39,000,000	2000000	3000000	-\$1,000,000
2045	10	151	164	\$626,750	\$39,373,250	\$40,000,000	2000000	3000000	-\$1,000,000
2046	10	154	164	\$626,750	\$41,373,250	\$42,000,000	2000000	3000000	-\$1,000,000
2047	10	162	172	\$626,750	\$44,373,250	\$45,000,000	2000000	2000000	\$0
2048	10	168	178	\$626,750	\$47,373,250	\$48,000,000	2000000	2000000	\$0
2049	10	160	170	\$626,750	\$49,373,250	\$50,000,000	2000000	2000000	\$0
2050	10	168	178	\$626,750	\$53,373,250	\$54,000,000	2000000	2000000	\$0
2051	10	168	178	\$626,750	\$56,373,250	\$57,000,000	2000000	2000000	\$0
2052	10	168	178	\$626,750	\$60,373,250	\$61,000,000	2000000	2000000	\$0
2053	10	164	174	\$626,750	\$62,373,250	\$63,000,000	2000000	2000000	\$0
2054	10	170	180	\$626,750	\$66,373,250	\$67,000,000	2000000	1000000	\$1,000,000
2055	10	178	188	\$626,750	\$70,373,250	\$71,000,000	2000000	1000000	\$1,000,000
Total							\$103,000,000	\$75,000,000	\$28,000,000
							\$287,177,905	is greater than	\$273,787,316
Analysis Summary									
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?								Yes	

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

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant’s decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

Methodology

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

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

Determination Port Arthur LNG Phase II LLC and PALNG Common Facilities Company’s decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per Port Arthur LNG Phase II LLC and PALNG Common Facilities Company in Tab 4 of their Application for a Limitation on Appraised Value:
 - A. “This application is the first in a series of two applications being filed contemporaneously with the Sabine Pass Independent School District.”
 - B. “Port Arthur LNG’s proposed liquefaction facility and export terminal will take advantage of the huge natural gas reserves that have been unlocked in recent years to provide substantial job creation and economic stimulus to the U.S. at large.”
 - C. “Natural gas will be delivered to the Project through proposed new pipelines and associated facilities being developed by Port Arthur Pipeline, LLC, which is not part of this Chapter 313 application.”
 - D. “The proposed project primarily consists of property classified by Jefferson CAD as real estate improvements including, but not limiting to the following: Up to two natural gas liquefaction trains capable of producing, under optimal conditions, up to 13.5 MTPA in the aggregate (or approximately 698 BCF of natural gas per year)”
- Per Port Arthur LNG Phase II LLC and PALNG Common Facilities Company in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “[T]his application is the second in a series of applications and development of the project subject to this application is contingent on development and approval of the project subject to the first application in this series of applications.
 - B. “No site development activities have been done relative to this phase of the project. The company acknowledges that it has undertaken certain development and permitting activities and has made public statements about the proposed project and has hosted meetings in the Port Arthur area to gauge public reaction to the project. Those statements and releases made by the company relative to the proposed first phase of the project were included in the Application for Phase I and can be viewed in that document. Despite having undertaken such development activities, as of yet

the company has been unable to advance commercial development to a point that would support a final investment decision.”

- C. “In an effort to make the land more suitable for industrial development, the company made the decision to relocate, at its own significant cost, State Highway 87 away from the river’s edge. The relocated and upgraded highway benefits the State of Texas and the Port Arthur region. Other third-party-owned infrastructure, such as pipelines that traversed the site, was also relocated to make the land more suitable for industrial development. While these relocations will be necessary for the project facilities to be constructed, they do not by themselves represent a decision to move forward with the project, Sempra has other existing sites for potential LNG liquefaction projects under consideration that are also competing for internal funding.”
 - D. “If developed and constructed, these projects may be located in Cameron Parish, Louisiana and/or Ensenada, Baja California, Mexico or, as announced early in 2022, Topolobampo, Sinaloa, Mexico. The former two sites already have LNG facilities in place and the latter, which creates additional internal competition for PALNG, is being progressed in conjunction with the state-owned electric utility in Mexico. As discussed below, all three sites either have a property tax abatement in place, or minimal property tax exposure that impacts project economics.”
 - E. Applicant include a table demonstrating the economic factor comparison of the various proposed sites for Sempra’s various LNG development projects (Port Arthur, TX, Cameron, LA and Ensenada, Baja California, Mexico).
 - F. “Sempra’s decision to invest in the continued development of PALNG in Texas will be based on several commercial and financial considerations, including, importantly, the ability to secure available tax incentives such as the Chapter 313 value limitation, so that the project can compete in the current global market. Without the Chapter 313 value limitation, the economics of siting a greenfield natural gas liquefaction project in Texas are less supportive for a project FID than the expansion prospects of brownfield projects already in Sempra’s portfolio and those of our competitors. Without such benefit the project is simply uncompetitive from an LNG pricing perspective. Thus, it is critical that this Chapter 313 application be approved.”
 - G. “In its 2021 Form 10-K filed with the Securities and Exchange Commission on February 25, 2022 ...Sempra outlined its current and most recent outlook regarding the proposed PALNG project. Among other items, Sempra noted that:
 - a. Previous agreements with potential buyers for the offtake of the project have expired, One potential buyer subsequently entered into a new agreement to potentially move its needs to Sempra’s “portfolio of other projects”. Agreements with another potential buyer terminated with no renewal
 - b. While work continued on the development of the project, no final investment decision timeline has been established
 - c. Full notice to proceed on the construction of the project had not been given by the timeline specified in the engineering, procurement, and construction (EPC) contract, and an amendment to such contract would be needed to proceed.”
 - H. The Applicant also included several internal announcements regarding the project in Tab 5.
- The Sempra project website for the Port Arthur Liquefaction Project states the following:
 - A. “The Port Arthur liquefaction project, as proposed in the Federal Energy Regulatory Commission (FERC) application, includes two natural gas liquefaction trains capable of producing, under optimal conditions, up to approximately 13.5 million metric tons per annum (mtpa), up to three LNG storage tanks and ancillary support facilities to liquefy and load LNG onto ships.”
 - B. “DAVOS, Switzerland, May 25, 2022 – Sempra Infrastructure, a subsidiary of [sic], today announced it has entered into a heads of agreement (HOA) with RWE Supply & Trading, a subsidiary of RWE (RWE: AG), for the purchase of approximately 2.25 million tonnes per annum (Mtpa) of liquefied natural gas (LNG). The LNG is to be supplied on a long-term, free-on-board basis from the Port Arthur LNG Phase 1 project under development in Jefferson County, Texas.”
 - C. “The HOA contemplates the negotiation and finalization of a definitive 15-year LNG sale and purchase agreement for 2.25 Mtpa to be delivered from the Port Arthur LNG project. Additionally, Sempra Infrastructure and RWE have agreed to work toward a broad framework

for the reduction, mitigation, and reporting of GHG emissions associated with deliveries of LNG from the Port Arthur LNG project, including addressing the use of responsibly sourced natural gas as part of the project's feed gas supply and renewable energy as part of the project power mix."

- D. "Phase 1 of the Port Arthur LNG project is fully permitted and is expected to include two liquefaction trains and LNG storage tanks, as well as associated facilities capable of producing, under optimal conditions, up to approximately 13.5 Mtpa of LNG."
- E. "MIĘDZYDROJE, Poland, May 16, 2022 – Semptra Infrastructure, a subsidiary of Semptra (sic), and the Polish Oil & Gas Company (PGNiG) today announced they have entered into a heads of agreement (HOA) for the purchase of approximately 3 million tonnes per annum (Mtpa) of liquefied natural gas (LNG) delivered free-on-board from Semptra Infrastructure's portfolio of LNG projects in North America."
- F. "The referenced HOA contemplates the negotiation and finalization of definitive 20-year LNG sale-and-purchase agreements for 2 Mtpa from the Cameron LNG Phase 2 project under development in Louisiana, and 1 Mtpa from the Port Arthur LNG project under development in Texas. The HOA also provides PGNiG the opportunity in 2022 to reallocate volumes from the Cameron LNG Phase 2 project to the Port Arthur LNG project."
- G. "The HOA is a preliminary, non-binding arrangement, and the development of the Cameron LNG Phase 2 and Port Arthur LNG projects remains subject to a number of risks and uncertainties, including reaching definitive agreements, securing all necessary permits, signing engineering and construction contracts, obtaining financing and incentives and reaching a final investment decision for each project."

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 4 of the Application for a Limitation on Appraised Value
- c) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- d) Additional information provided by the Applicant or located by the Comptroller

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

Supporting Information

Section 8 of the Application for
a Limitation on Appraised Value

SECTION 8: Limitation as Determining Factor

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

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

SECTION 9: Projected Timeline

NOTE: Only construction beginning after the application review start date (the date the Texas Comptroller of Public Accounts deems the application complete) can be considered qualified property and/or qualified investment.

1. Estimated school board ratification of final agreement July 2022
2. Estimated commencement of construction June 2025
3. Beginning of qualifying time period (MM/DD/YYYY) January 2, 2025
4. First year of limitation (YYYY) January 1, 2028
 - 4a. For the beginning of the limitation period, notate which **one of the following** will apply according to provision of 313.027(a-1)(2):
 - A. January 1 following the application date
 - B. January 1 following the end of QTP
 - C. January 1 following the commencement of commercial operations
5. Commencement of commercial operations December 31, 2029

SECTION 10: The Property

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

M&O (ISD): <u>Sabine Pass ISD; 100%; \$0.9505</u> <small>(Name, tax rate and percent of project)</small>	I&S (ISD): <u>Sabine Pass ISD; 100%; \$0.22627</u> <small>(Name, tax rate and percent of project)</small>
County: <u>Jefferson County; 100%; \$0.363184</u> <small>(Name, tax rate and percent of project)</small>	City: _____ <small>(Name, tax rate and percent of project)</small>
Hospital District: _____ <small>(Name, tax rate and percent of project)</small>	Water District: _____ <small>(Name, tax rate and percent of project)</small>
Other (describe): <u>Port of Sabine Pass; 100%; \$0.204183</u> <small>(Name, tax rate and percent of project)</small>	Other (describe): <u>Sabine Neches Nav Dist; 100%; \$0.092067</u> <small>(Name, tax rate and percent of project)</small>

Supporting Information

Attachments provided in Tab 4
of the Application for a
Limitation on Appraised Value



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TAB 4

Detailed Description of the Project

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

Port Arthur LNG Phase II, LLC and PALNG Common Facilities Company, LLC (together "PALNG" or "Applicant") is requesting an appraised value limitation from Sabine Pass Independent School District (ISD) for the Port Arthur LNG Project (the "Project"), a proposed liquefaction facility in Jefferson County. The proposed Sabine ISD Project (this application) will be constructed within a Reinvestment Zone that will be created by Jefferson County prior to execution of a Value Limitation Agreement. A map showing the location of the project is included in TAB 11.

This application is the second in a series of two applications being filed contemporaneously with the Sabine Pass Independent School District.

As nations increasingly search for alternative sources of energy besides oil and coal for power generation and other applications, demand for LNG will continue to grow. The U.S. has an opportunity to expand its participation in the global market for natural gas, as the country's more than 100 years of reserves are well positioned to contribute to meeting this growing demand. Port Arthur LNG's production and export of LNG represents a long-term economic stimulus to the nation's natural gas-producing regions, including Texas and the entire Gulf Coast. Port Arthur LNG's proposed liquefaction facility and export terminal will take advantage of the huge natural gas reserves that have been unlocked in recent years to provide substantial job creation and economic stimulus to the U.S. at large. New natural gas production and export of LNG represents a long-term economic lift to the nation's natural gas-producing regions and the overall U.S. economy.

