

Attachment G

Participation Agreement

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

by and between

WOODVILLE INDEPENDENT SCHOOL DISTRICT

and

TEXAS PELLETS, INC.
(Texas Taxpayer ID # 32046519750)

TEXAS COMPTROLLER APPLICATION NO. 226

Dated

September 17, 2012

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

STATE OF TEXAS §

COUNTY OF TYLER §

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 **WOODVILLE 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 **TEXAS PELLETS, INC.**, (*Texas Taxpayer ID #32046519750*), hereinafter referred to as the "Applicant." The Applicant and the District are hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties." Certain capitalized and other terms used in this Agreement shall have the meanings ascribed to them in Section 1.3.

RECITALS

WHEREAS, on April 16, 2012, the Superintendent of Schools (hereinafter referred to as "Superintendent") of the Woodville Independent School District, acting as agent of the Board of Trustees of the District (the "Board of Trustees"), received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, on April 16, 2012, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from Texas Pellets, Inc., and on April 30, 2012, the Superintendent acknowledged receipt of the Application and the requisite application fee as established pursuant to Texas Tax Code §313.025(a)(1) and Local District Policy CCG (Local); and,

WHEREAS, on May 24, 2012, the Board of Trustees received from the Applicant amended application materials, and the Superintendent determined the Application complete as of May 24, 2012; and,

WHEREAS, the Application were delivered to the office of the Comptroller for review pursuant to Texas Tax Code §313.025(d); and,

WHEREAS, the Comptroller, via letter, has established May 24, 2012 as the completed Application date; and,

WHEREAS, pursuant to 34 Texas Administrative Code §9.1054, the Application was delivered for review to the TylerCounty Appraisal District established in Tyler County, Texas (the "Appraisal District"), pursuant to Texas Tax Code §6.01; and,

WHEREAS, the Comptroller reviewed the Application pursuant to Texas Tax Code §313.025(d), and on July 13, 2012 the Comptroller, via letter, recommended that the Application be approved; and,

WHEREAS, the Comptroller conducted an economic impact evaluation pursuant to Chapter 313 of the Texas Tax Code which was presented to the Board of Trustees at a public hearing held in connection with the Board of Trustees' consideration of the Application; and,

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

WHEREAS, on September 7, 2012, the District received written notification, pursuant to 34 Texas Administrative Code §9.1055(e)(2)(A), that the Comptroller reviewed this Agreement, and reaffirmed the recommendation previously made on July 13, 2012 that the Application be approved; and,

WHEREAS, on September 17, 2012, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

WHEREAS, on September 17, 2012, the Board of Trustees made factual findings pursuant to Texas Tax Code §313.025(f), including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the limitation on appraised value of the Applicant's Qualified Property; and, (iv) each criterion referenced in Texas Tax Code §313.025(e) has been met; and,

WHEREAS, on September 17, 2012, the Board of Trustees determined that the Tax Limitation Amount requested by the Applicant, and as defined in Sections 1.2 and 1.3, below, is consistent with the minimum values set out by Tax Code, §§313.022(b) and 313.052, as such Tax Limitation Amount was computed for the effective date of this Agreement; and,

WHEREAS, on September 17, 2012, 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 President and Secretary of the Board of Trustees to execute and deliver such Agreement to the Applicant;

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

ARTICLE I

AUTHORITY, TERM, DEFINITIONS, AND GENERAL PROVISIONS

Section 1.1. AUTHORITY

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

Section 1.2. TERM OF THE AGREEMENT

This Agreement shall commence and first become effective on the Commencement Date, as defined in Section 1.3, below. In the event that the Applicant makes a Qualified Investment in the amount defined in Section 2.6 below, between the Commencement Date and the end of the Qualifying Time Period, Applicant will be entitled to the Tax Limitation Amount defined in Section 1.3 below, for the following Tax Years: 2015, 2016, 2017, 2018, 2019, 2020, 2021, and 2022. The limitation on the local ad valorem property values for Maintenance and Operations purposes shall commence with the property valuations made as of January 1, 2015, the appraisal date for the third full Tax Year following the Commencement Date.

The period beginning with the Commencement Date of September 17, 2012 and ending on December 31, 2014 will be referred to herein as the "Qualifying Time Period," as that term is defined in Texas Tax Code §313.021(4). Applicant shall not be entitled to a tax limitation during the Qualifying Time Period.

Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2022. Except as otherwise provided herein, this Agreement will terminate in full on the Final Termination Date. The termination of this Agreement shall not (i) release any obligations, liabilities, rights and remedies arising out of any breach of, or failure to comply with, this Agreement occurring prior to such termination, or (ii) affect the right of a Party to enforce the payment of any amount to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination, so long as the right to such payment survives said termination.

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

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
Partial Year Commencing on date of Board approval (9/17/12)	January 1, 2012	2012-13	2012	Start of Qualifying Time Period beginning with Commencement Date (9/17/12). No limitation on value. First year for computation of Annual Limit.
1	January 1, 2013	2013-14	2013	Qualifying Time Period. No limitation on value. Possible Tax Credit in future years.
2	January 1, 2014	2014-15	2014	Qualifying Time Period. No limitation on value. Possible Tax Credit in future years.
3	January 1, 2015	2015-16	2015	\$ 10 million property value limitation.
4	January 1, 2016	2016-17	2016	\$ 10 million property value limitation. Possible Tax Credit due to Applicant.
5	January 1, 2017	2017-18	2017	\$ 10 million property value limitation. Possible Tax Credit due to Applicant.
6	January 1, 2018	2018-19	2018	\$ 10 million property value limitation. Possible Tax Credit due to Applicant.
7	January 1, 2019	2019-20	2019	\$ 10 million property value limitation. Possible Tax Credit due to Applicant.
8	January 1, 2020	2020-21	2020	\$ 10 million property value limitation. Possible Tax Credit due to Applicant.
9	January 1, 2021	2021-22	2021	\$ 10 million property value limitation. Possible Tax Credit due to Applicant.

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
10	January 1, 2022	2022-23	2022	\$ 10 million property value limitation. Possible Tax Credit due to Applicant.
11	January 1, 2023	2023-24	2023	No tax limitation. Possible Tax Credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
12	January 1, 2024	2024-25	2024	No tax limitation. Possible Tax Credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
13	January 1, 2025	2025-26	2025	No tax limitation. Possible Tax Credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.

Section 1.3. DEFINITIONS

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

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

“*Affiliate*” of any specified person or entity means any other person or entity which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under direct or indirect common control with such specified person or entity. For purposes of this definition “control” when used with respect to any person or entity means (i) the ownership, directly or indirectly, or fifty percent (50%) or more of the voting securities of such person or entity, or (ii) the right to direct the management or operations of such person or entity, directly or indirectly, whether through the ownership (directly or indirectly) of securities, by contract or otherwise.

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

“Agreement” means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented from time to time in accordance with Section 7.3.

“Applicant” means Texas Pellets, Inc., *Texas Taxpayer Identification Number 32046519750*, the company listed in the Preamble of this Agreement who, on March 19, 2012, filed the Original Application with the District for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The term “Applicant” shall also include the Applicant’s assigns and successors-in-interest.

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

“Application” means the 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 March 19, 2012, together with the application materials submitted on April 27, 2012, which has been certified by the Comptroller’s office to constitute a complete final Application as of the date of May 24, 2012. 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 this Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

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

“Appraisal District” means the Tyler County Appraisal District.

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

“Commencement Date” means September 17, 2012, the date upon which this Agreement was approved by the District’s Board of Trustees.

“Completed Application Date” means May 24, 2012, the date upon which the Comptroller determined to be the date of its receipt of a completed Application for Appraised

Value Limitation on Qualified Property (Texas Tax Code, Chapter 313, Subchapter B or C), Comptroller Form 50-296, from the Applicant.

