

FINDINGS
of the
***HEREFORD INDEPENDENT
SCHOOL DISTRICT BOARD OF
TRUSTEES***

**Under Chapter 313 of the Texas Tax
Code**

**ON THE APPLICATION FOR A
LIMITED APPRAISED VALUE ON
QUALIFIED PROPERTY**

SUBMITTED BY

TX HEREFORD WIND, LLC

RESOLUTION AND FINDINGS OF FACT
of the
HEREFORD INDEPENDENT SCHOOL DISTRICT BOARD OF TRUSTEES
UNDER CHAPTER 313 OF THE TEXAS TAX CODE
ON THE APPLICATION FOR A
LIMITED APPRAISED VALUE ON QUALIFIED PROPERTY SUBMITTED
BY HEREFORD WIND, LLC

STATE OF TEXAS §
 §
COUNTY OF DEAF SMITH §

PREAMBLE

On the 22nd day of July, 2013, a public meeting of the Board of Trustees of the Hereford Independent School District (the “Board”) was held to solicit input from interested parties on the application by TX HEREFORD WIND, LLC (“Hereford Wind” or “Applicant”) for an appraised value limitation on qualified property under Chapter 313 of the Texas Tax Code. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board considered the application by Hereford Wind for a Limited Appraised Value on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations from interested parties within the District. After hearing presentations from the District’s administrative staff and the consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Hereford Independent School District makes the following Findings regarding the Application:

On or about the 11th day of February, 2013, the Superintendent of Schools for the Hereford Independent School District, acting as agent for the Board, received an Application for Appraised Value Limitation on Qualified Property from Hereford Wind, pursuant to Chapter 313 of the Texas Tax Code. This Application was amended by Amendment No. 001 on March 19, 2013 and Amendment No. 002 on May 20, 2013 (collectively the “Application”). The general nature of Applicant’s investment in qualified property set forth in the Application is for equipment and material related to the creation of wind power electric generation facility. *See* Comptroller’s Recommendation Letter, dated June 20, 2013, attached hereto as Attachment C. The Board agreed to consider such Application, and the Superintendent formally acknowledged receipt of the completed and final Application for consideration on behalf of the District. The Texas Comptroller of Public Accounts received the completed and final Application on or about February 14, 2013, and issued its notice of completeness by letter dated March 28, 2013, the Application review start date. A copy of the Application and Comptroller letter of March 28, 2013 are attached as Attachment A.

The Texas Taxpayer Identification number for Hereford Wind is 32049474474. Hereford Wind is an entity subject to Chapter 171 of the Texas Tax Code and is certified to be in good standing with the Texas Comptroller of Public Accounts as required by Texas Tax Code §313.024(a). *See* Attachment B.

The Board acknowledged receipt of the Application and necessary application fee as established by §313.025(a)(1) of the Texas Tax Code and Local District Policy.

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

A copy of the Application was delivered to the Deaf Smith County Appraisal District for review pursuant to 34 Texas Administrative Code §9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code §§313.025 and 313.026. The Comptroller determined the Project subject to the Application meets the requirements for eligibility under Texas Tax Code §313.025(h) for a limitation on appraised value, and a recommendation was issued on June 26, 2013, that the Application be approved. *See* Attachment C.

After receipt of the Application, the Texas Comptroller's Office caused an economic impact evaluation to be conducted pursuant to §313.026 of the Texas Tax Code. The Board of Trustees has carefully considered such evaluation. A copy of the Economic Impact Evaluation is attached to these Findings as Attachment D.

The Board also directed that a specific school financial analysis be conducted of the impact of the proposed value limitation on the finances of Hereford Independent School District. A copy of a report prepared by Randy McDowell and Neal Brown is attached to these Findings as Attachment E.

The Board has confirmed that the taxable value of industrial property in the Hereford Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403 of the Texas Government Code, falls within a rural school district, Category I of §313.054 of the Texas Tax Code. *See* Comptroller's "2012 ISD Summary Worksheet," attached hereto as Attachment F.

After receipt of the completed Application, the District entered into negotiations with Hereford Wind regarding the specific language to be included in the Limitation on Appraised Value Agreement ("LAVA") pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The proposed LAVA is attached to these Findings as Attachment G, and the LAVA was submitted to and approved by the Comptroller as set out under 34 Texas Administrative Code §9.1015, *et seq.* *See* copy of July 19, 2013 letter from the Comptroller approving the LAVA, attached to these Findings as Attachment H.

After review of the Comptroller's recommendation, and in consideration of its own analysis of Hereford Wind's Application and all other substantive documentation related thereto, the Board, in addition to the above Findings, further finds as follows:

Board Finding Number 1.

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

In support of Finding Number 1, the Economic Impact Evaluation states:

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Hereford Wind project requires appear to be in line with the focus and themes of the plan. Texas identified energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the energy industry.

Board Finding Number 2.

The economic condition of Deaf Smith and Castro Counties, Texas and the region is in need of long-term improvement, and Applicant's renewable energy generation facility will improve the economic condition of both Deaf Smith and Castro Counties and the region.

In support of this Finding, the information provided by the Comptroller's Office indicates the population growth in Deaf Smith County was lower than that for the state in recent years, while Castro County was higher. The state population grew by 1.8 percent between 2009 and 2010, while the population of Deaf Smith County increased 1.6 percent and Castro County increased 2.5 percent over the same period.

In September 2011, the total employment for Deaf Smith County was 8,711, down 0.2 percent from September 2010. In Castro County, employment was down 0.6 percent from September 2010, and the total employment in September 2011 was 3,475. The state's employment increased by 0.9 percent over the same time period. The unemployment rate in Deaf Smith County was 6.0 percent in September 2011, which was an increase from 5.5 percent in September 2010. In Castro County, the unemployment rate was 5.6 percent in September 2011, which is an increase from 5.4 percent in September 2010. These were, however, lower than the state average of 8.5 percent for September 2011, up from 8.2 percent in September 2010.

Deaf Smith County has lower per-capita personal income than the state as a whole. The average per-capita income for Deaf Smith County residents for 2009 was \$28,132, which ranked 213th among the 254 counties in Texas and was down 0.6 percent from 2008. Castro County also has lower per-capita personal income than the state as a whole. The average per-capita income for Castro County residents for 2009 was \$33,542, which ranked 113th among the 254 counties in

Texas and was down 15.0 percent from 2008. The Texas average was \$38,609 for the same period, down 3.1 percent from 2008.

Taxable sales in Deaf Smith County during the fourth quarter of 2010 were \$30.13 million, up 0.1 percent from the same quarter in 2009. In Castro County, taxable sales during the fourth quarter of 2010 were \$7.81 million, down 3.4 percent from the same quarter in 2009. Taxable sales in the City of Hereford through the fourth quarter of 2010 were \$27.38 million, which was up 9.2 percent from the same period in 2009.

Given recent income levels and sales tax activity, both Deaf Smith and Castro Counties will benefit from economic activity like that associated with the Hereford Wind project. Major capital investments like this project are beneficial to the community on a number of fronts, including employment, expanded opportunities for existing businesses, and an increased local tax base.

Board Finding Number 3.

The level of the Applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$47.5 million, based on six (6) positions to be created for that portion of the Hereford Wind project located within Hereford ISD.

In support of Finding Number 3, the Economic Impact Evaluation states:

The project's total investment is \$285 million, resulting in a relative level of investment per qualifying job of \$47.5 million.

The investment amount per job may vary, depending on the total number of turbines actually installed by Applicant.

Board Finding Number 4.

The average salary level of qualifying jobs is expected to be at least \$46,000 per year, which meets the qualification that the wage-level be 110% of the average county wage, and that each qualifying job will receive medical, dental and vision insurance coverage, paid holidays, paid vacations, 401k, short and long term disability, life insurance, sick time, and flexible spending accounts. Hereford Wind indicates that total permanent employment will be six (6) new qualifying jobs within the District.

In support of Finding Number 4, the Economic Impact Evaluation states:

After construction, the project will create six (6) new jobs when fully operational. All six (6) jobs will meet the criteria for qualifying jobs as specified in Tax Code §313.021(3). According to the Texas Workforce Commission (TWC), the

regional manufacturing wage for the Panhandle Regional Planning Commission Region, where Deaf Smith County is located, was \$40,196 in 2011. The annual average manufacturing wage for 2011-12 for Deaf Smith County is \$41,392. That same year, the county annual average wage for all industries was \$35,178. In salary of \$46,000, each qualifying position [to be created by Hereford Wind] will receive the following benefits: medical, dental and vision insurance coverage; paid holidays; paid vacations; 401k; short and long term disability; life insurance; sick time; and flexible spending accounts.

Board Finding Number 5.

The new jobs creation requirement under § 313.051(b) exceeds the industry standard for the number of employees reasonably necessary for the operation of the Applicant's facility described in the Application, and Applicant qualifies for a waiver of the new jobs requirement pursuant to § 313.025(f-1).

In support of this Finding, Applicant, as Attachment 13 to its Application, submitted information regarding the industry standard for the number of jobs for a project with qualified property of this size and type. Attachment 13 provides that for a project of the size and type described in the Application, the project will require less than ten (10) permanent jobs. The industry standard requires approximately one (1) full time position for every 15 turbines, depending on the size and type of turbines selected, which is less than the requirements of §313.051(b). A copy of Checklist Item 13 submitted with the Application is attached hereto as Attachment I. Applicant reports that it will create at least six (6) qualifying jobs to service and support approximately 87 turbines, which will be more jobs than required by industry standard. See Attachment A, Checklist Item 4.

Board Finding Number 6.

The ability of the Applicant to locate the proposed wind energy facility in another state or another region of this state is significant because of the highly competitive marketplace for economic development.

In support of Finding Number 6, the Economic Impact Evaluation states:

According to Hereford Wind's application and the Economic Impact Evaluation, "A wind energy project can be located in any state, or any county in the State, with a commercially viable wind resource, and access to transmission and an attractive market. The Applicant's parent company-Lincoln Renewable Energy, LLC – currently has projects under development at viable sites in numerous states. In addition, Lincoln Renewable Energy, LLC has a wind project under development on the Texas coast. Securing this Chapter 313 value limitation with Hereford ISD will help make the project more economically viable and competitive versus other options in the region and in Texas."

Board Finding Number 7.

Subsequent economic effects on the local and regional tax bases will be significant. The District will receive revenue gains due to the increase in its tax base. Likewise, the Board finds that the local and regional tax base will increase, and that the Applicant's renewable energy project will improve the economic condition of the region and the state.

In support of Finding Number 7, the Economic Impact Evaluation states:

Table 1 depicts Spinning Spur Two's [sic – Hereford Wind's¹] estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc., (REMI). The impact includes the construction period and the operating period of the project.

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¹ It appears that the Comptroller inadvertently left the name of a district from a prior study in the template used for the Economic Impact Evaluation for Hereford Wind's Report. The actual data reflected in the Table corresponds to information in Hereford Wind's application. All other references are to Hereford ISD, Hereford Wind and other applicable taxing entities that overlap with Hereford ISD. Therefore, the data in Table 1 is believed to be accurate and applicable to Hereford Wind's application.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Hereford Wind.

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	10	11	21	\$520,000	\$480,000	\$1,000,000
2014	156	163	319	\$8,076,000	\$10,924,000	\$19,000,000
2015	6	16	22	\$276,000	\$1,724,000	\$2,000,000
2016	6	6	12	\$276,000	\$1,724,000	\$2,000,000
2017	6	6	12	\$276,000	\$1,724,000	\$2,000,000
2018	6	6	12	\$276,000	\$1,724,000	\$2,000,000
2019	6	2	8	\$276,000	\$724,000	\$1,000,000
2020	6	6	12	\$276,000	\$724,000	\$1,000,000
2021	6	12	18	\$276,000	\$1,724,000	\$2,000,000
2022	6	10	16	\$276,000	\$1,724,000	\$2,000,000
2023	6	12	18	\$276,000	\$1,724,000	\$2,000,000
2024	6	12	18	\$276,000	\$1,724,000	\$2,000,000
2025	6	12	18	\$276,000	\$1,724,000	\$2,000,000
2026	6	8	14	\$276,000	\$1,724,000	\$2,000,000
2027	6	10	16	\$276,000	\$1,724,000	\$2,000,000
2028	6	10	16	\$276,000	\$1,724,000	\$2,000,000

Source: CPA, REMI, Hereford Wind

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011. Hereford ISD’s ad valorem tax base in 2011 was \$1 billion. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Hereford ISD’s estimated wealth per WADA was \$189,136.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Deaf Smith County, Hereford Regional Medical Center, High Plains Water District, and Amarillo Jr. College, with all property tax incentives sought being granted using estimated market value from Hereford Wind’s application. Hereford Wind has applied for both a value limitation under Chapter 313, Tax Code and tax abatement with the [Deaf Smith] County and [Deaf Smith County Hospital District d/b/a Hereford Regional] Medical Center. Table 3 illustrates the estimated tax impact of the project on the region if all taxes are assessed.

Table 2. Estimated Direct Ad Valorem Taxes with all Property Tax Incentives Sought

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Hereford ISD I&S Levy	Hereford ISD M&O Levy	Hereford ISD M&O and I&S Tax Levies (Before Credit Credited)	Hereford ISD M&O and I&S Tax Levies (After Credit Credited)	Deaf Smith County Tax Levy (50%)	Hereford Regional Medical Center Tax Levy (50%)	High Plains Water District Tax Levy (50%)	Amarillo Jr. College District Tax Levy (50%)	Estimated Total Property Taxes
2014	\$4,000,000	\$4,000,000		0.0000	1.0400	\$0	\$41,600	\$0	\$0	\$0	\$0	\$41,600
2015	\$280,800,000	\$280,800,000		\$0	\$2,920,320	\$2,920,320	\$2,920,320	\$0	\$0	\$10,586	\$70,200	\$2,920,320
2016	\$266,760,000	\$30,000,000		\$0	\$312,000	\$312,000	\$312,000	\$0	\$0	\$10,057	\$66,690	\$312,000
2017	\$253,422,000	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$0	\$9,554	\$63,356	\$156,000
2018	\$240,750,900	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$0	\$9,076	\$60,188	\$156,000
2019	\$228,713,355	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$0	\$8,622	\$57,178	\$156,000
2020	\$217,277,687	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$0	\$8,191	\$54,319	\$156,000
2021	\$206,413,803	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$0	\$7,782	\$51,603	\$156,000
2022	\$196,093,113	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$0	\$7,393	\$49,023	\$156,000
2023	\$186,288,457	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$0	\$7,023	\$46,572	\$156,000
2024	\$176,974,035	\$176,974,035		\$0	\$1,840,530	\$1,840,530	\$324,210	\$451,284	\$345,807	\$6,672	\$44,244	\$775,494
2025	\$168,125,333	\$168,125,333		\$0	\$1,748,503	\$1,748,503	\$1,748,503	\$428,720	\$328,517	\$6,338	\$42,031	\$2,177,223
2026	\$159,719,066	\$159,719,066		\$0	\$1,661,078	\$1,661,078	\$1,661,078	\$407,284	\$312,091	\$6,021	\$39,930	\$2,068,362
2027	\$151,733,113	\$151,733,113		\$0	\$1,578,024	\$1,578,024	\$1,578,024	\$386,919	\$296,487	\$5,720	\$37,933	\$1,964,944
2028	\$144,146,457	\$144,146,457		\$0	\$1,499,123	\$1,499,123	\$1,499,123	\$367,573	\$281,662	\$5,434	\$36,037	\$1,866,697
						Total	\$11,176,859	\$2,041,780	\$1,564,564	\$108,622	\$720,304	\$13,218,639

Assumes School Value Limitation and Tax Abatements with the County and the Medical Center.

Source: CPA, Hereford Wind

¹Tax Rate per \$100 Valuation

Table 3. Estimated Direct Ad Valorem Taxes without Property Tax Incentives

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Hereford ISD I&S Levy	Hereford ISD M&O Levy	Hereford ISD M&O and I&S Tax Levies	Deaf Smith County Tax Levy (50%)	Hereford Regional Medical Center Tax Levy (50%)	High Plains Water District Tax Levy (50%)	Amarillo Jr. College District Tax Levy (50%)	Estimated Total Property Taxes	
2014	\$4,000,000	\$4,000,000		0.0000	1.0400	\$0	\$0	\$0	\$0	\$0	\$0	
2015	\$280,800,000	\$280,800,000		\$0	\$2,920,320	\$41,600	\$10,200	\$7,816	\$151	\$1,000	\$51,800	
2016	\$266,760,000	\$266,760,000		\$0	\$2,774,304	\$2,920,320	\$716,040	\$548,683	\$10,586	\$70,200	\$3,636,360	
2017	\$253,422,000	\$253,422,000		\$0	\$2,635,589	\$2,774,304	\$680,238	\$521,249	\$10,057	\$66,690	\$3,454,542	
2018	\$240,750,900	\$240,750,900		\$0	\$2,503,809	\$2,635,589	\$646,226	\$495,187	\$9,554	\$63,356	\$3,281,815	
2019	\$228,713,355	\$228,713,355		\$0	\$2,378,619	\$2,503,809	\$613,915	\$470,427	\$9,076	\$60,188	\$3,117,724	
2020	\$217,277,687	\$217,277,687		\$0	\$2,259,688	\$2,378,619	\$583,219	\$446,906	\$8,622	\$57,178	\$2,961,838	
2021	\$206,413,803	\$206,413,803		\$0	\$2,146,704	\$2,259,688	\$551,058	\$424,561	\$8,191	\$54,319	\$2,813,746	
2022	\$196,093,113	\$196,093,113		\$0	\$2,039,368	\$2,146,704	\$526,355	\$403,333	\$7,782	\$51,603	\$2,673,059	
2023	\$186,288,457	\$186,288,457		\$0	\$1,937,400	\$2,039,368	\$500,037	\$383,166	\$7,393	\$49,023	\$2,539,406	
2024	\$176,974,035	\$176,974,035		\$0	\$1,840,530	\$1,937,400	\$475,036	\$364,008	\$7,023	\$46,572	\$2,412,436	
2025	\$168,125,333	\$168,125,333		\$0	\$1,748,503	\$1,840,530	\$451,284	\$345,807	\$6,672	\$44,244	\$2,291,814	
2026	\$159,719,066	\$159,719,066		\$0	\$1,661,078	\$1,748,503	\$428,720	\$328,517	\$6,338	\$42,031	\$2,177,223	
2027	\$151,733,113	\$151,733,113		\$0	\$1,578,024	\$1,661,078	\$407,284	\$312,091	\$6,021	\$39,930	\$2,068,362	
2028	\$144,146,457	\$144,146,457		\$0	\$1,499,123	\$1,578,024	\$386,919	\$296,487	\$5,720	\$37,933	\$1,964,944	
						Total	\$29,964,660	\$7,347,104	\$5,629,899	\$108,622	\$720,304	\$37,311,764

Source: CPA, Hereford Wind

¹Tax Rate per \$100 Valuation

Board Finding Number 8.

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

In support of this Finding, Randy McDowell and Neal Brown estimate in the District's Financial Impact Report that the project would add \$280,800,000 to the tax base at the peak investment level for the 2015 tax year. This additional value is fully taxable for debt service taxes and can be used to meet any current or future debt needs. In addition, the projected revenue gains from the proposed Agreement would be approximately \$5,024,458, based on \$100 per student per year in average daily attendance.

Board Finding Number 9.

The effect of the applicant's proposal, if approved, is not expected to increase the District's instructional facility needs. Hereford ISD can easily accommodate the projected student growth with its existing facilities. However, possible increase in and/or changes to class size and personnel could cause the District to incur extraordinary educational expenses.

The Application indicates that Hereford Wind project expects to create six (6) new jobs in the District. It is not known whether these would be new employees to the District, or if current residents would fill these positions. But, it is assumed in the Financial Impact Report that these employees would be new residents to the District, and provides 3 new students to the District. It is believed that Hereford ISD will easily be able to accommodate new students, if any, which may result from these new jobs. The District must plan to educate all students who reside within its boundaries, and the number of new students can vary widely depending on the number of construction jobs and workers present during the construction phase of Hereford Wind's renewal energy project. Therefore, the District may need to hire the additional temporary teachers and staff to educate the additional students that could enroll in the District.

Board Finding Number 10.

During the past two years, five projects in the Panhandle Regional Planning Commission Region applied for value limitation agreements under Tax Code Chapter 313.

Board Finding Number 11.

The Board finds that the projected market value of the qualified property of the Applicant, as determined by the Comptroller, is \$280,800,000.

Board Finding Number 12.

The proposed limitation on appraised value for the qualified property is \$30,000,000.

Board Finding Number 13.

The projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the Agreement, if the property does not receive a limitation on appraised value with the projected depreciations of investment, is set out in Table II of Attachment E and Table 3 of Attachment D (as noted in Finding No. 7 above), and is based on the assumption that the projected total maintenance and operations and interest and sinking fund tax rates will be \$1.04 per \$100 in valuation in each year of the Agreement.

Board Finding Number 14.

The projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the Agreement, if the property does receives a limitation on appraised value with the projected depreciations of investment, is set out in Attachment D (as noted in Finding No. 7 above), and is based on the assumption that the projected total maintenance and operations and interest and sinking fund tax rates will be \$1.04 per \$100 in valuation in each year of the Agreement. The total amount of tax savings and tax credits is depicted in Table II of Attachment E.

Board Finding Number 15.

The projected effect on the Foundation School Program and impact on the District's finances resulting from payments to the District for each year of the Agreement is shown on Tables III, IV and V of Attachment E, and in Tables 1, 2 and 3 of the Economic Impact Evaluation.

Board Finding Number 16.

The projected future tax credits for each year of the Agreement are shown in Table II of Attachment E.

Board Finding Number 17.

Assuming that Applicant would still construct is renewal energy project in the District, without a limitation on appraised value for the qualified property, the total amount of taxes to be lost over the life of the Agreement by subtracting the projected taxes stated in Finding Number 13 from the projected taxes stated in Finding Number 14 is shown in Table II of Attachment E.

Board Finding Number 18.

The Board of Trustees hired consultants to review and verify the information in the Application from Hereford Wind. Based upon the consultants' review, the Comptroller's Economic Impact Evaluation, and the Comptroller's Recommendation letter, the Board has determined that the information provided by the Applicant is true and correct (see Attachments B, C and D).

Board Finding Number 19.

The Applicant (Taxpayer Id. 32049474474) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its "good standing" certification as a franchise-tax paying entity (Attachment B; see also Attachment D).

Board Finding Number 20.

The Limited Appraised Valuation Agreement on Qualified Property (LAVA), pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment G, includes adequate and appropriate revenue protection provisions for the District.

In support of this Finding, the Financial Impact Report demonstrates that the District will incur a revenue loss during year 3 of the proposed LAVA. However, the negative consequences of granting the value limitation are offset through the "hold harmless" provision of the LAVA and other revenue protection provisions agreed to by the Applicant and the District.

Board Finding Number 21.

The general nature of Applicant's qualified investment is renewable energy electricity generation (wind), which is eligible for the limitation on the appraised value of Applicant's Property.

Board Finding Number 22.

Considering the purpose and effect of the law and the terms of the Agreement, it is in the best interest of the District and the State to approve Hereford Wind's Application and enter into the attached Limited Appraised Valuation Agreement of Property for School District Maintenance and Operations Taxes.

IT IS THEREFORE ORDERED, that all of the Findings herein, including the recitals and statements set out in the Preamble herein, are adopted and approved as the Findings of the Hereford Independent School District Board of Trustees, and the Board of Trustees has made the above factual Findings in accordance with the Texas Tax Code § 313.025(e) and Texas Administrative Code 34, Chapter 9, subchapter F; and,

IT IS FURTHER ORDERED that the Application attached hereto as Attachment A is hereby APPROVED; and,

IT IS FURTHER ORDERED that the new jobs requirement pursuant to § 313.051(b) is hereby WAIVED; and,

IT IS FURTHER ORDERED that the Agreement attached hereto as Attachment G is APPROVED and is hereby authorized to be executed and delivered by the Hereford Independent School District Board President on behalf of the Hereford Independent School District, along with a copy of the these Findings, which shall be binding upon the parties upon receipt of an executed original of the Agreement from Applicant; and,

IT IS FURTHER ORDERED that these Findings and the Attachments referenced herein be made a part of the official minutes of this meeting, and maintained in the permanent records of the Hereford Independent School District Board of Trustees.

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Dated this 22nd day of July, 2013.

Hereford Independent School District

By Jeff O'Rand
Jeff O'Rand, President

Attest:

By Amy K Schueler
Amy Schueler, Secretary

LIST OF ATTACHMENTS

<i>Attachment</i>	<i>Description</i>
A	TX Hereford Wind Application and Comptroller's Completeness Letter
B	Franchise Tax Certification of Account Status for TX Hereford Wind
C	June 20, 2013 Comptroller's letter sending Economic Impact Evaluation
D	Comptroller Economic Impact Evaluation
E	District's Financial Impact Report
F	Comptroller's 2012 ISD Summary Worksheet
G	Proposed Limited Assessed Valuation Agreement
H	July 19, 2013 letter from Comptroller re approval of LAVA
I	TX Hereford Wind job waiver request

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



March 28, 2013

Kelli Moulton
Superintendent
Hereford Independent School District
601 N. 25 Mile Ave.
Hereford, Texas 79045

Dear Superintendent Moulton:

On February 14, 2013, the Comptroller's office received from Hereford Independent School District (Hereford ISD) an application from TX Hereford Wind, LLC for a limitation on appraised value. The purpose of this letter is to inform you that the Comptroller's office has received all required documents for the application review and economic impact evaluation.

The Comptroller's office will move forward with our economic impact evaluation and recommendation to the school district. Tax Code §313.025(d) allows the Comptroller's office to complete the economic impact evaluation and recommendation on or before the 91 days from the date of this letter. The Comptroller's office will send a letter of recommendation to the ISD and the applicant.

Should you have any questions, please contact Jenny Hicks with our office. She can be reached by email at jenny.hicks@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-4794, or direct in Austin at 512-463-4794.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Wood", is written over the signature line.