The Project site is located approximately five miles south of the intersection of SH 87 and SH 82 near the City of Port Arthur, along the west side of the Sabine-Neches Ship Channel, south of the Gulf Intracoastal Waterway.

Natural gas will be delivered to the Project through proposed new pipelines and associated facilities being developed by Port Arthur Pipeline, LLC, which is not part of this Chapter 313 application. The natural gas will be cooled into a liquid form and stored in three 160,000 m³ LNG storage tanks. The maximum proposed production capacity of the liquefaction process utilizing two liquefaction trains is approximately 13.5 metric tons per annum. A marine facility, consisting of two berths, will be used to transfer LNG onto ships.



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A Chapter 313 Value Limitation Agreement is requested on all the proposed new improvements and fixed equipment associated with this project as described below. The proposed project primarily consists of property classified by Jefferson CAD as real estate improvements including, but not limiting to the following:

- Up to two natural gas liquefaction trains capable of producing, under optimal conditions, up to 13.5 MTPA in the aggregate (or approximately 698 BCF of natural gas per year);
- Feed gas pre-treatment facilities;
- Natural gas liquids ("NGL") and refrigerant truck loading/unloading facilities along with NGL and refrigerant storage facilities;
- Three liquid loading arms, one vapor loading arm, and one hybrid arm;
- One 160,000 cubic meter LNG storage tank.
- Operations, control, maintenance, warehouse and all other necessary buildings; and
- All of the associated concrete foundations, pipe supports, piping, instrumentation, power feeds, control loops, safety systems, fire water protection, pollution control equipment and facilities', insulation, utilities and any and all other appurtenances, facilities, machinery and equipment necessary to achieve efficient, effective and safe operation of the LNG project
- Combustion turbine / EMD generators to provide self-power generation for the Project.

Full construction of the Project is anticipated to begin in Q1 - 2028 with completion by Q4 - 2031.

Supporting Information

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



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TAB 5

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

Port Arthur LNG Phase II, LLC and PALNG Common Facilities Company, LLC (together "PALNG" or "Applicant") are subsidiaries of Sempra Energy ("Sempra"). Sempra is a Fortune 500 energy services company that develops energy infrastructure, operates utilities, and provides related products and services to more than 32 million consumers worldwide. The decision to invest in a particular state depends on the economics of the investment. In the case of PALNG's proposed natural gas liquefaction project (the "Project") in Jefferson County, there are several financial considerations, including the ability to obtain relief regarding local property taxes, which make the proposed investment meet certain economic requirements. Obtaining the local property tax abatements and valuation limitations prior to making a final decision to construct the Project in order to have certainty with respect to future property tax obligations is part of the necessary pre-development activity that the company must undertake before making a commitment to build such a capital-intensive Project. The energy commodities market generally, and the natural gas liquefaction market specifically, is very competitive. The Project must compete internally and externally for equity capital investment and worldwide for viable markets. Without the Chapter 313 property tax valuation limit, Sempra can turn its investment and project development efforts to another project in another state and/or country where the economics better meet the company's investment and economic objectives. Similarly, without the economic benefit of the Chapter 313 property tax valuation limit, Sempra's ability to market the project to third party off-takers and prospective equity investors becomes more challenging.

Applicant is evaluating the economics and schedule of this project and considering whether to continue. As stated earlier **this application is the second in a series of applications and development of the project subject to this application is contingent on development and approval of the project subject to the first application in this series of applications.** No site development activities have been done relative to this phase of the project. The company acknowledges that it has undertaken certain development and permitting activities and has made public statements about the proposed project and has hosted meetings in the Port Arthur area to gauge public reaction to the project. Those statements and releases made by the company relative to the proposed first phase of the project were included in the Application for Phase I and can be viewed in that document. Despite having undertaken such development activities, as of yet the company has been unable to advance commercial development to a point that would support a final investment decision.

The proposed project site is located on land owned by PALNG Common Facilities Company, LLC. The land has been owned by Sempra subsidiaries or predecessor entities since 1969 and Sempra has three times attempted to develop industrial projects on this site without success. In an effort to make the land more suitable for industrial development, the company made the decision to relocate, at its own significant cost, State Highway 87 away from the river's edge. The relocated and upgraded highway



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benefits the State of Texas and the Port Arthur region. Other third-party-owned infrastructure, such as pipelines that traversed the site, was also relocated to make the land more suitable for industrial development. While these relocations will be necessary for the project facilities to be constructed, they do not by themselves represent a decision to move forward with the project, Sempra has other existing sites for potential LNG liquefaction projects under consideration that are also competing for internal funding. If developed and constructed, these projects may be located in Cameron Parish, Louisiana and/or Ensenada, Baja California, Mexico or, as announced early in 2022, Topolobampo, Sinaloa, Mexico. The former two sites already have LNG facilities in place and the latter, which creates additional internal competition for PALNG, is being progressed in conjunction with the state-owned electric utility in Mexico. As discussed below, all three sites either have a property tax abatement in place, or minimal property tax exposure that impacts project economics.

The Cameron Parish project is owned by Sempra majority-owned affiliate Cameron LNG, LLC ("CLNG"). CLNG recently completed construction of a three-train natural gas liquefaction project at a site adjacent to its existing LNG regasification facility. CLNG is in the process of permitting an expansion of that three-train liquefaction facility to include a fourth train. Both CLNG's LNG regasification facility and its natural gas liquefaction project have been approved for Louisiana's Industrial Tax Exemption ("ITE"), a ten-year, 100% property tax exemption. A two-train expansion of CLNG is also already approved for the ITE. No final decision to invest in the proposed expansion has been made.

The Ensenada, Mexico project, owned by Sempra's Mexico affiliate IEnova, is also competing for internal approvals to develop a natural gas liquefaction expansion at the company's existing Energia Costa Azul ("ECA") regasification facility. On February 19, 2015, IEnova announced that it had entered into an agreement with a subsidiary of PEMEX to collaborate in the development of the liquefaction project.

An economic factor comparison of the various proposed sites for Sempra's various LNG development projects is shown in the table that follows. (The Topolobampo, Sinola, Mexico project, called Vista Pacifico LNG, is not included in the table below because that project is in the early stages of development and the company is still evaluating the economic factors used in the table. However, the project does create an additional opportunity for Sempra to use its limited capital budget to invest outside of Texas.)

Chapter 313 Application to Sabine Pass ISD			
Facility	Port Arthur LNG	Cameron LNG	Energia Costa Azul
Location	Port Arthur, TX	Cameron, LA	Ensenada, Baja California, Mexico
Economic Factors:			



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Natural Gas Supply	Centrally located on the Texas Gulf Coast with pipeline connections to many shale gas production areas.	Centrally located on the Louisiana Gulf Coast with pipeline connections to many shale gas production areas.	Likely to utilize natural gas from the Permian Basin or Rocky Mountains and imported into Mexico from the U.S.
Inbound Pipeline Access	Will need to acquire ROW and build 27 miles of 42-inch diameter pipeline	Has an existing 42-inch diameter pipeline interconnecting the project to multiple interstate trunklines.	Existing pipeline may require an upgrade to handle sufficient gas volumes.
Water Access	Will need to build new berthing and loading facilities.	Existing facility has two berthing and loading jetties.	Existing facility is strategically located on the west coast of North America near Ensenada, Mexico and has an existing berthing and loading jetty. Final investment decision to add natural gas liquefaction capabilities made in 2020.
Proximity of Product Market	Project is located on the Central Gulf Coast on the Sabine-Neches Waterway in Texas.	Project is located on the Central Gulf Coast on the Calcasieu Waterway in Louisiana.	Strategic location on the west coast of North America eliminates Panama Canal passage for LNG shipments to Asia cutting significant ship time and costs.
Site Preparation	Greenfield project with no existing facilities - more foundation work and relocation of existing highway will be required	Brownfield project with an existing LNG facility which includes three liquefaction trains, three LNG storage tanks and marine facilities with two loading/unloading jetties.	Brownfield project with an existing LNG import facility which includes two LNG storage tanks and marine facilities with one loading/unloading jetty.



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Utilities	Although there is an existing dual 230 kV transmission line and an existing 16-inch city water line on site, investment in additional utility infrastructure will be required.	A dual 230kV transmission line installed to the project. The local water district has an existing water line dedicated to the project	All power is provided by on-site generators and is not connected to the public grid.
Environmental	Area has moved from non-attainment to attainment for air permit purposes but may reverse under new EPA rulings.	Located in an attainment area for air permit purposes.	Project is not impacted by EPA rulings on air permits.
Availability of Tax Incentives	Chapter 312/380/IDA tax abatement; Chapter 313 value limitation with school district and state approval.	Industrial Tax Exemption provides 100% tax abatement for ten years for all taxing jurisdictions.	Property taxes not a significant annual expense in Mexico.

PALNG, a Texas project, is competing both internally for Sempra's development dollars, and externally for prospective third-party offtake and equity investment in a highly-competitive LNG marketplace where multiple liquefaction projects are proposed worldwide. Going forward, we believe the LNG projects that will be successfully developed and constructed will be those that can offer the lowest LNG price to global buyers and can demonstrate the best economic value for prospective investors' equity capital.

As a greenfield project, PALNG is competing with other facilities proposed in the U.S. and elsewhere, which already have in place existing LNG regasification or liquefaction infrastructure, such as berthing facilities and LNG storage tanks. PALNG therefore stands at a relative competitive disadvantage because of investors' need to recoup the higher development cost to warrant their investment.

Sempra's decision to invest in the continued development of PALNG in Texas will be based on several commercial and financial considerations, including, importantly, the ability to secure available tax incentives such as the Chapter 313 value limitation, so that the project can compete in the current global market. Without the Chapter 313 value limitation, the economics of siting a greenfield natural gas liquefaction project in Texas are less supportive for a project FID than the expansion prospects of brownfield projects already in Sempra's portfolio and those of our competitors. Without such benefit



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PORT ARTHUR LNG PHASE II, LLC

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the project is simply uncompetitive from an LNG pricing perspective. Thus, it is critical that this Chapter 313 application be approved.

Set forth below is additional information in response to the questions in Section 8 of the Application.

1. Does the applicant currently own the land on which the proposed project will occur?

The reinvestment zone will consist of property owned by Sempra affiliate PALNG Common Facilities Company, LLC. No qualified investment or qualified property will be constructed on any land that a Sempra affiliate does not own.

2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?

No.

3. Does the applicant have current business activities at the location where the proposed project will occur?

There are no current business activities occurring at the location where the proposed project will occur.

4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?

Applicant has made public statements regarding its intentions regarding the proposed project location. Copies of these previous press releases can be viewed within the original application's Tab 5 (Application No. 1117) which was subsequently approved on October 24, 2016.

In its 2021 Form 10-K filed with the Securities and Exchange Commission on February 25, 2022 (available at <https://investor.sempra.com/static-files/5f2181de-c788-4901-89f2-64bf6934345f>), Sempra outlined its current and most recent outlook regarding the proposed PALNG project. Among other items, Sempra noted that:

- Previous agreements with potential buyers for the offtake of the project have expired.
 - One potential buyer subsequently entered into a new agreement to potentially move its needs to Sempra's "portfolio of other projects".
 - Agreements with another potential buyer terminated with no renewal.
- While work continued on the development of the project, no final investment decision timeline has been established.