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

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

“County” means Tyler County, Texas.

“Determination of Breach and Notice of Contract Termination” shall have the meaning assigned to such term in Section 6.8 of the Agreement.

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

“Final Termination Date” means December 31, 2025. However, any payment obligations of any Party arising under this Agreement prior to the Final Termination Date will survive until paid by the Party owing same.

“Force Majeure” means a failure caused by (a) provisions of law, or the operation or effect of rules, regulations or orders promulgated by any governmental authority having jurisdiction over the Applicant, the Applicant’s Qualified Property or the Applicant’s Qualified Investment or any upstream, intermediate or downstream equipment or support facilities as are necessary to the operation of the Applicant’s Qualified Property or the Applicant’s Qualified Investment; (b) any demand or requisition, arrest, order, request, directive, restraint or requirement of any government or governmental agency whether federal, state, military, local or otherwise; (c) the action, judgment or decree of any court; (d) floods, storms, hurricanes, evacuation due to threats of hurricanes, lightning, earthquakes, washouts, high water, fires, acts of God or public enemies, wars (declared or undeclared), blockades, epidemics, riots or civil disturbances, insurrections, strikes, labor disputes (it being understood that nothing contained in this Agreement shall require the Applicant to settle any such strike or labor dispute), explosions, breakdown or failure of plant, machinery, equipment, lines of pipe or electric power lines (or unplanned or forced outages or shutdowns of the foregoing for inspections, repairs or maintenance), inability to obtain, renew or extend franchises, licenses or permits, loss, interruption, curtailment or failure to obtain electricity, gas, steam, water, wastewater disposal, waste disposal or other utilities or utility services, inability to obtain or failure of suppliers to deliver equipment, parts or material, or inability of the Applicant to ship or failure of carriers to transport electricity from the Applicant’s facilities; or (e) any other cause (except financial),

whether similar or dissimilar, over which the Applicant has no reasonable control and which forbids or prevents performance.

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

"Maintain Viable Presence" means, after the development and construction of the project described in the Application and in the description of the Applicant's Qualified Investment and Qualified Property as set forth in Section 2.3 below, (i) the operation over the term of this Agreement of the facility or facilities for which the tax limitation is granted, as the same may from time to time be expanded, upgraded, improved, modified, changed, remodeled, repaired, restored, reconstructed, reconfigured, and/or reengineered; (ii) the maintenance of at least ten (10) New Jobs, from the time they are created until the Final Termination Date and (iii) the maintenance of at least eight (8) Qualifying Jobs as set forth in the Application from the time they are created until the Final Termination Date.

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

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

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

"Net Tax Benefit" means an amount equal to (but not less than zero): (i) the sum of (A) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for all Tax Years during the term of this Agreement if this Agreement had not been entered into by the Parties; plus (B) any Tax Credits received by Applicant under this Agreement; minus, (ii) an amount equal to the sum of (A) all maintenance and operations ad valorem school taxes actually due to the District or any other governmental entity, including the State of Texas, for all Tax Years during the term of this Agreement, plus (B) any and all payments due to the District under Article III of this Agreement.

"New Jobs" means 10 (ten) "new jobs," defined by 34 Texas Administrative Code §9.1051(14)(C), which the Applicant will create in connection with the project described in the Application and in the description of the Applicant's Qualified Investment and Qualified Property as set forth in Section 2.3 below. In accordance with the requirements of Texas Tax

Code §313.024(d), eighty percent (80%), of all New Jobs shall also be Qualifying Jobs, as defined below.

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

“Qualifying Jobs” means the eight (8) New Jobs which meet the requirements of Texas Tax Code 313.021(3). At least eighty percent (80%) of all New Jobs must be Qualifying Jobs.

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

“Qualifying Time Period” means, after a deferral period as permitted by Texas Tax Code §313.027(h), the period that begins on the Commencement Date of September 17, 2012 and ends on December 31, 2014.

“State” means the State of Texas.

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

“Tax Credit” means the Tax Credit, either to be paid by the District to the Applicant, or to be applied against any taxes that the District imposes on the Applicant’s Qualified Property, as computed under the provisions of Subchapter D of the Act and rules adopted by the Comptroller and/or the Texas Education Agency, provided that the Applicant complies with the requirements imposed on the Applicant under such provisions, including the timely filing of a completed application under Texas Tax Code §313.103 and the duly adopted administrative rules relating thereto.

“Tax Limitation Amount” means the maximum amount which may be placed as the Appraised Value on Qualified Property/Qualified Investment for years three (3) through ten (10) of this Agreement pursuant to Texas Tax Code §313.054. That is, for each of the eight (8) Tax

Years 2015, 2016, 2017, 2018, 2019, 2020, 2021, and 2022, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed, and the Tax Limitation Amount shall be, the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Ten Million Dollars (\$10,000,000.00).

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

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

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

"Texas Education Agency Rules" means the applicable rules and regulations adopted by the Texas Commissioner of Education in relation to the administration of Chapter 313, Texas Tax Code, which are set forth at Title 19 – Part 2, Texas Administrative Code (including, but not limited to, §61.1019), together with any court or administrative decisions interpreting same.

ARTICLE II

PROPERTY DESCRIPTION

Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE

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

Section 2.2. LOCATION OF QUALIFIED PROPERTY

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

Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT AND QUALIFIED PROPERTY

The Qualified Investment and/or Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 3**, which is attached hereto and incorporated herein by reference for all purposes (the "Applicant's Qualified Investment"). The Applicant's Qualified Investment shall be that property, described in **EXHIBIT 3** which is placed in service under the terms of the Application, during the Qualifying Time Period described in Section 1.2, above. The Applicant's Qualified Property shall be all property, described in **EXHIBIT 3**, including, but not limited to the Applicant's Qualified Investment, which (1) is owned by the Applicant; (2) is first placed in service after March 7, 2012, the Completed Application Date established by the Comptroller; and (3) is used in connection with the activities described in the Application. Property which is not specifically described in **EXHIBIT 3** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Investment or the Applicant's Qualified Property for purposes of this Agreement, unless pursuant to Texas Tax Code §313.027(e) and Section 8.3 of this Agreement, the Board of Trustees, by official action, provides that such other property is a part of the Applicant's Qualified Investment for purposes of this Agreement.

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

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

Notwithstanding the foregoing, any replacement property shall not be subject to the foregoing restrictions and shall be considered Qualified Property hereunder.

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

At the end of the Qualifying Time Period; at any other time when there is a material change in the Applicant's Qualified Property located on the Land described in **EXHIBIT 2**; or upon a reasonable request by the District, the Comptroller, or the Appraisal District, the Applicant shall provide to the District, the Comptroller, and the Appraisal District a reasonably specific and detailed description of the material tangible personal property, buildings, or

permanent, non-removable building components (including any affixed to or incorporated into real property) on the Applicant's Qualified Property to which the Tax Limitation Amount applies, including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property which is subject to this Agreement.

Section 2.5. QUALIFYING USE

The Parties agree that the Applicant's Qualified Investment described above in Section 2.3 qualifies for a Tax Limitation Agreement under Texas Tax Code §313.024(b)(5) as a manufacturing facility.

Section 2.6. Limitation on Appraised Value

So long as the Applicant makes a Qualified Investment in the amount of Ten Million Dollars (\$10,000,000.00), or greater, during the Qualifying Time Period; and unless this Agreement has been terminated as provided herein before such Tax Year, for each of the eight (8) Tax Years 2015, 2016, 2017, 2018, 2019, 2020, 2021, and 2022, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Ten Million Dollars (\$10,000,000.00).