Robert Wood
Director
Economic Development & Analysis

cc: Audie Sciumbato, Underwood Law Firm, P.C.
Declan Flanagan, Lincoln Renewable Energy, LLC

TX Hereford Wind, LLC
**Application for Appraised Value Limitation on Qualified
Property**

Presented to:
Hereford Independent School District

February 11, 2013



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

Form 50-296
(Revised May 2010)

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

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

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

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

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

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

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

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

SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION

Authorized School District Representative		Date application received by district February 11, 2013
First Name Kelli	Last Name Moulton	
Title Superintendent		
School District Name Hereford Independent School District		
Street Address 601 N. 25 Mile Ave.		
Mailing Address same		
City Hereford	State TX	ZIP 79045
Phone Number (806)364-0606	Fax Number (806)363-7647	
Mobile Number (optional)	E-mail Address kellimoulton@herefordisd.net	

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

Will consultant be primary contact? Yes No



SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

Authorized School District Consultant (If Applicable)

First Name **Audie**

Last Name **Sciumbato**

Title **Attorney**

Firm Name **Underwood Law Firm, PC**

Street Address

Mailing Address **PO Box 9158**

City **Amarillo**

State **TX**

ZIP **79105**

Phone Number **(806)364-2626**

Fax Number **(806)364-9368**

Mobile Number (Optional)

E-mail Address **audie.sciumbato@uwlaw.com**

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

Signature (Authorized School District Representative)

Date

2-11-13

Has the district determined this application complete? Yes No

If yes, date determined complete. 02/11/2013

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

SCHOOL DISTRICT CHECKLIST AND REQUESTED ATTACHMENTS

Checklist	Page X of 16	Check Completed
1 Date application received by the ISD	1 of 16	✓
2 Certification page signed and dated by authorized school district representative	2 of 16	✓
3 Date application deemed complete by ISD	2 of 16	✓
4 Certification pages signed and dated by applicant or authorized business representative of applicant	4 of 16	✓
5 Completed company checklist	12 of 16	✓
6 School finance documents described in TAC 9.1054(c)(3) (Due within 20 days of district providing notice of completed application)	2 of 16	✓

APPLICANT INFORMATION - CERTIFICATION OF APPLICATION

Authorized Business Representative (Applicant)

First Name Declan		Last Name Flanagan	
Title CEO			
Organization Lincoln Renewable Energy, LLC			
Street Address 401 North Michigan Avenue, Suite 501			
Mailing Address			
City Chicago		State IL	ZIP 60611
Phone Number 312/237-4700		Fax Number 312/237-4707	
Mobile Number (optional)		Business e-mail Address dflanagan@lrenergy.com	

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

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

First Name Byron		Last Name Boone	
Title Senior Development Director			
Organization Lincoln Renewable Energy, LLC			
Street Address 1675 Larimer Street, Suite 440			
Mailing Address			
City Denver		State CO	ZIP 80202
Phone Number 312/422-5281		Fax Number 303/433-6312	
Mobile Number (optional) 512/468-1479		E-mail Address bboone@lrenergy.com	

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

Will consultant be primary contact? Yes No

FEES AND PAYMENTS

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

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

Please answer only either A OR B:

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

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

BUSINESS APPLICANT INFORMATION

Legal Name under which application is made

TX Hereford Wind, LLC

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

320 494 744 74

NAICS code

221119

Is the applicant a party to any other Chapter 313 agreements? ... [X] Yes [] No

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

TX Hereford Wind has plans to enter into a 313 agreement with Dimmitt ISD, Castro County for this project.

APPLICANT BUSINESS STRUCTURE

Registered to do business in Texas with the Texas Secretary of State? ... [X] Yes [] No

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

Limited Liability Company

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

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

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

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

ELIGIBILITY UNDER TAX CODE CHAPTER 313.024

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

PROJECT DESCRIPTION

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

See Checklist Tab #4 attached

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

See Checklist Tab #4 attached

PROJECT CHARACTERISTICS (CHECK ALL THAT APPLY)

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

PROJECTED TIMELINE

Begin Construction October 2013 Begin Hiring New Employees October 2013
 Construction Complete October 2014 Fully Operational October 2014
 Purchase Machinery & Equipment September 2013

Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)? Yes No
Note: Improvements made before that time may not be considered qualified property.

When do you anticipate the new buildings or improvements will be placed in service? September 2014

ECONOMIC INCENTIVES

Identify state programs the project will apply for:

State Source	Amount
N/A	
Total	

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

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

Chapter 312 tax abatement agreements with Deaf Smith County, Castro County, Hereford Regional Medical Center in Deaf Smith County, and Castro County Hospital District. A Chapter 313 agreement being pursued with Dimmitt ISD.

THE PROPERTY

Identify county or counties in which the proposed project will be located Deaf Smith County and Castro County

Central Appraisal District (CAD) that will be responsible for appraising the property Deaf Smith CAD and Castro County CAD

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

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

County: Deaf Smith County 50% City: N/A
(Name and percent of project) (Name and percent of project)

Hospital District: Hereford Regional Medical Center 50% Water District: High Plains Water District 50%
(Name and percent of project) (Name and percent of project)

Other (describe): Amarillo Jr. College 50% Other (describe): _____
(Name and percent of project) (Name and percent of project)

Is the project located entirely within this ISD? Yes No

If not, please provide additional information on the project scope and size to assist in the economic analysis.

One half of entire project, at full build-out, will be in Castro County. Taxing entities in Castro County include Castro County, Dimmitt ISD, Castro County Hospital District, Water, and County Roads.

INVESTMENT

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

At the time of application, what is the estimated minimum qualified investment required for this school district? \$30,000,000

What is the amount of appraised value limitation for which you are applying? \$30,000,000

What is your total estimated *qualified* investment? \$285,000,000

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

What is the anticipated date of application approval? April 30, 2013

What is the anticipated date of the beginning of the qualifying time period? April 30, 2013

What is the total estimated investment for this project for the period from the time of application submission to the end of the limitation period? \$285,000,000

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

Attach the following items to this application:

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

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

Except for new equipment described in Tax Code §151.318(q) or (q-1), is the proposed tangible personal property to be placed in service for the first time:

(1) in or on the new building or other new improvement for which you are applying? Yes No

(2) if not in or on the new building or other new improvement for which you are applying for an appraised value limitation, is the personal property necessary and ancillary to the business conducted in the new building or other new improvement? Yes No

(3) on the same parcel of land as the building for which you are applying for an appraised value limitation? Yes No

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

Will the investment in real or personal property you propose be counted toward the minimum qualified investment required by Tax Code §313.023, (or 313.053 for rural school districts) be first placed in service in this state during the applicable qualifying time period? Yes No

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

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

QUALIFIED PROPERTY

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

Attach the following items to this application:

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

Land

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

If you answered "no" to the question above, what is the anticipated date on which you will submit proof of a reinvestment zone with boundaries encompassing the land on which you propose new construction or improvements? April 15, 2013

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

Will the project be on leased land? Yes No

QUALIFIED PROPERTY (CONTINUED)

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

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

Attach a map of the reinvestment zone boundaries, certified to be accurate by either the governmental entity creating the zone, the local appraisal district, or a licensed surveyor. (With vicinity map)

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

Miscellaneous

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

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

List current market value of existing property at site as of most recent tax year. zero (Market Value) 2013 (Tax Year)

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

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

WAGE AND EMPLOYMENT INFORMATION

What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0

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

First Quarter Second Quarter Third Quarter Fourth Quarter of 2012 (year)

What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the TWG? None

Note: For job definitions see TAC §9.1051(14) and Tax Code 313.021(3). If the applicant intends to apply a definition for "new job" other than TAC §9.1051(14)(C), then please provide the definition of "new job" as used in this application.

Total number of new jobs that will have been created when fully operational 6

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

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

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

What is the maximum number of qualifying jobs meeting all criteria of §313.021(3) you are committing to create? 6

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

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

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

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



WAGE AND EMPLOYMENT INFORMATION (CONTINUED)

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

110% of the county average weekly wage for all jobs (all industries) in the county is \$744.15
110% of the county average weekly wage for manufacturing jobs in the county is \$875.60
110% of the county average weekly wage for manufacturing jobs in the region is \$850.30

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

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

What is the estimated minimum required annual wage for each qualifying job based on the qualified property? \$44,215

What is the estimated minimum required annual wage you are committing to pay for each of the qualifying jobs you create on the qualified property? \$46,000

- Will 80% of all new jobs created by the owner be qualifying jobs as defined by 313.021(3)? Yes No
Will each qualifying job require at least 1,600 of work a year? Yes No
Will any of the qualifying jobs be jobs transferred from one area of the state to another? Yes No
Will any of the qualifying jobs be retained jobs? Yes No
Will any of the qualifying jobs be created to replace a previous employee? Yes No
Will any required qualifying jobs be filled by employees of contractors? Yes No
If yes, what percent? 67%

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

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

See Checklist Tab #15 herewith

ECONOMIC IMPACT

- Is an Economic Impact Analysis attached (If supplied by other than the Comptroller's office)? Yes No
Is Schedule A completed and signed for all years and attached? Yes No
Is Schedule B completed and signed for all years and attached? Yes No
Is Schedule C (Application) completed and signed for all years and attached? Yes No
Is Schedule D completed and signed for all years and attached? Yes No

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

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



WAGE AND EMPLOYMENT INFORMATION (CONTINUED)

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

110% of the county average weekly wage for all jobs (all industries) in the county is \$730.77

110% of the county average weekly wage for manufacturing jobs in the county is \$874.13

110% of the county average weekly wage for manufacturing jobs in the region is \$850.03

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

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

What is the estimated minimum required annual wage for each qualifying job based on the qualified property? \$44,215

What is the estimated minimum required annual wage you are committing to pay for each of the qualifying jobs you create on the qualified property? \$46,000

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

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

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

Will any of the qualifying jobs be retained jobs? [] Yes [X] No

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

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

If yes, what percent? 67%

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

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

See Checklist Tab #15 herewith

ECONOMIC IMPACT

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

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

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

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

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

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

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

CONFIDENTIALITY NOTICE

Property Tax Limitation Agreement Applications
Texas Government Code Chapter 313
Confidential Information Submitted to the Comptroller

Generally, an application for property tax value limitation, the information provided therein, and documents submitted in support thereof, are considered public information subject to release under the Texas Public Information Act.

There is an exception, outlined below, by which information will be withheld from disclosure.

The Comptroller's office will withhold information from public release if:

- 1) it describes the specific processes or business activities to be conducted or the specific tangible personal property to be located on real property covered by the application;
- 2) the information has been segregated in the application from other information in the application; and
- 3) the party requesting confidentiality provides the Comptroller's office a list of the documents for which confidentiality is sought and for each document lists the specific reasons, including any relevant legal authority, stating why the material is believed to be confidential.

All applications and parts of applications which are not segregated and marked as confidential as outlined above will be considered public information and will be posted on the internet.

Such information properly identified as confidential will be withheld from public release unless and until the governing body of the school district acts on the application, or we are directed to do so by a ruling from the Attorney General.

Other information in the custody of a school district or the comptroller submitted in connection with the application, including information related to the economic impact of a project or the essential elements of eligibility under Texas Tax Code, Chapter 313, such as

the nature and amount of the projected investment, employment, wages, and benefits, will not be considered confidential business information and will be posted on the internet.

All documents submitted to the Comptroller, as well as all information in the application once the school district acts thereon, are subject to public release unless specific parts of the application or documents submitted with the application are identified as confidential. Any person seeking to limit disclosure of such submitted records is advised to consult with their legal counsel regarding disclosure issues and also to take the appropriate precautions to safeguard copyrighted material, trade secrets, or any other proprietary information. The Comptroller assumes no obligation or responsibility relating to the disclosure or nondisclosure of information submitted by respondents. A person seeking to limit disclosure of information must submit in writing specific detailed reasons, including any relevant legal authority, stating why that person believes the material to be confidential.

The following outlines how the Comptroller's office will handle requests for information submitted under the Texas Public Information Act for application portions and submitted records appropriately identified as confidential.

- This office shall forward the request for records and a copy of the documents at issue to the Texas Attorney General's office for an opinion on whether such information may be withheld from disclosure under the Texas Public Information Act.
- The Comptroller will notify the person who submitted the application/documents when the information is forwarded to the Attorney General's office.
- Please be aware that this Office is obligated to comply with an Attorney General's decision, including release of information ruled public even if it was marked confidential.

COMPANY CHECKLIST AND REQUESTED ATTACHMENTS

Checklist	Page X of 16	Check Completed
1 Certification pages signed and dated by Authorized Business Representative (applicant)	4 of 16	✓
2 Proof of Payment of Application Fee (Attachment)	5 of 16	✓
3 For applicant members, documentation of Combined Group membership under Texas Tax Code 171.0001(7) (if Applicable) (Attachment)	5 of 16	✓
4 Detailed description of the project	6 of 16	✓
5 If project is located in more than one district, name other districts and list percentage in each district (Attachment)	7 of 16	✓
6 Description of Qualified Investment (Attachment)	8 of 16	✓
7 Map of qualified investment showing location of new buildings or new improvements with vicinity map.	8 of 16	✓
8 Description of Qualified Property (Attachment)	8 of 16	✓
9 Map of qualified property showing location of new buildings or new improvements with vicinity map	8 of 16	✓
10 Description of Land (Attachment)	9 of 16	✓
11 A detailed map showing location of the land with vicinity map.	9 of 16	✓
12 A description of all existing (if any) improvements (Attachment)	9 of 16	✓
13 Request for Waiver of Job Creation Requirement (if applicable) (Attachment)	9 of 16	✓
14 Calculation of three possible wage requirements with TWC documentation. (Attachment)	10 of 16	✓
15 Description of Benefits	10 of 16	✓
16 Economic Impact (if applicable)	10 of 16	✓
17 Schedule A completed and signed	13 of 16	✓
18 Schedule B completed and signed	14 of 16	✓
19 Schedule C (Application) completed and signed	15 of 16	✓
20 Schedule D completed and signed	16 of 16	✓
21 Map of Reinvestment Zone (Attachment) (Showing the actual or proposed boundaries and size, Certified to be accurate by either the government entity creating the zone, the local appraisal district, or a licensed surveyor, with vicinity map)*	9 of 16	✓
22 Order, Resolution, or Ordinance Establishing the Zone (Attachment)*	9 of 16	✓
23 Legal Description of Reinvestment Zone (Attachment)*	9 of 16	✓
24 Guidelines and Criteria for Reinvestment Zone(Attachment)*	9 of 16	✓

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

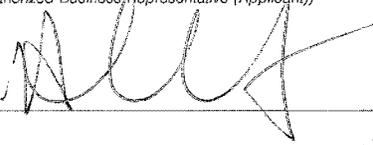
APPLICANT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

Authorized Company Consultant (If Applicable)

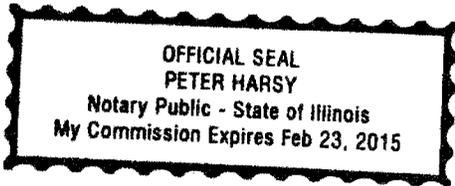
First Name		Last Name	
Title			
Firm Name			
Street Address			
Mailing Address			
City		State	ZIP
Phone Number		Fax Number	
Business email Address			

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

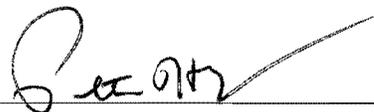
I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

Signature (Authorized Business Representative (Applicant))	Date
	08-Feb-2013

GIVEN under my hand and seal of office this 8th day of February, 2013



(Notary Seal)


 Notary Public, State of Illinois

My commission expires Feb 23 2015

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

Checklist Item 2

Proof of Payment of Application Fee

Proof of payment attached.

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

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

Checklist Item 3

Combined Group Membership

1. TX Hereford Wind, LLC a Delaware limited liability company formed on November 9, 2012.
2. TX Hereford Wind, LLC is registered in the State of Texas as a foreign limited liability company, File Number 801682961, in the Office of the Secretary of State. Taxpayer number 32049474474.
3. TX Hereford Wind, LLC has one member with 100% ownership, Lincoln Renewable Energy, L.L.C. which is registered in the State of Texas as a foreign limited liability company, File Number 801318039, in the Office of the Secretary of State. Taxpayer number 32042627284
4. Contact information for TX Hereford Wind, LLC is as follows:
Contact: Byron Boone
Phone: 312/422-5281
Email: bboone@lrenergy.com
5. In addition, we have attached herewith Certificates of Account Status from the Texas Comptroller's Office that show that all current affiliates of Lincoln Renewable Energy that are doing business in Texas are in good standing. This includes Lincoln Renewable Energy, L.L.C; TX Hereford Wind, LLC; and TX Windwood Wind, LLC.



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

February 8, 2013

CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS
COUNTY OF TRAVIS

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

LINCOLN RENEWABLE ENERGY, L.L.C.

is, as of this date, in good standing with this office having no franchise
tax reports or payments due at this time. This certificate is valid through
the date that the next franchise tax report will be due May 15, 2013.

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

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

GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 8th day of
February 2013 A.D.

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

Susan Combs
Texas Comptroller

Taxpayer number: 32042627284
File number: 0801318039

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



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

February 8, 2013

CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS
COUNTY OF TRAVIS

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

TX HEREFORD WIND, LLC

is, as of this date, in good standing with this office having no franchise
tax reports or payments due at this time. This certificate is valid through
the date that the next franchise tax report will be due May 15, 2013.

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

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

GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 8th day of
February 2013 A.D.

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

Susan Combs
Texas Comptroller

Taxpayer number: 32049474474
File number: 0801682961

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



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

February 8, 2013

CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS
COUNTY OF TRAVIS

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

TX WINDWOOD WIND, LLC

is, as of this date, in good standing with this office having no franchise
tax reports or payments due at this time. This certificate is valid through
the date that the next franchise tax report will be due May 15, 2013.

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

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

GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 8th day of
February 2013 A.D.

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

Susan Combs
Texas Comptroller

Taxpayer number: 32048186160
File number: 0801608903

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

Checklist Item 4

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

Description of the Project:

TX Hereford Wind, LLC ("Hereford Wind") is requesting a Chapter 313 Appraised Value Limitation Agreement from Hereford ISD for a proposed renewable energy project using wind turbines (wind farm) to be constructed in southeast Deaf Smith County and northeastern Castro County.

The proposed wind farm will potentially be constructed as one phase or possibly multiple phases, with a total of up to 174 wind turbine generators, for a total capacity of up to 400.2 megawatts (MW), spanning the Hereford and Dimmitt school districts in southeast Deaf Smith and eastern Castro Counties, Texas. The current plan is to utilize 2.3MW turbines. The project will cover approximately 31,000 acres of privately-owned land, all currently used as farmland or pasture, and such uses can continue as the Project is designed to be compatible with such activities. Construction is expected to commence in the second half of 2013, and be completed in the third or fourth quarter of 2014. In addition to the wind turbines, the Project will also include an operations and maintenance building, a series of new access roads to the turbines, underground electrical collection cables, a substation, an overhead transmission line connecting to a substation at the Point of Interconnection to the new ERCOT transmission line, and other ancillary equipment necessary to safely operate, maintain, and transmit power to the ERCOT grid as meteorological equipment to measure wind speed and direction. None of this property is covered under an existing appraisal district account number.

The project lay-out is not finalized at this time and we are unable to precisely pinpoint the final location of the approximately 87 wind turbine generators that will be located within Hereford ISD.

Approximately 150 – 200 construction workers are anticipated at peak of construction activity for each phase, and approximately 6 permanent, full-time workers are anticipated for the plant management and operations and maintenance functions for each project.

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

A wind energy project can be located in any state, or any county in the State, with a commercially viable wind resource, and access to transmission and an attractive market. The Applicant's parent company – Lincoln Renewable Energy, LLC - currently has projects under development at viable sites in numerous states. In addition, Lincoln Renewable Energy, LLC has a wind project under development on the Texas coast. Securing this Chapter 313 value limitation agreement with Hereford ISD will help make the project more economically viable and competitive versus other options in the region and in Texas.

Checklist Item 5

87 of the planned 174 turbines, along with the Project substation and switchyard and a portion of the project electrical collection system, the Project operations and maintenance building, and access road network are expected to be located in the Hereford ISD.

The other planned 87 of the planned 174 turbines, along with the balance of the project electrical collection system and access road network are expected to be located in the Dimmitt ISD.

Checklist Item 6

Description of Qualified Investment:

The Applicant is requesting an appraised value limitation on all of the property constructed or placed upon the real property within Hereford ISD and includes the following:

1. Approximately 87 Siemens 2.3MW wind turbine generator systems described as follows:
 - a. Rotor with a diameter of 108 m, comprised of three blades mounted to a cast iron hub.
 - b. Three blades manufactured from carbon fiber, wood, fiberglass, epoxy.
 - c. Blade pitch control system.
 - d. Hub manufactured from cast iron connecting the blades to turbine shaft.
 - e. Gearbox.
 - f. Bearings.
 - g. Gearbox lubrication system.
 - h. Brake system.
 - i. 87 towers, 80 m to hub.
 - j. Nacelle.
 - k. Anemometer, wind vane, and lightning protection system.
 - l. Control system.
2. Roadwork, sloped for drainage, with turnouts from public roads.
3. Fencing to control livestock and to protect substations and other equipment as needed for safety and security.
4. 87 wind turbine foundations, with anchor bolt embeds.
5. Wind turbine obstruction lighting per FAA requirements.
6. Telephone system.
7. Collection substation and switchyard with associated transformers as well as associated circuit breakers, switches, reactive compensation equipment, and control building.
8. All control systems necessary for safety, security, and commercial generation of electricity.
9. Underground power cables and collection system, and various cable accessories, with grounding.
10. Operations and maintenance building with offices and warehouse, with standard utilities.
11. Permanent meteorological towers, quantity and location of which to be determined by final turbine layout.
12. Underground communication cables.

Checklist Item 7

See attached map of qualified investment showing location of new building or new improvements with vicinity map.

CONFIDENTIAL

Checklist Item 8

Description of Qualified Property:

1. Approximately 87 Siemens 2.3MW wind turbine generator systems described as follows:
 - a. Rotor with a diameter of 108 m, comprised of three blades mounted to a cast iron hub.
 - b. Three blades manufactured from carbon fiber, wood, fiberglass, epoxy.
 - c. Blade pitch control system.
 - d. Hub manufactured from cast iron connecting the blades to turbine shaft.
 - e. Gearbox.
 - f. Bearings.
 - g. Gearbox lubrication system.
 - h. Brake system.
 - i. 87 towers, 80 m to hub.
 - j. Nacelle.
 - k. Anemometer, wind vane, and lightning protection system.
 - l. Control system.
2. Roadwork, sloped for drainage, with turnouts from public roads.
3. Fencing to control livestock and to protect substations and other equipment as needed for safety and security.
4. 87 wind turbine foundations, with anchor bolt embeds.
5. Wind turbine obstruction lighting per FAA requirements.
6. Telephone system.
7. Collection substation and switchyard with associated transformers as well as associated circuit breakers, switches, reactive compensation equipment, and control building.
8. All control systems necessary for safety, security, and commercial generation of electricity.
9. Underground power cables and collection system, and various cable accessories, with grounding.
10. Operations and maintenance building with offices and warehouse, with standard utilities.
11. Permanent meteorological towers, quantity and location of which to be determined by final turbine layout.
12. Underground communication cables.

Checklist Item 9

Please refer to Checklist Item 7 for a Map of the Qualified Property.

Checklist Item 10

The entire project will be on leased land described herein. As such, the land will not be considered part of qualified property. Land account numbers, owner names, appraisal district account numbers, and taxable values are therefore not applicable.

John F. Watson & Company

PROFESSIONAL LAND SURVEYORS & PLANNERS

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

www.windearthwater.com

HEREFORD WIND PROJECT – HEREFORD ISD 313 APPLICATION

DEAF SMITH COUNTY AND HEREFORD ISD PORTION OF HEREFORD WIND PROJECT

APPROXIMATELY 26,871 ACRES OF LAND

LEGAL DESCRIPTION: BEING APPROXIMATELY 26,871 ACRES OF LAND AND BEING ALL OF AND ANY PORTIONS OF SECTIONS 1, A-179, 2, A-882, A-1362 & A-1365, 3, A-180, 4, A-1144 & A-1445, 19, A-181, 20, A-1060, 21, A-182, 22, A-1061 & A-1342, 23, A-183, 24, A-952, 25, A-184, 26, A-1145, 41, A-185, 42, A-951, A-1463, A-1464 & A-1470, 43, A-186, 44, A-772, 45, A-187, 46, A-997, A-1281 & A-1293, 47, A-188, 48, A-998, 63, A-195, 64, A-1143, 65, A-264, 66, A-778 & A-1456, 67, A-206, 68, A-779, 69, A-207, 70, A-1177, AND 86, A-763 & A-1292, BLOCK M7, BS&F SURVEY, AND SECTIONS 317, A-270, 318, A-1086, 319, A-271, 320, A-971, 321, A-272, 322, A-1109, 323, A-273, 324, A-950, 357, A-274, 358, A-1106, A-1331 & A-1337, 359, A-275, AND 360, A-970 & A-1366, BLOCK M6, SK&K SURVEY, LYING IN AND BEING SITUATED OUT OF DEAF SMITH COUNTY, TEXAS; SAID TRACT BEING GENERALLY DESCRIBED AS FOLLOWS:

BEGINNING at a point at or near the intersection of the east line of said Section 317 and the common line of said Deaf Smith County and Castro County, Texas for the southeast corner hereof and having an approximate Latitude and Longitude of N 34.74737° and W 102.17389°;

THENCE South 89°56'31" West an approximate distance of 8,911.06 feet along the common line of said Castro and Deaf Smith Counties to a point at or near the intersection of said common county line and the south line of said Section 324 for an angle point hereof;

THENCE North 88°50'38" West an approximate distance of 44,991.75 feet along the south line of said Sections 324, 357, 4, 19, 26, 41, 48, 63 and 70 to a point at or near the southerly common corner of Section 85 of said Block M7 and said Section 70 for an ell corner hereof and having an approximate Latitude and Longitude of N 34.748699° and W 102.35331°;

THENCE North 01°12'52" East an approximate distance of 5,302.66 feet along the common line of said Sections 70 and 85 to a point at or near the common corner of said Sections 69, 70, 85 and 86 and an interior corner hereof;

THENCE North 88°35'56" West an approximate distance of 5,301.26 feet along the common line of said Sections 85 and 86 to a point at or near the common corner of Sections 91 and 92 of said Block M7 and said Sections 85 and 86 and an ell corner hereof;

THENCE North 00°56'13" East an approximate distance of 5,325.49 feet to a point at or near the common corner of Sections 87 and 90 of said Block M7 and said Sections 86 and 91 and an ell corner hereof;

THENCE South 88°49'54" East an approximate distance of 5,324.14 feet along the common line of said Sections 86 and 87 to a point at or near the common corner of said Sections 68, 69, 86 and 87 and an interior corner hereof;
THENCE North 01°12'48" East an approximate distance of 10,571.36 feet along the west line of said Sections 67 and 68 to a point at or near the common corner of Sections 40, 41 and 88 of said Block M7 and said Section 67 and the northwest corner hereof and having an approximate Latitude and Longitude of N 34.80700° and W 102.35243°;

THENCE South 88°50'22" East an approximate distance of 37,738.61 feet along the north line of said Sections 67, 66, 45, 44, 23, 22 and 1 to a point at or near the northerly common corner of said Sections 1 and 360 and an angle point hereof;

THENCE South 88°27'31" East an approximate distance of 16,177.06 feet along the north line of said Sections 360, 321 and 320 to a point at or near the northeast corner of said Section 320 and hereof and having an approximate Latitude and Longitude of N 34.804847° and W 102.172851°;

THENCE South 01°14'47" West an approximate distance of 20,920.36 feet along the east line of said Sections 320, 319, 318 and 317 to the **POINT OF BEGINNING** and containing 26,871 acres of land, more or less.