*ATTACHMENT TO APPLICATION FOR APPRAISED VALUE LIMITATION ON QUALIFIED PROPERTY BY
PORT ARTHUR LNG PHASE II, LLC TO SABINE PASS ISD*



CUMMINGS WESTLAKE

PORT ARTHUR LNG PHASE II, LLC

Chapter 313 Application Sabine Pass ISD

- Full notice to proceed on the construction of the project had not been given by the timeline specified in the engineering, procurement, and construction (EPC) contract, and an amendment to such contract would be needed to proceed.

The 2021 Form 10-K also discusses progress on competing projects in other states and countries as discussed earlier in this tab, including the Cameron LNG expansion in Louisiana, and Vista Pacifico LNG located in Mexico, noting MOUs that have been executed for both projects. Subsequent to the issuance of the 10-K, Sempra and Sempra Infrastructure issued press releases discussing additional progress in the development of Cameron LNG expansion and Vista Pacifico, but no similar announcements have been made with respect to Port Arthur LNG. During Sempra's 2021 earnings call, Sempra's CEO discussed the potential for these projects to "leapfrog" Port Arthur LNG due the relative cost competitiveness and advancement of commercial arrangements.

More recent news releases convey the continuing uncertainty of this location for a new greenfield LNG facility as outlined again below:

- Uncertainty/volatility in the LNG market due to the drop in gas prices;
- Inability to finalize long term agreements with LNG buyers;
- Market export advantages in Louisiana and other locations;
- Engineering economies of scale disadvantage (expansion projects vs. new projects);
- Higher equipment, labor and construction costs; and
- Company capital expenditure constraints.

As has always been the case with Port Arthur LNG, and as routinely stated in company statements about the project, the continued development of the project is subject to a number of risks and uncertainties including, among others, reaching definitive agreements with off-takers, securing all necessary permits, finalizing tax incentive agreements and reaching a final investment decision.

5. Has the applicant received any local or state permits for activities on the proposed project site?

No.

6. Has the applicant received commitments for state or local incentives for activities at the proposed project site?

No.



CUMMINGS WESTLAKE

PORT ARTHUR LNG PHASE II, LLC

Chapter 313 Application Sabine Pass ISD

7. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with alternative investment opportunities?

No.

8. Has the applicant provided information related to the applicant's inputs, transportation and market for the proposed project?

No.

9. Are you submitting information to assist in the determinations as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas?

Yes, please see Tab 5 comments above.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller

Findings and Order of the Sabine Pass Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Port Arthur LNG Phase II, LLC (Tax ID 32071937364) (Application #1962)

EXHIBIT B

**Summary of Financial Impact on
Sabine Pass Independent School District**

Findings and Order of the Sabine Pass Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Port Arthur LNG Phase II, LLC (Tax ID 32071937364) (Application #1962)

EXHIBIT C

**Proposed Agreement between
Sabine Pass Independent School District
and PORT ARTHUR LNG PHASE II, LLC**

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

by and between

SABINE PASS INDEPENDENT SCHOOL DISTRICT

and

**PORT ARTHUR LNG PHASE II, LLC
AND AFFILIATE
PALNG COMMON FACILITIES COMPANY, LLC**

(Texas Taxpayer ID #32071937364; 32061940360)

Comptroller Application #1962

Dated

November 14, 2022

*Texas Economic Development Act
Agreement Comptroller
Form 50-826 (Oct 2020)*

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

STATE OF TEXAS

§

COUNTY OF JEFFERSON

§

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 **SABINE PASS 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 **PORT ARTHUR LNG PHASE II, LLC**, Texas Taxpayer Identification Number 32071937364 **AND AFFILIATE PALNG COMMON FACILITIES COMPANY, LLC**, Texas Taxpayer Identification Number 32061940360 hereinafter referred to collectively as the “Applicant.” The Applicant and the District are hereinafter sometimes referred to individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, on April 26, 2022, the Superintendent of Schools of the Sabine Pass Independent School District, acting as agent of the Board of Trustees of the District, received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the TEXAS TAX CODE;

WHEREAS, on April 26, 2022, the Board of Trustees has acknowledged receipt of the Application, and along with the requisite application fee as established pursuant to Section 313.025(a) of the TEXAS TAX CODE and Local District Policy CCG (Local), and agreed to consider the Application;

WHEREAS, the Application in this Comptroller’s File No 1962 is one of a series of Applications submitted by Applicant related to the same project (each related to Applicant’s applications assigned Comptrollers File No’s 1856 and 1962). As a result, this Agreement may provide for the deferral of the date on which the qualifying time period is to commence to a date not later than January 1 of the sixth Tax Year that begins after the date the application is approved by the Board;

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

WHEREAS, the District and the Texas Comptroller’s Office have determined that the Application is complete and July 25, 2022 is the Application Review Start Date as that term is defined by 34 TEXAS ADMIN. CODE Section 9.1051;

WHEREAS, pursuant to 34 TEXAS ADMIN. CODE Section 9.1054, the Application was delivered to the Jefferson County Appraisal District established in Jefferson County, Texas (the

“Jefferson County Appraisal District”), pursuant to Section 6.01 of the TEXAS TAX CODE;

WHEREAS, the Texas Comptroller’s Office reviewed the Application pursuant to Section 313.025 of the TEXAS TAX CODE, conducted an economic impact evaluation pursuant to Section 313.026 of the TEXAS TAX CODE, and on October 14, 2022, issued a certificate for limitation on appraised value of the property described in the Application and provided the certificate to the District;

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

WHEREAS, on November 14, 2022 the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District;

WHEREAS, on November 14, 2022, the Board of Trustees made factual findings pursuant to Section 313.025(f) of the TEXAS TAX CODE, including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) the Applicant is eligible for the limitation on appraised value of the Applicant’s Qualified Property; (iii) the project proposed by the Applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the District’s maintenance and operations ad valorem tax revenue lost as a result of the Agreement before the 25th anniversary of the beginning of the limitation period; (iv) the limitation on appraised value is a determining factor in the Applicant’s decision to invest capital and construct the project in this State; and (v) this Agreement is in the best interest of the District and the State of Texas;

WHEREAS, on November 14, 2022, the Texas Comptroller’s Office approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes;

WHEREAS, on November 14, 2022, the Board of Trustees approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the Board President and Secretary to execute and deliver such Agreement to the Applicant; and

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

ARTICLE I **DEFINITIONS**

Section 1.1 DEFINITIONS. Wherever used in this Agreement, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning. Words or terms defined in 34 TEXAS ADMIN. CODE Section 9.1051 and not defined in this Agreement shall have the meanings provided by 34 TEXAS ADMIN. CODE Section 9.1051.

“Act” means the Texas Economic Development Act set forth in Chapter 313 of the TEXAS TAX CODE, as amended.

“Agreement” means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented as approved pursuant to Sections 10.2 and 10.3.

“Applicant” means Port Arthur LNG Phase II, LLC, (Texas Taxpayer ID #32071937364) and affiliate PALNG Common Facilities Company, LLC (Texas Taxpayer ID # 32061940360), the entities listed in the Preamble of this Agreement and that are collectively listed as the Applicant on the Application as of the Application Approval Date. The term “Applicant” shall also include the Applicant’s assigns and successors-in-interest as approved according to Sections 10.2 and 10.3 of this Agreement.

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

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

“Application” means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C of the TEXAS TAX CODE) filed with the District by the Applicant on April 26, 2022. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by the Applicant for the purpose of obtaining an Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

“Application Approval Date” means the date that the Application is approved by the Board of Trustees of the District and as further identified in Section 2.3.B of this Agreement.

“Application Review Start Date” means the later date of either the date on which the District issues its written notice that the Applicant has submitted a completed Application or the date on which the Comptroller issues its written notice that the Applicant has submitted a completed Application and as further identified in Section 2.3.A of this Agreement.

“Appraised Value” shall have the meaning assigned to such term in Section 1.04(8) of the TEXAS TAX CODE.

“Appraisal District” means the Jefferson County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Sabine Pass Independent School District.

“Commercial Operation” means the date on which Applicant has installed or constructed a material portion of the Qualified Property on the Land and has obtained regulatory approval that the installed and qualified series of equipment may commence producing liquefied natural gas.

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

“Comptroller’s Rules” means the applicable rules and regulations of the Comptroller set forth in Chapter 34 TEXAS ADMIN. CODE Chapter 9, Subchapter F, together with any court or administrative decisions interpreting same.

“County” means Jefferson County, Texas.

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

“Final Termination Date” means the last date of the final year in which the Applicant is required to Maintain Viable Presence and as further identified in Section 2.3.E of this Agreement.

“Force Majeure” means acts of God, war, fires, explosions, hurricanes, floods, pandemics, or other causes that are beyond the reasonable control of either party and that by exercise of due foresight such party could not reasonably have been expected to avoid, and which, by the exercise of all reasonable due diligence, such party is unable to overcome. Each Party must inform the other in writing with proof of receipt within 60 business days of the existence of such Force Majeure or otherwise waive this right as a defense.

“Land” means the real property described on **EXHIBIT 2**, which is attached hereto and incorporated herein by reference for all purposes.

“Maintain Viable Presence” means (i) the operation during the term of this Agreement of the facility or facilities for which the tax limitation is granted; and (ii) the Applicant’s maintenance of jobs and wages as required by the Act and as set forth in its Application.

“Market Value” shall have the meaning assigned to such term in Section 1.04(7) of the TEXAS TAX CODE.

“New Qualifying Jobs” means the total number of jobs to be created by the Applicant after the Application Approval Date in connection with the project that is the subject of its Application that meet the criteria of Qualifying Job as defined in Section 313.021(3) of the TEXAS TAX CODE and the Comptroller’s Rules.

“New Non-Qualifying Jobs” means the number of Non-Qualifying Jobs, as defined in 34 TEXAS ADMIN. CODE Section 9.1051(14), to be created by the Applicant after the Application Approval Date in connection with the project which is the subject of its Application.

“Qualified Investment” has the meaning set forth in Section 313.021(1) of the TEXAS TAX CODE, as interpreted by the Comptroller’s Rules.

“Qualified Property” has the meaning set forth in Section 313.021(2) of the TEXAS TAX CODE and as interpreted by the Comptroller’s Rules and the Texas Attorney General, as these provisions existed on the Application Review Start Date.

“Qualifying Time Period” means the period defined in Section 2.3.C, during which the Applicant shall make investment on the Land where the Qualified Property is located in the amount required by the Act, the Comptroller’s Rules, and this Agreement.

“State” means the State of Texas.

“Supplemental Payment” means any payments or transfers of things of value made to the District or to any person or persons in any form if such payment or transfer of thing of value being provided is in recognition of, anticipation of, or consideration for the Agreement and that is not authorized pursuant to Sections 313.027(f)(1) or (2) of the TEXAS TAX CODE, and specifically includes any payments required pursuant to Article VI of this Agreement.

“Tax Limitation Amount” means the maximum amount which may be placed as the Appraised Value on the Applicant’s Qualified Property for maintenance and operations tax assessment in each Tax Year of the Tax Limitation Period of this Agreement pursuant to Section 313.054 of the TEXAS TAX CODE.