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

ARTICLE III

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 3.1. INTENT OF THE PARTIES

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in accordance with the provisions of Texas Tax Code, §§313.027(f)(1), be compensated by the Applicant for certain losses that the District incurs in its Maintenance and Operations Revenue solely as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the risk of any negative financial consequence to the District in making the decision to enter into this Agreement will be borne by the Applicant and not by the District.

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

Subject to the provisions of Sections 4.1 and 4.2, the amount to be paid by the Applicant to compensate the District for loss of Maintenance and Operations Revenue resulting from, or on account of, this Agreement for each year during the term of this Agreement (the "M&O Amount") shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

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

Where:

- i. "Original M&O Revenue" means the total State and local Maintenance and Operations Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Applicant's Qualified Property and/or Applicant's Qualified Investment been subject to the ad valorem maintenance and operations tax at the District-adopted tax rate for the applicable year.
- ii. "New M&O Revenue" means the total State and local Maintenance and Operations Revenue that the District actually received under the Applicable School Finance Law for such school year, after all adjustments have been made to such Maintenance and Operations Revenue because of any portion of this Agreement.

Based on the information provided by the Company in the Application and under the current Applicable School Finance Law, the Parties estimate that the Company will owe the District approximately \$118,059 under this Section 3.2 for the 2015 tax year, as set forth on **EXHIBIT 4** hereto. This figure is non-binding and for informational purposes only.

In making the calculations required by this Section 3.2:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.
- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property and/or the Applicant's Qualified Investment will be presumed to be one hundred percent (100%)
- iii. If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue as calculated under this Section 3.2 results in a negative number, the negative number will be considered to be zero, and no compensation shall be required.

- iv. All calculations made for years three (3) through ten (10) of this Agreement under Section 3.2, Subsection ii, of this Agreement relating to the definition of "New M&O Revenue" will reflect the Tax Limitation Amount for such year.
- v. All calculations made under this Section 3.2 shall be made by a methodology which isolates only the revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements or any other factors not contained in this Agreement.

Section 3.3. COMPENSATION FOR LOSS OF OTHER REVENUES

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

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

Section 3.4. CALCULATIONS TO BE MADE BY THIRD PARTY

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") jointly approved each year by the District and the Applicant. If the Parties cannot agree on the Third Party, then the Third Party shall be selected by a mutually agreed upon mediator selected in accordance with Section 6.9 of this Agreement.

Section 3.5. DATA USED FOR CALCULATIONS

The calculations for payments under this Agreement shall be initially based upon the valuations placed upon the Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Tax Code §26.01 on or about July 25 of each year of this Agreement.

Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 3.4. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

Section 3.6. DELIVERY OF CALCULATIONS

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 3.4 of this Agreement shall forward to the Parties a certification containing the calculations required under Sections 3.2 and/or 3.3, and/or Section ~~5.4.1~~ of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed, which fee shall be the sole responsibility of the District, subject to the limit of Section 3.7. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation and fee for a period of three (3) years after payment. The Applicant shall not be liable for any of 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 3.7. PAYMENT BY APPLICANT

The Applicant shall pay any amount determined to be due and owing to the District under this Agreement on or before the January 31 next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Third Party plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or Tax Credit or other reimbursement applications filed with or sent to the State of Texas which are, or may be required under the terms or because of the execution of this Agreement. For no Tax Year during the term of this Agreement shall the Applicant be responsible for the payment of an aggregate amount of fees and expenses under this Section 3.7 and Section 3.6 which exceeds Ten Thousand Dollars (\$10,000.00).

Section 3.8. RESOLUTION OF DISPUTES

Pursuant to Section 3.4 and Section 3.6, should the Applicant disagree with the certification containing the calculations, the Applicant may appeal the findings, in writing, to the

Third Party within 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 3.6 for purposes of auditing or reviewing the information in connection with the certification. Within fifteen (15) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Thereafter, the Applicant may appeal the final determination of certification containing the calculations to a mutually agreed upon mediator selected in accordance with Section 6.9 of this Agreement. Any appeal by the Applicant of the final determination of the Third Party may be made, in writing, within thirty (30) days of the final determination of certification containing the calculations, without limitation of Applicant's other rights and remedies available hereunder, at law or in equity.

Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT

If at the time the Third Party selected under Section 3.4 makes its calculations under this Agreement, the Applicant has appealed any matter relating to the valuations placed by the Appraisal District on the Applicant's Qualified Investment, and/or the Applicant's Qualified Property and such appeal remains unresolved, the Third Party shall base its calculations upon the values placed upon the Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Appraisal District.

If as a result of an appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed, once the determination of the new Taxable Value becomes final, the Parties shall immediately notify the 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 amounts to the other Party within thirty (30) days of the receipt of the new calculations from the Third Party.

Section 3.10. EFFECT OF STATUTORY CHANGES

Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 4.1, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District reasonably determines that it will receive less Maintenance and Operations Revenue, or, if applicable, will be required to increase its payment of funds to the State, solely because of its participation in this Agreement, the Applicant shall make payments to the District, up to the revenue protection amount limit set forth in Section 4.1, that are necessary to offset any direct and actual negative impact on the District as a result of its participation in this Agreement. Such calculation shall take into account any adjustments to the amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District. Such payment shall be made no later than thirty (30) days following notice from the District of such determination.

ARTICLE IV

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 4.1. ANNUAL LIMITATION AFTER FIRST THREE YEARS

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year during the term of this Agreement after the 2015 Tax Year, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Article III with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Sections 3.4 and 3.6, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Article III shall be reduced until such excess is eliminated.

Section 4.2. OPTION TO CANCEL AGREEMENT

In the event that any payment otherwise due from the Applicant to the District under Article III with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 4.1 above, then the Applicant shall have the option to terminate this Agreement without penalty. The Applicant may exercise such option to cancel this Agreement by notifying the District of its election in writing not later than the July 31 of the year next following the Tax Year with respect to which a reduction under Section 4.1 is applicable. Any cancellation of this Agreement under the foregoing provisions of this Section 4.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred. In addition to the foregoing, in the event the Applicant determines that it will not commence or complete construction of the Applicant's Qualified Investment, the Applicant shall have the option, during the Qualifying Time Period, to terminate this Agreement by notifying the District in writing of its exercise of such option. Any termination of this Agreement under the immediately preceding sentence shall be effective immediately prior to the beginning of the Tax Year immediately following the Tax Year during which such notification is delivered to the District. Upon any termination this Agreement under this Section 4.2, this Agreement shall terminate and be of no further force or effect; provided, however, that the Parties' respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged.

ARTICLE V

TAX CREDITS

Section 5.1. APPLICANT'S ENTITLEMENT TO TAX CREDITS

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

Section 5.2. DISTRICT'S OBLIGATIONS WITH RESPECT TO TAX CREDITS

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

Section 5.3. COMPENSATION FOR LOSS OF TAX CREDIT PROTECTION REVENUES

If after the Applicant has actually received the benefit of a Tax Credit under Section 5.1, the District does not receive aid from the State pursuant to Texas Education Code §42.2515 or other similar or successor statute with respect to all or any portion of such Tax Credit for reasons other than the District's failure to comply with the requirements for obtaining such aid, then the District shall notify the Applicant in writing thereof and the circumstances surrounding the State's failure to provide such aid to the District. The Applicant shall pay to the District the amount of such Tax Credit for which the District did not receive such aid within thirty (30) calendar days after receipt of such notice. If the District receives aid from the State for all or any portion of a Tax Credit with respect to which the Applicant has made a payment to the District under this Section 5.3, then the District shall pay to the Applicant the amount of such aid within thirty (30) calendar days after the District's receipt thereof.