Note: Bearings and distances shown hereon are NAD83, Texas North Zone, and coordinates shown hereon are WGS84 and all are approximate based on GIS mapping. This description does not constitute a boundary survey and is provided for reference purposes only.

Note: THIS DIGITAL COPY IS PROVIDED FOR THE INSERTION INTO LEGAL DOCUMENTS.

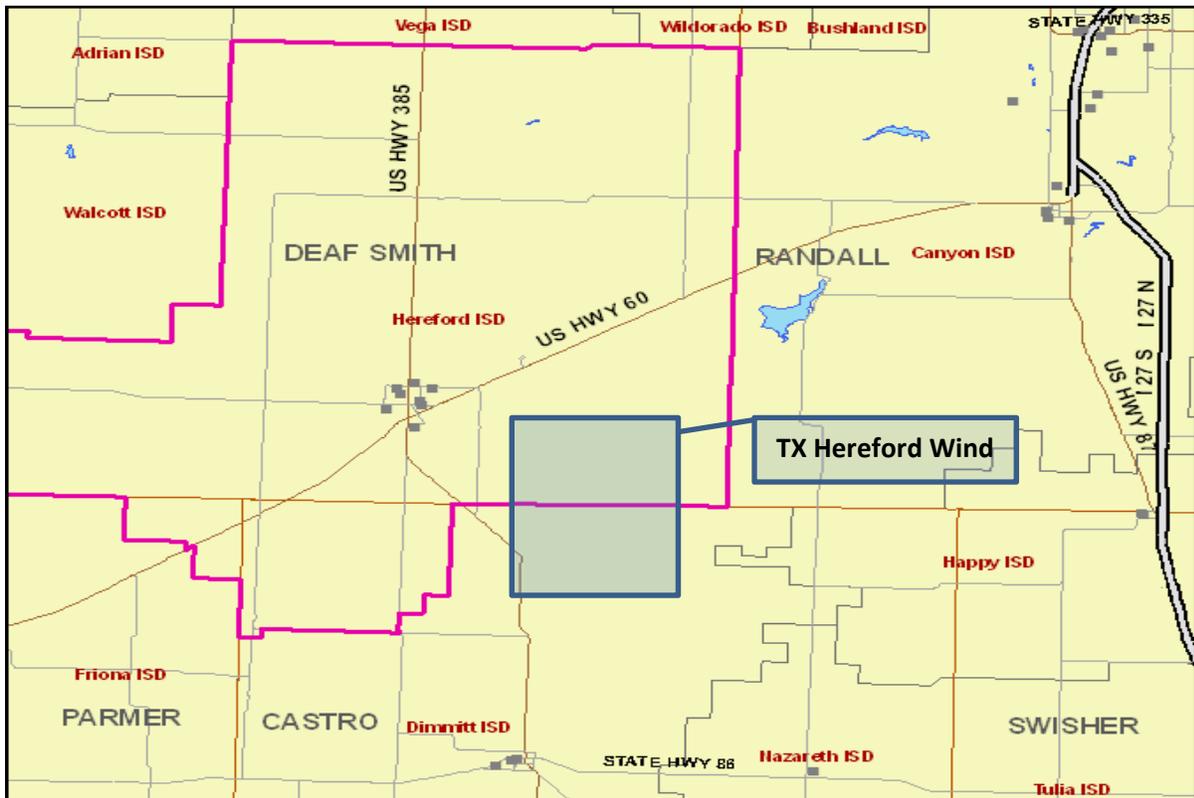
Checklist Item 11

TX Hereford Wind Vicinity Map



TX Hereford Wind, LLC

Hereford ISD Map



Checklist Item 12

There are no existing improvements.

Checklist Item 13

The Project will create at least 6 qualifying jobs allocable to Hereford ISD, as that term is defined in Section 313.021(3) of the Texas Tax Code. Pursuant to Section 313.025 (f-1) of the Texas Tax Code, the governing body of a school district may waive the new jobs creation requirement in Section 313.021(2)(A)(iv)(b) or 313.051(b) and approve an application if the governing body makes a finding that the jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility of the property that is described in this application.

The applicant requests that the Hereford ISD's Board of Trustees make such a finding and waive the job creation requirement. Based on the industry standard, the size and scope of the project will require less than ten permanent jobs. Wind projects create a large number of part-time jobs during the construction phase, but require a small number of highly-skilled technicians to operate a wind project once construction is completed and commercial operations start. The permanent employees of a wind project maintain and service wind turbines, underground electrical connections, substations and other infrastructure associated with the safe and reliable operation of the Project.

Based on its operating procedures, the Applicant typically staffs a wind farm in the ratio of one full-time employee for every 15 turbines, although this number can and does vary depending upon the turbine selected and the support and technical assistance offered by the turbine manufacturer. In addition to the onsite employees described above, there may be asset managers or technicians who supervise, monitor, and support wind project operations from offsite locations.

Thank you for your consideration of the requested waiver of the minimum job requirement.



February 11, 2013

Hereford Independent School District Board (ISD)
601 N. 25 Mile Avenue
Hereford, TX 79045

Re: Job Waiver Request for Hereford Wind Farm

To Whom It May Concern:

As contained in Checklist Item 13 in TX Hereford Wind, LLC application for 313 Value Limitation Agreement, we are requesting a waiver for new job creation. Pursuant to Section 313.025 (f-1) of the Texas Tax Code, the governing body of a school district may waive the new jobs creation requirement in Section 313.021(2)(A)(iv)(b) or 313.051(b) and approve an application if the governing body makes a finding that the jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility of the property that is described in this application. The Project will create at least 6 qualifying jobs allocable to Hereford ISD, as that term is defined in Section 313.021(3) of the Texas Tax Code.

The applicant requests that the Hereford ISD's Board of Trustees make such a finding and waive the job creation requirement. Based on the industry standard, the size and scope of the project will require less than ten permanent jobs.

Wind projects create a large number of part-time jobs during the construction phase, but require a small number of highly-skilled technicians to operate a wind project once construction is completed and commercial operations start. The permanent employees of a wind project maintain and service wind turbines, underground electrical connections, substations and other infrastructure associated with the safe and reliable operation of the Project.

However, the project still stands to provide significant benefits to the community with respect to increased tax base and the royalty payments it will make to local landowners.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Jordan", is written over a light blue circular stamp or watermark.

Joe Jordan
Development Director
Lincoln Renewable Energy

312/810-6078
jjordan@lrenergy.com

Checklist Item 14

**2011 Manufacturing Wages by Council of Government Region
Wages for All Occupations**

COG	Hourly	Annual
1. Panhandle Regional Planning Commission	\$19.32	\$40,196

$\$40,196 \times 1.10 = \$44,215.60 \div 52 \text{ weeks} = \850.30

**2011 Manufacturing Wages by Council of Government Region
Wages for All Occupations**

COG	Wages	
	Hourly	Annual
Texas	\$22.89	\$47,610
1. Panhandle Regional Planning Commission	\$19.32	\$40,196
2. South Plains Association of Governments	\$16.45	\$34,210
3. NORTEK Regional Planning Commission	\$18.14	\$37,733
4. North Central Texas Council of Governments	\$24.03	\$49,986
5. Ark-Tex Council of Governments	\$16.52	\$34,366
6. East Texas Council of Governments	\$18.27	\$37,995
7. West Central Texas Council of Governments	\$17.76	\$36,949
8. Rio Grande Council of Governments	\$15.69	\$32,635
9. Permian Basin Regional Planning Commission	\$21.32	\$44,349
10. Concho Valley Council of Governments	\$15.92	\$33,123
11. Heart of Texas Council of Governments	\$18.82	\$39,150
12. Capital Area Council of Governments	\$26.46	\$55,047
13. Brazos Valley Council of Governments	\$15.71	\$33,718
14. Deep East Texas Council of Governments	\$15.48	\$32,207
15. South East Texas Regional Planning Commission	\$28.23	\$58,724
16. Houston-Galveston Area Council	\$25.82	\$53,711
17. Golden Crescent Regional Planning Commission	\$20.38	\$42,391
18. Ahmo Area Council of Governments	\$18.00	\$37,439
19. South Texas Development Council	\$13.85	\$28,806
20. Coastal Bend Council of Governments	\$22.35	\$46,489
21. Lower Rio Grande Valley Development Council	\$15.08	\$31,365
22. Texoma Council of Governments	\$20.76	\$43,190
23. Central Texas Council of Governments	\$16.17	\$33,642
24. Middle Rio Grande Development Council	\$13.65	\$28,382

Source: Texas Occupational Employment and Wages
 Data published: July 2012
 Data published annually; next update will be summer of 2013

Note: Data is not supported by the Bureau of Labor Statistics (BLS).
 Wage data is produced from Texas OES data, and is not to be compared to BLS estimates.
 Data intended for TAC 313 purposes only.

Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

Year Period Area Ownership Division Level Ind Code Industry Avg Weekly Wages



2011	4th Qtr	Deaf Smith County	Private	31	2	31-33	Manufacturing	\$800
2012	3rd Qtr	Deaf Smith County	Private	31	2	31-33	Manufacturing	\$821
2012	2nd Qtr	Deaf Smith County	Private	31	2	31-33	Manufacturing	\$775
2012	1st Qtr	Deaf Smith County	Private	31	2	31-33	Manufacturing	\$788

Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

Year Period Area Ownership Division Level Ind Code Industry Avg Weekly Wages



2011	4th Qtr	Deaf Smith County	Private	00	0	10	Total, All Industries	\$713
2012	3rd Qtr	Deaf Smith County	Private	00	0	10	Total, All Industries	\$669
2012	2nd Qtr	Deaf Smith County	Private	00	0	10	Total, All Industries	\$647
2012	1st Qtr	Deaf Smith County	Private	00	0	10	Total, All Industries	\$677

Calculation of Wage Requirements – Deaf Smith County

110% of County Average Weekly Wage for ALL Jobs:

2011	Q4	\$ 713
2012	Q1	\$ 677
2012	Q2	\$ 647
2012	Q3	\$ 669

Total: $\$ 2,706 \div 4 = \$ 676.50$ average weekly salary x 110% = \$ 744.15

110% of County Average Weekly Wage for MANUFACTURING Jobs:

2011	Q4	\$ 800
2012	Q1	\$ 788
2012	Q2	\$ 775
2012	Q3	\$ 821

Total: $\$ 3,184 \div 4 = \$ 796.00$ average weekly salary x 110% = \$ 875.60

Checklist Item 14

2011 Manufacturing Wages by Council of Government Region Wages for All Occupations

COG	Hourly	Annual
1. Panhandle Regional Planning Commission	\$19.32	\$40,196

$\$40,196 \times 1.10 = \$44,215.60$

2011 Manufacturing Wages by Council of Government Region Wages for All Occupations

COG	Wages	
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Texas	\$22.89	\$47,610
<u>1. Panhandle Regional Planning Commission</u>	\$19.32	\$40,196
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<u>17. Golden Crescent Regional Planning Commission</u>	\$20.38	\$42,391
<u>18. Aledo Area Council of Governments</u>	\$18.00	\$37,439
<u>19. South Texas Development Council</u>	\$13.85	\$28,806
<u>20. Coastal Bend Council of Governments</u>	\$22.35	\$46,489
<u>21. Lower Rio Grande Valley Development Council</u>	\$15.08	\$31,365
<u>22. Texoma Council of Governments</u>	\$20.76	\$43,190
<u>23. Central Texas Council of Governments</u>	\$16.17	\$33,642
<u>24. Middle Rio Grande Development Council</u>	\$13.65	\$28,382

Source: Texas Occupational Employment and Wages

Data published: July 2012

Data published annually, next update will be summer 2013

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

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

Data intended for TAC 313 purposes only.

Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2012	1st Qtr	Deaf Smith County	Private	31	2	31-33	Manufacturing	\$788
2012	2nd Qtr	Deaf Smith County	Private	31	2	31-33	Manufacturing	\$775
2012	3rd Qtr	Deaf Smith County	Private	31	2	31-33	Manufacturing	\$821

Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2012	1st Qtr	Deaf Smith County	Private	00	0	10	Total, All Industries	\$677
2012	2nd Qtr	Deaf Smith County	Private	00	0	10	Total, All Industries	\$647
2012	3rd Qtr	Deaf Smith County	Private	00	0	10	Total, All Industries	\$669

Calculation of Wage Requirements – Deaf Smith County

110% of County Average Weekly Wage for ALL Jobs:

2012 Q1 \$677

2012 Q2 \$647

2012 Q3 \$669

Total: $\$1993/3 = \664.33 average weekly salary x 1.10% = \$730.77

(Note – no data for Deaf Smith County for Q4 2012)

110% of County Average Weekly Wage for MANUFACTURING Jobs:

2012 Q1 \$788

2012 Q2 \$775

2012 Q3 \$821

Total: $\$2,384/3 = \794.67 average weekly salary x 1.10% = \$874.13

(Note – no data for Deaf Smith County for Q4 2012)

Checklist Item 15

Description of Benefits:

- Medical, dental and vision insurance coverage
- Paid holidays
- Paid vacations
- 401k
- Short and Long term disability
- Life insurance
- Sick time
- Flexible spending accounts

Checklist Item 16

Not applicable, as Applicant is not providing an economic benefit analysis.

Applicant Name
ISD Name

TX Hereford Wind, LLC
Hereford ISD

Form 50-296

PROPERTY INVESTMENT AMOUNTS									
(Estimated Investment in each year. Do not put cumulative totals.)									
		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)		2013-2014	2013	\$ -	\$ -		\$ -	\$ -
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)				\$ -	\$ -		\$ -	\$ -
	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)				\$ 4,000,000.00	\$ -	\$ 4,000,000.00	\$ -	\$ 4,000,000.00
Complete tax years of qualifying time period		1	2014-2015	2014	\$ 280,000,000.00	\$ 800,000.00	\$ 280,800,000.00	\$ -	\$ 280,800,000.00
		2	2015-2016	2015	\$0	\$ -	\$0		\$ -
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	3	2016-2017	2016	\$ -	\$ -		\$ -	\$ -
		4	2017-2018	2017	\$ -	\$ -		\$ -	\$ -
		5	2018-2019	2018	\$ -	\$ -		\$ -	\$ -
		6	2019-2020	2019	\$ -	\$ -		\$ -	\$ -
		7	2020-2021	2020	\$ -	\$ -		\$ -	\$ -
		8	2021-2022	2021	\$ -	\$ -		\$ -	\$ -
		9	2022-2023	2022	\$ -	\$ -		\$ -	\$ -
		10	2023-2024	2023	\$ -	\$ -		\$ -	\$ -
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2024-2025	2024	\$ -	\$ -		\$ -	\$ -
		12	2025-2026	2025	\$ -	\$ -		\$ -	\$ -
		13	2026-2027	2026	\$ -	\$ -		\$ -	\$ -
Post- Settle-Up Period		14	2027-2028	2027	\$ -	\$ -		\$ -	\$ -
Post- Settle-Up Period		15	2028-2029	2028	\$ -	\$ -		\$ -	\$ -

0

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals. [For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property]. Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

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

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

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

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


SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

3-18-13
DATE

Applicant Name
ISD Name

TX Hereford Wind, LLC
Hereford ISD

Form 50-296

PROPERTY INVESTMENT AMOUNTS									
(Estimated investment in each year. Do not put cumulative totals.)									
		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying Investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)		2013-2014	2013	\$ -	\$ -		\$ -	\$ -
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)				\$ -	\$ -		\$ -	\$ -
	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)				\$ -	\$ -	\$ -	\$ -	\$ -
	Complete tax years of qualifying time period	1	2014-2015	2014	\$ 4,000,000.00	\$ -	\$ 4,000,000.00	\$ -	\$ 4,000,000.00
		2	2015-2016	2015	\$280,000.00	\$ 800,000.00	\$280,800.00		\$ 280,800.00
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	3	2016-2017	2016	\$ -	\$ -		\$ -	\$ -
		4	2017-2018	2017	\$ -	\$ -		\$ -	\$ -
		5	2018-2019	2018	\$ -	\$ -		\$ -	\$ -
		6	2019-2020	2019	\$ -	\$ -		\$ -	\$ -
		7	2020-2021	2020	\$ -	\$ -		\$ -	\$ -
		8	2021-2022	2021	\$ -	\$ -		\$ -	\$ -
		9	2022-2023	2022	\$ -	\$ -		\$ -	\$ -
		10	2023-2024	2023	\$ -	\$ -		\$ -	\$ -
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2024-2025	2024	\$ -	\$ -		\$ -	\$ -
		12	2025-2026	2025	\$ -	\$ -		\$ -	\$ -
		13	2026-2027	2026	\$ -	\$ -		\$ -	\$ -
	Post- Settle-Up Period	14	2027-2028	2027	\$ -	\$ -		\$ -	\$ -
	Post- Settle-Up Period	15	2028-2029	2028	\$ -	\$ -		\$ -	\$ -

0

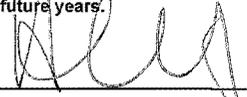
Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals. [For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property]. Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

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02/08/2013

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DATE

**Schedule B (Rev. May 2010): Estimated Market And Taxable Value
TX Hereford Wind, LLC**

Amendment No. 001

Applicant Name

ISD Name

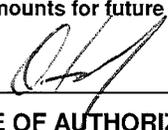
Hereford ISD

Form 50-296

		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
					Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	Exempted Value	Final taxable value for I&S - after all reductions	Final taxable value for M&O--after all reductions
		pre- year 1	2013-2014	2013	\$ -	\$ -		\$ -	\$ -	\$ -
	Complete tax years of qualifying time period	1	2014-2015	2014	\$ -	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 4,000,000
		2	2015-2016	2015	\$ -	\$ 800,000	\$ 280,000,000	\$ -	\$ 280,800,000	\$ 280,800,000
	Tax Credit Period (with 50% cap on credit)	3	2016-2017	2016	\$ -	\$ 760,000	\$ 266,000,000	\$ -	\$ 266,760,000	\$ 30,000,000
		4	2017-2018	2017	\$ -	\$ 722,000	\$ 252,700,000	\$ -	\$ 253,422,000	\$ 30,000,000
		5	2018-2019	2018	\$ -	\$ 685,900	\$ 240,065,000	\$ -	\$ 240,750,900	\$ 30,000,000
		6	2019-2020	2019	\$ -	\$ 651,605	\$ 228,061,750	\$ -	\$ 228,713,355	\$ 30,000,000
		7	2020-2021	2020	\$ -	\$ 619,025	\$ 216,658,663	\$ -	\$ 217,277,687	\$ 30,000,000
		8	2021-2022	2021	\$ -	\$ 588,074	\$ 205,825,729	\$ -	\$ 206,413,803	\$ 30,000,000
		9	2022-2023	2022	\$ -	\$ 558,670	\$ 195,534,443	\$ -	\$ 196,093,113	\$ 30,000,000
		10	2023-2024	2023	\$ -	\$ 530,736	\$ 185,757,721	\$ -	\$ 186,288,457	\$ 30,000,000
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2024-2025	2024	\$ -	\$ 504,200	\$ 176,469,835	\$ -	\$ 176,974,034	\$ 176,974,034
		12	2025-2026	2025	\$ -	\$ 478,990	\$ 167,646,343	\$ -	\$ 168,125,333	\$ 168,125,333
		13	2026-2027	2026	\$ -	\$ 455,040	\$ 159,264,026	\$ -	\$ 159,719,066	\$ 159,719,066
Post- Settle-Up Period		14	2027-2028	2027	\$ -	\$ 432,288	\$ 151,300,825	\$ -	\$ 151,733,113	\$ 151,733,113
Post- Settle-Up Period		15	2028-2029	2028	\$ -	\$ 410,674	\$ 143,735,783	\$ -	\$ 144,146,457	\$ 144,146,457

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

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



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3-18-13

DATE

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

TX Hereford Wind, LLC

Applicant Name

Hereford ISD

Form 50-296

ISD Name

		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
					Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	Exempted Value	Final taxable value for I&S - after all reductions	Final taxable value for M&O--after all reductions
		pre- year 1	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Complete tax years of qualifying time period	1	2014-2015	2014	\$ -	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 4,000,000
		2	2015-2016	2015	\$ -	\$ 800,000	\$ 283,800,000	\$ -	\$ 284,600,000	\$ 284,600,000
		3	2016-2017	2016	\$ -	\$ 760,000	\$ 269,610,000	\$ -	\$ 270,370,000	\$ 30,000,000
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	4	2017-2018	2017	\$ -	\$ 722,000	\$ 256,129,500	\$ -	\$ 256,851,500	\$ 30,000,000
		5	2018-2019	2018	\$ -	\$ 685,900	\$ 243,323,025	\$ -	\$ 244,008,925	\$ 30,000,000
		6	2019-2020	2019	\$ -	\$ 651,605	\$ 231,156,874	\$ -	\$ 231,808,479	\$ 30,000,000
		7	2020-2021	2020	\$ -	\$ 619,025	\$ 219,599,030	\$ -	\$ 220,218,055	\$ 30,000,000
		8	2021-2022	2021	\$ -	\$ 588,074	\$ 208,619,079	\$ -	\$ 209,207,152	\$ 30,000,000
		9	2022-2023	2022	\$ -	\$ 558,670	\$ 198,188,125	\$ -	\$ 198,746,794	\$ 30,000,000
		10	2023-2024	2023	\$ -	\$ 530,736	\$ 188,278,718	\$ -	\$ 188,809,455	\$ 30,000,000
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2024-2025	2024	\$ -	\$ 504,200	\$ 178,864,782	\$ -	\$ 179,368,982	\$ 179,368,982
		12	2025-2026	2025	\$ -	\$ 478,990	\$ 169,921,543	\$ -	\$ 170,400,533	\$ 170,400,533
		13	2026-2027	2026	\$ -	\$ 455,040	\$ 161,425,466	\$ -	\$ 161,880,506	\$ 161,880,506
Post- Settle-Up Period		14	2027-2028	2027	\$ -	\$ 432,288	\$ 153,354,193	\$ -	\$ 153,786,481	\$ 153,786,481
Post- Settle-Up Period		15	2028-2029	2028	\$ -	\$ 410,674	\$ 145,686,483	\$ -	\$ 146,097,157	\$ 146,097,157

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

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

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

02/08/2013

Schedule C- Application: Employment Information

Amendment No. 001

Applicant Name
ISD Name

TX Hereford Wind, LLC
Hereford ISD

Form 50-296

					Construction		New Jobs		Qualifying Jobs	
		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
		pre- year 1	2013-2014	2013	10 FTE	\$ 52,000.00	0	\$ -	0	
	Complete tax years of qualifying time period	1	2014-2015	2014	150 FTE	\$ 52,000.00	6	\$ 46,000	6	\$ 46,000
		2	2015-2016	2015	0	N/A	6	\$ 46,000	6	\$ 46,000
	Tax Credit Period (with 50% cap on credit)	3	2016-2017	2016	0	N/A	6	\$ 46,000	6	\$ 46,000
		4	2017-2018	2017	0	N/A	6	\$ 46,000	6	\$ 46,000
		5	2018-2019	2018	0	N/A	6	\$ 46,000	6	\$ 46,000
		6	2019-2020	2019	0	N/A	6	\$ 46,000	6	\$ 46,000
		7	2020-2021	2020	0	N/A	6	\$ 46,000	6	\$ 46,000
		8	2021-2022	2021	0	N/A	6	\$ 46,000	6	\$ 46,000
		9	2022-2023	2022	0	N/A	6	\$ 46,000	6	\$ 46,000
		10	2023-2024	2023	0	N/A	6	\$ 46,000	6	\$ 46,000
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2024-2025	2024	0	N/A	6	\$ 46,000	6	\$ 46,000
		12	2025-2026	2025	0	N/A	6	\$ 46,000	6	\$ 46,000
		13	2026-2027	2026	0	N/A	6	\$ 46,000	6	\$ 46,000
Post- Settle-Up Period		14	2027-2028	2027	0	N/A	6	\$ 46,000	6	\$ 46,000
Post- Settle-Up Period		15	2028-2029	2028	0	N/A	6	\$ 46,000	6	\$ 46,000

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

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


SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

3-18-13
DATE

Schedule C- Application: Employment Information

Applicant Name
ISD Name

TX Hereford Wind, LLC
Hereford ISD

Form 50-296

		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
					Column A: Number of Construction FTE's or man-hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
		pre- year 1	2013-2014	2013	10		0	\$ -	0	
	Complete tax years of qualifying time period	1	2014-2015	2014	150	\$ 52,000.00	6	\$ 46,000	6	\$ 46,000
		2	2015-2016	2015	0	N/A	6	\$ 46,000	6	\$ 46,000
	Tax Credit Period (with 50% cap on credit)	3	2016-2017	2016	0	N/A	6	\$ 46,000	6	\$ 46,000
		4	2017-2018	2017	0	N/A	6	\$ 46,000	6	\$ 46,000
		5	2018-2019	2018	0	N/A	6	\$ 46,000	6	\$ 46,000
		6	2019-2020	2019	0	N/A	6	\$ 46,000	6	\$ 46,000
		7	2020-2021	2020	0	N/A	6	\$ 46,000	6	\$ 46,000
		8	2021-2022	2021	0	N/A	6	\$ 46,000	6	\$ 46,000
		9	2022-2023	2022	0	N/A	6	\$ 46,000	6	\$ 46,000
		10	2023-2024	2023	0	N/A	6	\$ 46,000	6	\$ 46,000
	Credit Settle-Up Period	11	2024-2025	2024	0	N/A	6	\$ 46,000	6	\$ 46,000
		12	2025-2026	2025	0	N/A	6	\$ 46,000	6	\$ 46,000
		13	2026-2027	2026	0	N/A	6	\$ 46,000	6	\$ 46,000
	Post- Settle-Up Period	14	2027-2028	2027	0	N/A	6	\$ 46,000	6	\$ 46,000
	Post- Settle-Up Period	15	2028-2029	2028	0	N/A	6	\$ 46,000	6	\$ 46,000

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

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

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DATE

02/08/2013

Applicant Name

TX Hereford Wind, LLC

ISD Name

Hereford ISD

Form 50-296

					Sales Tax Information		Franchise Tax	Other Property Tax Abatements Sought			
					Sales Taxable Expenditures		Franchise Tax	County	City	Hospital	Other
		Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)			2013-2014	2013	\$ 12,100,000	\$ 272,900,000	\$ -	0			
	Complete tax years of qualifying time period	1	2014-2015	2014			\$ -	100%		100%	
		2	2015-2016	2015			\$ -	100%		100%	
	Tax Credit Period (with 50% cap on credit)	3	2016-2017	2016			\$ -	100%		100%	
		4	2017-2018	2017			\$ -	100%		100%	
		5	2018-2019	2018			\$ 220,000.00	100%		100%	
		6	2019-2020	2019			\$ 220,000.00	100%		100%	
		7	2020-2021	2020			\$ 220,000.00	100%		100%	
		8	2021-2022	2021			\$ 220,000.00	100%		100%	
		9	2022-2023	2022			\$ 220,000.00	100%		100%	
		10	2023-2024	2023			\$ 220,000.00	100%		100%	
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2024-2025	2024			\$ 220,000.00				
		12	2025-2026	2025			\$ 220,000.00				
		13	2026-2027	2026			\$ 220,000.00				
Post- Settle-Up Period		14	2027-2028	2027			\$ 220,000.00				
Post- Settle-Up Period		15	2028-2029	2028			\$ 220,000.00				

*For planning, construction and operation of the facility.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

02/08/2013

Checklist Item 21

Map of Reinvestment Zone – Applicant will supplement.