“Tax Limitation Period” means the Tax Years for which the Applicant’s Qualified Property is subject to the Tax Limitation Amount and as further identified in Section 2.3.D of this Agreement.

“Tax Year” shall have the meaning assigned to such term in Section 1.04(13) of the TEXAS TAX CODE (*i.e.*, the calendar year).

“Taxable Value” shall have the meaning assigned to such term in Section 1.04(10) of the TEXAS TAX CODE.

Section 1.2 NEGOTIATED DEFINITIONS. Wherever used in Articles IV, V, and VI, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning or otherwise; provided however, if there is a conflict between a term defined in this section and a term defined in the Act, the Comptroller’s Rules, or Section 1.1 of Agreement, the conflict shall be resolved by reference to Section 10.9.C.

“Aggregate Limit” means, for any Tax Year during the Tax Limitation Period of this Agreement, an amount equal to the Net Tax Benefit to the Applicant.

“Applicable School Finance Law” means the State constitution and laws, agency regulations and/or judicial rulings then controlling the public school finance system for Texas public schools and school districts generally and the District specifically that are in effect at the time of the Agreement’s execution.

“Cumulative Payments” means for each year of this Agreement the total of all payments calculated under Articles IV, V and VI of this Agreement for the current Tax Year.

“Lost M&O Revenue” means the reduction in Maintenance and Operations ad valorem Tax Revenue to the District caused by, resulting from, or on account of the execution of this Agreement for each year starting in the year of the Application Approval Date and ending on the Final Termination Date of this Agreement as calculated in accordance with Section 4.2.

“Maintenance and Operations Tax Revenue” means those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Section 45.002 of the TEXAS EDUCATION CODE and Article VII § 3 of the TEXAS CONSTITUTION.

“Net Tax Benefit” means, for any Tax Year during the term of this Agreement, an amount equal to: (i) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for such Tax Year during the term of this Agreement if this Agreement had not been entered into by the Parties; *minus*, (ii) the amount of maintenance and operations ad valorem school taxes actually paid to the District for such Tax Year.

“Option to Terminate” means, Applicant’s written notice to the District that (i) Applicant has determined that it will not commence or complete construction of the Applicant’s Qualified Investment prior to the beginning of the Tax Limitation Period, and (ii) Applicant has elected to unilaterally terminate this Agreement.

“Third Party” shall have the meaning set forth in Section 4.3.

ARTICLE II **AUTHORITY, PURPOSE AND LIMITATION AMOUNTS**

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

Section 2.2. PURPOSE. In consideration of the execution and subsequent performance of the terms and obligations by the Applicant pursuant to this Agreement, identified in Sections 2.5 and 2.6 and as more fully specified in this Agreement, the value of the Applicant’s Qualified Property listed and assessed by the County Appraiser for the District’s maintenance and operation ad valorem property tax shall be the Tax Limitation Amount as set forth in Section 2.4 of this Agreement during the Tax Limitation Period.

Section 2.3. TERM OF THE AGREEMENT.

- A. The Application Review Start Date for this Agreement is July 25, 2022 which will be used to determine the eligibility of the Applicant’s Qualified Property and all applicable wage standards.
- B. The Application Approval Date for this Agreement is November 14, 2022.
- C. The Qualifying Time Period for this Agreement:
 - i. Starts on January 1, 2028, a date not later than January 1 of the sixth Tax Year following the Application Approval Date for deferrals, as authorized by

§313.027(h) of the TEXAS TAX CODE as this Agreement is one of a series of agreements related to the same project; and

- ii. Ends on December 31, 2029, the last day of the second complete Tax Year following the Qualifying Time Period start date.

D. The Tax Limitation Period for this Agreement:

- i. Starts on January 1, 2032, the first complete Tax Year that begins after the date of the commencement of Commercial Operation, and
- ii. Ends on December 31, 2041.

E. The Final Termination Date for this Agreement is December 31, 2046.

F. This Agreement, and the obligations and responsibilities created by this Agreement, shall be and become effective on the Application Approval Date identified in Section 2.3.B. This Agreement, and the obligations and responsibilities created by this Agreement, terminate on the Final Termination Date identified in Section 2.3.E, unless extended by the express terms of this Agreement.

Section 2.4. TAX LIMITATION. So long as the Applicant makes the Qualified Investment as required by Section 2.5, during the Qualifying Time Period, and unless this Agreement has been terminated as provided herein before such Tax Year, on January 1 of each Tax Year of the Tax Limitation Period, the Appraised Value of the Applicant's Qualified Property for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- A. the Market Value of the Applicant's Qualified Property; or
- B. \$30,000,000

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the Application Approval Date, as set out by Section 313.052 of the TEXAS TAX CODE.

Section 2.5. TAX LIMITATION ELIGIBILITY. In order to be eligible and entitled to receive the value limitation identified in Section 2.4 for the Qualified Property identified in Article III, the Applicant shall:

- A. have completed the Applicant's Qualified Investment in the amount of \$30,000,000 during the Qualifying Time Period;
- B. have created and maintained, subject to the provisions of Section 313.0276 of the TEXAS TAX CODE, New Qualifying Jobs as required by the Act; and
- C. pay an average weekly wage of at least \$1204.86 for all New Non-Qualifying Jobs created by the Applicant.

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

- A. provide payments to District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV;
- B. provide payments to the District that protect the District from the payment of extraordinary education- related expenses related to the project, as more fully specified in Article V;

- C. provide such Supplemental Payments as more fully specified in Article VI;
- D. create and Maintain Viable Presence on or with the Qualified Property and perform additional obligations as more fully specified in Article VIII of this Agreement; and

ARTICLE III
QUALIFIED PROPERTY

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

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

Section 3.3. DESCRIPTION OF QUALIFIED PROPERTY. The Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 4**, which is attached hereto and incorporated herein by reference for all purposes. Property which is not specifically described in **EXHIBIT 4** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Property for purposes of this Agreement, unless by official action the Board of Trustees provides that such other property is a part of the Applicant's Qualified Property for purposes of this Agreement in compliance with Section 313.027(e) of the TEXAS TAX CODE, the Comptroller's Rules, and Section 10.2 of this Agreement.

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

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

ARTICLE IV
PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 4.1. INTENT OF PARTIES.

It is the intent of the Parties in accordance with the provisions of Section 313.027(f)(1) of the TEXAS TAX CODE and Section 48.256 (d) of the TEXAS EDUCATION CODE as that statute exists at the time of the execution of this Agreement that the District shall be compensated by the Applicant as provided in this Article IV for any Lost M&O Revenue as a direct result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to such other payments as set forth in Article V and Article VI of this Agreement. **It is the intent of the Parties that the risk of any and all Lost M&O Revenue as defined by Section 48.256 (d) of the TEXAS EDUCATION CODE be borne by the Applicant and not by the District.**

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

The Parties further agree that the printouts and projections produced during the negotiations and approval of this Agreement are:

- i. For illustrative purposes only, are not intended to be relied upon, and have not been relied upon by the Parties as a prediction of future consequences to either Party to the Agreement;
- ii. Are based upon the Applicable School Finance Law; and,
- iii. May change in future years based upon changes in student enrollment, tax rate changes and project value as determined by the Appraisal District.

Section 4.2 CALCULATING LOST M&O REVENUE.

The amount to be paid by the Applicant to compensate the District for loss of M&O Revenue resulting from, or on account of, this Agreement for each year in the Tax Limitation Period as revenue protection payments shall be based on the District's taxable value of property for the preceding school year as set forth in Section 48.256 (d) of the TEXAS EDUCATION CODE as that statute exists at the time of the execution of this Agreement, and shall be calculated as set forth in sections 4.2.A and 4.2.B below. The Parties agree that, notwithstanding any other provision in this Article IV, such payments shall satisfy Applicant's obligation to the District for Loss of M&O Revenue pursuant to this Article IV:

- A. For the first year of the Tax Limitation Period (*i.e.* Tax Year 2032) only, Applicant's total payment obligation to the District shall be an amount equal to (i) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for the first year of the Tax Limitation Period if this Agreement had not been

entered into by the Parties; *minus*, (ii) the amount of maintenance and operations ad valorem school taxes actually paid by the Applicant for such year.

- B. For each of the remaining nine (9) years of the Tax Limitation Period, Applicant's payment obligation to the District shall be an amount equal to (i) the current year's Interest and Sinking Fund Taxable Value as determined by the Appraisal District, *minus* (ii) the Interest and Sinking Fund Taxable Value as determined by the Appraisal District for the immediately preceding year, with the difference between (i) and (ii) multiplied by (iii) the District's adopted maintenance and operations tax rate for the then-current school year. If the amount computed pursuant to this Section 4.2.B for any year is less than or equal to zero, Applicant shall not be obligated to make any payment for such year.

In making the calculations required by this Section 4.2, the Taxable Value of property for each school year will be determined by the Appraisal District.

Section 4.3. CALCULATIONS TO BE MADE BY THIRD PARTY.

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") selected and appointed each year by the District, subject to approval by Applicant in writing, which approval shall not unreasonably be withheld.

Section 4.4. DATA USED FOR CALCULATIONS.

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

Section 4.5. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT.

If the Applicant has appealed any matter relating to the valuations placed by the Appraisal District on the Applicant's Qualified Property, and such appeal remains unresolved at the time the Third Party selected under Section 4.3 makes its calculations under this Agreement, the Third Party shall base its calculations upon the values placed upon the Applicant's Qualified Property by the Appraisal District. The calculations shall be readjusted, if necessary, based on the outcome of the appeal as set forth below.

If as a result of an appeal or for any other reason, the Taxable Value of the Applicant's Qualified Property is changed, once the determination of the new Taxable Value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years using the new Taxable Value. In the event the new calculations result in a

change in any amount paid or payable by the Applicant under this Agreement, the Party from whom the adjustment is payable shall remit such amount to the other Party within thirty (30) days of the receipt of the new calculations from the Third Party.

Section 4.6. DELIVERY OF CALCULATIONS.

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 4.3 of this Agreement shall forward to the Parties a certification containing the calculations required under this Article IV, Article V, and Article VI 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 its invoice for fees for services rendered to the Parties, if any fees are being claimed, which fee shall be the sole responsibility of the District, but subject to the provisions of Section 4.8, below. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's calculations, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation until four (4) years after the Final Termination Date of this Agreement. The Applicant shall not be liable for any of the Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement.

Section 4.7. STATUTORY CHANGES AFFECTING MAINTENANCE & OPERATION REVENUE.

The Parties intend that the Applicable School Finance Law in effect at the time of the Agreement's execution shall control all calculations performed pursuant to this Article IV, and that statutory changes to state law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, shall not be taken into account for purposes of the calculations performed pursuant to this Article IV. Such calculation shall take into account any adjustments to the amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District. Such payment shall be made no later than thirty (30) days following notice from the District of such determination and calculation. The District shall use reasonable efforts to mitigate the economic effects of any such statutory change or administrative interpretation, and if the Applicant disagrees with any calculation or determination by the District of any adverse impact described in this Article IV, the Applicant shall have the right to appeal such calculation or determination in accordance with the procedures set forth in Section 4.9.

Section 4.8. PAYMENT BY APPLICANT.