ARTICLE VI

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 6.1. DATA REQUESTS

During the term of this Agreement, and upon the written request of one Party or by the Comptroller (the "Requesting Party"), the other Party shall provide the Requesting Party with all information reasonably necessary for the Requesting Party to determine whether the other Party is in compliance with its obligations, including any employment obligations which may arise under this Agreement. The Applicant shall allow authorized employees of the District, the

Comptroller, and/or the Appraisal District to have access to the Applicant's Qualified Property and/or business records, in accordance with Texas Tax Code Section 22.07, during the term of this Agreement, in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property. All inspections will be made at a mutually agreeable time after the giving of not less than ten (10) days prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide the District, the Comptroller, or the Appraisal District with any technical or business information that is private personnel data, proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party or any other information that is not necessary for the District to determine the Applicant's compliance with this Agreement.

Section 6.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES

The Applicant shall timely make any and all reports that are or may be required under the provisions of law or administrative regulation as a result of this Agreement, including but not limited to the annual report or certifications that may be required to be submitted by the Applicant to the Comptroller under the provisions of Texas Tax Code §313.032 and the provisions of Title 34, Part 1, Chapter 9, Subchapter F of the Texas Administrative Code. The Applicant shall forward a copy of all such required reports or certifications to the District contemporaneously with the filing thereof. Currently, the Comptroller requires an Annual Eligibility Report and the Biennial Progress Reports, Form 50-772 and 50-773 respectively, and an Application for Tax Credit, Form 50-300. The obligation to make all such required filings shall be a material obligation under this Agreement. The Applicant shall not be in default of any reporting obligation hereunder, unless the Applicant has received thirty (30) days prior notice of its reporting obligation from the District.

Section 6.3. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE

By entering into this Agreement, the Applicant warrants that:

- (a) it will abide by all of the terms of this Agreement;
- (b) if it does not cancel the Agreement prior to the end of the Qualifying Time Period under Section 5.2 of this Agreement, it will Maintain Viable Presence in the District through the Final Termination Date of this Agreement; provided, however, that notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of this Agreement, 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; and,

- (c) it will meet the applicable minimum eligibility requirements under Texas Tax Code, Chapter 313, throughout the period from and including the Tax Year 2015 through and including the last Tax Year during the term of this Agreement with respect to which the Applicant receives the benefit of a Tax Credit.

Section 6.4. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT

(a) In the event of a Material Breach (hereinafter defined), except as provided in Section 4.2, after the notice and cure period provided by Section 6.8, then the District shall be entitled, as its sole and exclusive remedy, to the recapture of all ad valorem tax revenue lost as a result of this Agreement for the tax year in which the Applicant failed to comply together with the payment of penalty and interest, as calculated in accordance with Section 6.5, on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III.

(b) Notwithstanding Section 6.4(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of this Agreement, then the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of such termination notice. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem maintenance and operations taxes for all of the Tax Years during which the failure occurred 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 6.5. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. 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. Notwithstanding the foregoing, penalties shall only be due to the extent it is determined that the breach of this Agreement by the Applicant was willful and without a good faith, reasonable belief by the Applicant that its action or omission constituting such breach was in compliance with this Agreement.

Section 6.5. CALCULATION OF PENALTY AND INTEREST

In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 6.4 for each Tax Year during the term of this Agreement since the Commencement Date. The District shall calculate penalty or interest for each Tax Year during the term of this Agreement since the Commencement Date in accordance with the methodology set forth in Chapter 33 of the Texas Tax Code, as if the base amount calculated for such Tax Year less all credits under Section 6.4 had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(c), or its successor statute.

Section 6.6. MATERIAL BREACH OF AGREEMENT

The Applicant shall be in Material Breach of this Agreement (herein so called) if it commits one or more of the following acts or omissions:

- (a.) Applicant is determined to have failed to meet its obligations to have made accurate material representations of fact in the submission of its Application as is required by Section 7.13, below.
- (b.) Subject to Section 4.2, Applicant fails to Maintain Viable Presence in the District, as required by Section 6.3 of this Agreement, through the Final Termination Date of this Agreement.
- (c.) Applicant fails to make any payment required under Article III of this Agreement on or before its due date.
- (d.) Subject to Section 4.2, Applicant fails to create and maintain at least ten (10) New Jobs.
- (e.) Subject to Section 4.2, Applicant fails to create and maintain at least Eighty Percent (80%) of all such New Jobs on the project as Qualifying Jobs.
- (f.) Applicant makes any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement, in excess of the amounts set forth in Articles III and IV, above. Voluntary donations made by the Applicant to the District after the date of execution of this Agreement, and not mandated by this Agreement or made in recognition of or in consideration for this Agreement are not barred by this provision.
- (g.) Applicant fails to materially comply in any material respect with any other material term of this Agreement, or the Applicant fails to meet its material obligations under the applicable Comptroller's Rules, and under the Act.

Section 6.7. LIMITED STATUTORY CURE OF MATERIAL BREACH

In accordance with the provisions of Texas Tax Code §313.0275, for any full Tax Year which commences after the project has become operational, the Applicant may cure any Material Breaches of this Agreement described in Sections 6.6(d) and 6.6(e) or 6.6(f), above, without the termination of the remaining term of this Agreement. In order to cure any such non-compliance with Sections 6.6(d) and 6.6(e) or 6.6(f) for any such Tax Year, the Applicant may make the liquidated damages payment required by Texas Tax Code §313.0275(b), in accordance with the provisions of Texas Tax Code §313.0275(c).

Section 6.8. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT

Prior to making a determination under Section 6.4 or Section 6.6 that the Applicant is in Material Breach of this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the Material Breach, 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 a Material Breach has not occurred and/or that it has cured or undertaken to cure any such Material Breach.

If the Board of Trustees is not reasonably satisfied with such response and/or that such Material Breach has been or is being cured, then the Board of Trustees shall, after reasonable written notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such Material Breach has occurred and, if so, whether such Material Breach has been cured. At any such hearing, the Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to whether or not a Material Breach has occurred, the date such Material Breach occurred, if any, and whether or not any such Material Breach has been cured. Except as otherwise provided in Section 6.7, in the event that the Board of Trustees determines that such a Material Breach has occurred and has not been cured, it shall also terminate this Agreement and determine the amount of recaptured taxes under Section 6.4 (net of all credits under Section 6.4), and the amount of any penalty and/or interest under Section 6.5 that are owed to the District.

After making its determination regarding any alleged Material Breach, the Board of Trustees shall cause the Applicant to be notified in writing of its determination (a "Determination of Breach and Notice of Contract Termination").

Section 6.9. DISPUTE RESOLUTION

After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 6.8, the Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after the Applicant's receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 6.8, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then presiding in Tyler County, Texas. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator's fees and expenses and the Applicant shall bear one-half of such mediator's fees and expenses, and (ii)

otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such ninety (90) days, the District shall have the remedies for the collection of the amounts determined under Section 6.8 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of reasonable attorney's fees and a tax lien on the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Texas Tax Code §33.07 to the attorneys representing the District pursuant to Texas Tax Code §6.30. In the event that the Applicant is a prevailing party in any such legal proceedings under this section, the District shall be responsible for the payment of the Applicant's reasonable attorney's fees.

In any event where a dispute between the District and the Applicant under this Agreement cannot be resolved by the Parties, after completing the procedures required above in this Section 6.9, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in any judicial proceeding, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any covenant, agreement or undertaking made by a Party pursuant to this Agreement. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of reasonable attorney's fees to the attorneys representing the District. In the event that the Applicant is a prevailing party in any such legal proceedings under this section, the District shall be responsible for the payment of the Applicant's reasonable attorney's fees.