Amendment No. 002
Attachment 21



Checklist Item 22

Resolution Establishing Reinvestment Zone – Applicant will supplement.

**RESOLUTION OF THE COMMISSIONERS COURT
OF DEAF SMITH COUNTY, TEXAS
DESIGNATING REINVESTMENT ZONE NUMBER 2013-01**

A RESOLUTION DESIGNATING A CERTAIN AREA AS A REINVESTMENT ZONE FOR A COMMERCIAL/INDUSTRIAL TAX ABATEMENT IN DEAF SMITH COUNTY, TEXAS, ESTABLISHING THE BOUNDARIES THEREOF, AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Commissioners Court of Deaf Smith County, Texas desires to promote the development or redevelopment of a certain contiguous geographic area within its jurisdiction by the creation of a reinvestment zone as authorized by the Property Redevelopment and Tax Abatement Act, as amended (Texas Property Tax Code § 312.001, *et seq.*), and the Tax Abatement Guidelines and Criteria of Deaf Smith County (the “Guidelines”); and

WHEREAS, on April 22, 2013, a hearing before the Commissioners Court of Deaf Smith County, Texas was held, such date being at least seven (7) days after the date of publication of the notice of such public hearing in the local newspaper of general circulation in Deaf Smith County and the delivery of written notice to the respective presiding officers of each taxing entity that includes within its boundaries real property that is to be included in the proposed reinvestment zone; and

WHEREAS, the Commissioners Court of Deaf Smith County, Texas at such public hearing invited any interested person to appear and speak for or against the creation of the reinvestment zone and whether all or part of the territory described should be included in the proposed reinvestment zone; and

WHEREAS, the proponents of the reinvestment zone offered evidence, both oral and documentary, in favor of all of the foregoing matters relating to the creation of the reinvestment zone and opponents, if any, of the reinvestment zone appeared to contest the creation of the reinvestment zone.

BE IT RESOLVED BY THE COMMISSIONERS COURT OF DEAF SMITH COUNTY, TEXAS:

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

SECTION 2. That the Commissioners Court of Deaf Smith County, Texas, after conducting such hearing and having heard such evidence and testimony, has made the following findings and determinations based on the evidence and testimony presented to it:

- (a) That the public hearing on adoption of the reinvestment zone has been properly called, held and conducted and that notice of such hearing has been published as required by law and mailed to the respective presiding officers of the governing bodies of all taxing units overlapping the territory inside the proposed reinvestment zone; and

- (b) That the boundaries of the proposed reinvestment zone should be the area described in the description attached hereto as Exhibit "A" and depicted on the map attached hereto as Exhibit "B", both Exhibits being incorporated herein by reference for all purposes; and,
- (c) That creation of the reinvestment zone will result in benefits to Deaf Smith County, Texas and to land included in the reinvestment zone and that the improvements sought are feasible and practical; and
- (d) The reinvestment zone meets the criteria set forth in Texas Property Tax Code Chapter 312 for the creation of a reinvestment zone as set forth in the Property Redevelopment and Tax Abatement Act, as amended, and the Guidelines, in that it is reasonably likely as a result of the designation to contribute to the retention or expansion of primary employment or to attract investment in the zone that would be a benefit to the property and that would contribute to the economic development of Deaf Smith County, Texas, and that the entire tract of land is located entirely within an unincorporated area of Deaf Smith County, Texas.

SECTION 3. That pursuant to the Property Redevelopment and Tax Abatement Act, as amended, and the Guidelines, the Deaf Smith County Commissioners Court hereby creates Deaf Smith County Reinvestment Zone Number 2013-01; a reinvestment zone for commercial-industrial tax abatement encompassing only the area described in "Exhibit A" and depicted in Exhibit "B", and such reinvestment zone is hereby designated and shall hereafter be referred to as Deaf Smith County Reinvestment Zone Number 2013-01.

SECTION 4. That Deaf Smith County Reinvestment Zone Number 2013-01 shall take effect on April 22, 2013 and shall remain designated as a commercial-industrial reinvestment zone for a period of five (5) years from such date of designation, and may be renewed for an additional five (5) year period thereafter.

SECTION 5. That if any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution.

SECTION 6. That it is hereby found, determined and declared that sufficient notice of the date, hour, place and subject, of the meeting of the Deaf Smith County Commissioners Court at which this Resolution was adopted was posted at a place convenient and readily accessible at all times as required by the Texas Open Government Act, Texas Government Code, Chapter 551, as amended, and that a public hearing was held prior to the designation of such reinvestment zone and that proper notice of the hearing was published in the official newspaper of general circulation within the County, and furthermore, such notice was in fact delivered to the presiding officer of any affected taxing entity as prescribed by the Property Redevelopment and Tax Abatement Act.

PASSED, APPROVED AND ADOPTED on this the ____ day of April, 2013.

Pat Smith

Pat Smith
Commissioner, Precinct 1

Jerry O'Connor

Jerry O'Connor
Commissioner, Precinct 2

Mike Brumley

Mike Brumley
Commissioner, Precinct 3

David Wagner

David Wagner
Commissioner, Precinct 4

Tom Simons

Tom Simons
County Judge

Amelda DeLaCorda

County Clerk

[COUNTY SEAL]

EXHIBIT A
DESCRIPTION OF
DEAF SMITH COUNTY
REINVESTMENT ZONE 2013-01

The SE/4 of Section 86, Blk M7, BS&F Survey, Deaf Smith County, Texas

All of Sections 1, 2, 3, 4, 19, 20, 21, 22, 23, 24, 25, 26, 41, 42, 43, 44, 45, 46, 47, 48, 63, 64, 65, 66, 67, 68, 69, and 70, Blk M7, BS&F Survey, Deaf Smith County, Texas

Those portions of Sections 71, 62, 49, 40, 27, 18, and 5, Blk M7, BS&F Survey, lying in Deaf Smith County, Texas

WT THORP Survey, Deaf Smith County, Texas

WH HOWARD Survey, Deaf Smith County, Texas

JS WICHE Survey, Deaf Smith County, Texas

AS GRACY Survey, Deaf Smith County, Texas

All of Sections 318, 319, 320, 321, 322, 323, 358, 359, and 360, Blk. M-6, SK&K Survey, Deaf Smith County, Texas

Those portions of Sections 281, 282, 283, 284, 317, 324, 356, and 357, Blk M-6, SK&K Survey, lying in Deaf Smith County, Texas

EXHIBIT B
MAP OF
DEAF SMITH COUNTY
REINVESTMENT ZONE 2013-01



Exhibit "B"

Checklist Item 23

Legal Description of Reinvestment Zone – Applicant will supplement.

Amendment No. 002

Attachment 23

EXHIBIT A
DESCRIPTION OF
DEAF SMITH COUNTY
REINVESTMENT ZONE 2013-01

The SE/4 of Section 86, Blk M7, BS&F Survey, Deaf Smith County, Texas

All of Sections 1, 2, 3, 4, 19, 20, 21, 22, 23, 24, 25, 26, 41, 42, 43, 44, 45, 46, 47, 48, 63, 64, 65, 66, 67, 68, 69, and 70, Blk M7, BS&F Survey, Deaf Smith County, Texas

Those portions of Sections 71, 62, 49, 40, 27, 18, and 5, Blk M7, BS&F Survey, lying in Deaf Smith County, Texas

WT THORP Survey, Deaf Smith County, Texas

WH HOWARD Survey, Deaf Smith County, Texas

JS WICHE Survey, Deaf Smith County, Texas

AS GRACY Survey, Deaf Smith County, Texas

All of Sections 318, 319, 320, 321, 322, 323, 358, 359, and 360, Blk. M-6, SK&K Survey, Deaf Smith County, Texas

Those portions of Sections 281, 282, 283, 284, 317, 324, 356, and 357, Blk M-6, SK&K Survey, lying in Deaf Smith County, Texas

Checklist Item 24

Guidelines and Criteria for Reinvestment Zone – Applicant will supplement.

STATE OF TEXAS

DEAF SMITH COUNTY

TAX ABATEMENT GUIDELINES AND CRITERIA

Deaf Smith County (the "County") is committed to the promotion of quality development in all parts of Deaf Smith County and to improving the quality of life for its citizens. In order to help meet these goals, the County will consider providing Tax Abatements (as defined below) to stimulate economic development. It is the policy of the County that such an incentive will be provided in accord with the guidelines and criteria outlined in this document. All applicants for Tax Abatements shall be considered on an individual basis.

In order to be eligible for designation as a Reinvestment Zone and receive Tax Abatement, and unless otherwise approved by the County, the planned improvement:

1. must be an Eligible Facility (as defined below);
2. must add at least Five Hundred Thousand Dollars (\$500,000.00) to the tax roll of eligible property;
3. must be reasonably expected to have an increase in positive net economic benefit to Deaf Smith County of at least One Million Dollars (\$1,000,000.00) over the life of the Abatement, computed to include (but not limited to) new sustaining payroll and/or capital improvement; and
4. must not be expected to solely or primarily have the effect of transferring employment from one part of Deaf Smith County to another.

In addition to the criteria set forth above, the County reserves the right to negotiate a Tax Abatement Agreement in order to compete favorably with other communities.

Only that increase in the fair market value of the property that is a direct result of the development, redevelopment, and improvement specified in the Agreement will be eligible for Abatement and then only to the extent that such increase exceeds any reduction in the fair market value of the other property of the applicant located within the jurisdiction creating the reinvestment zone.

All Tax Abatement Agreements will be no longer than allowed by law.

It is the goal of the County to grant Tax Abatements on the same terms and conditions as the other taxing units having jurisdiction of the property. However, nothing herein shall limit the discretion of the County to consider, adopt, modify, or decline any Tax Abatement request.

This policy is effective as of the 8th day of April, 2013, and shall at all times be kept current with regard to the needs of Deaf Smith County and reflective of the official views of the County, and shall be reviewed every two (2) years.

The adoption of these guidelines and criteria by the Commissioners does not:

1. limit the discretion of the governing body to decide whether to enter into a specific Tax Abatement Agreement;
2. limit the discretion of the governing body to delegate to its employees the authority to determine whether or not the governing body should consider a particular application or request for Tax Abatement; or
3. create any property, contract, or other legal right in any person to have the governing body consider or grant a specific application or request for Tax Abatement.

SECTION I. DEFINITIONS

A. **"Abatement" or "Tax Abatement"** means the full or partial exemption from ad valorem taxes of certain property in a reinvestment zone designated for economic development purposes.

B. **"Agreement" or "Abatement Agreement"** means a contractual Agreement between a property owner and/or lessee and the County.

C. **"Base Year Value"** means the assessed value on the eligible property as of January 1 preceding the execution of the Agreement.

D. **"Deferred Maintenance"** means improvements necessary for continued operation which do not improve productivity or alter the process technology.

E. **"Eligible Facilities"** means new, expanded, or modernized buildings and structures, including fixed machinery and equipment, which is reasonably likely as a result of granting the Abatement to contribute to the retention or expansion of primary employment or to attract major investment in the reinvestment zone that would be a benefit to the property and that would contribute to the economic development of Deaf Smith County, but does not include facilities which are intended to be primarily to provide goods or services to residents for existing businesses located in Deaf Smith County such as, but not limited to, restaurants and retail sales establishments. Eligible facilities may include, but shall not be limited to a(n):

- aquaculture/agriculture facility;
- distribution center facility;
- manufacturing facility;
- office building;
- regional entertainment/tourism facility;
- research service facility;
- regional service facility;
- historic building in a designated area;

wind energy facility; or
other basic industrial facility.

F. **"Expansion"** means the addition of building structures, machinery, equipment, or payroll for purposes of increasing production capacity.

G. **"Facility"** means property improvement(s) completed or in the process of construction which together comprise an interregional whole.

H. **"Modernization"** means a complete or partial demolition of facilities and the complete or partial reconstruction or installation of a facility of similar or expanded production capacity. Modernization may result from the construction, alteration, or installation of buildings, structures, machinery, or equipment.

I. **"New Facility"** means a property previously undeveloped which is placed into service by means other than or in conjunction with Expansion or Modernization.

J. **"Productive Life"** means the number of years property improvement(s) is/are expected to be in service in a facility.

SECTION II. ABATEMENT AUTHORIZED

A. **Eligible Facilities.** Upon application, Eligible Facilities shall be considered for Tax Abatement as hereinafter provided.

B. **Creation of New Values.** Abatement may only be granted for the additional value of eligible property improvement(s) made subsequent to and specified in an Abatement Agreement between the County and the property owner or lessee, subject to such limitations as the County may require.

C. **New and Existing Facilities.** Abatement may be granted for the additional value of eligible property improvement(s) made subsequent to and specified in an Abatement Agreement between the County and the property owner or lessee, subject to such limitations as the County may require.

D. **Eligible Property.** Abatement may be extended to the value of new, expanded, or modernized buildings, structures, fixed machinery and equipment, site improvements, and related fixed improvements necessary to the operation and administration of the facility, and all other real and tangible personal property permitted by Chapter 312 of the Texas Tax Code.

E. **Ineligible Property.** The following types of property shall be fully taxable and ineligible for Tax Abatement: land; animals; inventories, supplies; tools; furnishings; vehicles; vessels; aircraft; deferred maintenance investments; housing and property to be rented or leased, except as provided in Section II(F); property owned or used by the State of Texas.

F. **Owned/Leased Facilities.** If a leased facility is granted Abatement, the

Agreement shall be executed with the lessor and the lessee. If the land is leased, but the facility constructed or installed thereon is owned by the lessee, the lessee shall execute the Agreement.

G. Economic Qualifications. In order to be eligible for designation as a reinvestment zone and receive Tax Abatement, the planned improvement:

- (1) must be an Eligible Facility;
- (2) must add at least Five Hundred Thousand Dollars (\$500,000.00) to the tax roll of eligible property;
- (3) must be reasonably expected to have an increase in positive net economic benefit to Deaf Smith County of at least One Million Dollars (\$1,000,000.00) over the life of the Abatement, computed to include (but not limited to) new sustaining payroll and/or capital improvement. The creation of (number and type) of new jobs will also factor into the decision to grant an Abatement; and
- (4) must not be expected to solely or primarily have the effect of transferring employment from one part of Deaf Smith County to another.

H. Standards for Tax Abatement. The following factors, among others, will be considered in determining whether to grant Tax Abatement:

- (1) value of existing improvements, if any;
- (2) type and value of proposed improvements;
- (3) productive life of proposed improvements;
- (4) number of existing jobs to be retained by proposed improvements;
- (5) number and type of new jobs to be created by proposed improvements;
- (6) amount of local payroll to be created;
- (7) whether the new jobs to be created will be filled by persons residing or projected to reside within the affected taxing jurisdiction;
- (8) amount by which property tax base valuation will be increased during the term of Abatement and after Abatement, which shall include a definitive commitment that such valuation shall not, in any case, be less than Five Hundred Thousand Dollars (\$500,000.00);
- (9) expenses to be incurred in providing facilities directly resulting from the new improvements;

(10) the amount of ad valorem taxes to be paid to the County during the Abatement period considering (a) the existing values, (b) the percentage of new value abated, (c) the Abatement period, and (d) the value after expiration of the Abatement period;

(11) the population growth of Deaf Smith County that occurs directly as a result of new improvements;

(12) the types and values of public improvements, if any, to be made by applicant seeking Abatement;

(13) whether the proposed improvements compete with existing businesses to the detriment of the local economy;

(14) the impact on the business opportunities of existing business;

(15) the attraction of other new businesses to the area;

(16) the overall compatibility with the zoning ordinances and comprehensive plan for the area; and

(17) whether the project obtains all necessary permits from the applicable environmental agencies.

Each Eligible Facility shall be reviewed on its merits utilizing the factors provided above. After such review, Abatement may be denied entirely or may be granted to the extent deemed appropriate after full evaluation.

I. **Denial of Abatement.** An Abatement Agreement shall not be authorized if it is determined that:

(1) there would be substantial adverse effect on the provision of government services or tax base;

(2) the applicant has insufficient financial capacity;

(3) violation of other codes or laws; or

(4) any other reason deemed appropriate by the County.

J. **Taxability.** From the execution of the Abatement to the end of the Agreement period, taxes shall be payable as follows:

(1) the value of ineligible property as provided in Section II(E) shall be fully taxable;

(2) the base year value of existing eligible property as determined each year shall be fully taxable; and

(3) the additional value of new eligible property shall be fully taxable at the end of the Abatement period.

SECTION III. APPLICATION

A. Any present or potential owner of taxable property in the County may request Tax Abatement by filing a written application with the Commissioners.

B. The application shall consist of a general description of the new improvements to be undertaken; a descriptive list of the improvements for which an Abatement is requested; a list of the kind, number and location of all proposed improvements of a property; a map and property description; and a time schedule for undertaking and completing the proposed improvements. In the case of modernization, a statement of the assessed value of the facility, separately stated for real and personal property, shall be given for the tax year immediately preceding the application. The Commissioners may require such financial and other information as deemed appropriate for evaluating the financial capacity and other factors pertaining to the applicant, to be attached to the application. The completed application must be accompanied by the payment of a non-refundable application fee for administrative costs and legal fees associated with the processing of the Tax Abatement request. All checks in payment of the administrative fee shall be made payable to the County. The fee for Abatement requests shall be One Thousand and No/100 Dollars (\$1,000.00).

C. The County shall give notice as provided by the Property Tax Code, including written notice to the presiding officer of the governing body of each taxing unit in which the property to be subject to the Agreement is located, not later than seven (7) days before acting upon the application.

D. The application process described in Section III(A) hereof shall be followed regardless of whether a particular reinvestment zone is created by Deaf Smith County or a taxing entity within Deaf Smith County. No other notice or hearing shall be required except compliance with the open meetings act, unless the Commissioners deem them necessary in a particular case.

SECTION IV. AGREEMENT

A. After approval, the Commissioners shall formally pass a resolution and execute an Agreement with the owner of the facility and lessee as required which shall:

(1) include a list of the kind, number and location of all proposed improvements to the property;

(2) provide access to and authorize inspection of the property by the taxing unit to insure compliance with the Agreement;

- (3) limit the use of the property consistent with the taxing unit's development goals;
- (4) provide for recapturing property tax revenues that are lost if the owner fails to make improvements as provided by the Agreement;
- (5) include each term that was agreed upon with the property owner and require the owner to annually certify compliance with the terms of the Agreement to each taxing unit; and
- (6) allow the taxing unit to cancel or modify the Agreement at any time if the property owner fails to comply with the terms of the Agreement.

SECTION V. RECAPTURE

A. In the event that the applicant or its assignee (1) allows its ad valorem taxes owed to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or content; or (2) violates any of the terms and conditions of the Abatement Agreement and fails to cure during the cure period, the Agreement then may be terminated and all taxes previously abated by virtue of the Agreement will be recaptured and paid within thirty (30) days of the termination.

B. Should the County determine that the applicant or its assignee is in default according to the terms and conditions of its Agreement, the County shall notify the company or individual in writing at the address stated in the Agreement, and if such is not cured within the time set forth in such notice (the "Cure Period"), then the Agreement may be terminated.

SECTION VI. ADMINISTRATION

A. The Chief Appraiser of the Deaf Smith County Appraisal District will annually determine an assessment of the real and personal property comprising the reinvestment zone. Each year, the company or individual receiving Abatement shall furnish the appraiser with such information as may be necessary for the Abatement. Once value has been established, the Chief Appraiser will notify the Commissioners of the amount of the assessment.

B. The County may execute a contract with any other jurisdiction(s) to inspect the facility to determine if the terms and conditions of the Abatement Agreement are being met. The Abatement Agreement shall stipulate that employees and/or designated representatives of the County will have access to the reinvestment zone during the term of the Abatement to inspect the facility to determine if the terms and conditions of the Agreement are being met. All inspections will be made only after the giving of twenty-four (24) hours prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the facility. All inspections will be made with one or more representatives of the company or individual and in accordance with its safety standards.

C. Upon completion of construction, a designated representative of the County shall annually evaluate each facility receiving Abatement to insure compliance with the Agreement and shall formally report such evaluations to the Commissioners.

SECTION VII. ASSIGNMENT

The Abatement Agreement may be transferred and assigned by the holder to a new owner or lessee of the same facility either upon the approval by resolution of the Commissioners, or in accordance with the terms of an existing Tax Abatement Agreement. No assignment or transfer shall be approved if the parties to the existing Agreement, the new owner, or new lessee are liable to any jurisdiction for outstanding taxes or other obligations. Approval shall not be unreasonably delayed or withheld. Notice shall be given to the Commissioners at least twenty (20) days in advance of any transfer or assignment.

SECTION VIII. SUNSET PROVISION

These Guidelines and Criteria are effective upon the date of their adoption, and shall supersede and replace any and all prior guidelines and criteria for Tax Abatement in the County. These Guidelines and Criteria shall remain in force for two (2) years, unless amended by three-quarters vote of the Commissioners, at which time all reinvestment zones and Tax Abatement Agreements created pursuant to these provisions will be reviewed to determine whether the goals have been achieved. Based on such review, the Guidelines and Criteria will be modified, renewed or eliminated; provided, however, no modification or elimination of the Guidelines and Criteria shall affect Tax Abatement Agreements that have been previously approved until the parties thereto shall agree to amend such Agreements.

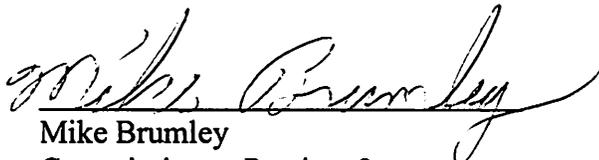
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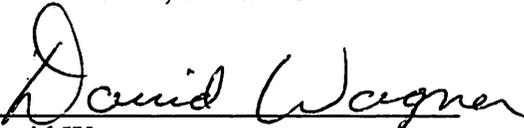
Adopted on this the 22 day of April, 2013.

Deaf Smith County Commissioners

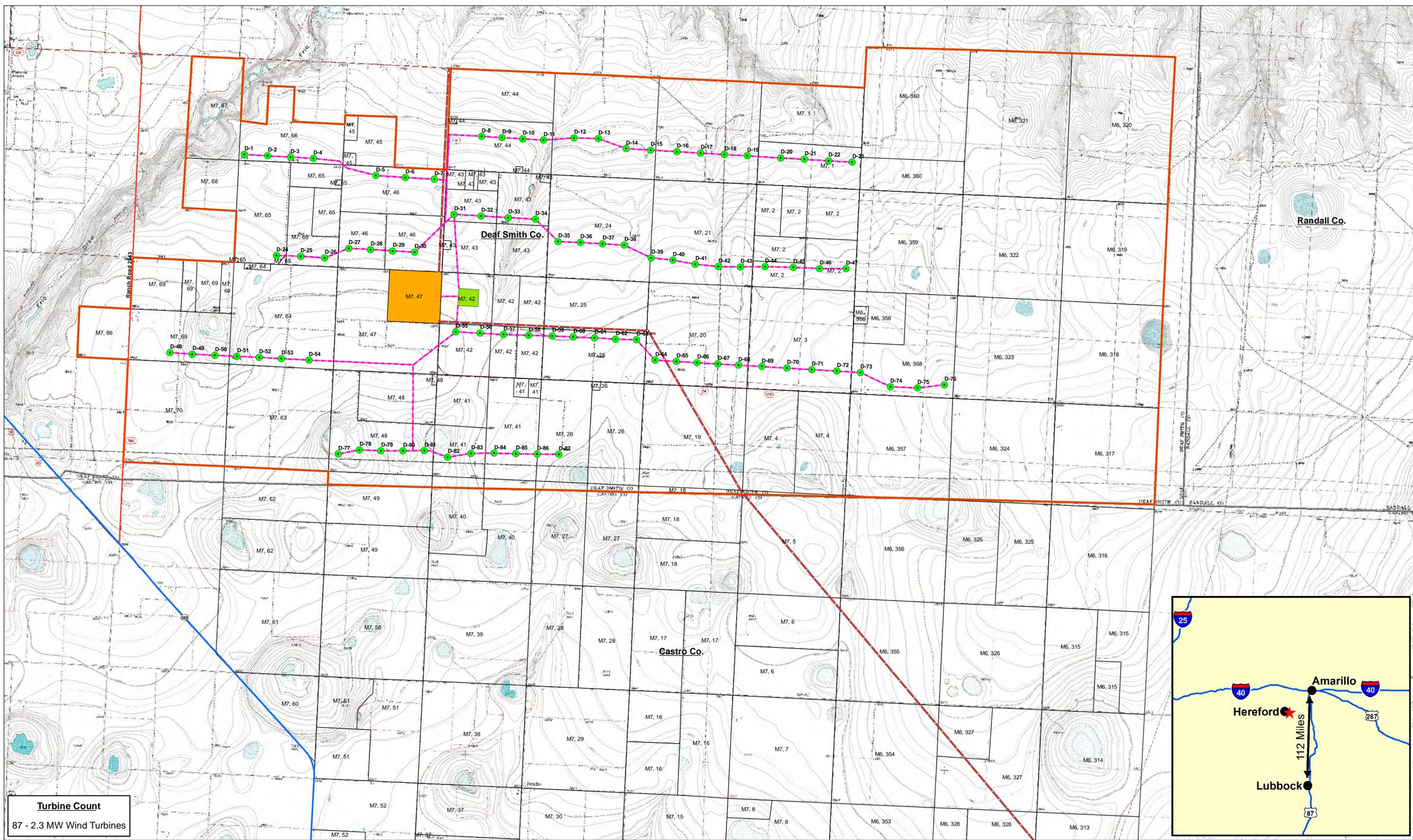

Pat Smith
Commissioner, Precinct 1


Jerry O'Connor
Commissioner, Precinct 2


Mike Brumley
Commissioner, Precinct 3


David Wagner
Commissioner, Precinct 4

CONFIDENTIAL ITEMS

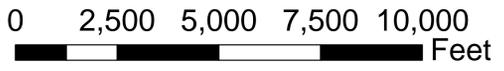


Turbine Count
87 - 2.3 MW Wind Turbines

- Wind Turbine
- Transmission Line
- O&M Building and Project Substation
- Hereford ISD Project Area
- 1 Meter Contours
- Highways
- Block & Section ID
- County Boundary
- Cabling
- Secondary Roads
- Sharyland Substation

*Data depicted on this map is for representational purposes only and has not been verified by a licensed surveyor for accuracy.