Subject to Section 4.9 below, the Applicant shall pay any amount determined by the Third Party to be due and owing to the District under this Agreement on or before the January 31 of the year next following the tax levy for each year for which this Agreement is effective. Late payments will accrue interest at the same rate of interest charged to taxpayers making late payments of ad valorem taxes. Subject to the limitation set forth in this Section 4.8 below, by such date, the Applicant shall also pay any amount billed by the Third Party for all calculations under this Agreement under

Section 4.4, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or other reimbursement applications filed with or sent to the State of Texas, for any audits conducted by the State Auditor's Office, or for other legal expenses which are, or may be required under the terms of, or because of, the execution of this Agreement. The Applicant shall only be responsible for the payment of an aggregate amount of fees and expenses under this Section 4.8 not to exceed Fifteen Thousand Dollars (\$15,000.00).

Section 4.9. RESOLUTION OF DISPUTES.

Should the Applicant disagree with the Third Party calculations made pursuant to this Article IV of this Agreement, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days following the later of (i) receipt of the certification, or (ii) the date the Applicant is granted access to the books, records, and other information in accordance with Section 4.4 for purposes of auditing or reviewing the information in connection with the certification. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the calculations. Thereafter, the Applicant may appeal the final determination of the certification containing the calculations to the District's Board of Trustees within thirty (30) days after receipt of the final determination of the calculations. Any appeal by the Applicant of the final determination of calculations shall in no way limit Applicant's other rights and remedies available hereunder, at law or in equity.

Section 4.10. PAYMENT LIMITATION; AGGREGATE LIMIT.

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

ARTICLE V
PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES

Section 5.1. PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES.

In addition to the amounts determined pursuant to Articles IV and VI of this Agreement, Applicant on an annual basis shall also indemnify and reimburse District for all non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses directly and solely related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment caused directly by such project. Applicant shall have the right to contest the findings of the District's external auditor pursuant to Section 4.9 above.

ARTICLE VI
SUPPLEMENTAL PAYMENTS

Section 6.1. SUPPLEMENTAL PAYMENTS.

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

Section 6.2. SUPPLEMENTAL PAYMENT LIMITATION.

Notwithstanding the foregoing:

A. the total of the Supplemental Payments made pursuant to this Article shall not exceed for any calendar year of this Agreement an amount equal to the greater of One Hundred Dollars (\$100.00) per student per year in average daily attendance, as defined by Section 48.005 of the TEXAS EDUCATION CODE, or Fifty Thousand Dollars (\$50,000.00) per year times the number of years beginning with the first complete or partial year of the Qualifying Time Period identified in Section 2.3.C and ending with the year for which the Supplemental Payment is being calculated minus all Supplemental Payments previously made by the Application;

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

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

D. For purposes of this Agreement, the calculation of the limit of the annual Supplemental Payment shall be the greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance as calculated pursuant to Section 48.005 of the TEXAS EDUCATION CODE, based upon the District's Average Daily Attendance for the previous school year.

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

For each Tax Year beginning with the period starting the first full or partial year of the Qualifying Time Period (2028) and ending December 31 of the third year following the end of the Tax Limitation Period (2044), Supplemental Payments shall be owed. The amount of each Supplemental Payment shall be equal to the limitation amount calculated in accordance with Section 6.2 above, except that for all Tax Years during the Tax Limitation Period, the supplemental payment amount shall be subject to the Aggregate Limit as provided in the following paragraph.

If, for any Tax Year during the Tax Limitation Period of this Agreement the Cumulative Payments calculated under Sections IV, V and VI of this Agreement, exceed the Aggregate Limit for such Tax Year, the Applicant's Supplemental Payment amount for each Tax Year shall be reduced by the difference between the Cumulative Payments and the Aggregate Limit for such Tax Year, with such difference being carried forward from year-to-year until paid to the District. The Aggregate Limit shall not apply nor limit Supplemental Payment amounts due to the District during the Qualifying Time Period.

Section 6.4. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS.

All calculations required by this Article VI, including but not limited to: (i) the calculation of the Applicant's Cumulative Payments; (ii) the determination of the Supplemental Payment amount and the Aggregate Limit; (iii) the effect, if any, of the Aggregate Limit upon the actual amount of Cumulative Payments and Supplemental Payments eligible to be paid to the District by the Applicant; and (iv) the carry forward and accumulation of any of the Applicant's Supplemental Payment amounts unpaid by the Applicant due to the Aggregate Limit in previous years, shall be calculated by the Third Party selected pursuant to Section 4.3.

- (a) The calculations made by the Third Party shall be made at the same time and on the same schedule as the calculations made pursuant to Section 4.6.
- (b) The payment of all amounts due under this Article VI shall be made at the time set forth in Section 6.1.
- (c) Any appeal by the Applicant of the calculations made by the Third Party under this Article VI shall be done in the same manner as set forth in Section 4.9, above.

Section 6.5. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY.

At any time during this Agreement, the Board of Trustees may, in its sole discretion, direct that any of the Applicant's payments under this Article VI be made to the District's educational foundation or to a similar entity. Such foundation or entity may only use such funds received under this Article VI to support the educational mission of the District and its students. Any designation of such foundation or entity must be made by recorded vote of the Board of Trustees at a properly posted public meeting of the Board of Trustees.

ARTICLE VII ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

Section 7.1. EFFECT OF OPTIONAL TERMINATION. Upon the exercise of the Option to Terminate, this Agreement shall terminate and be of no further force or effect; provided, however, that:

- A. the Parties respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District, shall not be impaired or modified as a result of such

termination and shall survive such termination unless and until satisfied and discharged; and

B. the provisions of this Agreement regarding payments (including liquidated damages and tax payments), records and dispute resolution shall survive the termination or expiration of this Agreement.

ARTICLE VIII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 8.1. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE. In order to receive and maintain the limitation authorized by Section 2.4 in addition to the other obligations required by this Agreement, the Applicant shall Maintain Viable Presence in the District commencing at the start of the Tax Limitation Period through the Final Termination Date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure, provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure.

Section 8.2. REPORTS. In order to receive and maintain the limitation authorized by Section 2.4 in addition to the other obligations required by this Agreement, the Applicant shall submit all reports required from time to time by the Comptroller, listed in 34 TEXAS ADMIN. CODE Section 9.1052 and as currently located on the Comptroller's website, including all data elements required by such form to the satisfaction of the Comptroller on the dates indicated on the form or the Comptroller's website and starting on the first such due date after the Application Approval Date.

Section 8.3. COMPTROLLER'S REPORT ON CHAPTER 313 AGREEMENTS. During the term of this Agreement, both Parties shall provide the Comptroller with all information reasonably necessary for the Comptroller to assess performance under this Agreement for the purpose of issuing the Comptroller's report, as required by Section 313.032 of the TEXAS TAX CODE.

Section 8.4. DATA REQUESTS. Upon the written request of the District, the State Auditor's Office, the Appraisal District, or the Comptroller during the term of this Agreement, the Applicant, the District or any other entity on behalf of the District shall provide the requesting party with all information reasonably necessary for the requesting party to determine whether the Applicant is in compliance with its rights, obligations or responsibilities, including, but not limited to, any employment obligations which may arise under this Agreement.

Section 8.5. SITE VISITS AND RECORD REVIEW. The Applicant shall allow authorized employees of the District, the Comptroller, the Appraisal District, and the State Auditor's Office to have reasonable access to the Applicant's Qualified Property and business records from the Application Review Start Date through the Final Termination Date, in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property.

A. All inspections will be made at a mutually agreeable time after the giving of not less than ninety-six (96) hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property.

B. All inspections may be accompanied by one or more representatives of the Applicant,

and shall be conducted in accordance with the Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide the District, the Comptroller, or the Appraisal District with any technical or business information that is proprietary, a trade secret, or is subject to a confidentiality agreement with any third party.

Section 8.6. RIGHT TO AUDIT; SUPPORTING DOCUMENTS; AUTHORITY OF STATE AUDITOR.

By executing this Agreement, implementing the authority of, and accepting the benefits provided by Chapter 313 of the TEXAS TAX CODE, the Parties agree that this Agreement and their performance pursuant to its terms are subject to review and audit by the State Auditor as if they are parties to a State contract and subject to the provisions of Section 2262.154 of the TEXAS GOVERNMENT CODE and Section 313.010(a) of the TEXAS TAX CODE. The Parties further agree to comply with the following requirements:

A. The District and the Applicant shall maintain and retain supporting documents adequate to ensure that claims for the Tax Limitation Amount are in accordance with applicable Comptroller and State of Texas requirements. The Applicant and the District shall maintain all such documents and other records relating to this Agreement and the State's property for a period of four (4) years after the latest occurring date of:

- i. date of submission of the final payment;
- ii. Final Termination Date; or
- iii. date of resolution of all disputes or payment.

B. During the time period defined under Section 8.6.A, the District and the Applicant shall make available at reasonable times and upon reasonable notice, and for reasonable periods, all information related to this Agreement; the Applicant's Application; and the Applicant's Qualified Property, Qualified Investment, New Qualifying Jobs, and wages paid for New Non-Qualifying Jobs such as work papers, reports, books, data, files, software, records, calculations, spreadsheets and other supporting documents pertaining to this Agreement, for purposes of inspecting, monitoring, auditing, or evaluating by the Comptroller, State Auditor's Office, State of Texas or their authorized representatives. The Applicant and the District shall cooperate with auditors and other authorized Comptroller and State of Texas representatives and shall provide them with prompt access to all of such property as requested by the Comptroller or the State of Texas. By example and not as an exclusion to other breaches or failures, the Applicant's or the District's failure to comply with this Section shall constitute a Material Breach of this Agreement.

C. In addition to and without limitation on the other audit provisions of this Agreement, the acceptance of tax benefits or funds by the Applicant or the District or any other entity or person directly under this Agreement acts as acceptance of the authority of the State Auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, the Applicant or the District or other entity that is the subject of an audit or investigation by the State Auditor must provide the State Auditor with access to any information the State Auditor considers relevant to the investigation or audit. The Parties agree that this Agreement shall for its duration be subject to all rules and procedures of the State Auditor acting under the direction of the legislative audit committee.

D. The Applicant shall include the requirements of this Section 8.6 in its subcontract with any entity whose employees or subcontractors are subject to wage requirements under the Act, the Comptroller's Rules, or this Agreement, or any entity whose employees or subcontractors are

included in the Applicant's compliance with job creation or wage standard requirement of the Act, the Comptroller's Rules, or this Agreement.

Section 8.7. FALSE STATEMENTS; BREACH OF REPRESENTATIONS. The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application, and any supplements or amendments thereto, without which the Comptroller would not have approved this Agreement and the District would not have executed this Agreement. By signature to this Agreement, the Applicant:

A. represents and warrants that all information, facts, and representations contained in the Application are true and correct to the best of its knowledge;

B. agrees and acknowledges that the Application and all related attachments and schedules are included by reference in this Agreement as if fully set forth herein; and

C. acknowledges that if the Applicant submitted its Application with a false statement, signs this Agreement with a false statement, or submits a report with a false statement, or it is subsequently determined that the Applicant has violated any of the representations, warranties, guarantees, certifications, or affirmations included in the Application or this Agreement, the Applicant shall have materially breached this Agreement and the Agreement shall be invalid and void except for the enforcement of the provisions required by Section 9.2 of this Agreement.