Section 6.10. LIMITATION OF OTHER DAMAGES

Notwithstanding anything contained in this Agreement to the contrary, the District's damages for any default shall under no circumstances exceed the greater of either any amounts calculated under Sections 6.4 and 6.5 above, or the monetary sum of the difference between the payments and credits due and owing to the Applicant at the time of such default and the District taxes that would have been lawfully payable to the District had this Agreement not been executed. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

The Parties further agree that the limitation of damages and remedies set forth in this Section 6.10 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 6.11. BINDING ON SUCCESSORS

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

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.1. INFORMATION AND NOTICES

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

Notices to the District shall be addressed as follows:

Glen Conner, Superintendent
WOODVILLE INDEPENDENT SCHOOL DISTRICT
505 N. Charlton Street
Woodville, TX 75979-4504
Phone: (409) 283-3752
Fax: (409) 283-7962
E-mail: glen.conner@woodvilleeagles.org

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

Notices to the Applicant shall be addressed as follows:

TEXAS PELLETS, INC.
c/o German Pellets GmbH
Kai Becker
Am Torney 2a
23970 Wismar
Germany
Fax: +49 3841 30 30 69 500

With a copy to:

Benjamin J Brooks
SMITH, GAMBRELL & RUSSELL, LLP
Attorneys at Law
Promenade, Suite 3100
1230 Peachtree Street, N.E.
Atlanta, Georgia 30309-3592
Fax: (404) 685-7005
E-mail: bbrooks@sgrlaw.com

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

Section 7.2. EFFECTIVE DATE, TERMINATION OF AGREEMENT

- (a) This Agreement shall be and become effective on the date of final approval of this Agreement by the Board of Trustees,
- (b) Subject to Section 4.2, the obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the Final Termination Date.
- (c) In the event that the Applicant fails to make a Qualified Investment in the amount of Ten Million Dollars (\$10,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2014.

Section 7.3. AMENDMENTS TO AGREEMENT; WAIVERS

This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Waiver of any term, condition or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition or provision, or a waiver of any other term, condition or provision of this Agreement. By official action of the Board of Trustees, this Agreement may be amended to include, in the Applicant's Qualified Investment, additional or replacement Qualified Property or Qualified Investment not specified in **EXHIBIT 3**, provided that the Applicant reports to the District, the Comptroller, and the Appraisal District, in the same format, style, and presentation as the Application, all relevant investment, value, and employment information that is related to the additional or replacement property. Any amendment of this Agreement adding additional or replacement Qualified Property or Qualified Investment pursuant to this Section 7.3 shall, (1) require that all property added by amendment be eligible property as defined by Texas Tax Code, §313.024; (2) clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and (3) define

minimum eligibility requirements for the recipient of limited value. This Agreement may not be amended to extend the value limitation time period beyond its eight-year statutory term.

Section 7.4. ASSIGNMENT

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

Section 7.5. MERGER

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

Section 7.6. MAINTENANCE OF COUNTY APPRAISAL DISTRICT RECORDS

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

Section 7.7. GOVERNING LAW

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

Section 7.8. AUTHORITY TO EXECUTE AGREEMENT

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

Section 7.9. SEVERABILITY

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

Section 7.10. PAYMENT OF EXPENSES

Except as otherwise expressly provided in this Agreement, or as covered by the application fee, (i) 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, and (ii) in the event of a dispute between the Parties in connection with this Agreement, the prevailing Party in the resolution of any such dispute, whether by litigation or otherwise (with the exception of mediation under the first paragraph of Section 6.9), shall be entitled to full recovery of all attorneys' fees (including a reasonable hourly fee for in-house legal counsel), costs and expenses incurred in connection therewith, including costs of court, from the non-prevailing Party.

Section 7.11. INTERPRETATION

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

has been subject to the mutual consultation, negotiation and agreement of each Party and shall not be construed for or against any Party.

Section 7.12. EXECUTION OF COUNTERPARTS

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

Section 7.13. ACCURACY OF REPRESENTATIONS CONTAINED IN APPLICATION

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application. The Applicant warrants that to the best of Applicant's knowledge all material representations, material information, and material facts contained in the Application are true and correct in all material respects. The parties further agree that the Application and all the attachments thereto are included by reference into this Agreement as if set forth herein in full; provided, however, to the extent of any differences or inconsistencies between the terms, conditions, representations, information, and facts contained in the Application and those contained in this Agreement, the terms, conditions, representations, information, and facts contained in this Agreement shall be controlling.

In the event that the Board of Trustees, after completing the procedures required by Sections 6.8 and 6.9 of this Agreement, makes a written determination that the Application was either incomplete or inaccurate as to any material representation, material information, or material fact, then the Board of Trustees shall notify Applicant in writing of such determination and the Applicant shall have the time periods permitted by Section 6.8 or any other section of this Agreement; if any such material representation, information or fact item remains uncured after the written notice and cure periods specified herein, this Agreement shall be invalid and void except for the enforcement of the provisions required by 34 Texas Administrative Code §9.1053(f)(2)(K).

Section 7.14. PUBLICATION OF DOCUMENTS

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

- a. Within seven (7) days 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 7.14 does not require the publication of information that is confidential under Texas Tax Code §313.028.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 17th day of September, 2012.

TEXAS PELLETS, INC.

BY: _____
ANNA KATHRIN LEIBOLD
President & CEO

WOODVILLE INDEPENDENT SCHOOL DISTRICT

BY: _____
TREY ALLISON
President
Board of Trustees

BY: _____
BRENDA MALOY
Vice President
Board of Trustees

c. This Section 7.14 does not require the publication of information that is confidential under Texas Tax Code §313.028.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 17th day of September 2012.

TEXAS PELLETS, INC.

BY: _____
ANNA KATHRIN LEIBOLD
President and CEO

WOODVILLE INDEPENDENT SCHOOL DISTRICT

BY:  _____
TREY ALLISON
President
Board of Trustees

BY:  _____
TED WATTS
Secretary
Board of Trustees

EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

The *Texas Pellets, Inc. Reinvestment Zone* was originally created on September 17, 2012 by action of the Woodville Independent School District. As a result, all of the following real property within Tyler County, Texas is located within the boundaries of the *Texas Pellets, Inc. Reinvestment Zone*. The legal description of the zone as described in the 188.675 acre field note description surveyed on June 29, 2011, by Lyle Rainey of Area Surveying & Mapping is attached hereto as the next following three (3) pages of this **EXHIBIT 1**. A map of the *Texas Pellets, Inc. Reinvestment Zone* is attached as the last page of this **EXHIBIT 1**.

Agreement for Limitation on Appraised Value
Between Woodville Independent School District and Texas Pellets, Inc.
Texas Comptroller Application No. 226
September 17, 2012

AREA SURVEYING & MAPPING
418 N. PINE
WOODVILLE, TEXAS 75979
(409) 283-8197

FIELDNOTE DESCRIPTION

FIELDNOTES TO A 188.675 ACRE TRACT OF LAND AS SITUATED IN THE WM. CHAMBLISS SURVEY, A-189, THE E.L. JENNINGS SURVEY, A-405, AND THE JOHN NOWLIN SURVEY, A-487, TYLER COUNTY, TEXAS AND BEING OUT OF AND A PART OF THAT SAME CERTAIN 262.127 ACRE TRACT AS CONVEYED TO NORTH AMERICAN PROCUREMENT COMPANY, HEREAFTER REFERRED TO AS "NAPCO", BY DEED RECORDED IN VOLUME 878, PAGE 601 OF THE OFFICIAL PUBLIC RECORDS OF TYLER COUNTY. SAID 188.675 ACRES BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1/2" IRON ROD SET FOR THE MOST WESTERLY SOUTHWEST CORNER OF THE NAPCO 262.127 ACRES AND OF THIS TRACT, SAME BEING THE SOUTHWEST CORNER OF THE WM. CHAMBLISS SURVEY, A-189, AND THE SOUTHEAST CORNER OF THE G.M. BUCHANAN SURVEY, A-94, LOCATED ON THE NORTH LINE OF SAID JOHN NOWLIN SURVEY AND THE NORTH LINE OF THE ALAN BELL ESTATE 114.33 ACRE TRACT RECORDED IN VOLUME 618, PAGE 769 OF SAID OFFICIAL PUBLIC RECORDS;