**Locations of Turbines and other improvements are not finalized, but representation of overall improvements and project area within the district will remain the same.



TX Hereford Wind Project Map
Deaf Smith County, Texas



Franchise Tax Account Status

As of: 07/18/2013 10:24:05 AM

This Page is Not Sufficient for Filings with the Secretary of State

TX HEREFORD WIND, LLC	
Texas Taxpayer Number	32049474474
Mailing Address	401 N MICHIGAN AVE STE 501 CHICAGO, IL 60611-5883
Right to Transact Business in Texas	ACTIVE
State of Formation	DE
Effective SOS Registration Date	11/12/2012
Texas SOS File Number	0801682961
Registered Agent Name	NATIONAL REGISTERED AGENTS, INC.
Registered Office Street Address	350 N. ST. PAUL STREET, SUITE 2900 DALLAS, TX 75201

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



June 20, 2013

Kelli Moulton
Superintendent
Hereford Independent School District
601 N. 25 Mile Ave.
Hereford, Texas 79045

Dear Superintendent Moulton:

On Mar. 28, 2013, the Comptroller received the completed application (Application # 268) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in February 2013 to the Hereford Independent School District (the school district) by TX Hereford Wind, LLC (the applicant). This letter presents the results of the Comptroller's review of the application:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to make a recommendation to the governing body of the school district as to whether the application should be approved or disapproved using the criteria set out by Section 313.026.

The school district is currently classified as a rural school district in Category 1 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$285 million) is consistent with the proposed appraised value limitation sought (\$30 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

The applicant is an active franchise taxpayer in good standing, as required by Section 313.024(a), and is proposing the construction of a wind power electric generation facility in Deaf Smith and Castro County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described by the application, meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

After reviewing the application using the criteria listed in Section 313.026, and the information provided by the applicant, the Comptroller's recommendation is that this application under Tax Code Chapter 313 be approved.

Our review of the application assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements; the school district is responsible for verifying that all requirements of the statute have been fulfilled. Additionally, Section 313.025 requires the school district to only approve an application if the school district finds that the information in the application is true and

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

correct, finds that the applicant is eligible for a limitation and determines that granting the application is in the best interest of the school district and this state. When approving a job waiver requested under Section 313.025(f-1), the school district must also find that the statutory jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility. As stated above, the Comptroller's recommendation is prepared by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria and a cursory review of the industry standard evidence necessary to support the waiver of the required number of jobs.

Note that any new building or other improvement existing as of the application review start date of Mar. 28, 2013, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application submitted by the school district and reviewed by the Comptroller. The recommendation may not be used by the school district to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

- 1) The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than ten (10) days prior to the meeting scheduled by the school district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency with the application;
- 2) The Comptroller must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 3) The school district must approve and execute a limitation agreement that has been reviewed by the Comptroller within a year from the date of this letter; and
- 4) The school district must provide a copy of the signed limitation agreement to the Comptroller within seven (7) days after execution, as required by Section 313.025.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Economic Impact for Chapter 313 Project

Applicant	TX Hereford Wind, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Hereford ISD
2011-12 Enrollment in School District	4,276
County	Deaf Smith and Castro
Total Investment in District	\$285,000,000
Qualified Investment	\$285,000,000
Limitation Amount	\$30,000,000
Number of total jobs committed to by applicant	6*
Number of qualifying jobs committed to by applicant	6
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$885
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$850
Minimum Annual Wage committed to by applicant for qualified jobs	\$44,216
Investment per Qualifying Job	\$47,500,000
Estimated 15 year M&O levy without any limit or credit:	\$29,964,660
Estimated gross 15 year M&O tax benefit	\$18,787,801
Estimated 15 year M&O tax benefit (<i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$17,383,825
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$2,608,320
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$12,580,835
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	58.0%
Percentage of tax benefit due to the limitation	86.1%
Percentage of tax benefit due to the credit	13.9%
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

This presents the Comptroller's economic impact evaluation of Hereford Wind (the project) applying to Hereford Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

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

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

After construction, the project will create six new jobs when fully operational. All six jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Panhandle Regional Planning Commission Region, where Deaf Smith County is located was \$40,196 in 2011. The annual average manufacturing wage for 2011-12 for Deaf Smith County is \$41,392. That same year, the county annual average wage for all industries was \$35,178. In addition to a salary of \$46,000, each qualifying position will receive the following benefits: medical, dental and vision insurance coverage; paid holidays; paid vacations; 401k; short and long term disability; life insurance; sick time; flexible spending accounts. The project's total investment is \$285 million, resulting in a relative level of investment per qualifying job of \$47.5 million.

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

According to Hereford Wind's application, "A wind energy project can be located in any state, or any county in the State, with a commercially viable wind resource, and access to transmission and an attractive market. The Applicant's parent company – Lincoln Renewable Energy, LLC - currently has projects under development at viable sites in numerous states. In addition, Lincoln Renewable Energy, LLC has a wind project under development on the Texas coast. Securing this Chapter 313 value limitation agreement with Hereford ISD will help make the project more economically viable and competitive versus other options in the region and in Texas."

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

During the past two years, five projects in the Panhandle Regional Planning Commission Region applied for value limitation agreements under Tax Code, Chapter 313.

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

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Hereford Wind project requires appear to be in line with the focus and themes of the plan. Texas identified energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the energy industry.

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

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

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Hereford Wind

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	10	11	21	\$520,000	\$480,000	\$1,000,000
2014	156	163	319	\$8,076,000	\$10,924,000	\$19,000,000
2015	6	16	22	\$276,000	\$1,724,000	\$2,000,000
2016	6	6	12	\$276,000	\$1,724,000	\$2,000,000
2017	6	6	12	\$276,000	\$1,724,000	\$2,000,000
2018	6	6	12	\$276,000	\$1,724,000	\$2,000,000
2019	6	2	8	\$276,000	\$724,000	\$1,000,000
2020	6	6	12	\$276,000	\$724,000	\$1,000,000
2021	6	12	18	\$276,000	\$1,724,000	\$2,000,000
2022	6	10	16	\$276,000	\$1,724,000	\$2,000,000
2023	6	12	18	\$276,000	\$1,724,000	\$2,000,000
2024	6	12	18	\$276,000	\$1,724,000	\$2,000,000
2025	6	12	18	\$276,000	\$1,724,000	\$2,000,000
2026	6	8	14	\$276,000	\$1,724,000	\$2,000,000
2027	6	10	16	\$276,000	\$1,724,000	\$2,000,000
2028	6	10	16	\$276,000	\$1,724,000	\$2,000,000

Source: CPA, REMI, Hereford Wind

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011. Hereford ISD's ad valorem tax base in 2011 was \$1 billion. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Hereford ISD's estimated wealth per WADA was \$189,136. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Deaf Smith County, Hereford Regional Medical Center, High Plains Water District, and Amarillo Jr. College, with all property tax incentives sought being granted using estimated market value from Hereford Wind's application. Hereford Wind has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and medical center. Table 3 illustrates the estimated tax impact of the Hereford Wind project on the region if all taxes are assessed.

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

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table II" in this attachment shows the estimated 13 year M&O tax levy without the value limitation agreement would be \$26,887,513. The estimated gross 13 year M&O tax benefit, or levy loss, is \$18,787,801.

Attachment 3 is an economic overview of Deaf Smith County.

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

Attachments

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

Attachment 1

TX Hereford Wind, LLC
Hereford ISD

Applicant Name
ISD Name

PROPERTY INVESTMENT AMOUNTS												
(Estimated investment in each year. Do not put cumulative totals.)												
	Year	School Year (YYYY-YYYY)	Tax Year (File in actual tax year below) YYYY	Column A: Tangible Personal Property (The amount of new investment (original cost) placed in service during this year)	Column B: Building or permanent nonremovable component of building (annual amount)	Column C: Sum of A and B (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)				
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -				
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)			\$ -	\$ -	\$ -	\$ -	\$ -				
	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)			\$ 4,000,000.00	\$ -	\$ -	\$ 4,000,000.00	\$ -	\$ 4,000,000.00			
	Complete tax years of qualifying time period			1	2014-2015	2014	\$ 280,000,000.00	\$ 800,000.00	\$ 280,800,000.00	\$ -	\$ 280,800,000.00	
				2	2015-2016	2015	\$ 0	\$ -	\$ 0	\$ -	\$ -	
				3	2016-2017	2016	\$ -	\$ -	\$ -	\$ -	\$ -	
				4	2017-2018	2017	\$ -	\$ -	\$ -	\$ -	\$ -	
				5	2018-2019	2018	\$ -	\$ -	\$ -	\$ -	\$ -	
				6	2019-2020	2019	\$ -	\$ -	\$ -	\$ -	\$ -	
				7	2020-2021	2020	\$ -	\$ -	\$ -	\$ -	\$ -	
				8	2021-2022	2021	\$ -	\$ -	\$ -	\$ -	\$ -	
				9	2022-2023	2022	\$ -	\$ -	\$ -	\$ -	\$ -	
				10	2023-2024	2023	\$ -	\$ -	\$ -	\$ -	\$ -	
				11	2024-2025	2024	\$ -	\$ -	\$ -	\$ -	\$ -	
				12	2025-2026	2025	\$ -	\$ -	\$ -	\$ -	\$ -	
	13	2026-2027	2026	\$ -	\$ -	\$ -	\$ -	\$ -				
	14	2027-2028	2027	\$ -	\$ -	\$ -	\$ -	\$ -				
	15	2028-2029	2028	\$ -	\$ -	\$ -	\$ -	\$ -				
Tax Credit Period (with 50% cap on credit)												
Credit Settle-Up Period												
	Post- Settle-Up Period											
	Post- Settle-Up Period											

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

Column B: Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc.

Column C: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

Column D: For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter these amounts for future years.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE  DATE 3-18-13

Schedule B (Rev. May 2010): Estimated Market And Taxable Value
TX Hereford Wind, LLC
Hereford ISD

Amendment No. 001

Form 50-296

Applicant Name ISD Name	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"		Final taxable value for I&S - after all reductions	Final taxable value for M&O - after all reductions
	pre-year 1	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Complete tax years of qualifying time period	1	2014-2015	2014	\$ -	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 4,000,000
	2	2015-2016	2015	\$ -	\$ 800,000	\$ 280,000,000	\$ -	\$ 280,800,000	\$ 280,800,000
	3	2016-2017	2016	\$ -	\$ 760,000	\$ 266,000,000	\$ -	\$ 266,760,000	\$ 30,000,000
	4	2017-2018	2017	\$ -	\$ 722,000	\$ 252,700,000	\$ -	\$ 253,422,000	\$ 30,000,000
	5	2018-2019	2018	\$ -	\$ 685,900	\$ 240,065,000	\$ -	\$ 240,750,900	\$ 30,000,000
Tax Credit Period (with 50% cap on credit)	6	2019-2020	2019	\$ -	\$ 651,605	\$ 228,061,750	\$ -	\$ 228,713,355	\$ 30,000,000
	7	2020-2021	2020	\$ -	\$ 619,025	\$ 216,658,663	\$ -	\$ 217,277,687	\$ 30,000,000
	8	2021-2022	2021	\$ -	\$ 588,074	\$ 205,825,729	\$ -	\$ 206,413,803	\$ 30,000,000
	9	2022-2023	2022	\$ -	\$ 558,670	\$ 195,534,443	\$ -	\$ 196,093,113	\$ 30,000,000
	10	2023-2024	2023	\$ -	\$ 530,736	\$ 185,757,721	\$ -	\$ 186,288,457	\$ 30,000,000
Credit Settle-Up Period	11	2024-2025	2024	\$ -	\$ 504,200	\$ 176,469,835	\$ -	\$ 176,974,034	\$ 176,974,034
	12	2025-2026	2025	\$ -	\$ 478,990	\$ 167,646,343	\$ -	\$ 168,125,333	\$ 168,125,333
	13	2026-2027	2026	\$ -	\$ 455,040	\$ 159,264,026	\$ -	\$ 159,719,066	\$ 159,719,066
Post- Settle-Up Period	14	2027-2028	2027	\$ -	\$ 432,288	\$ 151,300,825	\$ -	\$ 151,733,113	\$ 151,733,113
	15	2028-2029	2028	\$ -	\$ 410,674	\$ 143,735,783	\$ -	\$ 144,146,457	\$ 144,146,457

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



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

3-18-13

Schedule C- Application: Employment Information Amendment No. 001

TX Hereford Wind, LLC
Hereford ISD

Applicant Name
ISD Name

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2013-2014	2013	10 FTE \$ 52,000.00		0 \$	-	0	
	1	2014-2015	2014	150 FTE \$ 52,000.00		6 \$	46,000	6 \$	46,000
	2	2015-2016	2015	0	N/A	6 \$	46,000	6 \$	46,000
	3	2016-2017	2016	0	N/A	6 \$	46,000	6 \$	46,000
	4	2017-2018	2017	0	N/A	6 \$	46,000	6 \$	46,000
	5	2018-2019	2018	0	N/A	6 \$	46,000	6 \$	46,000
	6	2019-2020	2019	0	N/A	6 \$	46,000	6 \$	46,000
	7	2020-2021	2020	0	N/A	6 \$	46,000	6 \$	46,000
	8	2021-2022	2021	0	N/A	6 \$	46,000	6 \$	46,000
	9	2022-2023	2022	0	N/A	6 \$	46,000	6 \$	46,000
	10	2023-2024	2023	0	N/A	6 \$	46,000	6 \$	46,000
	11	2024-2025	2024	0	N/A	6 \$	46,000	6 \$	46,000
	12	2025-2026	2025	0	N/A	6 \$	46,000	6 \$	46,000
	13	2026-2027	2026	0	N/A	6 \$	46,000	6 \$	46,000
	14	2027-2028	2027	0	N/A	6 \$	46,000	6 \$	46,000
	15	2028-2029	2028	0	N/A	6 \$	46,000	6 \$	46,000
Complete tax years of qualifying time period									
Tax Credit Period (with 50% cap on credit)									
Value Limitation Period									
Credit Settle-Up Period									
Post-Settle-Up Period									
Post-Settle-Up Period									

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

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

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

3-18-13

DATE

Applicant Name

TX Hereford Wind, LLC

Hereford ISD

Form 50-296

Sales Tax Information		Franchise Tax		Other Property Tax Abatements Sought					
Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	County	City	Hospital	Other
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	2013-2014	2013	\$ 12,100,000	\$ 272,900,000	\$ -	0			Fill in percentage exemption requested or granted in each year of the Agreement
Complete tax years of qualifying time period	1	2014-2015			\$ -	100%		100%	
	2	2015-2016			\$ -	100%		100%	
	3	2016-2017			\$ -	100%		100%	
Value Limitation Period	4	2017-2018			\$ -	100%		100%	
	5	2018-2019			\$ -	100%		100%	
	6	2019-2020			\$ 220,000.00	100%		100%	
	7	2020-2021			\$ 220,000.00	100%		100%	
	8	2021-2022			\$ 220,000.00	100%		100%	
Credit Settle-Up Period	9	2022-2023			\$ 220,000.00	100%		100%	
	10	2023-2024			\$ 220,000.00	100%		100%	
	11	2024-2025			\$ 220,000.00	100%		100%	
Post-Settle-Up Period	12	2025-2026			\$ 220,000.00				
	13	2026-2027			\$ 220,000.00				
Post-Settle-Up Period	14	2027-2028			\$ 220,000.00				
	15	2028-2029			\$ 220,000.00				

*For planning, construction and operation of the facility.

DATE 02/08/2013

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE 

Attachment 2

June 13, 2013

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

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed TX Hereford Wind, LLC project on the number and size of school facilities in Hereford Independent School District (HISD). Based on the analysis prepared by Randy McDowell and Neal Brown for the school district and a conversation with the HISD superintendent, Kelli Moulton, the TEA has found that the TX Hereford Wind, LLC project would not have a significant impact on the number or size of school facilities in HISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

June 13, 2013

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

Dear Mr. Wood:

The Texas Education Agency (TEA) has analyzed the revenue gains that would be realized by the proposed TX Hereford Wind, LLC project for the Hereford Independent School District (HISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Randy McDowell and Neal Brown and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the TX Hereford Wind, LLC project on HISD are correct.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

**Summary of the District's Financial Impact
of Chapter 313 Agreement
with TX Hereford Wind, LLC**

Prepared by

Randy McDowell, RTSBA

School Financial Consultant

&

Neal Brown

School Finance Specialist, Region 16 ESC

Hereford ISD Financial Impact of Chapter 313 Agreement

**Summary of Hereford ISD Financial Impact
of the
Limited Appraised Value Application
from
TX Hereford Wind, LLC**

Introduction

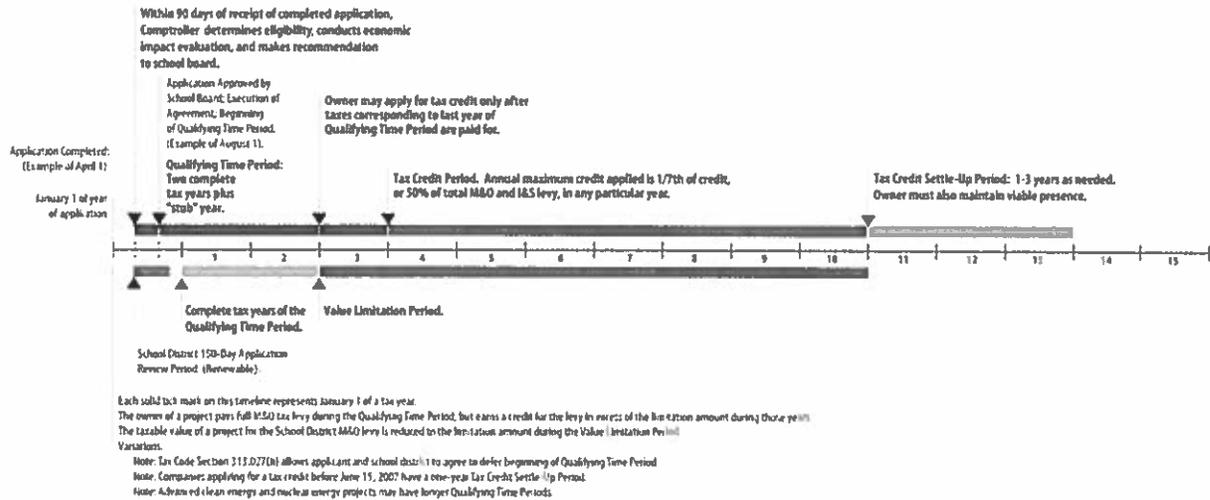
TX Hereford Wind, LLC applied for a property value limitation from Hereford Independent School District under Chapter 313 of the Tax Code. The application was submitted on February 11, 2013 and subsequently approved for consideration by the Hereford ISD Board of Trustees. TX Hereford Wind, LLC ("TX Hereford Wind"), is requesting the property value limitation as a "renewable energy electric generation" project as listed in Sec. 313.024.(b) of the Tax Code.

"The Economic Development Act", Tax Code Chapter 313, was created by House Bill 1200 of the 77th Texas Legislature in 2001. Further amendments were made to Chapter 313 as a result of House Bill 1470 from the 80th Texas Legislative Session in 2007.

The Economic Development Act was created to attract qualifying businesses to Texas by allowing school districts the option of approving a property value limitation to these qualifying entities. The purpose of the property value limitation is to reduce the maintenance and operations taxes paid by the company, to a school district during the applicable years as displayed below.

Hereford ISD Financial Impact of Chapter 313 Agreement

Appraised Value Limitation and Credit under Tax Code Chapter 313 for School District Maintenance & Operations (M&O) Tax



The company must file an application with the school district to qualify for consideration of a Limited Appraised Value Agreement ("LAVA" or "Agreement") to begin the following tax year or a later year if agreed upon by the District and the Company. The first two years of the agreement are considered the qualifying time period and the company's school district taxes will be levied at one-hundred percent of the appraised value. The applicant may then file a separate application with the school district to request tax credits (for taxes paid during the qualifying time period) to be applied during years four through ten of the LAVA, but not to exceed 50% of their tax levy for those years. Any tax credit balance remaining after this period can then be applied during years eleven through thirteen of the agreement, but cannot exceed the actual amount of taxes paid to the school district during the Settle-Up Period. After year thirteen, any leftover credits will not be applied and will expire.

During years three through ten of the LAVA, the qualifying entity's taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller's Office. Hereford ISD is considered a Rural category 1 District as categorized with total taxable value of industrial property of \$200 million or more, thus Hereford ISD has a

Hereford ISD Financial Impact of Chapter 313 Agreement

minimum qualified investment amount of \$30 million. A qualifying entity's taxable value would be reduced to \$30 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Hereford ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

Taxable Value Impact from LAVA

The "Additional Value from TX Hereford Wind" represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company's taxable value will be limited to the \$30,000,000 minimum qualified investment of Hereford ISD.

TABLE I- Calculation of Taxable Value:

Tax Year	Additional Value From TX Hereford Wind	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2014	4,000,000	n/a	0	4,000,000
Jan. 1, 2015	280,800,000	n/a	0	280,800,000
Jan. 1, 2016	266,760,000	(30,000,000)	236,760,000	30,000,000
Jan. 1, 2017	253,422,000	(30,000,000)	223,422,000	30,000,000
Jan. 1, 2018	240,750,900	(30,000,000)	210,750,900	30,000,000
Jan. 1, 2019	228,713,355	(30,000,000)	198,713,355	30,000,000
Jan. 1, 2020	217,277,687	(30,000,000)	187,277,687	30,000,000
Jan. 1, 2021	206,413,803	(30,000,000)	176,413,803	30,000,000
Jan. 1, 2022	196,093,113	(30,000,000)	166,093,113	30,000,000
Jan. 1, 2023	186,288,457	(30,000,000)	156,288,457	30,000,000
Jan. 1, 2024	176,974,034	n/a	0	176,974,034
Jan. 1, 2025	168,125,333	n/a	0	168,125,333
Jan. 1, 2026	159,719,066	n/a	0	159,719,066

Hereford ISD Financial Impact of Chapter 313 Agreement

TX Hereford Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for TX Hereford Wind is \$17.38 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement. Tax credits during years four through ten are limited to the lesser of 1/7 of the total tax credit or 50% of the total taxes paid for that tax year. Any tax credits not refunded to the company during those years will be refunded up to 100% of the taxes paid in years eleven through thirteen.

Hereford ISD's projected tax rates for maintenance & operations (M&O) and interest & sinking (I&S) are based on the following assumptions:

- The District has not held a tax ratification election that would approve a M&O tax rate in excess of \$1.04; therefore, the study assumes that they will maintain a M&O tax rate of \$1.04. This does not suggest that Hereford ISD will not exercise its authority to hold an agreement during this agreement period.
- The District currently has no outstanding bond obligations and therefore has no I&S tax rate. The study assumes that they will have no bonded indebtedness during the agreement period; however, the district could call for a bond referendum and install an I&S tax during this agreement period.

TABLE II- Computation of Net Tax Savings:

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District's Revenue Losses	Net Tax Savings
2014-2015	1.04	0.00	41,600	0	n/a	0	0
2015-2016	1.04	0.00	2,920,320	0	n/a	0	0
2016-2017	1.04	0.00	2,774,304	2,462,304	n/a	(1,403,976)	1,058,328
2017-2018	1.04	0.00	2,635,589	2,323,589	156,000	0	2,479,589
2018-2019	1.04	0.00	2,503,809	2,191,809	156,000	0	2,347,809
2019-2020	1.04	0.00	2,378,619	2,066,619	156,000	0	2,222,619
2020-2021	1.04	0.00	2,259,688	1,947,688	156,000	0	2,103,688
2021-2022	1.04	0.00	2,146,704	1,834,704	156,000	0	1,990,704
2022-2023	1.04	0.00	2,039,368	1,727,368	156,000	0	1,883,368
2023-2024	1.04	0.00	1,937,400	1,625,400	156,000	0	1,781,400
2024-2025	1.04	0.00	1,840,530	0	1,516,320	0	1,516,320
2025-2026	1.04	0.00	1,748,503	0	0	0	0
2026-2027	1.04	0.00	1,661,078	0	0	0	0
Totals			26,887,513	16,179,481	2,608,320	(1,403,976)	17,383,825

Hereford ISD Financial Impact of Chapter 313 Agreement

Financial Impact Study

This Financial Impact Study was performed to determine the financial impact of the Limited Appraised Value Agreement on Hereford ISD. First, a thirteen year financial forecast was prepared to establish a baseline without the added values of the renewable energy electric generation company. Second, a thirteen year financial forecast was prepared that incorporated the additional taxable value of the company without a LAVA in effect. Third, a thirteen year financial forecast was prepared that incorporates the additional taxable value of the company with an approved LAVA. These three forecasts are detailed in the "Calculation of LAVA Impact on District's Finances" section. The following assumptions were used to compare the financial impact of the LAVA:

- The current state funding formulas (in effect for 2012-2013 fiscal year) were used for state aid and recapture calculation purposes
 - Level 2 of Tier II yield - \$59.97 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district's tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2012.
- A tax collection rate of 100% on current year tax levy with no projected delinquent taxes
- An annual taxable value increase of 1% was used to project the district's taxable value, except as it related to the requested LAVA. The district's 2012 taxable value was used as a baseline for all projections
- The district's enrollment is projected to decrease slightly; therefore, the projected ADA and WADA for school year 2012-2013 was decreased by .1% per year for the life of the agreement.