ARTICLE IX

MATERIAL BREACH OR EARLY TERMINATION

Section 9.1. EVENTS CONSTITUTING MATERIAL BREACH OF AGREEMENT. The Applicant shall be in Material Breach of this Agreement if it commits one or more of the following acts or omissions (each a "Material Breach"):

A. The Application, any Application Supplement, or any Application Amendment on which this Agreement is approved is determined to be inaccurate as to any material representation, information, or fact or is not complete as to any material fact or representation or such application;

B. The Applicant failed to complete Qualified Investment as required by Section 2.5.A. of this Agreement during the Qualifying Time Period;

C. The Applicant failed to create and maintain the number of New Qualifying Jobs required by the Act;

D. The Applicant failed to create and maintain the number of New Qualifying Jobs specified in Schedule C of the Application;

E. The Applicant failed to pay at least the average weekly wage of all jobs in the county in which the jobs are located for all New Non-Qualifying Jobs created by the Applicant;

F. The Applicant failed to provide payments to the District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV of this Agreement;

G. The Applicant failed to provide the payments to the District that protect the District from the payment of extraordinary education-related expenses related to the project to the extent and in the amounts that the Applicant agreed to provide such payments in Article V of this Agreement;

H. The Applicant failed to provide the Supplemental Payments to the extent and in the amounts that the Applicant agreed to provide such Supplemental Payments in Article VI of this

Agreement;

I. The Applicant failed to create and Maintain Viable Presence on or with the Qualified Property as more fully specified in Article VIII of this Agreement;

J. The Applicant failed to submit the reports required to be submitted by Section 8.2 to the satisfaction of the Comptroller;

K. The Applicant failed to provide the District or the Comptroller with all information reasonably necessary for the District or the Comptroller to determine whether the Applicant is in compliance with its obligations, including, but not limited to, any employment obligations which may arise under this Agreement;

L. The Applicant failed to allow authorized employees of the District, the Comptroller, the Appraisal District, or the State Auditor's Office to have access to the Applicant's Qualified Property or business records in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property under Sections 8.5 and 8.6;

M. The Applicant failed to comply with a request by the State Auditor's office to review and audit the Applicant's compliance with this Agreement;

N. The Applicant has made any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on Appraised Value made pursuant to Chapter 313 of the TEXAS TAX CODE, in excess of the amounts set forth in Articles IV, V and VI of this Agreement;

O. The Applicant failed to comply with the conditions included in the certificate for limitation issued by the Comptroller.

Section 9.2. DETERMINATION OF BREACH AND TERMINATION OF AGREEMENT.

A. Prior to making a determination that the Applicant has failed to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the breach of this Agreement, and if cure is possible, the cure proposed by the District. After receipt of the notice, the Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that it is not in breach of its obligations under this Agreement, or that it has cured or undertaken to cure any such breach.

B. If the Board of Trustees is not satisfied with such response or that such breach has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such breach has occurred and, if so, whether such breach has been cured. At any such hearing, the Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to:

- i. whether or not a breach of this Agreement has occurred;
- ii. whether or not such breach is a Material Breach;
- iii. the date such breach occurred, if any;
- iv. whether or not any such breach has been cured; and

C. In the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall at that time determine:

- i. the amount of recapture taxes under Section 9.4.C (net of all credits under Section 9.4.C);
- ii. the amount of any penalty or interest under Section 9.4.E that are owed to

the District; and

iii. in the event of a finding of a Material Breach, whether to terminate this Agreement.

D. After making its determination regarding any alleged breach, the Board of Trustees shall cause the Applicant to be notified in writing of its determination (a “Determination of Breach and Notice of Contract Termination”) and provide a copy to the Comptroller.

Section 9.3. DISPUTE RESOLUTION.

A. After receipt of notice of the Board of Trustee’s Determination of Breach and Notice of Contract Termination under Section 9.2, the Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after the Applicant initiates mediation, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then presiding in Jefferson County, Texas. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the TEXAS CIVIL PRACTICE AND REMEDIES CODE and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator’s fees and expenses and the Applicant shall bear one-half of such mediator’s fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys’ fees) incurred in connection with such mediation.

B. In the event that any mediation is not successful in resolving the dispute or that payment is not received within the time period described for mediation in Section 9.3.A, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in a judicial proceeding in a state district court in Jefferson County, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any contract, agreement or undertaking made by a Party pursuant to this Agreement.

C. If payments become due under this Agreement and are not received before the expiration of the ninety (90) days provided for such payment in Section 9.3.A, and if the Applicant has not contested such payment calculations under the procedures set forth herein, including judicial proceedings, the District shall have the remedies for the collection of the amounts determined under Section 9.4 as are set forth in Chapter 33, Subchapters B and C, of the TEXAS TAX CODE for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney’s fees to the attorneys representing the District pursuant to Section 6.30 of the TEXAS TAX CODE and a tax lien shall attach to the Applicant’s Qualified Property and the Applicant’s Qualified Investment pursuant to Section 33.07 of the TEXAS TAX CODE to secure payment of such fees.

Section 9.4. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT.

A. In the event that the Applicant terminates this Agreement without the consent of the District, except as provided in Section 7.1 of this Agreement, the Applicant shall pay to the District

liquidated damages for such failure within thirty (30) days after receipt of the notice of breach.

B. In the event that the District determines that the Applicant has failed to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the Applicant shall pay to the District liquidated damages, as calculated by Section 9.4.C, prior to, and the District may terminate the Agreement effective on the later of: (i) the expiration of the ninety (90) days provided for in Section 9.3.A, and (ii) thirty (30) days after any mediation and judicial proceedings initiated pursuant to Sections 9.3.A and 9.3.B are resolved in favor of the District.

C. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem taxes for all of the Tax Years for which a tax limitation was granted pursuant to this Agreement prior to the year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 9.4.E. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Articles IV, V, and VI. Upon payment of such liquidated damages, the Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

D. In the event that the District determines that the Applicant has committed a Material Breach identified in Section 9.1, after the notice and mediation periods provided by Sections 9.2 and 9.3, then the District may, in addition to the payment of liquidated damages required pursuant to Section 9.4.C, terminate this Agreement.

E. In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes less all credits under Section 9.4.C owed for each Tax Year during the Tax Limitation Period. The District shall calculate penalty or interest for each Tax Year during the Tax Limitation Period in accordance with the methodology set forth in Chapter 33 of the TEXAS TAX CODE, as if the base amount calculated for such Tax Year less all credits under Section 9.4.C had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(a) of the TEXAS TAX CODE, or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(c) of the TEXAS TAX CODE, or its successor statute.

Section 9.5. LIMITATION OF OTHER DAMAGES. Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, the District's damages for such a default shall under no circumstances exceed the amounts calculated under Section 9.4. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement. The Parties further agree that the limitation of damages and remedies set forth in this Section 9.5 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 9.6. STATUTORY PENALTY FOR INADEQUATE QUALIFIED INVESTMENT. Pursuant to Section 313.0275 of the TEXAS TAX CODE, in the event that the Applicant fails to make \$30,000,000 of Qualified Investment, in whole or in part, during the Qualifying Time Period, the Applicant is liable to the State for a penalty. The amount of the penalty is the amount determined by: (i) multiplying the maintenance and operations tax rate of the school district for that tax year that the penalty is due by (ii) the amount obtained after subtracting (a) the Tax Limitation Amount identified in Section 2.4.B from (b) the Market Value of the property identified on the Appraisal District's

records for the Tax Year the penalty is due. This penalty shall be paid on or before February 1 of the year following the expiration of the Qualifying Time Period and is subject to the delinquent penalty provisions of Section 33.01 of the TEXAS TAX CODE. The Comptroller may grant a waiver of this penalty in the event of Force Majeure which prevents compliance with this provision.

Section 9.7. REMEDY FOR FAILURE TO CREATE AND MAINTAIN REQUIRED NEW QUALIFYING JOBS

Pursuant to Section 313.0276 of the TEXAS TAX CODE, for any full Tax Year that commences after the project has become operational, in the event that it has been determined that the Applicant has failed to meet the job creation or retention requirements defined in Sections 9.1.C, the Applicant shall not be deemed to be in Material Breach of this Agreement until such time as the Comptroller has made a determination to rescind this Agreement under Section 313.0276 of TEXAS TAX CODE, and that determination is final.

Section 9.8. REMEDY FOR FAILURE TO CREATE AND MAINTAIN COMMITTED NEW QUALIFYING JOBS

A. In the event that the Applicant fails to create and maintain the number of New Qualifying Jobs specified in Schedule C of the Application, an event constituting a Material Breach as defined in Section 9.1.D, the Applicant and the District may elect to remedy the Material Breach through a penalty payment.

B. Following the notice and mediation periods provided by Sections 9.2 and 9.3, the District may request the Applicant to make a payment to the State in an amount equal to: (i) multiplying the maintenance and operations tax rate of the school district for that Tax Year that the Material Breach occurs by (ii) the amount obtained after subtracting (a) the Tax Limitation Amount identified in Section 2.4.B from (b) the market value of the property identified on the Appraisal District's records for each tax year the Material Breach occurs.

C. In the event that there is no tax limitation in place for the tax year that the Material Breach occurs, the payment to the State shall be in an amount equal to: (i) multiplying the maintenance and operations tax rate of the School District for each tax year that the Material Breach occurs by (ii) the amount obtained after subtracting (a) the tax limitation amount identified in Section 2.4.B from (b) the Market Value of the property identified on the Appraisal District's records for the last Tax Year for which the Applicant received a tax limitation.

D. The penalty shall be paid no later than 30 days after the notice of breach and is subject to the delinquent penalty provisions of Section 33.01 of the TEXAS TAX CODE.

**ARTICLE X.
MISCELLANEOUS PROVISIONS**

Section 10.1. INFORMATION AND NOTICES.

A. Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (*e.g.*, by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, or (ii) sent by facsimile or email transmission, with notice of receipt obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid;

provided that, notice received by facsimile or email transmission after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first business day following the date of such electronic receipt.

B. Notices to the District shall be addressed to the District's Authorized Representative as follows:

To the District		With Copy to
Name:	Sabine Pass Independent School District	Leon Alcala, PLLC
Attn:	Superintendent Kristi Rochelle Heid or her successor	Sara Hardner Leon
Address:	P.O. Box 1148 5641 S. Gulfway Drive	2901 Via Fortuna, Suite 475
City/Zip:	Sabine Pass, Texas 77655-1148	Austin, Texas 78746
Phone :	(409) 971-2321	(512) 637-4244
Fax :	(409) 971-2120	(512) 637-4245
Email:	kheid@sabinepass.net	sleon@leonalcala.com

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

To the Applicant		With Copy to
Name:	Port Arthur LNG, LLC PALNG Common Facilities Company, LLC	Port Arthur LNG, LLC PALNG Common Facilities Company, LLC
Attn:	James R. Asay	Asset Management
Address:	488 8th Avenue, HQ08N1	1500 Post Oak Blvd, Suite 1000
City/Zip:	San Diego, California 92101	Houston, Texas 77056
Phone :	(619) 696-4836	
Fax:	(619) 696-3030	
Email:	jasay@sempra.com	PALNGAssetManagement@sempraglobal.com

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

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

Section 10.2. AMENDMENTS TO APPLICATION AND AGREEMENT; WAIVERS.

A. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties and after completing the requirements of Section 10.2.B. Waiver of any term, condition, or provision of this Agreement by any Party shall only be

effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition, or provision, or a waiver of any other term, condition, or provision of this Agreement.