THENCE N 04°02'37"W 1934.60 FT., WITH THE WEST LINE OF THE CHAMBLISS SURVEY, TO A 1/2" IRON ROD SET ON THE NORTHWEST RIGHT OF WAY OF COUNTY ROAD 1030 FOR THE NORTHWEST CORNER OF THIS TRACT, SAME BEING THE MOST SOUTHERLY SOUTHWEST CORNER OF THE EAST TEXAS ELECTRIC COOPERATIVE INC. 63.608 ACRE TRACT RECORDED IN VOLUME 973, PAGE 796 OF THE OFFICIAL PUBLIC RECORDS;

THENCE ALONG AND WITH THE NORTH RIGHT OF WAY OF COUNTY ROAD 1030 AND THE SOUTH BOUNDARY OF THE EAST TEXAS ELECTRIC COOPERATIVE 63.608 ACRE TRACT AS FOLLOWS:

- 1) N 64°49'51"E 391.16 FT. TO A 1/2" IRON ROD FOUND FOR CORNER;
- 2) N 62°33'31"E 407.71 FT. TO A 1/2" IRON ROD FOUND FOR CORNER;
- 3) N 60°34'33"E 368.27 FT. TO A 1/2" IRON ROD FOUND FOR CORNER;
- 4) N 57°17'48"E 151.63 FT. TO A 1/2" IRON ROD FOUND FOR CORNER;
- 5) N 53°27'26"E 410.17 FT. TO A 1/2" IRON ROD FOUND FOR CORNER;
- 6) N 58°15'57"E 90.51 FT. TO A 1/2" IRON ROD FOUND FOR CORNER;
- 7) N 68°03'42"E 76.31 FT. TO A 1/2" IRON ROD FOUND FOR CORNER;
- 8) N 75°28'24"E 92.96 FT. TO A 1/2" IRON ROD FOUND FOR THE SOUTHEAST CORNER OF THE ELECTRIC COOPERATIVE 63.608 ACRE TRACT AND THE MOST NORTHERLY CORNER OF THIS TRACT LOCATED AT THE INTERSECTION OF THE NORTH RIGHT OF WAY OF COUNTY ROAD 1030 WITH THE SOUTHWEST RIGHT OF WAY OF COUNTY ROAD 1020;

THENCE ALONG AND WITH THE SOUTHWEST RIGHT OF WAY OF SAID COUNTY ROAD 1020 AS FOLLOWS:

- 1) S 48°30'09"E 136.33 FT. TO A POINT FOR CORNER;
- 2) S 69°25'26"E 26.88 FT. TO A 1/2" IRON ROD SET FOR CORNER ON THE EAST LINE OF THE JENNINGS SURVEY AND THE WEST LINE OF THE E.T. NOLIN SURVEY, A-489, AND THE WEST LINE OF THE NORTH AMERICAN PROCUREMENT COMPANY 6.007 ACRE TRACT;

THENCE S 03°10'17"E 49.58 FT., WITH THE EAST LINE OF THE JENNINGS SURVEY AND THE WEST LINE OF THE NOLIN SURVEY AND WEST LINE OF THE NAPCO 6.007 ACRE TRACT, TO A CONCRETE MONUMENT FOUND FOR THE SOUTHWEST CORNER OF SAME AND OF THE NOLIN SURVEY AND SOUTHEAST CORNER OF THE JENNINGS SURVEY LOCATED ON THE NORTH LINE OF THE WM. CHAMBLISS SURVEY AND THE NORTH LINE OF A 0.943 ACRE TRACT, PREVIOUSLY A PART OF THE NAPCO 262.127 ACRE TRACT;

PAGE 3
188.675 ACRES

THENCE S 08°10'49"W 102.29 FT., WITH THE WEST RIGHT OF OLD HIGHWAY 69, TO A CONCRETE R.O.W. MARKER FOUND FOR CORNER AT THE BEGINNING OF A CURVE TO THE LEFT IN SAME;

THENCE SOUTHWESTERLY 187.07 FT. ALONG THE ARC OF THE CURVE IN SAID RIGHT OF WAY, HAVING A CENTRAL ANGLE OF 06°03'31", A RADIUS OF 1769.10 FT. AND A CHORD BEARING S 05°07'26"W 186.98 FT. TO A 1/2" IRON ROD SET FOR THE SOUTHEAST CORNER OF THE NAPCO 262.127 ACRE TRACT AND OF THIS TRACT AND OF THIS TRACT LOCATED AT THE INTERSECTION OF THE WEST RIGHT OF WAY OF OLD HIGHWAY 69 WITH THE NORTH RIGHT OF WAY OF COUNTY ROAD NO. 1050;

THENCE ALONG AND WITH THE MEANDERS OF THE NORTH RIGHT OF WAY OF COUNTY ROAD NO. 1050 AS FOLLOWS:

- 1) S 47°24'08"W 229.27 FT. TO A POINT FOR CORNER;
- 2) S 50°25'30"W 291.56 FT. TO A POINT FOR CORNER;
- 3) S 51°22'02"W 415.72 FT. TO A POINT FOR CORNER;
- 4) S 51°35'40"W 258.87 FT. TO A POINT FOR CORNER;
- 5) S 51°32'14"W 439.00 FT. TO A POINT FOR CORNER;
- 6) S 52°38'50"W 267.65 FT. TO A 1/2" IRON ROD SET FOR THE MOST SOUTHERLY SOUTHWEST CORNER OF THE NAPCO 262.127 ACRES AND OF THIS TRACT AND THE SOUTHEAST CORNER OF THE PREVIOUSLY MENTIONED ALAN BELL ESTATE 114.33 ACRE TRACT;

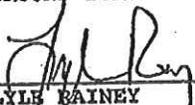
THENCE N 03°28'48"W 1863.49 FT., WITH THE EAST LINE OF THE BELL 114.33 ACRES AND THE WEST LINE OF THE NAPCO 262.127 ACRE TRACT, TO A PINE KNOT STAKE FOUND FOR AN INTERIOR ANGLE CORNER OF SAME AND THE NORTHEAST CORNER OF SAID BELL TRACT LOCATED ON THE NORTH LINE OF THE NOWLIN SURVEY AND THE SOUTH LINE OF THE WM. CHAMBLISS SURVEY;

THENCE S 87°04'37"W 739.36 FT., WITH THE NORTH LINE OF THE NORTH LINE OF THE BELL 114.33 ACRES AND SAID NOWLIN SURVEY AND THE SOUTH LINE OF WM. CHAMBLISS SURVEY, TO THE PLACE OF BEGINNING AND CONTAINING WITHIN THESE BOUNDS 188.675 ACRES OF LAND.

THE BEARINGS RECITED HEREIN ARE BASED AND/OR ROTATED TO THE TEXAS STATE PLANE COORDINATE SYSTEM, CENTRAL ZONE 4203, NAD 83.

SURVEYED JUNE 29, 2011

I, LYLE RAINNEY, REGISTERED PROFESSIONAL LAND SURVEYOR NO. 4800, DO HEREBY CERTIFY THAT THE FIELDNOTE DESCRIPTION OF THE ABOVE DESCRIBED TRACT WAS PREPARED FROM AN ACTUAL AND ACCURATE ON THE GROUND SURVEY AND THAT SAME IS TRUE AND CORRECT.