Although these assumptions were used to develop a baseline scenario for comparison purposes, many of these factors will not remain constant for the thirteen years of this proposed agreement. Also, Legislative changes to the school finance formulas are likely during the near future and almost certain during the life of this agreement.

Hereford ISD Financial Impact of Chapter 313 Agreement

Calculation of LAVA Impact on District's Finances

The tables displayed below (Table III, IV, V) show the different impacts on the school district's finances. These scenarios were computed to compare the District's revenue without the additional taxable value of TX Hereford Wind (Table III), the addition of TX Hereford Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of TX Hereford Wind's taxable values with a Chapter 313 Agreement (Table V).

TABLE III – District Revenues *without* TX Hereford Wind:

Fiscal Year	Total Taxable Value	M&O Taxes			Revenue Above		Total District Revenue
		Compressed Rate	State Revenue	Recapture Amount	Tier I Revenue	Comp Rate	
2014-2015	1,109,297,417	11,092,974	14,895,873	0	25,988,847	1,303,609	27,292,456
2015-2016	1,120,390,391	11,203,904	14,748,894	0	25,952,797	1,302,305	27,255,103
2016-2017	1,131,594,295	11,315,943	14,600,829	0	25,916,772	1,301,003	27,217,775
2017-2018	1,142,910,238	11,429,102	14,451,669	0	25,880,771	1,299,702	27,180,473
2018-2019	1,154,339,340	11,543,393	14,301,401	0	25,844,794	1,298,402	27,143,196
2019-2020	1,165,882,734	11,658,827	14,150,014	0	25,808,842	1,297,104	27,105,945
2020-2021	1,177,541,561	11,775,416	13,997,498	0	25,772,913	1,295,807	27,068,720
2021-2022	1,189,316,977	11,893,170	13,843,839	0	25,737,009	1,294,511	27,031,520
2022-2023	1,201,210,147	12,012,101	13,689,027	0	25,701,129	1,293,216	26,994,345
2023-2024	1,213,222,248	12,132,222	13,533,050	0	25,665,273	1,291,923	26,957,196
2024-2025	1,225,354,470	12,253,545	13,375,896	0	25,629,441	1,290,631	26,920,072
2025-2026	1,237,608,015	12,376,080	13,217,553	0	25,593,633	1,289,340	26,882,973
2026-2027	1,249,984,095	12,499,841	13,058,008	0	25,557,849	1,288,051	26,845,900

Hereford ISD Financial Impact of Chapter 313 Agreement

TABLE IV- District Revenues with TX Hereford Wind without Chapter 313 Agreement:

Fiscal Year	Revenue						Total District Revenue
	Total Taxable Value	M&O Taxes		Recapture Amount	Tier I Revenue	Above	
		Compressed Rate	State Revenue			Comp Rate	
2014-2015	1,113,297,417	11,132,974	16,432,112	0	27,565,086	1,308,309	28,873,395
2015-2016	1,401,190,391	14,011,904	18,790,418	0	32,802,321	1,622,846	34,425,167
2016-2017	1,398,354,295	13,983,543	12,615,128	0	26,598,671	1,285,514	27,884,185
2017-2018	1,396,332,238	13,963,322	12,628,141	0	26,591,463	1,284,973	27,876,436
2018-2019	1,395,090,240	13,950,902	12,632,069	0	26,582,971	1,284,403	27,867,374
2019-2020	1,394,596,089	13,945,961	12,617,597	0	26,563,558	1,283,806	27,847,364
2020-2021	1,394,819,248	13,948,192	12,604,856	0	26,553,048	1,283,182	27,836,230
2021-2022	1,395,730,780	13,957,308	12,583,785	0	26,541,093	1,282,531	27,823,624
2022-2023	1,397,303,260	13,973,033	12,545,331	0	26,518,364	1,281,855	27,800,219
2023-2024	1,399,510,705	13,995,107	12,509,518	0	26,504,625	1,281,152	27,785,777
2024-2025	1,402,328,504	14,023,285	12,467,253	0	26,490,538	1,280,425	27,770,963
2025-2026	1,405,733,348	14,057,333	12,407,659	0	26,464,993	1,279,674	27,744,667
2026-2027	1,409,703,161	14,097,032	12,351,371	0	26,448,402	1,278,900	27,727,302

TABLE V – District Revenues with TX Hereford Wind with Chapter 313 Agreement:

Fiscal Year	Revenue						Payment	Total District Revenue
	Total Taxable Value	M&O Taxes		Recapture Amount	Tier I Revenue	Above	for District	
		Comp Rate	State Revenue			Comp Rate	Losses	
2014-2015	1,113,297,417	11,132,974	16,432,112	0	27,565,086	1,308,309	0	28,873,395
2015-2016	1,401,190,391	14,011,904	18,790,418	0	32,802,321	1,622,846	0	34,425,167
2016-2017	1,161,594,295	11,615,943	12,610,086	0	24,226,029	1,067,860	1,403,976	26,697,864
2017-2018	1,172,910,238	11,729,102	15,263,173	0	26,992,275	1,299,369	0	28,291,645
2018-2019	1,184,339,340	11,843,393	15,119,450	0	26,962,843	1,298,073	0	28,260,917
2019-2020	1,195,882,734	11,958,827	14,964,710	0	26,923,538	1,296,778	0	28,220,316
2020-2021	1,207,541,561	12,075,416	14,818,711	0	26,894,126	1,295,485	0	28,189,611
2021-2022	1,219,316,977	12,193,170	14,671,049	0	26,864,219	1,294,192	0	28,158,411
2022-2023	1,231,210,147	12,312,101	14,512,330	0	26,824,432	1,292,901	0	28,117,333
2023-2024	1,243,222,248	12,432,222	14,362,268	0	26,794,491	1,291,611	0	28,086,102
2024-2025	1,402,328,504	14,023,285	15,593,023	0	29,616,308	1,441,391	0	31,057,699
2025-2026	1,405,733,348	14,057,333	12,407,659	0	26,464,993	1,279,674	0	27,744,667
2026-2027	1,409,703,161	14,097,032	12,351,351	0	26,448,382	1,278,900	0	27,727,282

Hereford ISD Financial Impact of Chapter 313 Agreement

Current School Finance Law

A major overhaul of the school finance formulas was implemented as a result of House Bill 1 of the 79th Legislative Session and became effective for the 2006-2007 school year. These formula changes have had an effect on the district's financial impact from granting a property value limitation. Due to the district's "Hold Harmless" provision that was enacted in the new funding formulas, it is presumed that the majority of the district's revenue losses in year three of the LAVA will be offset with additional state funding or a reduction of recapture payments made to the State. Prior to these recent formula changes, school districts felt a significant loss in revenues in year three because the state funding formulas considered the district more property wealthy based on their prior year taxable value. However, districts were only able to tax on the lower value that was a result of the LAVA. Districts are currently "held harmless" for the majority amount of loss in year three; however, it is possible that a future legislative session could eliminate this provision. If the "hold harmless" provision is eliminated, then the company would be required to offset the district's losses as computed in Article III of the Agreement.

Hereford ISD Financial Impact of Chapter 313 Agreement

Payments in Lieu of Taxes

Assuming that the District and TX Hereford Wind, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Hereford ISD by TX Hereford Wind, the projected amount of these payments over the life of the agreement is \$5.02 million of the \$17.38 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

TABLE VI - Calculation of the Payment in Lieu of Taxes:

Fiscal Year	Net Tax Savings	Hereford ISD Share \$100/ADA	TX Hereford Wind Share
2014-2015	0	388,821	(388,821)
2015-2016	0	388,432	(388,432)
2016-2017	1,058,328	388,044	670,284
2017-2018	2,479,589	387,656	2,091,933
2018-2019	2,347,809	387,268	1,960,541
2019-2020	2,222,619	386,881	1,835,738
2020-2021	2,103,688	386,494	1,717,194
2021-2022	1,990,704	386,108	1,604,596
2022-2023	1,883,368	385,721	1,497,647
2023-2024	1,781,400	385,336	1,396,064
2024-2025	1,516,320	384,950	1,131,370
2025-2026	0	384,565	(384,565)
2026-2027	0	384,181	(384,181)
Totals	17,383,825	5,024,458	12,359,367

Hereford ISD Financial Impact of Chapter 313 Agreement

Impact of Projected Student Growth On District Facilities

TABLE VII – Campus Capacity and Available Growth

Campus	Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
Aikman Elem	K-5	23	506	441	65
Bluebonnet Elem	K-5	18	396	337	59
Northwest Elem	K-5	24	528	478	50
Tierra Blanca El.	K-5	19	418	358	60
West Central El.	K-5	15	330	257	73
Stanton Learning	PK-EE	16	352	320	32
Hereford Jr High	6-7	35	700	604	96
Hereford Prep Academy	8	24	480	309	171
Hereford High	9-12	77	1540	1118	422
Total		251	5,250	4,222	1,028

The building capacities are based on 22 students per classroom for the elementary campuses, 20 students for the Jr. High and high school. Hereford ISD is a pre-kindergarten through 12th grade district.

TX Hereford Wind, LLC provided supplemental information with their application that projected the number of full-time employees that are expected for permanent employment after construction of the project is completed. They projected that six full-time employees are expected. It is not known whether these would be new employees to the Hereford ISD, or if current residents would occupy these positions; however, it is assumed that these employees would be new residents to the district.

Based on average statewide figures provided by a demographer, it is projected that each new household would produce .5 students. Thus, the new two positions equates to 3 new students.

This minimal projected student growth can easily be accommodated with the current facilities of Hereford ISD as displayed in Table VII above.

Hereford ISD Financial Impact of Chapter 313 Agreement

Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with TX Hereford Wind, LLC, would be beneficial to both TX Hereford Wind and Hereford ISD under the current school finance system.

TX Hereford Wind, LLC would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, TX Hereford Wind is projected to benefit from a 80% tax savings over the first eleven year period of this agreement. TX Hereford Wind also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

Hereford ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require TX Hereford Wind to offset any district losses caused by the LAVA. An annual calculation will be performed each year to determine if a loss to the District has been incurred. The revenue impact to the District will be computed by comparing the District's revenues with and without the LAVA in effect.

Attachment 3

Deaf Smith County

Population

- Total county population in 2010 for Deaf Smith County: 18,655 , up 1.6 percent from 2009. State population increased 1.8 percent in the same time period.
- Deaf Smith County was the state's 123th largest county in population in 2010 and the 54th fastest growing county from 2009 to 2010.
- Deaf Smith County's population in 2009 was 32.6 percent Anglo (below the state average of 46.7 percent), 1.6 percent African-American (below the state average of 11.3 percent) and 64.9 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Deaf Smith County:

Hereford:	14,367
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Economy and Income

Employment

- September 2011 total employment in Deaf Smith County: 8,711 , down 0.2 percent from September 2010. State total employment increased 0.9 percent during the same period.
(October 2011 employment data will be available November 18, 2011).
- September 2011 Deaf Smith County unemployment rate: 6.0 percent, up from 5.5 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

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

Income

- Deaf Smith County's ranking in per capita personal income in 2009: 213th with an average per capita income of \$28,132, down 0.6 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

- Agricultural cash values in Deaf Smith County averaged \$546.57 million annually from 2007 to 2010. County total agricultural values in 2010 were up 25.6 percent from 2009. Major agriculture related commodities in Deaf Smith County during 2010 included:

- Other Beef	- Ensilage	- Wheat	- Corn	- Fed Beef
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- 2011 oil and gas production in Deaf Smith County: barrels of oil and Mcf of gas. In September 2011, there were 0 producing oil wells and 0 producing gas wells.

Taxes

Sales Tax - Taxable Sales

(County and city taxable sales data for 1st quarter 2011 is currently targeted for release in mid-September 2011).

Quarterly (September 2010 through December 2010)

- Taxable sales in Deaf Smith County during the fourth quarter 2010: \$30.13 million, up 0.1 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Hereford:	\$27.38 million, up 9.2 percent from the same quarter in 2009.
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Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)

- Taxable sales in Deaf Smith County through the fourth quarter of 2010: \$111.11 million, up 0.6 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Hereford:	\$99.86 million, up 3.1 percent from the same period in 2009.
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Annual (2010)

- Taxable sales in Deaf Smith County during 2010: \$111.11 million, up 0.6 percent from 2009.
- Deaf Smith County sent an estimated \$6.94 million (or 0.04 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Hereford:	\$99.86 million, up 3.1 percent from 2009.
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Sales Tax – Local Sales Tax Allocations

(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)

Monthly

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Deaf Smith County based on the sales activity month of August 2011: \$159,224.89, up 9.7 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Hereford:	\$159,224.89, up 9.7 percent from August 2010.
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Fiscal Year

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Deaf Smith County based on sales activity months from September 2010 through August 2011: \$1.93 million, up 8.6 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Hereford:	\$1.93 million, up 8.6 percent from fiscal 2010.
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January 2011 through August 2011 (Sales Activity Year-To-Date)

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Deaf Smith County based on sales activity months through August 2011: \$1.28 million, up 9.0 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Hereford:	\$1.28 million, up 9.0 percent from the same period in 2010.
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12 months ending in August 2011

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Deaf Smith County based on sales activity in the 12 months ending in August 2011: \$1.93 million, up 8.6 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Hereford:	\$1.93 million, up 8.6 percent from the previous 12-month period.
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City Calendar Year-To-Date (RJ 2011)

- Payment to the cities from January 2011 through October 2011:

Hereford:	\$1.63 million, up 8.6 percent from the same period in 2010.
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Annual (2010)

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Deaf Smith County based on sales activity months in 2010: \$1.82 million, up 1.9 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Hereford:	\$1.82 million, up 1.9 percent from 2009.
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Property Tax

- As of January 2009, property values in Deaf Smith County: \$1.45 billion, down 0.2 percent from January 2008 values. The property tax base per person in Deaf Smith County is \$78,766, below the statewide average of \$85,809. A negligible 0.0 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Deaf Smith County's ranking in state expenditures by county in fiscal year 2010: 139th. State expenditures in the county for FY2010: \$57.57 million, unchanged 0.0 percent from FY2009.
- In Deaf Smith County, 11 state agencies provide a total of 65 jobs and \$650,637.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):

- Health & Human Services Commission
- Department of Public Safety
- Department of Aging and Disability Services
- Department of Transportation
- Department of Family and Protective Services

Higher Education

- Community colleges in Deaf Smith County fall 2010 enrollment:
 - None.

- Deaf Smith County is in the service area of the following:
 - Amarillo College with a fall 2010 enrollment of 11,540 . Counties in the service area include:
 - Carson County
 - Castro County
 - Deaf Smith County
 - Moore County
 - Oldham County
 - Parmer County
 - Potter County
 - Randall County
 - Swisher County

- Institutions of higher education in Deaf Smith County fall 2010 enrollment:
 - None.

School Districts

- Deaf Smith County had 2 school districts with 9 schools and 4,341 students in the 2009-10 school year.
(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)
 - Hereford ISD had 4,203 students in the 2009-10 school year. The average teacher salary was \$43,857. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.
 - Walcott ISD had 138 students in the 2009-10 school year. The average teacher salary was \$50,045. The percentage of students meeting the 2010 TAKS passing standard for all tests was 95 percent.

Castro County

Population

- Total county population in 2010 for Castro County: 7,308 , up 2.5 percent from 2009. State population increased 1.8 percent in the same time period.
- Castro County was the state's 184th largest county in population in 2010 and the 26 th fastest growing county from 2009 to 2010.
- Castro County's population in 2009 was 41.8 percent Anglo (below the state average of 46.7 percent), 2.8 percent African-American (below the state average of 11.3 percent) and 54.5 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Castro County:

Dimmitt:	3,693	Hart:	1,031
Nazareth:	317		

Economy and Income

Employment

- September 2011 total employment in Castro County: 3,475 , down 0.6 percent from September 2010. State total employment increased 0.9 percent during the same period.
(October 2011 employment data will be available November 18, 2011).
- September 2011 Castro County unemployment rate: 5.6 percent, up from 5.4 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

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

Income

- Castro County's ranking in per capita personal income in 2009: 113th with an average per capita income of \$33,542, down 15.0 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

- Agricultural cash values in Castro County averaged \$480.68 million annually from 2007 to 2010. County total agricultural values in 2010 were down 3.4 percent from 2009. Major agriculture related commodities in Castro County during 2010 included:
 - Other Beef - Ensilage - Milk Cows - Corn - Fed Beef
- 2011 oil and gas production in Castro County: barrels of oil and Mcf of gas. In September 2011, there were 0 producing oil wells and 0 producing gas wells.

Taxes

Sales Tax - Taxable Sales

(County and city taxable sales data for 1st quarter 2011 is currently targeted for release in mid-September 2011).

Quarterly (September 2010 through December 2010)

- Taxable sales in Castro County during the fourth quarter 2010: \$7.81 million, down 3.4 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Dimmitt:	\$3.70 million, down 8.1 percent from the same quarter in 2009.
Hart:	\$3.36 million, down 0.3 percent from the same quarter in 2009.
Nazareth:	\$340,157.00, up 17.9 percent from the same quarter in 2009.

Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)

- Taxable sales in Castro County through the fourth quarter of 2010: \$31.48 million, down 1.6 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Dimmitt:	\$15.04 million, down 4.3 percent from the same period in 2009.
Hart:	\$13.22 million, down 4.7 percent from the same period in 2009.
Nazareth:	\$1.29 million, up 12.7 percent from the same period in 2009.

Annual (2010)

- Taxable sales in Castro County during 2010: \$31.48 million, down 1.6 percent from 2009.
- Castro County sent an estimated \$1.97 million (or 0.01 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Dimmitt:	\$15.04 million, down 4.3 percent from 2009.
Hart:	\$13.22 million, down 4.7 percent from 2009.

Nazareth: \$1.29 million, up 12.7 percent from 2009.

Sales Tax – Local Sales Tax Allocations

(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)

Monthly

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Castro County based on the sales activity month of August 2011: \$34,131.32, up 9.8 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Dimmitt:	\$28,980.61, up 7.9 percent from August 2010.
Hart:	\$2,608.81, up 18.9 percent from August 2010.
Nazareth:	\$2,541.90, up 24.2 percent from August 2010.

Fiscal Year

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Castro County based on sales activity months from September 2010 through August 2011: \$424,743.33, up 15.7 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Dimmitt:	\$334,812.28, up 5.8 percent from fiscal 2010.
Hart:	\$59,869.30, up 152.8 percent from fiscal 2010.
Nazareth:	\$30,061.75, up 11.5 percent from fiscal 2010.

January 2011 through August 2011 (Sales Activity Year-To-Date)

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Castro County based on sales activity months through August 2011: \$296,661.96, up 28.2 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Dimmitt:	\$228,302.69, up 14.2 percent from the same period in 2010.
Hart:	\$48,920.63, up 253.2 percent from the same period in 2010.
Nazareth:	\$19,438.64, up 10.1 percent from the same period in 2010.

12 months ending in August 2011

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Castro County based on sales activity in the 12 months ending in August 2011: \$424,743.33, up 15.7 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Dimmitt:	\$334,812.28, up 5.8 percent from the previous 12-month period.
Hart:	\$59,869.30, up 152.8 percent from the previous 12-month period.
Nazareth:	\$30,061.75, up 11.5 percent from the previous 12-month period.

■ ***City Calendar Year-To-Date (RJ 2011)***

- Payment to the cities from January 2011 through October 2011:

Dimmitt:	\$281,614.22, up 8.6 percent from the same period in 2010.
Hart:	\$54,906.99, up 185.3 percent from the same period in 2010.
Nazareth:	\$24,890.50, up 12.6 percent from the same period in 2010.

Annual (2010)

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Castro County based on sales activity months in 2010: \$359,536.86, down 4.7 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Dimmitt:	\$306,461.52, down 5.9 percent from 2009.
Hart:	\$24,798.19, down 7.4 percent from 2009.
Nazareth:	\$28,277.15, up 13.5 percent from 2009.

Property Tax

- As of January 2009, property values in Castro County: \$675.17 million, up 0.1 percent from January 2008 values. The property tax base per person in Castro County is \$94,694, above the statewide average of \$85,809. A negligible 0.0 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Castro County's ranking in state expenditures by county in fiscal year 2010: 173rd. State expenditures in the county for FY2010: \$32.69 million, up 0.1 percent from FY2009.
- In Castro County, 5 state agencies provide a total of 24 jobs and \$216,099.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
 - Department of Transportation
 - Department of Public Safety
 - Department of Aging and Disability Services
 - Health & Human Services Commission
 - AgriLife Extension Service

Higher Education

- Community colleges in Castro County fall 2010 enrollment:
 - None.
- Castro County is in the service area of the following:
 - Amarillo College with a fall 2010 enrollment of 11,540. Counties in the service area include:
 - Carson County
 - Castro County
 - Deaf Smith County
 - Moore County
 - Oldham County
 - Parmer County
 - Potter County
 - Randall County
 - Swisher County
- Institutions of higher education in Castro County fall 2010 enrollment:
 - None.

School Districts

- Castro County had 3 school districts with 6 schools and 1,726 students in the 2009-10 school year.
 (Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)
 - Dimmitt ISD had 1,193 students in the 2009-10 school year. The average teacher salary was \$39,323. The percentage of students meeting the 2010 TAKS passing standard for all tests was 60 percent.
 - Hart ISD had 300 students in the 2009-10 school year. The average teacher salary was \$34,473. The percentage of students meeting the 2010 TAKS passing standard for all tests was 48 percent.
 - Nazareth ISD had 233 students in the 2009-10 school year. The average teacher salary was \$39,691. The percentage of students meeting the 2010 TAKS passing standard for all tests was 85 percent.

**Summary of the District's Financial Impact
of Chapter 313 Agreement
with TX Hereford Wind, LLC**

Prepared by

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&

Neal Brown

School Finance Specialist, Region 16 ESC

Hereford ISD Financial Impact of Chapter 313 Agreement

Summary of Hereford ISD Financial Impact of the Limited Appraised Value Application from TX Hereford Wind, LLC

Introduction

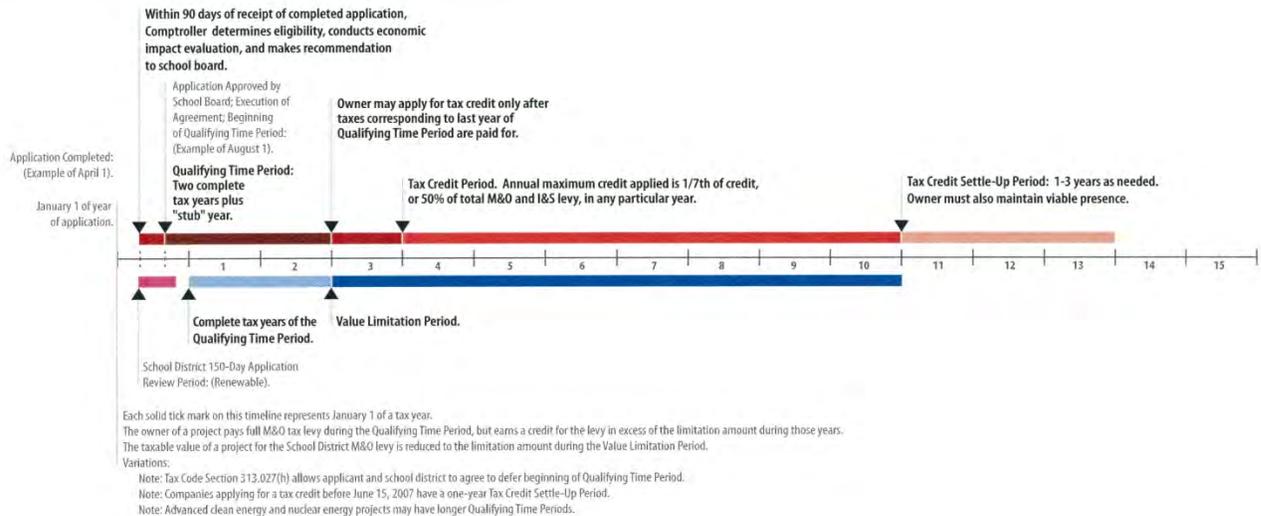
TX Hereford Wind, LLC applied for a property value limitation from Hereford Independent School District under Chapter 313 of the Tax Code. The application was submitted on February 11, 2013 and subsequently approved for consideration by the Hereford ISD Board of Trustees. TX Hereford Wind, LLC (“TX Hereford Wind”), is requesting the property value limitation as a “renewable energy electric generation” project as listed in Sec. 313.024.(b) of the Tax Code.

“The Economic Development Act”, Tax Code Chapter 313, was created by House Bill 1200 of the 77th Texas Legislature in 2001. Further amendments were made to Chapter 313 as a result of House Bill 1470 from the 80th Texas Legislative Session in 2007.

The Economic Development Act was created to attract qualifying businesses to Texas by allowing school districts the option of approving a property value limitation to these qualifying entities. The purpose of the property value limitation is to reduce the maintenance and operations taxes paid by the company, to a school district during the applicable years as displayed below.

Hereford ISD Financial Impact of Chapter 313 Agreement

Appraised Value Limitation and Credit under Tax Code Chapter 313 for School District Maintenance & Operations (M&O) Tax



The company must file an application with the school district to qualify for consideration of a Limited Appraised Value Agreement (“LAVA” or “Agreement”) to begin the following tax year or a later year if agreed upon by the District and the Company. The first two years of the agreement are considered the qualifying time period and the company’s school district taxes will be levied at one-hundred percent of the appraised value. The applicant may then file a separate application with the school district to request tax credits (for taxes paid during the qualifying time period) to be applied during years four through ten of the LAVA, but not to exceed 50% of their tax levy for those years. Any tax credit balance remaining after this period can then be applied during years eleven through thirteen of the agreement, but cannot exceed the actual amount of taxes paid to the school district during the Settle-Up Period. After year thirteen, any leftover credits will not be applied and will expire.

During years three through ten of the LAVA, the qualifying entity’s taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller’s Office. Hereford ISD is considered a Rural category 1 District as categorized with total taxable value of industrial property of \$200 million or more, thus Hereford ISD has a

Hereford ISD Financial Impact of Chapter 313 Agreement

minimum qualified investment amount of \$30 million. A qualifying entity’s taxable value would be reduced to \$30 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Hereford ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

Taxable Value Impact from LAVA

The “Additional Value from TX Hereford Wind” represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company’s taxable value will be limited to the \$30,000,000 minimum qualified investment of Hereford ISD.