B. By official action of the District's Board of Trustees, the Application and this Agreement may only be amended according to the following:

i. The Applicant shall submit to the District and the Comptroller:

a. a written request to amend the Application and this Agreement, which shall specify the changes the Applicant requests;

b. any changes to the information that was provided in the Application that was approved by the District and considered by the Comptroller;

c. and any additional information requested by the District or the Comptroller necessary to evaluate the amendment or modification;

ii. The Comptroller shall review the request and any additional information for compliance with the Act and the Comptroller's Rules and provide a revised Comptroller certificate for a limitation within 90 days of receiving the revised Application and, if the request to amend the Application has not been approved by the Comptroller by the end of the 90-day period, the request is denied; and

iii. If the Comptroller has not denied the request, the District's Board of Trustees shall approve or disapprove the request before the expiration of 150 days after the request is filed.

C. Any amendment of the Application and this Agreement adding additional or replacement Qualified Property pursuant to this Section 10.2 of this Agreement shall:

i. require that all property added by amendment be eligible property as defined by Section 313.024 of the TEXAS TAX CODE;

ii. clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and

D. The Application and this Agreement may not be amended to extend the value limitation time period beyond its ten-year statutory term.

E. The Comptroller determination made under Section 313.026(c)(2) of the TEXAS TAX CODE in the original certificate for a limitation satisfies the requirement of the Comptroller to make the same determination for any amendment of the Application and this Agreement, provided that the facts upon which the original determination was made have not changed.

F. The Applicant shall amend the Application and this Agreement to identify the changes in the information that was provided in the Application and was approved by the District and as considered by the Comptroller no earlier than 180 days and no later than 90 days prior to the start of the Qualifying Time Period as identified in Section 2.3.C.i of this Agreement.

i. The Applicant shall comply with written requests from the District or the Comptroller to provide additional information necessary to prepare a Comptroller certificate for a limitation for the conditions prior to the start of the Qualifying Time Period; and

ii. If the Comptroller provides its certificate for a limitation with conditions different from the existing agreement, the District shall hold a meeting and determine whether to amend this Agreement to include the conditions required by the Comptroller or terminate this Agreement; or

iii. If the Comptroller withdraws its certificate for a limitation based on the revised

Application, the District shall terminate this Agreement.

Section 10.3. ASSIGNMENT.

A. Any assignment of any rights, benefits, obligations, or interests of the Parties in this Agreement, other than a collateral assignment purely for the benefit of creditors of the project, is considered an amendment to the Agreement and such Party may only assign such rights, benefits, obligations, or interests of this Agreement after complying with the provisions of Section 10.2 regarding amendments to the Agreement. Other than a collateral assignment to a creditor, this Agreement may only be assigned to an entity that is eligible to apply for and execute an agreement for limitation on appraised value pursuant to the provisions of Chapter 313 of the TEXAS TAX CODE and the Comptroller's Rules.

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

C. In the event of an assignment to a creditor, the Applicant must notify the District and the Comptroller in writing no later than 30 days after the assignment. This Agreement shall be binding on the assignee.

Section 10.4. MERGER. This Agreement contains all of the terms and conditions of the understanding of the Parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence, and preliminary understandings between the Parties and others relating hereto are superseded by this Agreement.

Section 10.5. GOVERNING LAW. This Agreement and the transactions contemplated hereby shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law or rules that would direct the application of the laws of another jurisdiction. Venue in any legal proceeding shall be in a state district court in Jefferson County.

Section 10.6. AUTHORITY TO EXECUTE AGREEMENT. Each of the Parties represents and warrants that its undersigned representative has been expressly authorized to execute this Agreement for and on behalf of such Party.

Section 10.7. SEVERABILITY. If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal, or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision, or condition cannot be so reformed, then such term, provision, or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality, and enforceability of the remaining terms, provisions, and conditions contained herein (and any other application such term, provision, or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of the Parties as closely as possible so that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 10.7, the term "Law" shall mean any applicable statute,

law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree, or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 10.8. PAYMENT OF EXPENSES. Except as otherwise expressly provided in this Agreement, or as covered by the application fee, each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement.

Section 10.9. INTERPRETATION.

A. When a reference is made in this Agreement to a Section, Article, or Exhibit, such reference shall be to a Section or Article of, or Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

B. The words “include,” “includes,” and “including” when used in this Agreement shall be deemed in such case to be followed by the phrase, “but not limited to”. Words used in this Agreement, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context shall require.

C. The provisions of the Act and the Comptroller’s Rules are incorporated by reference as if fully set forth in this Agreement. In the event of a conflict, the conflict will be resolved by reference to the following order of precedence:

- i. The Act;
- ii. The Comptroller’s Rules as they exist at the time the Agreement is executed, except as allowed in the definition of Qualified Property in Section 1.1; and
- iii. This Agreement and its Attachments including the Application as incorporated by reference.

Section 10.10. EXECUTION OF COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute but one and the same instrument, which may be sufficiently evidenced by one counterpart.

Section 10.11. PUBLICATION OF DOCUMENTS. The Parties acknowledge that the District is required to publish the Application and its required schedules, or any amendment thereto; all economic analyses of the proposed project submitted to the District; and the approved and executed copy of this Agreement or any amendment thereto, as follows:

A. Within seven (7) days of receipt of such document, the District shall submit a copy to the Comptroller for publication on the Comptroller’s Internet website;

B. The District shall provide on its website a link to the location of those documents posted on the Comptroller’s website;

C. This Section does not require the publication of information that is confidential under Section 313.028 of the TEXAS TAX CODE.

Section 10.12. CONTROL; OWNERSHIP; LEGAL PROCEEDINGS. The Applicant shall immediately notify the District and Comptroller’s office in writing of any actual or anticipated change in the control

or ownership of the Applicant and of any legal or administrative investigations or proceedings initiated against the Applicant related to the project regardless of the jurisdiction from which such proceedings originate.

Section 10.13. DUTY TO DISCLOSE. If circumstances change or additional information is obtained regarding any of the representations and warranties made by the Applicant in the Application or this Agreement, or any other disclosure requirements, subsequent to the date of this Agreement, the Applicant's duty to disclose continues throughout the term of this Agreement.

Section 10.14. CONFLICTS OF INTEREST.

A. The District represents that, after diligent inquiry, each local public official or local government officer, as those terms are defined in Chapters 171 and 176 of the TEXAS LOCAL GOVERNMENT CODE, has disclosed any conflicts of interest in obtaining or performing this Agreement and related activities, appropriately recused from any decisions relating to this Agreement when a disclosure has been made, and the performance of this Agreement will not create any appearance of impropriety. The District represents that it, the District's local public officials or local government officer, as those terms are defined in Chapters 171 and 176 of the TEXAS LOCAL GOVERNMENT CODE, have not given, nor intend to give, at any time hereafter, any future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant, employee, or representative of the other Party or the State of Texas in connection with this Agreement.

B. The Applicant represents that, after diligent inquiry, each of its agents, as defined in Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE, involved in the representation of the Applicant with the District has complied with the provisions of Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE. The Applicant represents that it and its agents, as defined in Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE, have not given, nor intend to give, at any time hereafter, any future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant, employee, or representative of the other Party or the State of Texas in connection with this Agreement.

C. The District and the Applicant each separately agree to notify the other Party and the Comptroller immediately upon learning of any conflicts of interest.

Section 10.15. PROVISIONS SURVIVING EXPIRATION OR TERMINATION. Notwithstanding the expiration or termination (by agreement, breach, or operation of time) of this Agreement, the provisions of this Agreement regarding payments (including liquidated damages and tax payments), reports, records, and dispute resolution of the Agreement shall survive the termination or expiration dates of this Agreement until the following occurs:

- A. all payments, including liquidated damage and tax payments, have been made;
- B. all reports have been submitted;
- C. all records have been maintained in accordance with Section 8.6.A; and
- D. all disputes in controversy have been resolved.

Section 10.16. FACSIMILE OR ELECTRONIC DELIVERY.

A. This Agreement may be duly executed and delivered in person, by mail, or by facsimile or other electronic format (including portable document format (pdf) transmitted by e-mail). The executing Party must promptly deliver a complete, executed original or counterpart of this

Agreement to the other executing Parties. This Agreement shall be binding on and enforceable against the executing Party whether or not it delivers such original or counterpart.

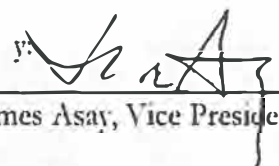
B. Delivery is deemed complete as follows:


- i. When delivered if delivered personally or sent by express courier service;
- ii. Three (3) business days after the date of mailing if sent by registered or certified U.S. mail, postage prepaid, with return receipt requested;
- iii. When transmitted if sent by facsimile, provided a confirmation of transmission is produced by the sending machine; or
- iv. When the recipient, by an e-mail sent to the e-mail address for the executing Parties acknowledges having received that e-mail (an automatic "read receipt" does not constitute acknowledgment of an e-mail for delivery purposes).

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 14th day of November, 2022.

PORT ARTHUR LNG PHASE II, LLC

SABINE PASS INDEPENDENT SCHOOL DISTRICT

B y: 
James Asay, Vice President, Tax

By: 
Phyllis Almond, President
Board of Trustees

PALNG COMMON FACILITIES
COMPANY, LLC

ATTEST:



Julie Saunders, Secretary
Board of Trustees

EXHIBIT 1
DESCRIPTION AND LOCATION OF ENTERPRISE OR REINVESTMENT ZONE

Agreement for Limitation on Appraised Value
Between Sabine Pass ISD and Port Arthur LNG Phase II, LLC and affiliate
PALNG Common Facilities Company, LLC #1962
November 14, 2022
Exhibit 1

*Texas Economic Development Act Agreement
Comptroller Form 50-826 (Oct 2020)*

EXHIBIT 1

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE
SABINE PASS INDEPENDENT SCHOOL DISTRICT REGARDING THE
PORT ARTHUR LNG PHASE II, LLC REINVESTMENT ZONE**

A Resolution designating a certain area as a reinvestment zone in connection with an economic development Agreement under Chapter 313 of the Texas Tax Code, such reinvestment zone located within the geographic boundaries of the Sabine Pass Independent School District, in Jefferson County, Texas, to be known as the “Port Arthur LNG Phase II, LLC Reinvestment Zone”; establishing the boundaries thereof in connection with an application for value limitation agreement for school district maintenance and operations taxes under Chapter 313 of the Texas Tax Code submitted by Port Arthur LNG Phase II, LLC (Taxpayer ID 32069499831); and

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

WHEREAS, the Sabine Pass Independent School District (the “District”) desires to promote the development of primary employment and to attract major investment in the District, and contribute to the economic development of the region in which the school district is located; and,

WHEREAS, on November 14, 2022, the District’s Board of Trustees held a public hearing regarding the property proposed to be designated as the reinvestment zone, described in the attached Exhibits A and B; and,

WHEREAS, at such public hearing all interested members of the public were given an opportunity to appear and speak for or against the designation of the reinvestment zone and whether all or part of the territory described should be included in the proposed reinvestment zone, and approval of an Agreement for Value Limitation on Appraised Value of Qualified Property for School District Maintenance and Operations Taxes, as authorized by Chapter 313 of the TEXAS TAX CODE with Port Arthur LNG Phase II, LLC (Texas Taxpayer I.D. No. 32069499831); and,

WHEREAS, the District wishes to designate a reinvestment zone within the boundaries of the school district in Jefferson County, Texas to be known as the “Port Arthur LNG Phase II, LLC Reinvestment Zone” as shown in the attached Exhibit B.