LYLE RAINNEY
REGISTERED PROFESSIONAL
LAND SURVEYOR NO. 4800



Exhibit " A "
Page 3 of 3 pages



PAGE 2
188.675 ACRES

THENCE S 86°24'03"W 71.95 FT., WITH THE SOUTH LINE OF THE JENNINGS SURVEY AND THE NORTH LINE OF THE CHAMBLISS SURVEY, TO A 1/2" IRON ROD FOUND FOR THE NORTHWEST CORNER OF THE 0.943 ACRE TRACT AND AN INTERIOR ANGLE CORNER OF THIS TRACT;

THENCE S 04°47'00"E 173.37 FT., WITH THE WEST LINE OF THE 0.943 ACRE TRACT, TO A 1/2" IRON ROD FOUND SOUTHWEST CORNER OF SAME AND ANOTHER INTERIOR ANGLE CORNER OF THIS TRACT;

THENCE S 69°05'36"E, AT 210.11 FT. PASS THE SOUTHEAST CORNER OF THE 0.943 ACRE TRACT AND THE SOUTHWEST CORNER OF A 2.21 ACRE TRACT, ALSO A PART OF THE NAPCO 262.127 ACRES, AND AT 643.07 FT. PASS THE SOUTHEAST CORNER OF SAME AND THE SOUTHWEST CORNER OF THE E. & R. ALLISON FAMILY PROPERTIES, LTD. 5.016 ACRE TRACT RECORDED IN VOLUME 825, PAGE 739 OF THE OFFICIAL PUBLIC RECORDS, IN ALL A TOTAL DISTANCE OF 826.96 FT. TO A 1/2" IRON ROD FOUND FOR THE MOST SOUTHERLY SOUTHEAST CORNER OF SAME AND AN INTERIOR ANGLE CORNER OF THE NAPCO 262.127 ACRES AND OF IS TRACT;

THENCE N 08°11'50"E 149.59 FT., WITH A WEST LINE OF THE NAPCO TRACT, TO A 1/2" IRON ROD FOUND FOR A NORTHWEST CORNER OF SAME AND AN INTERIOR ANGLE CORNER OF THE ALLISON 5.016 ACRE TRACT;

THENCE S 81°44'25"E 279.94 FT., WITH A NORTH LINE OF SAID NAPCO 262.127 ACRES TRACT, TO A 1/2" IRON ROD FOUND FOR THE NORTHEAST CORNER OF SAME AND THE MOST EASTERLY NORTHEAST CORNER OF THIS TRACT AND MOST EASTERLY SOUTHEAST CORNER OF THE ALLISON TRACT LOCATED ON THE WEST RIGHT OF WAY OF U.S. HIGHWAY 69;

THENCE ALONG AND WITH THE MEANDERS OF THE WEST RIGHT OF WAY OF U.S. HIGHWAY 69 AS FOLLOWS:

- 1) S 08°08'09"W 148.18 FT. TO A R.O.W. MARKER FOUND FOR CORNER;
- 2) S 22°12'56"W 60.92 FT. TO A R.O.W. MARKER FOUND FOR CORNER;
- 3) S 08°07'36"W 259.54 FT. TO A R.O.W. MARKER FOUND FOR CORNER;
- 4) N 82°30'01"E 15.60 FT. TO A 1/2" IRON ROD SET FOR CORNER;
- 5) S 08°08'09"W 1506.51 FT., TO A 1/2" IRON ROD SET FOR AN ANGLE CORNER ON THE WEST RIGHT OF WAY OF OLD HIGHWAY 69;

THENCE ALONG AND WITH THE WEST RIGHT OF WAY OF OLD HIGHWAY 69 AS FOLLOWS:

- 1) S 02°25'58"W 100.00 FT. TO A 1/2", IRON ROD SET FOR CORNER;
- 2) S 08°10'19"W 194.96 FT. TO A 1/2" IRON ROD FOUND AT THE INTERSECTION OF THE WEST RIGHT OF WAY OF THE OLD HIGHWAY WITH THE SOUTH LINE OF THE WM. CHAMBLISS SURVEY AND THE NORTH LINE OF THE JOHN NOWLIN SURVEY FOR A SOUTHEAST CORNER OF THE NAPCO 262.127 ACRES AND OF THIS TRACT, SAME BEING THE NORTHEAST CORNER OF THE ALAN W. BELL 2.756 ACRE TRACT DESCRIBED IN VOLUME 593, PAGE 960 OF THE OFFICIAL PUBLIC RECORDS;

THENCE S 85°48'12"W 514.74 FT., WITH THE COMMON LINE BETWEEN THE CHAMBLISS SURVEY AND SAID NOWLIN SURVEY AND THE NORTH LINE OF THE BELL 2.756 ACRE TRACT, TO A CONCRETE MONUMENT FOUND FOR THE NORTHWEST CORNER OF SAME AND AN INTERIOR ANGLE CORNER OF THE NAPCO TRACT AND OF THIS TRACT;

THENCE S 45°41'17"E 622.62 FT., WITH THE SOUTHWEST LINE OF THE BELL 2.756 ACRE TRACT, TO A 1/2" IRON ROD FOUND FOR THE SOUTHEAST CORNER OF SAME AND AN EXTERIOR ANGLE CORNER OF THIS TRACT LOCATED ON THE WEST RIGHT OF WAY OF OLD HIGHWAY 69;

Exhibit " A "
Page 2 of 3 pages



AREA SURVEYING & MAPPING
418 N. PINE
WOODVILLE, TEXAS 75979
(409) 283-8197 OFFICE

E.L. JENNINGS SURVEY, A-405

COUNTY ROAD 1020
(SPRING VALLEY DRIVE)

LINE TABLE
COUNTY ROAD 1030

LINE	BEARING	DISTANCE
L1	N 64°49'51" E	391.18'
L2	N 62°33'31" E	407.71'
L3	N 60°34'33" E	388.27'
L4	N 57°17'46" E	151.63'
L5	N 53°27'26" E	410.17'
L6	N 56°15'57" E	90.51'
L7	N 88°03'42" E	76.31'
L8	N 75°28'24" E	92.95'

Springfield Pipeline, LLC
30 Ft. Pipeline R.O.W. Easement
Vol. 835, Pg. 662
Vol. 848, Pg. 310

E.T. NOLIN SURVEY, A-489

JOHN NOWLIN SURVEY, A-487

LINE TABLE

LINE	BEARING	DISTANCE
L1	S 46°30'09" E	136.33'
L2	S 69°23'26" E	26.65'
L3	S 03°10'17" E	49.55'
L4	S 85°24'03" W	71.95'
L5	S 04°47'00" W	173.35'
L6	N 06°11'50" E	149.69'

LINE TABLE
U.S. HIGHWAY 69

LINE	BEARING	DISTANCE
1	S 08°36'02" W	148.18'
2	S 23°17'55" W	60.92'
3	S 08°07'55" W	259.54'
4	N 82°30'01" E	15.60'

CURVE TABLE

CURVE	RADIUS	ARC LENGTH	CI
C1	1769.10'	187.07'	

LINE TABLE
OLD HIGHWAY 69

LINE	BEARING	DISTANCE
L1	S 02°25'56" W	100.00'
L2	S 06°10'19" W	194.56'

ADJOINER TABLE

ADJOINER	DESCRIPTION
(A)	Alan W. Bell 2.758 Acre Tract Vol. 993, Pg. 960



- ~ LEGEND ~
- = Found Concrete Monument
 - = Found 1/2" Iron Rod
 - △ = Found 5/8" Iron Rod
 - = Set 1/2" Iron Rod
 - = Point for Corner
 - = Found Concrete R.O.W. Marker
 - = Found 1/2" Iron Pipe
 - = Found Pine Knot Stake

NOTE: ALL BEARINGS SHOWN HEREON ARE BASED ON THE TEXAS STATE PLANE COORDINATE SYSTEM, CENTRAL ZONE 4203, NAD 83.