TABLE I- Calculation of Taxable Value:

Tax Year	Additional Value From TX Hereford Wind	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2014	4,000,000	n/a	0	4,000,000
Jan. 1, 2015	280,800,000	n/a	0	280,800,000
Jan. 1, 2016	266,760,000	(30,000,000)	236,760,000	30,000,000
Jan. 1, 2017	253,422,000	(30,000,000)	223,422,000	30,000,000
Jan. 1, 2018	240,750,900	(30,000,000)	210,750,900	30,000,000
Jan. 1, 2019	228,713,355	(30,000,000)	198,713,355	30,000,000
Jan. 1, 2020	217,277,687	(30,000,000)	187,277,687	30,000,000
Jan. 1, 2021	206,413,803	(30,000,000)	176,413,803	30,000,000
Jan. 1, 2022	196,093,113	(30,000,000)	166,093,113	30,000,000
Jan. 1, 2023	186,288,457	(30,000,000)	156,288,457	30,000,000
Jan. 1, 2024	176,974,034	n/a	0	176,974,034
Jan. 1, 2025	168,125,333	n/a	0	168,125,333
Jan. 1, 2026	159,719,066	n/a	0	159,719,066

Hereford ISD Financial Impact of Chapter 313 Agreement

TX Hereford Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for TX Hereford Wind is \$17.38 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement. Tax credits during years four through ten are limited to the lesser of 1/7 of the total tax credit or 50% of the total taxes paid for that tax year. Any tax credits not refunded to the company during those years will be refunded up to 100% of the taxes paid in years eleven through thirteen.

Hereford ISD's projected tax rates for maintenance & operations (M&O) and interest & sinking (I&S) are based on the following assumptions:

- The District has not held a tax ratification election that would approve a M&O tax rate in excess of \$1.04; therefore, the study assumes that they will maintain a M&O tax rate of \$1.04. This does not suggest that Hereford ISD will not exercise its authority to hold an agreement during this agreement period.
- The District currently has no outstanding bond obligations and therefore has no I&S tax rate. The study assumes that they will have no bonded indebtedness during the agreement period; however, the district could call for a bond referendum and install an I&S tax during this agreement period.

TABLE II- Computation of Net Tax Savings:

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District's Revenue Losses	Net Tax Savings
2014-2015	1.04	0.00	41,600	0	n/a	0	0
2015-2016	1.04	0.00	2,920,320	0	n/a	0	0
2016-2017	1.04	0.00	2,774,304	2,462,304	n/a	(1,403,976)	1,058,328
2017-2018	1.04	0.00	2,635,589	2,323,589	156,000	0	2,479,589
2018-2019	1.04	0.00	2,503,809	2,191,809	156,000	0	2,347,809
2019-2020	1.04	0.00	2,378,619	2,066,619	156,000	0	2,222,619
2020-2021	1.04	0.00	2,259,688	1,947,688	156,000	0	2,103,688
2021-2022	1.04	0.00	2,146,704	1,834,704	156,000	0	1,990,704
2022-2023	1.04	0.00	2,039,368	1,727,368	156,000	0	1,883,368
2023-2024	1.04	0.00	1,937,400	1,625,400	156,000	0	1,781,400
2024-2025	1.04	0.00	1,840,530	0	1,516,320	0	1,516,320
2025-2026	1.04	0.00	1,748,503	0	0	0	0
2026-2027	1.04	0.00	1,661,078	0	0	0	0
Totals			26,887,513	16,179,481	2,608,320	(1,403,976)	17,383,825

Hereford ISD Financial Impact of Chapter 313 Agreement

Financial Impact Study

This Financial Impact Study was performed to determine the financial impact of the Limited Appraised Value Agreement on Hereford ISD. First, a thirteen year financial forecast was prepared to establish a baseline without the added values of the renewable energy electric generation company. Second, a thirteen year financial forecast was prepared that incorporated the additional taxable value of the company without a LAVA in effect. Third, a thirteen year financial forecast was prepared that incorporates the additional taxable value of the company with an approved LAVA. These three forecasts are detailed in the “Calculation of LAVA Impact on District’s Finances” section. The following assumptions were used to compare the financial impact of the LAVA:

- The current state funding formulas (in effect for 2012-2013 fiscal year) were used for state aid and recapture calculation purposes
 - Level 2 of Tier II yield - \$59.97 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district’s tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2012.
- A tax collection rate of 100% on current year tax levy with no projected delinquent taxes
- An annual taxable value increase of 1% was used to project the district’s taxable value, except as it related to the requested LAVA. The district’s 2012 taxable value was used as a baseline for all projections
- The district’s enrollment is projected to decrease slightly; therefore, the projected ADA and WADA for school year 2012-2013 was decreased by .1% per year for the life of the agreement.

Although these assumptions were used to develop a baseline scenario for comparison purposes, many of these factors will not remain constant for the thirteen years of this proposed agreement. Also, Legislative changes to the school finance formulas are likely during the near future and almost certain during the life of this agreement.

Hereford ISD Financial Impact of Chapter 313 Agreement

Calculation of LAVA Impact on District's Finances

The tables displayed below (Table III, IV, V) show the different impacts on the school district's finances. These scenarios were computed to compare the District's revenue without the additional taxable value of TX Hereford Wind (Table III), the addition of TX Hereford Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of TX Hereford Wind's taxable values with a Chapter 313 Agreement (Table V).

TABLE III – District Revenues *without* TX Hereford Wind:

Fiscal Year	Total Taxable Value	M&O Taxes			Revenue Above		Total District Revenue
		Compressed	State	Recapture	Tier I	Comp	
		Rate	Revenue	Amount	Revenue	Rate	
2014-2015	1,109,297,417	11,092,974	14,895,873	0	25,988,847	1,303,609	27,292,456
2015-2016	1,120,390,391	11,203,904	14,748,894	0	25,952,797	1,302,305	27,255,103
2016-2017	1,131,594,295	11,315,943	14,600,829	0	25,916,772	1,301,003	27,217,775
2017-2018	1,142,910,238	11,429,102	14,451,669	0	25,880,771	1,299,702	27,180,473
2018-2019	1,154,339,340	11,543,393	14,301,401	0	25,844,794	1,298,402	27,143,196
2019-2020	1,165,882,734	11,658,827	14,150,014	0	25,808,842	1,297,104	27,105,945
2020-2021	1,177,541,561	11,775,416	13,997,498	0	25,772,913	1,295,807	27,068,720
2021-2022	1,189,316,977	11,893,170	13,843,839	0	25,737,009	1,294,511	27,031,520
2022-2023	1,201,210,147	12,012,101	13,689,027	0	25,701,129	1,293,216	26,994,345
2023-2024	1,213,222,248	12,132,222	13,533,050	0	25,665,273	1,291,923	26,957,196
2024-2025	1,225,354,470	12,253,545	13,375,896	0	25,629,441	1,290,631	26,920,072
2025-2026	1,237,608,015	12,376,080	13,217,553	0	25,593,633	1,289,340	26,882,973
2026-2027	1,249,984,095	12,499,841	13,058,008	0	25,557,849	1,288,051	26,845,900

Hereford ISD Financial Impact of Chapter 313 Agreement

TABLE IV- District Revenues *with* TX Hereford Wind *without* Chapter 313 Agreement:

Fiscal Year	Total Taxable Value	M&O Taxes			Recapture Amount	Tier I Revenue	Revenue	
		Compressed Rate	State Revenue	Above Comp Rate			Total District Revenue	
2014-2015	1,113,297,417	11,132,974	16,432,112	0	27,565,086	1,308,309	28,873,395	
2015-2016	1,401,190,391	14,011,904	18,790,418	0	32,802,321	1,622,846	34,425,167	
2016-2017	1,398,354,295	13,983,543	12,615,128	0	26,598,671	1,285,514	27,884,185	
2017-2018	1,396,332,238	13,963,322	12,628,141	0	26,591,463	1,284,973	27,876,436	
2018-2019	1,395,090,240	13,950,902	12,632,069	0	26,582,971	1,284,403	27,867,374	
2019-2020	1,394,596,089	13,945,961	12,617,597	0	26,563,558	1,283,806	27,847,364	
2020-2021	1,394,819,248	13,948,192	12,604,856	0	26,553,048	1,283,182	27,836,230	
2021-2022	1,395,730,780	13,957,308	12,583,785	0	26,541,093	1,282,531	27,823,624	
2022-2023	1,397,303,260	13,973,033	12,545,331	0	26,518,364	1,281,855	27,800,219	
2023-2024	1,399,510,705	13,995,107	12,509,518	0	26,504,625	1,281,152	27,785,777	
2024-2025	1,402,328,504	14,023,285	12,467,253	0	26,490,538	1,280,425	27,770,963	
2025-2026	1,405,733,348	14,057,333	12,407,659	0	26,464,993	1,279,674	27,744,667	
2026-2027	1,409,703,161	14,097,032	12,351,371	0	26,448,402	1,278,900	27,727,302	

TABLE V – District Revenues *with* TX Hereford Wind *with* Chapter 313 Agreement:

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Tier I Revenue	Revenue		Total District Revenue
		Comp Rate	State Revenue			Above Comp Rate	Payment for District Losses	
2014-2015	1,113,297,417	11,132,974	16,432,112	0	27,565,086	1,308,309	0	28,873,395
2015-2016	1,401,190,391	14,011,904	18,790,418	0	32,802,321	1,622,846	0	34,425,167
2016-2017	1,161,594,295	11,615,943	12,610,086	0	24,226,029	1,067,860	1,403,976	26,697,864
2017-2018	1,172,910,238	11,729,102	15,263,173	0	26,992,275	1,299,369	0	28,291,645
2018-2019	1,184,339,340	11,843,393	15,119,450	0	26,962,843	1,298,073	0	28,260,917
2019-2020	1,195,882,734	11,958,827	14,964,710	0	26,923,538	1,296,778	0	28,220,316
2020-2021	1,207,541,561	12,075,416	14,818,711	0	26,894,126	1,295,485	0	28,189,611
2021-2022	1,219,316,977	12,193,170	14,671,049	0	26,864,219	1,294,192	0	28,158,411
2022-2023	1,231,210,147	12,312,101	14,512,330	0	26,824,432	1,292,901	0	28,117,333
2023-2024	1,243,222,248	12,432,222	14,362,268	0	26,794,491	1,291,611	0	28,086,102
2024-2025	1,402,328,504	14,023,285	15,593,023	0	29,616,308	1,441,391	0	31,057,699
2025-2026	1,405,733,348	14,057,333	12,407,659	0	26,464,993	1,279,674	0	27,744,667
2026-2027	1,409,703,161	14,097,032	12,351,351	0	26,448,382	1,278,900	0	27,727,282

Hereford ISD Financial Impact of Chapter 313 Agreement

Current School Finance Law

A major overhaul of the school finance formulas was implemented as a result of House Bill 1 of the 79th Legislative Session and became effective for the 2006-2007 school year. These formula changes have had an effect on the district's financial impact from granting a property value limitation. Due to the district's "Hold Harmless" provision that was enacted in the new funding formulas, it is presumed that the majority of the district's revenue losses in year three of the LAVA will be offset with additional state funding or a reduction of recapture payments made to the State. Prior to these recent formula changes, school districts felt a significant loss in revenues in year three because the state funding formulas considered the district more property wealthy based on their prior year taxable value. However, districts were only able to tax on the lower value that was a result of the LAVA. Districts are currently "held harmless" for the majority amount of loss in year three; however, it is possible that a future legislative session could eliminate this provision. If the "hold harmless" provision is eliminated, then the company would be required to offset the district's losses as computed in Article III of the Agreement.

Hereford ISD Financial Impact of Chapter 313 Agreement

Payments in Lieu of Taxes

Assuming that the District and TX Hereford Wind, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Hereford ISD by TX Hereford Wind, the projected amount of these payments over the life of the agreement is \$5.02 million of the \$17.38 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

TABLE VI - Calculation of the Payment in Lieu of Taxes:

Fiscal Year	Net Tax Savings	Hereford ISD Share \$100/ADA	TX Hereford Wind Share
2014-2015	0	388,821	(388,821)
2015-2016	0	388,432	(388,432)
2016-2017	1,058,328	388,044	670,284
2017-2018	2,479,589	387,656	2,091,933
2018-2019	2,347,809	387,268	1,960,541
2019-2020	2,222,619	386,881	1,835,738
2020-2021	2,103,688	386,494	1,717,194
2021-2022	1,990,704	386,108	1,604,596
2022-2023	1,883,368	385,721	1,497,647
2023-2024	1,781,400	385,336	1,396,064
2024-2025	1,516,320	384,950	1,131,370
2025-2026	0	384,565	(384,565)
2026-2027	0	384,181	(384,181)
Totals	17,383,825	5,024,458	12,359,367

Hereford ISD Financial Impact of Chapter 313 Agreement

Impact of Projected Student Growth On District Facilities

TABLE VII – Campus Capacity and Available Growth

Campus	Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
Aikman Elem	K-5	23	506	441	65
Bluebonnet Elem	K-5	18	396	337	59
Northwest Elem	K-5	24	528	478	50
Tierra Blanca El.	K-5	19	418	358	60
West Central El.	K-5	15	330	257	73
Stanton Learning	PK-EE	16	352	320	32
Hereford Jr High	6-7	35	700	604	96
Hereford Prep Academy	8	24	480	309	171
Hereford High	9-12	77	1540	1118	422
Total		251	5,250	4,222	1,028

The building capacities are based on 22 students per classroom for the elementary campuses, 20 students for the Jr. High and high school. Hereford ISD is a pre-kindergarten through 12th grade district.

TX Hereford Wind, LLC provided supplemental information with their application that projected the number of full-time employees that are expected for permanent employment after construction of the project is completed. They projected that six full-time employees are expected. It is not known whether these would be new employees to the Hereford ISD, or if current residents would occupy these positions; however, it is assumed that these employees would be new residents to the district.

Based on average statewide figures provided by a demographer, it is projected that each new household would produce .5 students. Thus, the new two positions equates to 3 new students.

This minimal projected student growth can easily be accommodated with the current facilities of Hereford ISD as displayed in Table VII above.

Hereford ISD Financial Impact of Chapter 313 Agreement

Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with TX Hereford Wind, LLC, would be beneficial to both TX Hereford Wind and Hereford ISD under the current school finance system.

TX Hereford Wind, LLC would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, TX Hereford Wind is projected to benefit from a 80% tax savings over the first eleven year period of this agreement. TX Hereford Wind also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

Hereford ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require TX Hereford Wind to offset any district losses caused by the LAVA. An annual calculation will be performed each year to determine if a loss to the District has been incurred. The revenue impact to the District will be computed by comparing the District's revenues with and without the LAVA in effect.



Window on State Government

Susan Combs Texas Comptroller of Public Accounts

2012 ISD Summary Worksheet

059/Deaf Smith

180-902/Vega ISD

Category	Local Tax Roll Value	2012 WTD Mean Ratio	2012 PTAD Value Estimate	2012 Value Assigned
A. Single-Family Residences	1,262,800	N/A	1,262,800	1,262,800
B. Multi-Family Residences	0	N/A	0	0
C. Vacant Lots	0	N/A	0	0
D. Rural Real(Taxable)	12,440,100	N/A	12,440,100	12,440,100
F1. Commercial Real	424,400	N/A	424,400	424,400
F2. Industrial Real	2,910,400	N/A	2,910,400	2,910,400
G. Oil, Gas, Minerals	0	N/A	0	0
J. Utilities	224,900	N/A	224,900	224,900
L1. Commercial Personal	86,800	N/A	86,800	86,800
L2. Industrial Personal	6,075,000	N/A	6,075,000	6,075,000
M. Other Personal	0	N/A	0	0
N. Intangible Pers/Uncert	0	N/A	0	0
O. Residential Inventory	0	N/A	0	0
S. Special Inventory	0	N/A	0	0
Subtotal	23,424,400		23,424,400	23,424,400

Category	Local Tax Roll Value	2012 WTD Mean Ratio	2012 PTAD Value Estimate	2012 Value Assigned
Less Total Deductions	1,743,548		1,743,548	1,743,548
Total Taxable Value	21,680,852		21,680,852	21,680,852 T2

Category D Detail	Local Tax Roll	Ratio	PTAD Value
Market Value Non-Qualified Acres And Farm/Ranch Imp	4,887,700	N/A	4,887,700
Prod Value Qualified Acres	7,552,400	N/A	7,552,400
Taxable Value	12,440,100		12,440,100

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T6 will be the same as T7 through T12.

Value Taxable For M&O Purposes

T1	T2	T3	T4	T5	T6
21,990,852	21,680,852	21,990,852	21,680,852	21,765,134	21,765,134

Loss To the Additional \$10,000 Homestead Exemption	50% of the loss to the Local Optional Percentage Homestead Exemption
310,000	0

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

T5 = T2 before the loss to the tax ceiling reduction

T6 = T5 minus 50% of the loss to the local optional percentage homestead exemption

Value Taxable For I&S Purposes

T7	T8	T9	T10	T11	T12
21,990,852	21,680,852	21,990,852	21,680,852	21,765,134	21,765,134

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

T11 = T8 before the loss to the tax ceiling reduction

T12 = T11 minus 50% of the loss to the local optional percentage homestead exemption

The PVS found your local value to be valid, and local value was certified

180/Oldham

180-902/Vega ISD

Category	Local Tax Roll Value	2012 WTD Mean Ratio	2012 PTAD Value Estimate	2012 Value Assigned
A. Single-Family Residences	26,951,100	1.0056	26,801,014	26,951,100
B. Multi-Family Residences	0	N/A	0	0
C. Vacant Lots	662,800	N/A	662,800	662,800
D. Rural Real(Taxable)	28,001,490	.9117	30,714,422	28,001,490

Category	Local Tax Roll Value	2012 WTD Mean Ratio	2012 PTAD Value Estimate	2012 Value Assigned
F1. Commercial Real	4,957,130	.9276	5,344,038	4,957,130
F2. Industrial Real	55,424,790	N/A	55,424,790	55,424,790
G. Oil, Gas, Minerals	19,621,830	.9849	19,922,662	19,621,830
J. Utilities	4,636,230	N/A	4,636,230	4,636,230
L1. Commercial Personal	2,233,503	N/A	2,233,503	2,233,503
L2. Industrial Personal	7,257,412	N/A	7,257,412	7,257,412
M. Other Personal	596,820	N/A	596,820	596,820
N. Intangible Pers/Uncert	0	N/A	0	0
O. Residential Inventory	0	N/A	0	0
S. Special Inventory	667	N/A	667	667
Subtotal	150,343,772		153,594,358	150,343,772
Less Total Deductions	55,551,659		55,493,320	55,551,659
Total Taxable Value	94,792,113		98,101,038	94,792,113 T2

Category D Detail	Local Tax Roll	Ratio	PTAD Value
Market Value Non-Qualified Acres And Farm/Ranch Imp	12,481,420	.9953	12,540,360
Prod Value Qualified Acres	15,520,070	.8540	18,174,062
Taxable Value	28,001,490		30,714,422

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T6 will be the same as T7 through T12.

Value Taxable For M&O Purposes

T1	T2	T3	T4	T5	T6
97,821,533	94,792,113	97,821,533	94,792,113	95,209,105	95,209,105

Loss To the Additional \$10,000 Homestead Exemption	50% of the loss to the Local Optional Percentage Homestead Exemption
3,029,420	0

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

T5 = T2 before the loss to the tax ceiling reduction

T6 = T5 minus 50% of the loss to the local optional percentage homestead exemption

Value Taxable For I&S Purposes

T7	T8	T9	T10	T11	T12
142,413,273	139,383,853	142,413,273	139,383,853	139,800,845	139,800,845

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

T11 = T8 before the loss to the tax ceiling reduction

T12 = T11 minus 50% of the loss to the local optional percentage homestead exemption

The PVS found your local value to be valid, and local value was certified

180-902/Vega ISD

Category	Local Tax Roll Value	2012 WTD Mean Ratio	2012 PTAD Value Estimate	2012 Value Assigned
A. Single-Family Residences	28,213,900	1.0053	28,063,814	28,213,900
B. Multi-Family Residences	0	N/A	0	0
C. Vacant Lots	662,800	N/A	662,800	662,800
D. Rural Real(Taxable)	40,441,590	.9371	43,154,522	40,441,590
F1. Commercial Real	5,381,530	.9329	5,768,438	5,381,530
F2. Industrial Real	58,335,190	N/A	58,335,190	58,335,190
G. Oil, Gas, Minerals	19,621,830	.9849	19,922,662	19,621,830
J. Utilities	4,861,130	N/A	4,861,130	4,861,130
L1. Commercial Personal	2,320,303	N/A	2,320,303	2,320,303
L2. Industrial Personal	13,332,412	N/A	13,332,412	13,332,412
M. Other Personal	596,820	N/A	596,820	596,820
N. Intangible Pers/Uncert	0	N/A	0	0
O. Residential Inventory	0	N/A	0	0
S. Special Inventory	667	N/A	667	667
Subtotal	173,768,172		177,018,758	173,768,172
Less Total Deductions	57,295,207		57,236,868	57,295,207
Total Taxable Value	116,472,965		119,781,890	116,472,965 T2

Category D Detail	Local Tax Roll	Ratio	PTAD Value
Market Value Non-Qualified Acres And Farm/Ranch Imp	17,369,120	.9966	17,428,060
Prod Value Qualified Acres	23,072,470	.8968	25,726,462
Taxable Value	40,441,590		43,154,522

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

**LIMITATION ON APPRAISED
VALUE AGREEMENT**

HEREFORD INDEPENDENT SCHOOL DISTRICT

and

TX HEREFORD WIND, LLC

July 22, 2013

THIS LIMITATION ON APPRAISED VALUE AGREEMENT, (“Agreement”) is executed and delivered by and between Hereford Independent School District (the ”District”), with its central administrative office located in Deaf Smith County, Texas (“County”), a lawfully created independent school district of the State of Texas operating under and subject to the Texas Education Code (“TEC”), and TX Hereford Wind, LLC, a Delaware limited liability company, (“Applicant”) and relates to a limitation of the Appraised Value of property for the District’s maintenance and operation taxes pursuant to Chapter 313 of the Texas Tax Code (the “Code”). The District and Applicant are collectively referred to herein as the “Parties” and each individually as a “Party.”

RECITALS

WHEREAS, the Superintendent of Schools of the District, acting as agent for the District’s Board of Trustees (“Board of Trustees”), timely received from Applicant a completed Application for an Appraised Value Limitation on Qualified Property pursuant to 34 Texas Administrative Code §9.1053, including any agreed and accepted amendments thereto (“Application”), on or about February 11, 2013 (the “Completed Application Date”); and,

WHEREAS, the District received the application fee as required by §313.025(a)(1) of the Code and the District Policy CCG (LOCAL), if any, on or about the Completed Application Date thus establishing the effective filing date of such Application as of February 11, 2013; and,

WHEREAS, the District timely delivered the requisite number of copies of the Application to the Texas Comptroller of Public Accounts (“Comptroller”) for review pursuant to §313.025(a-1) and (b) of the Code and the Comptroller deemed the Application complete and thereafter began its analysis of the Application on March 28, 2013 (the “Application Review Start Date”); and,

WHEREAS, the Comptroller conducted an economic impact evaluation of the Application pursuant to §313.025(b) of the Code; and,

WHEREAS, pursuant to §313.025(b-1) of the Code, the Comptroller delivered to the Texas Education Agency (“TEA”) a copy of the Application and the TEA then timely submitted a written report addressing the effects of the Application on the number or size of the District’s instructional facilities to the Comptroller; and,

WHEREAS, pursuant to §313.025(d) of the Code, the Board of Trustees timely received the June 20, 2013 recommendation of the Comptroller and a report indicating that the Application was in compliance with the provisions of the Texas Economic Development Act, Code §313.001, *et seq.* (the “Recommendation”); and,

WHEREAS, the Board of Trustees has carefully considered the school finance information together with the Recommendation and information provided by the Comptroller, including the economic impact evaluation; and,

WHEREAS, pursuant to §313.025(f-1) of the Code, the Board of Trustees at its Board meeting held on July 22, 2013 waived the Qualifying Job creation requirements set forth in Section 313.051(b) of the Code; and,

WHEREAS, pursuant to §313.025(e) of the Code, the Board of Trustees at its Board meeting held on July 22, 2013 made written factual findings as required by §313.025(f) and based on the criteria set out in §313.026 of the Code has delivered a copy of such findings to the Applicant; and,

WHEREAS, pursuant to §313.025(f) of the Code, the Board of Trustees at its Board meeting held on July 22, 2013 further found that: (a) the information in the Application is true and correct; (b) the Board agrees with the Comptroller's Recommendation; (c) this Agreement is in the best interest of the State of Texas and the District; (d) the Applicant is eligible for the limitation on Appraised Value of the Qualified Property; and (d) the relevant job creation requirement set forth in Chapter 313 of the Code should be waived; and,

WHEREAS, the Board of Trustees approves the form of this Agreement for a Limitation on Appraised Value of Property and authorizes the execution and delivery of such Agreement by the President of the District's Board of Trustees to the Applicant.

NOW, THEREFORE, for and in consideration of the promises, including the foregoing recitals, and the mutual covenants and agreements contained herein, the Parties hereby agree as follows:

ARTICLE 1 - AUTHORITY, TERM AND DEFINITIONS

Section 1.1 DISTRICT 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 under §313.051 of the Code.

Section 1.2 TERM

1.2.1 This Agreement shall commence and first become effective on July 22, 2013, the date this Agreement was approved by the District's Board of Trustees and executed by the District's Board President, for the ad valorem property valuations assessed against the Qualified Property and investments made pursuant to this Agreement (the "Commencement Date"). The limitation on the local ad valorem property values shall terminate on December 31 of the tenth (10th) full calendar year of this Agreement, as set out on Schedule 1.2 attached hereto¹, unless sooner terminated as herein provided. The early termination of this Agreement shall not release any obligation, right, or remedy arising from any failure to comply with any term of this Agreement prior to such termination. Each Party shall have the right to enforce the payment of any amount owed before the termination of this Agreement.

¹ All references to Agreement years shall be as shown on Schedule 1.2.

1.2.2 The Parties acknowledge that the limitation on the local ad valorem property values shall not commence until January 1 following the end of the second full year that begins after the Commencement Date or such later date as reflected herein. The period that begins on the Commencement Date and ends on December 31 of the second full year that begins after the Commencement Date shall be referred to herein as the “Qualifying Time Period” as that term is defined in §313.021(4) of the Code.