NOW THEREFORE, BE IT RESOLVED BY THE SABINE PASS INDEPENDENT SCHOOL DISTRICT:

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

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

- (a) That the public hearing on the adoption of the “Port Arthur LNG Phase II, LLC Reinvestment Zone” has been properly called, held, and conducted;
- (b) That the boundaries of the “Port Arthur LNG Phase II, LLC Reinvestment Zone” be and, by the adoption of this Resolution, are declared and certified to be, the area as described in the legal description attached hereto as Exhibit A;

- (c) That creation of the boundaries as described in Exhibit A will result in economic benefits to the District and to land included in the zone, and that the improvements sought are feasible and practical; and,
- (d) That the "Port Arthur LNG Phase II, LLC Reinvestment Zone" described in Exhibit A meets the criteria set forth in TEXAS TAX CODE §312.0025 for the creation of a reinvestment zone as set forth in the Property Redevelopment and Tax Abatement Act, as amended, in that it is reasonably likely that the designation will contribute to the retention or expansion of primary employment, and will attract major investment in the zone that will be a benefit to the property to be included in the reinvestment zone and would contribute to the economic development of the District.

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

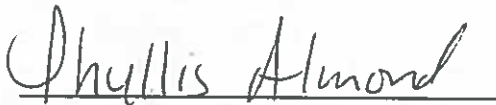
SECTION 4. That the "Port Arthur LNG Phase II, LLC Reinvestment Zone" shall take effect upon adoption of this Resolution by the District Board of Trustees and shall remain designated as a commercial- industrial reinvestment zone for a period of five (5) years from such date of such designation.

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

PASSED, APPROVED, AND ADOPTED on this 14th day of November 2022.

SABINE PASS INDEPENDENT SCHOOL DISTRICT

By:



Phyllis Almond, President
Board of Trustees

ATTEST:



Julie Saunders, Secretary
Board of Trustees

EXHIBIT A

LEGAL DESCRIPTION OF THE “PORT ARTHUR LNG PHASE II, LLC REINVESTMENT
ZONE”

JCAD Property ID	Legal Description	Acres	Owner Name	Appraised Value
127156	PT TR 1 12 N COLEMAN 154.358 (PT TR 2 N ON DEED)	154.358	PALNG COMMON FACILITIES CO LLC	\$ 30,872
127157	PT TR 1 12 N COLEMAN 215.622 (PT TR 2N ON DEED)	215.622	PALNG COMMON FACILITIES CO LLC	\$ 43,124
127158	TR 2 12 N COLEMAN .254 (TR 11 ON DEED)	0.254	PALNG COMMON FACILITIES CO LLC	\$ 8,890
127159	TR 2-A 12 N COLEMAN 3.519 (TR 12 ON DEED)	3.519	PALNG COMMON FACILITIES CO LLC	\$ 112,805
127161	SUBMERGED CANAL W BANK ONLY 12 N COLEMAN 9.64	9.64	PALNG COMMON FACILITIES CO LLC	\$ 1,928
135396	PT TR 2 71 JNO BENNETT 102.787 (PT TR 1 ON DEED)	102.787	PALNG COMMON FACILITIES CO LLC	\$ 20,557
135397	PT TR 2 71 JNO BENNETT 20.603 (PT TR 1 ON DEED)	20.603	PALNG COMMON FACILITIES CO LLC	\$ 4,121
135424	PT TR 32 71 JNO BENNETT 23.458 (PT TR 2N ON DEED)	23.458	PALNG COMMON FACILITIES CO LLC	\$ 4,692
135425	PT TR 32 71 JNO BENNETT 7.123 (PT TR 2N ON DEED)	7.123	PALNG COMMON FACILITIES CO LLC	\$ 1,425
138597	TR 1 185 P B O CONNOR 289.500 (PT TR 1 ON DEED)	289.5	PALNG COMMON FACILITIES CO LLC	\$ 49,759
138601	PT TR 7 185 P B O CONNOR 17.547 (PT TR 2N ON DEED)	17.547	PALNG COMMON FACILITIES CO LLC	\$ 3,509
138602	1 PT TR 7 185 P B O CONNOR 143.543 (PT TR 2N ON DEED)	143.543	PALNG COMMON FACILITIES CO LLC	\$ 28,709
139549	PT TR 1 251 T&NO 76.382 (PT TR 2N ON DEED)	76.382	PALNG COMMON FACILITIES CO LLC	\$ 4,476
139550	PT TR 1 251 T&NO 238.124 (PT TR 1 ON DEED)	238.124	PALNG COMMON FACILITIES CO LLC	\$ 7,766
140424	TR 2 PEDRO DE LA 438 GARZA 63.050 (PT TR 2N ON DEED)	63.05	PALNG COMMON FACILITIES CO LLC	\$ 12,610
140433	TR 11 PEDRO DE LA 438 GARZA 1.890 (PT TR 13 ON DEED)	1.89	PORT ARTHUR LAND COMPANY LLC	\$ 69,737
140878	TR 1 488 T&NO 259.380 (PT TR 1 ON DEED)	259.38	PORT ARTHUR LAND COMPANY LLC	\$ 141,442

EXHIBIT B

SURVEY MAP OF THE “PORT ARTHUR LNG PHASE II, LLC REINVESTMENT ZONE”



EXHIBIT 2
DESCRIPTION AND LOCATION OF LAND

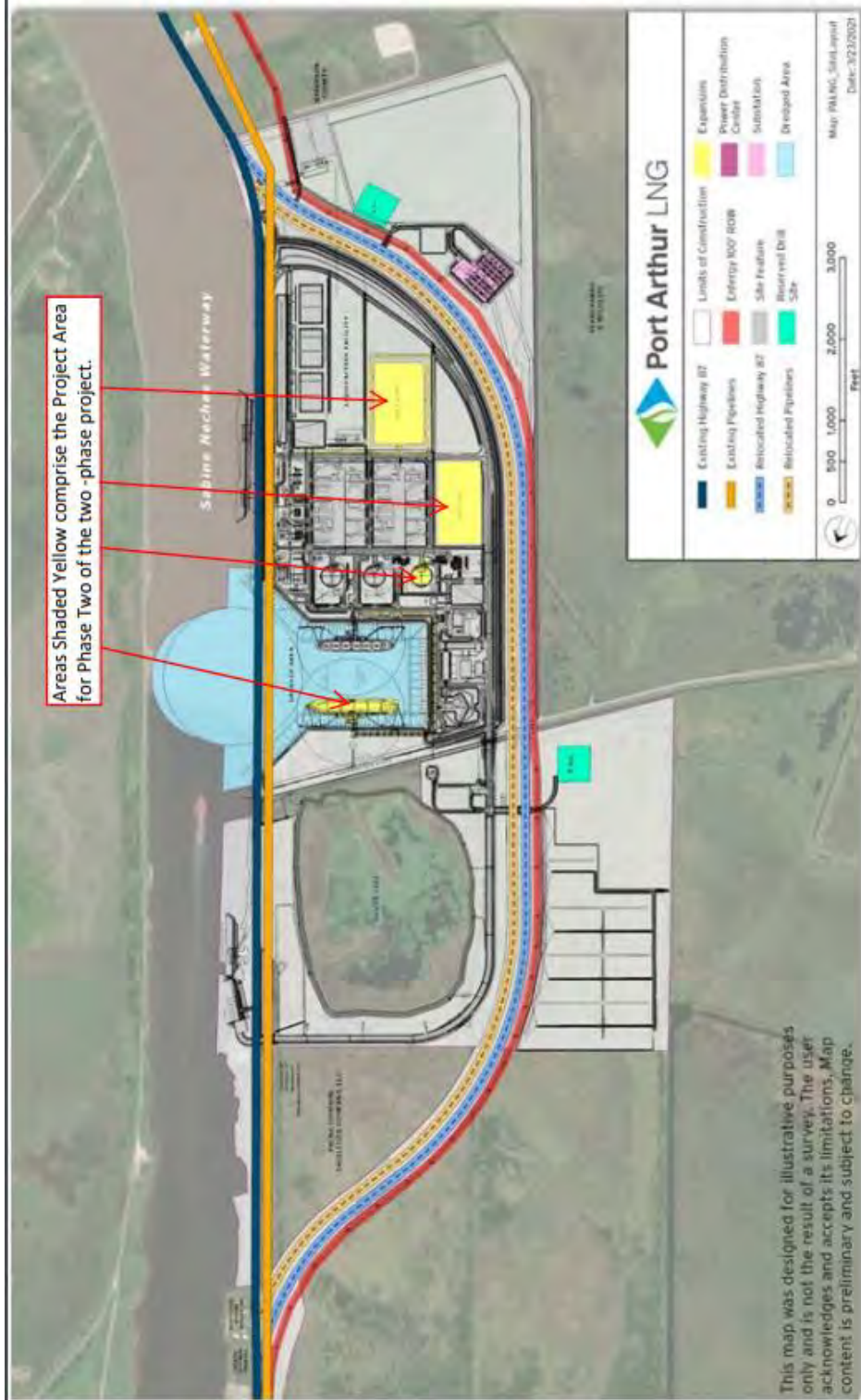


EXHIBIT 3
APPLICANT’S QUALIFIED INVESTMENT

This application is the second in a series of two applications being filed contemporaneously with the Sabine Pass Independent School District.

A Chapter 313 Value Limitation Agreement is requested on all the proposed new improvements and fixed equipment associated with this project as described below. The proposed project primarily consists of property classified by Jefferson CAD as real estate improvements including, but not limiting to the following:

- Two natural gas liquefaction trains capable of producing, under optimal conditions, up to 13.5 MTPA in the aggregate (or approximately 698 BCF of natural gas per year);
- Feed gas pre-treatment facilities;
- Natural gas liquids (“NGL”) and refrigerant truck loading/unloading facilities along with NGL and refrigerant storage facilities;
- Three liquid loading arms, one vapor loading arm, and one hybrid arm;
- One 160,000 cubic meter LNG storage tank.
- Operations, control, maintenance, warehouse and all other necessary buildings; and
- All of the associated concrete foundations, pipe supports, piping, instrumentation, power feeds, control loops, safety systems, fire water protection, pollution control equipment and facilities’, insulation, utilities and any and all other appurtenances, facilities, machinery and equipment necessary to achieve efficient, effective and safe operation of the LNG project

EXHIBIT 4
DESCRIPTION AND LOCATION OF QUALIFIED PROPERTY

This application is the second in a series of two applications being filed contemporaneously with the Sabine Pass Independent School District.

A Chapter 313 Value Limitation Agreement is requested on all the proposed new improvements and fixed equipment associated with this project as described below. The proposed project primarily consists of property classified by Jefferson CAD as real estate improvements including, but not limiting to the following:

- Two natural gas liquefaction trains capable of producing, under optimal conditions, up to 13.5 MTPA in the aggregate (or approximately 698 BCF of natural gas per year);
- Feed gas pre-treatment facilities;
- Natural gas liquids (“NGL”) and refrigerant truck loading/unloading facilities along with NGL and refrigerant storage facilities;
- Three liquid loading arms, one vapor loading arm, and one hybrid arm;
- One 160,000 cubic meter LNG storage tank.
- Operations, control, maintenance, warehouse and all other necessary buildings; and
- All of the associated concrete foundations, pipe supports, piping, instrumentation, power feeds, control loops, safety systems, fire water protection, pollution control equipment and facilities’, insulation, utilities and any and all other appurtenances, facilities, machinery and equipment necessary to achieve efficient, effective and safe operation of the LNG project.