NOTE: REFERENCE POINTS ARE IN UTM CODE 15, THE COORDINATES AND ELEVATIONS ARE SHOWN IN METERS.

NOTE: SUBJECT PROPERTY DOES NOT LIE WITHIN THE 100 YEAR FLOOD PLANE ACCORDING TO THE H.U.D. FLOOD HAZARD BOUNDARY MAP OF THE COMMUNITY PANEL NO. 461034 0008 B

LINE TABLE
COUNTY ROAD 1050

LINE	BEAR	DIST	VE
L1	S 47°24'08" W	229.27'	
L2	S 60°23'00" W	291.60'	
L3	S 51°22'02" W	415.72'	
L4	S 61°30'40" W	258.87'	
L5	S 61°32'14" W	439.00'	
L6	S 62°38'50" W	267.65'	

SURVEY PLAT SHOWING

A 188.675 ACRE TRACT OF LAND AS SITUATED IN THE E.L. JENNINGS SURVEY, A-405, THE WM. CHAMBLISS SURVEY, A-189, AND THE JOHN NOWLIN SURVEY, A-487, TYLER COUNTY, TEXAS; AND BEING OUT OF AND A PART OF THAT SAME 262.127 ACRE TRACT AS CONVEYED BY DEED TO NORTH AMERICAN CHIP RESOURCES, INC. BY DEED RECORDED IN VOLUME 992, PAGE 56 OF THE OFFICIAL PUBLIC RECORDS OF TYLER COUNTY.

I, LYLE RAINY, REGISTERED PROFESSIONAL LAND SURVEYOR NO. 4900, DO HEREBY CERTIFY THAT THIS SURVEY OF THE PROPERTY LEGALLY SHOWN HEREON IS CORRECT AND THAT THERE ARE NO APPARENT DISCREPANCIES, CONFLICTS, SHORTAGES OF AREA, BOUNDARY LINE CONFLICTS, ENCROACHMENTS, OVERLAPPING OF IMPROVEMENTS, EASEMENTS OR RIGHTS OF WAY, EXCEPT AS SHOWN HEREON, AND THAT SAID PROPERTY HAS ACCESS TO AND FROM A DEDICATED ROADWAY.

SURVEYED JUNE 22, 2011

LYLE RAINY
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 4900



EXHIBIT 2

LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property owned by the Applicant and located within the boundaries of both the Woodville Independent School District and the *Texas Pellets, Inc. Reinvestment Zone* will be included in and subject to this Agreement

EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

The Qualified Investment/Qualified Property will consist of the equipment for several distinct sections or divisions, including a greenwood handling and storage section, a wet milling section, a dryer section, a dry milling section, a pelletizing section and a finished project handling section. The greenwood handling section consists of a log yard with a crane to move logs, debarker, truck dump, chipper and stacker-reclaimer. The wet milling station is expected to contain up to seven wet milling machines. The dryer station is expected to consist of two separate drying drums. The dry milling section will contain dry milling machines. The pelletizing section will consist of pelletizing machines capable of applying six different pellet pressures, a conditioner and an air cooler. The finished project handling section consists of storage tanks, bucket elevators, chain conveyor, catwalk system and towers.

EXHIBIT 4
ESTIMATE OF THE AMOUNT OF LOSS OF REVENUES BY THE DISTRICT

Agreement for Limitation on Appraised Value
Between Woodville Independent School District and Texas Pellets, Inc.
Texas Comptroller Application No. 226
September 17, 2012

EXHIBIT 4

TABLE 1. Estimated Financial Impact of the Texas Pellet Project Property Value Limitation Request Submitted to Woodville Isd at \$1.04 M&O Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes		Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection		School District Revenue Losses	Estimated Net Tax Benefits
						Before Value Limit	Taxes after Value Limit			Revenue	Losses		
Pre-Year 1	2012-13	\$5,750,000	\$5,750,000	\$0	\$1.040	\$59,800	\$59,800	\$0	\$0	\$0	\$0	\$0	\$0
1	2013-14	\$180,640,000	\$180,640,000	\$0	\$1.040	\$1,878,656	\$1,878,656	\$0	\$0	\$0	\$0	\$0	\$0
2	2014-15	\$168,863,000	\$168,863,000	\$0	\$1.040	\$1,756,175	\$1,756,175	\$0	\$0	\$0	\$0	\$0	\$0
3	2015-16	\$156,844,000	\$10,000,000	\$146,844,000	\$1.040	\$1,631,178	\$104,000	\$1,527,178	\$0	\$0	\$1,527,178	-\$118,059	\$1,409,119
4	2016-17	\$144,825,000	\$10,000,000	\$134,825,000	\$1.040	\$1,506,180	\$104,000	\$1,402,180	\$102,689	\$1,504,869	\$1,375,665	\$0	\$1,504,869
5	2017-18	\$132,806,000	\$10,000,000	\$122,806,000	\$1.040	\$1,381,182	\$104,000	\$1,277,182	\$98,482	\$1,375,665	\$1,257,210	\$0	\$1,375,665
6	2018-19	\$121,787,000	\$10,000,000	\$111,787,000	\$1.040	\$1,266,585	\$104,000	\$1,162,585	\$94,625	\$1,257,210	\$1,138,756	\$0	\$1,257,210
7	2019-20	\$110,768,000	\$10,000,000	\$100,768,000	\$1.040	\$1,151,987	\$104,000	\$1,047,987	\$90,769	\$1,138,756	\$1,020,302	\$0	\$1,138,756
8	2020-21	\$99,749,000	\$10,000,000	\$89,749,000	\$1.040	\$1,037,390	\$104,000	\$933,390	\$86,912	\$1,020,302	\$972,228	\$0	\$1,020,302
9	2021-22	\$95,277,000	\$10,000,000	\$85,277,000	\$1.040	\$990,881	\$104,000	\$886,881	\$85,347	\$972,228	\$927,228	\$0	\$972,228
10	2022-23	\$97,352,000	\$10,000,000	\$87,352,000	\$1.040	\$1,012,461	\$104,000	\$908,461	\$86,073	\$994,534	\$972,228	-\$35,100	\$959,434
11	2023-24	\$100,427,000	\$100,427,000	\$0	\$1.040	\$1,044,441	\$1,044,441	\$0	\$1,114,740	\$1,114,740	\$1,114,740	\$0	\$1,114,740
12	2024-25	\$103,502,000	\$103,502,000	\$0	\$1.040	\$1,076,421	\$1,076,421	\$0	\$1,148,872	\$1,148,872	\$1,148,872	\$0	\$1,148,872
13	2025-26	\$106,577,000	\$106,577,000	\$0	\$1.040	\$1,108,401	\$1,108,401	\$0	\$518,322	\$518,322	\$518,322	\$0	\$518,322
14	2026-27	\$109,652,000	\$109,652,000	\$0	\$1.040	\$1,140,381	\$1,140,381	\$0	\$0	\$0	\$0	\$0	\$0
15	2027-28	\$112,727,000	\$112,727,000	\$0	\$1.040	\$1,172,361	\$1,172,361	\$0	\$0	\$0	\$0	\$0	\$0
						\$19,154,678	\$10,008,835	\$9,145,843	\$3,426,831	\$12,572,674	-\$153,159	\$12,419,516	

Tax Credit for Value Over Limit in First 2 Years

	Year 1	Year 2	Max Credits
Credits Earned	\$1,774,656	\$1,652,175	\$3,426,831
Credits Paid			\$3,426,831
Excess Credits Unpaid			\$0