1.2.3 For three (3) years after December 31 of the tenth (10th) year of this Agreement, Applicant shall (a) Maintain a Viable Presence in the District, as that term is defined herein; and (b) make any payments in lieu of taxation as provided in Article 4. Unless sooner terminated, this Agreement shall end on December 31 of the thirteenth (13th) year of this Agreement. Nothing contained in this Agreement shall extend the tax limitation beyond ten (10) full calendar years from the Commencement Date.

1.2.4 The years for which this Agreement is effective, unless sooner terminated, are set forth in Schedule 1.2 of this Agreement, which is incorporated herein by reference.

Section 1.3 DEFINITIONS

Capitalized terms used herein and not specifically defined shall have the definitions as set forth in Schedule 1.3 of this Agreement, which is incorporated herein by reference.

ARTICLE 2 - PROPERTY AND USE DESCRIPTIONS

Section 2.1 REINVESTMENT ZONE OR ENTERPRISE ZONE

The property upon which the Qualified Investment will be located entirely within a Reinvestment Zone, so designated under Chapter 311 or 312 of the Code, or an Enterprise Zone under Chapter 2303 of the Texas Government Code. The description of the Reinvestment Zone or Enterprise Zone and maps showing the location thereof are attached to this Agreement as Schedule 2.1, which is incorporated herein by reference.

Section 2.2 QUALIFIED PROPERTY

Applicant’s Qualified Property is described in Schedule 2.3, which is incorporated herein by reference. The Parties expressly agree that the location of the Qualified Property shall be within the Reinvestment Zone as set out in Schedule 2.1, and such location may not be materially changed from its current configuration without the express written authorization of the Parties; provided that, the Parties acknowledge Applicant may determine it is necessary to re-configure and change certain aspects as construction progresses and District agrees not to unreasonably withhold consent to changes that do not change in a substantial way the overall concept of the Qualified Investment taken as a whole, as set out in the Application.

Section 2.3 QUALIFIED INVESTMENT

2.3.1 Applicant’s Qualified Investment is described in Schedule 2.3, which is

incorporated herein by reference. Property not specifically referenced in Schedule 2.3 and not otherwise meeting the requirements of Chapter 313 and this Agreement shall not be considered to be a Qualified Investment for purposes of this Agreement and will not be subject to this Agreement.

2.3.2 Schedule 2.3 may be amended by adding or removing Qualified Property pursuant to: (a) the provisions of Comptroller's Rule 9.1055; and (b) approval by the District's Board of Trustees pursuant to §313.027(e) of the Code, which approval shall not be unreasonably withheld by the District.

2.3.3 Property owned by Applicant which is not described in Schedule 2.3 may not be considered to be Qualified Property unless the Applicant (a) submits to the District and the Comptroller a written request to add property to the limitation agreement, which request shall include a specific description of the additional property to which the Applicant requests that the limitation apply; (b) notifies the District and the Comptroller of any other changes to the information that was provided in the Application approved by the District; and (c) provides any additional information reasonably requested by the District or the Comptroller for the purpose of re-evaluating the new or changed conditions.

2.3.4 In the event that Applicant fails to make a Qualified Investment of at least Thirty Million Dollars (\$30,000,000.00) during the Qualifying Time Period, this Agreement shall become null and void on January 1, 2016.

Section 2.4 EXISTING IMPROVEMENTS AND PERSONAL PROPERTY

Certain improvements and personal property may have existed in the Reinvestment Zone or Enterprise Zone prior to the Application Date. The Parties understand and agree that the Taxable Value of real estate improvements and/or business personal property which existed prior to the submission of a Completed Application may not be considered Qualified Property under Chapter 313 of the Code or this Agreement. Further, the Parties understand and agree that the Taxable Value of real estate improvements and/or business personal property which existed prior to the approval of this Agreement by the Parties may not be considered part of the required Qualified Investment under Chapter 313 of the Code or this Agreement.

Section 2.5 INVENTORY OF QUALIFIED PROPERTY

2.5.1 Upon any material change to the Qualified Property, or upon the reasonable request of the District, the Comptroller, or the Appraisal District, Applicant shall provide to the District, the Comptroller, and the Appraisal District a specific and detailed description of the tangible personal property, buildings, or permanent, nonremovable building components on the Qualified Property to which the value limitation applies. Such description shall include maps or surveys detailed enough to locate all such property within the boundaries of the real property subject to this Agreement.

2.5.2 At the end of the Qualifying Time Period, Applicant shall provide to the District, the Comptroller, and the Appraisal District a specific and detailed description of the tangible

personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Qualified Property to which the value limitation applies, including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property subject to this Agreement.

Section 2.6 QUALIFYING USE

Applicant's property which is the subject of a limitation on the local ad valorem property values under this Agreement is eligible for a tax limitation as a renewable energy electric generation facility under §313.024(b)(5) of the Code.

Section 2.7 APPRAISAL LIMITATION

Upon Applicant's Qualified Investment in the amount of \$30,000,000.00 or more during the Qualifying Time Period, and unless this Agreement is terminated as herein provided, the Appraised Value of the Applicant's Qualified Property for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of the Market Value of the Qualified Property or \$30,000,000.00 for the third (3rd) through the tenth (10th) full calendar years of the tax limitation under this Agreement, as provided in Chapter 313 of the Code.

ARTICLE 3 – PROTECTION OF DISTRICT REVENUES

Section 3.1 INTENT OF THE PARTIES

The Parties understand and agree that to the extent required pursuant to Section 313.027(f)(1) of the Code, the Applicant shall compensate the District for any loss in District Funding Revenue incurred because of District's participation in this Agreement. Such reimbursement shall be in addition to the receipt of payments in lieu of taxation or payment of Extraordinary Education-Related Expenses reasonably incurred by the District, subject to any limitation as may be set forth in Article 4 and Article 5 of this Agreement. EXCEPT AS SPECIFICALLY LIMITED IN THIS AGREEMENT, APPLICANT UNDERSTANDS AND AGREES THAT IT SHALL BEAR ANY NEGATIVE FINANCIAL CONSEQUENCE SUFFERED BY THE DISTRICT AS A RESULT OF THE DISTRICT ENTERING INTO THIS AGREEMENT. THE PURPOSE OF THIS SECTION 3.1 IS TO ENSURE THAT, EXCEPT AS SPECIFICALLY LIMITED IN THIS AGREEMENT, THE RISK OF ANY NEGATIVE FINANCIAL CONSEQUENCE TO THE DISTRICT ARISING UNDER THIS AGREEMENT IS BORNE BY THE APPLICANT AND NOT BY THE DISTRICT.

Section 3.2 CALCULATING LOSS OF DISTRICT REVENUES

Any compensation paid by the Applicant to the District for loss of District Funding Revenues shall be determined in accordance with then-current School Finance Law. Any calculation to make the District whole after a loss under this Article 3 shall be made in accordance with Schedule 3.2 of this Agreement, which is incorporated herein by reference, and subject to the provisions of Article 5 herein.

Section 3.3 COMPENSATION FOR LOSS OF OTHER REVENUES

To the extent not included in the amounts calculated pursuant to Schedule 3.2, Applicant, on an annual basis, shall also pay to the District all non-reimbursed costs incurred in paying or otherwise crediting amounts for the benefit of Applicant, including, but not limited to (a) any Maintenance and Operations Revenue or Tax Credit to which the Applicant may be entitled pursuant to Chapter 313 of the Code for which the District does not receive reimbursement from the State, whether pursuant to TEC §42.2515 or otherwise; (b) all non-reimbursed costs incurred by the District for Extraordinary Education-Related Expenses related to the project, which do not exceed any limitations set forth in Article 4 of this Agreement, and not otherwise directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the project; (c) any loss incurred by the District resulting from successful judicial challenge to this Agreement; and (d) any reasonable attorneys' fees or other costs incurred by the District due to any legal defense of this Agreement, irrespective of whether or not this Agreement is ultimately determined to be valid; and (e) any costs incurred by the District for appraisal of Applicant's Qualified Property arising under this Agreement.

Section 3.4 THIRD PARTY CALCULATIONS

All calculations made pursuant to this Agreement shall be verified annually by one or more independent third parties ("Consultant") selected by the District with the Applicant's consent, which consent shall not be unreasonably withheld, delayed or conditioned. Applicant will be solely responsible for the payment of Consultant's fees up to Six Thousand Five Hundred Dollars, (\$6,500.00) for the first year of this Agreement. This amount may be increased each year of this Agreement by not more than five percent (5%) from the prior year. All calculations shall initially be based upon good-faith estimates using all available information and shall be adjusted to reflect "near final" or "actual" data for the applicable year as the data becomes available.

Section 3.5 DATA FOR CALCULATIONS

The initial calculations for any payments owing under this Agreement shall be based upon the valuations placed upon the Qualified Property by the Appraisal District in its annual certified tax roll submitted to the District pursuant to §26.01 of the Code in or about July of each year of this Agreement. The certified tax roll data shall form the basis from which any and all amounts due under this Agreement are calculated, and the data utilized by the Consultant will be adjusted as necessary to reflect any subsequent adjustments by the Appraisal District to the District's tax roll. Any estimates used by the Consultant to make calculations as required by this Agreement shall be based on the best and most current information available. The Consultant shall from time to time adjust the data utilized to reflect actual amounts, subsequent adjustments by the Deaf Smith County Appraisal District to the District's certified tax roll, or any other relevant changes to material items such as student counts or tax collections.

Section 3.6 DELIVERY OF CALCULATIONS

3.6.1 All calculations required under Article 3 or Article 4 shall be made by the Consultant on or before December 1 of each year for which this Agreement is effective. The Consultant shall forward such calculations to the Parties in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Consultant shall maintain supporting data consistent with generally accepted accounting practices. The Consultant shall preserve all documents and data related to all calculations required under this Agreement for a period of three (3) years. Employees and agents of the Parties shall have reasonable access to the Consultant's offices, personnel, books, and records pertaining to all calculations and fees.

3.6.2 In the event the District receives the Consultant's invoice for services rendered, the District shall forward to Applicant such invoice, which Applicant shall pay within thirty (30) days of receipt.

Section 3.7 PAYMENT BY APPLICANT

On or before the January 31 next following the tax levy for each year for which this Agreement is effective, and subject to the limitations contained in Section 5.1, the Applicant shall pay any amount determined to be due and owing to the District (subject to final settle up), any amount billed by the Consultant, subject to 3.4, and any reasonable and necessary expenses paid by the District to its attorneys, auditors, property appraisal consultant, or financial consultants for work resulting from the District's participation in this Agreement; provided that the District, upon request of Applicant, provides supporting documentation to substantiate such reasonable and necessary expenses to the extent such supporting documentation is not excepted from disclosure as attorney-client privilege or otherwise under the Texas Public Information Act (Government Code § 552.001 *et seq.*).

Section 3.8 CHALLENGING CALCULATION RESULTS

The Applicant may appeal the Consultant's results, in writing, within fifteen (15) days of receipt of such results. The Consultant will issue a final determination of the calculations within 15 days of receiving Applicant's appeal. The Applicant may appeal the final determination of the Consultant to the District within 15 days of its receipt, pursuant to District Policy GK (LOCAL).

Section 3.9 EFFECT OF PROPERTY VALUE APPEAL OR ADJUSTMENT

In the event that the Taxable Value of the Qualified Property is changed after an appeal of its valuation, or the Taxable Value is otherwise altered for any reason, the calculations required under Article 3 of this Agreement shall be recalculated by the Consultant at Applicant's sole expense using the revised property values. The Consultant shall transmit the revised calculations to the Parties and any Party owing funds to the other Party shall pay such funds within thirty (30) days after receipt of the new calculations.

Section 3.10 EFFECT OF STATUTORY OR OTHER LEGAL CHANGES

If the District will receive less District Funding Revenue, or, if applicable, will be required to increase its payment of funds to the State due to the District's participation in this Agreement because of changes to School Finance Law or administrative or legal interpretations by the office of the Comptroller, the Commissioner of Education, the Texas Education Agency, the Courts of the State of Texas, or any other authority having proper jurisdiction over the District or Texas school finance, then the Applicant shall make payments to the District within thirty (30) days of receipt of written notice, up to the limit on the revenue protection amount set forth in Section 5.1 below. The Parties understand and agree that the foregoing payments to the District are necessary to (a) offset any negative impact on the District as a result of its participation in this Agreement; and (b) secure for the District an amount of District Funding Revenue not less than that what the District would have received from State and local funds had the District not entered into this Agreement.

ARTICLE 4 - PAYMENTS IN LIEU OF TAXATION

Section 4.1 SEPARATE AND INDEPENDENT INDEMNITY AMOUNTS

In addition to payment of the amounts set forth under Article 3 of this Agreement, and as consideration for the execution of this Agreement by the District, Applicant shall be responsible to the District for payments in lieu of taxation ("PILOT") and payments for Extraordinary Education-Related Expenses ("PEERE"), as set forth in this Article 4. Any and all obligations for any PILOT and PEERE payments shall be separate and independent of Applicant's obligations under Article 3 of this Agreement.

Section 4.2 CALCULATION OF PAYMENTS IN LIEU OF TAXATION

4.2.1 Subject to Section 5.1, for each of years one (1) through thirteen (13) of this Agreement, the District shall be entitled to receive as payments in lieu of taxation an amount equal to One Hundred Dollars (\$100.00) per Student in Average Daily Attendance (ADA), as determined for that particular school year. In the event Chapter 313 is modified or amended, other than as amended in the Act of May 26, 2013, 83rd Leg., R.S., HB 3390, §9 (to be codified at Tex. Tax Code, §313.027), so that it would authorize the District to receive payments in lieu of taxation in excess of the foregoing ADA limitation, Applicant agrees to cooperate with District in amending this Agreement to allow District to receive the maximum amount of payments in lieu of taxation as provided by law; provided however, the total PILOT for any given year of this Agreement shall not exceed the greater of 20% of Applicant's net tax savings under this Agreement or \$100 per student in ADA as determined by that school year.

4.2.2 Payment of amounts due under this Section shall be made as set forth in Section 3.7 of this Agreement and is subject to the limitations contained in Section 5.1. Payments made under this Article 4 shall not exceed the Aggregate Limit.

Section 4.3 PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES

4.3.1 Applicant agrees and acknowledges that construction and installation of its Qualified Property may bring an extraordinary influx of workers into the District. Applicant further agrees and acknowledges that these workers may cause an undetermined increase in enrollment for the District, and that such increase may subject the District to Extraordinary Education-Related Expenses that are not directly funded in school financing funding formulas. Accordingly, Applicant agrees to reimburse to the District for any documented Extraordinary Education-Related Expenses paid by the District arising from Applicant's Qualified Investment.

4.3.2 In the event that the District incurs reimbursable Extraordinary Education-Related Expenses, the District will notify Applicant and provide a detailed explanation for such expenses prior to reimbursement by Applicant.

4.3.3 Payments of amounts due under this Section shall be made as set forth in Section 3.7 of this Agreement.

ARTICLE 5 - LIMITATION OF PAYMENTS BY APPLICANT

Section 5.1 LIMITATION AFTER FIRST THREE YEARS

5.1.1 For each of the years of this Agreement, other than years one (1) through three (3), and notwithstanding anything to the contrary in this Agreement, in no event shall the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District plus the sum of all payments otherwise due from the Applicant under Articles 3 and 4 with respect to such year exceed the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such year if the Parties had not entered into this Agreement.

5.1.2 A comparison of (a) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District plus the sum of all payments otherwise due from the Applicant under Articles 3 and 4 with respect to such year; and (b) the taxes Applicant would have paid to the District if this Agreement had not been entered into shall be included in the Consultant's calculations made pursuant to Section 3.4 of this Agreement. The Consultant shall include a credit for the amount of taxes actually paid by the Applicant on the Qualified Property when making this comparison.

5.1.3 During years four (4) through ten (10), should the sum of the Applicant's maintenance and operations ad valorem taxes plus the sum of all payments otherwise due from the Applicant under Article 3 and Article 4 exceed the maintenance and operations ad valorem taxes that the Applicant would have paid if the Parties had not entered into this Agreement, then the payments due from the Applicant to the District under Articles 3 and 4 shall be reduced until such excess is eliminated. In no event shall the cumulative payments to the District exceed the greater of: (a) twenty percent (20%) of the Net Tax Savings, or (b) One Hundred Dollars (\$100.00) per Student in Average Daily Attendance (ADA), as determined for that particular school year.

Section 5.2 OPTION TO CANCEL AGREEMENT

5.2.1 For years four (4) through ten (10) of this Agreement, in the event that payments by Applicant to the District become limited as described in Section 5.1 above, the Applicant shall have the option to terminate this Agreement. Applicant may exercise such option by notifying the District of its election in writing not later than July 31 of any year next following the year in which the payments were limited. Upon receipt of such written notice, this Agreement shall terminate effective December 31 of the year in which the notice is received by the District.

5.2.2 For years three (3) through ten (10) of this Agreement, the Applicant shall have the option to terminate this Agreement in the event that the Appraised Value of the Qualified Property falls below the Tax Limitation Amount. The Applicant may exercise such option by notifying the District and the Appraisal District of its election in writing not later than October 31 of any year. The cancellation of this Agreement under this Subsection shall be effective immediately.

5.2.3 The Applicant shall have the right to terminate this Agreement in the event of a change in the School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other statutory or regulatory change which materially reduces the net tax benefits to Applicant under this Agreement. Applicant may exercise such option by notifying the District and the Appraisal District of its election in writing. Upon receipt of such written notice, this Agreement shall terminate effective December 31 of the year in which the notice is received by the District.

5.2.4 The rights and obligations of the Parties under this Agreement through and including the year during which notice of termination of this Agreement is delivered shall survive such termination and remain until satisfied.

Article 6 – TAX CREDITS

Section 6.1 TAX CREDIT DESCRIPTION AND ELIGIBILITY

6.1.1 Upon the Applicant's compliance with all requirements of Chapter 313 of the Code and the Comptroller, and in addition to the limitation on the Appraised Value of the Qualified Property as described in Article 2 above, the Applicant shall be entitled to a Tax Credit from the District in an amount equal to the amount of ad valorem taxes paid to the District on that portion of the Appraised Value of the Qualified Property that exceeds the amount of the limitation agreed to by the Parties in each year of the Qualifying Time Period.

6.1.2 The application for a Tax Credit as described in this Article 6 shall be made in accordance with §313.103 of the Code and is solely the Applicant's responsibility.

Section 6.2 DISTRICT OBLIGATIONS REGARDING TAX CREDITS

6.2.1 The District shall timely comply with and, to the extent possible, cause the timely compliance by the Appraisal District of all District obligations regarding Tax Credits under the Code and Comptroller Rules.

6.2.2 The Board of Trustees shall grant Applicant's application for the tax credit as provided in §313.104 of the Code as well as Comptroller and/or TEA rules.

Section 6.3 TAX CREDIT PROTECTION REVENUE LOSS

If the District does not receive aid pursuant to TEC §42.215 of the Texas Education Code (or similar or successor statute) after Applicant receives a Tax Credit as described under this Article 6, and such failure is not the result of District's failure to comply with the requirements of obtaining such aid, then the District shall so notify the Applicant in writing. The Applicant shall, within thirty (30) days after notice, pay to the District the amount of such aid the District did not receive. Conversely, the District shall refund to the Applicant the amount of state aid the District received that was solely attributable to any portion of such state aid paid by Applicant to the District.

ARTICLE 7 - ADDITIONAL OBLIGATIONS OF APPLICANT

Section 7.1 INFORMATION REQUESTS

7.1.1 Upon written request, Applicant shall be obligated to provide the District and the Appraisal District with all information and data necessary to determine whether all obligations under this Agreement are being met. In the event that the District requests information which the Applicant regards as being technical or business information which is proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party, and subject to §313.028 of the Code, Applicant shall inform the District of its concerns and suitable arrangements shall be made for the District to have access to the information in a manner which does not compromise the confidentiality of the information to other third parties.

7.1.2 Applicant shall be obligated to provide the Comptroller or other governmental agency with all information required for such agency to complete any reports or analysis pursuant to Chapter 313 of the Code, Comptroller or TEA rule, or other law or administrative regulation.

7.1.3 Applicant shall allow authorized employees of the District and Appraisal District access to all property that is subject to a limitation on the local ad valorem property values called for under this Agreement during the term of this Agreement for the purposes of appraisal or determination of compliance with this Agreement. All inspections or appraisals will be made at a mutually agreeable time after no less than forty-eight (48) hours prior written notice.

7.1.4 Applicant shall timely make any reports that may be required under law or administrative regulation, including but not limited to the annual report or certifications that may

be required by the Comptroller under the provisions of the Comptroller's Rules or the Texas Tax Code, including §313.032 of the Code. Applicant shall forward a copy of all such required reports or certifications to the District at the time of such filing. Timely performance of all required filings shall be a material obligation under this Agreement.

Section 7.2 MAINTAINING VIABLE PRESENCE

By entering into this Agreement, Applicant represents, covenants, and warrants that it will abide by all of the terms of this Agreement and that it will Maintain a Viable Presence as defined in this Agreement in the District for a period of at least three (3) years after the termination of the limitation on the local ad valorem property values called for under this Agreement. Applicant shall not be in breach of this covenant to Maintain a Viable Presence to the extent such failure is caused by an event of Force Majeure, provided Applicant makes commercially reasonable efforts to Maintain a Viable Presence at the conclusion of any period of Force Majeure.

ARTICLE 8 - BREACH

As stated in Section 2.3.4 above, the failure by Applicant to make a Qualified Investment of at least Thirty Million Dollars (\$30,000,000.00) during the Qualifying Time Period shall result in this Agreement being null and void as of December 31, 2015. This Article 8 shall control in all other instances of Applicant's failure to perform according to the terms of this Agreement.

Section 8.1 DISTRICT'S DETERMINATION OF BREACH

8.1.1 In the event Applicant terminates this Agreement without the consent of the District, except as provided in Section 5.2, or should Applicant or Applicant's successor in interest fail to comply with any material term or meet any material obligation of this Agreement, after the notice and cure period provided herein, District shall be entitled to: (a) the recapture of all ad valorem tax revenue that would have been due from Applicant without the benefit of this Agreement; and (b) all penalty and interest as calculated under Section 8.4. For purposes of the recapture calculation, the Applicant shall be entitled to a credit for all payments made under Article 3 and Article 4.

8.1.2 Notwithstanding Section 8.1.1, in the event the District determines that the Applicant has failed to Maintain a Viable Presence and provides written notice of termination, Applicant shall pay to District liquidated damages equal to the total of the District ad valorem taxes that would have been due from Applicant without the benefit of this Agreement for all of the years for which a Tax Limitation was granted pursuant to this Agreement, plus penalty and interest. Applicant shall be entitled to a credit for all payments made to the District pursuant to Article 3 and Article 4.

8.1.3 Prior to making a determination that Applicant has committed a material breach of this Agreement, the District shall provide the Applicant with a written notice of the facts which the District believes constitute the material breach and, if a cure is feasible, the cure proposed by the District. After receipt of the notice, Applicant shall have sixty (60) days to

present any facts or argument to the Board of Trustees showing that it is not in material breach of its obligations under this Agreement or that it has cured any such material breach.

8.1.4 Upon the expiration of Applicant's opportunity to respond, the Board of Trustees shall conduct a hearing to determine whether or not a material breach of this Agreement has occurred and, if so, the date such material breach occurred. Applicant shall have the opportunity to be heard before the Board of Trustees at such hearing. In the event that the Board of Trustees determines that a material breach has occurred, it shall also determine the amounts of recaptured taxes to be paid by Applicant to District under Section 8.2 below.

8.1.5 After a determination under Section 8.1.2, the Board of Trustees shall notify Applicant, in writing, of its determination and the amount of recaptured taxes owed by Applicant, if any.

Section 8.2 REMEDIES AFTER BREACH

8.2.1 In the event of default or breach by Applicant, the District's damages shall not exceed the greater of (a) any amounts of recaptured taxes plus penalty and interest; or (b) the sum of the difference between the payments and credits due and owing to the Applicant at the time of default and the District taxes that would have been payable to the District had this Agreement not been executed.

8.2.2 The District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

8.2.3 The Parties understand and agree that the damages and remedies set forth in this Section 8.2 shall be the sole and exclusive remedies, both legal and equitable, available to the District.

8.2.4 In accordance with §313.0275 of the Code, for any full year beginning after the project is commercially operational, Applicant shall cure those material breaches defined in 8.3(d), 8.3(e), or 8.3(f), below, without the termination of this Agreement. In order to cure its noncompliance with 8.3(d), 8.3(e), or 8.3(f) for the particular year of noncompliance only, Applicant may pay liquidated damages as required by §313.0275(b) of the Code, in accordance with §313.0275(c).

Section 8.3 MATERIAL BREACH BY APPLICANT

Any one of the following acts or omissions shall constitute a material breach of this Agreement by Applicant:

- (a) Applicant is determined to have failed to meet its obligations to have made accurate representations of fact in submission of its Application, provided, however, subsequent changes of fact such as discussed in Section 9.10 shall not constitute a breach.

- (b) Applicant fails to Maintain a Viable Presence in the District, as required by this Agreement, through the final termination date of this Agreement.
- (c) Applicant fails to timely make any payment required under Articles 3 or 4 of this Agreement.
- (d) Applicant fails to create and maintain, at a minimum, the number of New Jobs it committed to create in its Application.
- (e) Applicant fails to create and maintain, at a minimum, the number of Qualifying Jobs it committed to create and maintain on Schedule C, Column E of its Application.
- (f) Applicant fails to create and maintain at least Eighty Percent (80%) of all New Jobs created on the project as Qualifying Jobs.
- (g) Applicant makes any payments to the District or to any other person or entity in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 of the Code, in excess of the amounts set forth in Articles 3 and 4, above. Voluntary donations made by Applicant to the District after the date of execution of this Agreement, and not mandated by this Agreement or not made in recognition of or consideration for this Agreement are not barred by this provision.
- (h) Applicant fails to materially comply with any other term of this Agreement, or Applicant fails to meet its obligations under the applicable Comptroller's Rules or Chapter 313 of the Code.

Section 8.4 CALCULATION OF PENALTY AND INTEREST

In determining the amount of penalty and interest due in the event of a breach of this Agreement, the District shall determine the base amount of taxes owed less any Tax Credit under Article 6 of this Agreement for each year during the term of this Agreement since the Commencement Date. The District shall calculate penalty or interest for each 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 years less all credits under Article 6 had become due and payable on February 1 of the calendar year following such year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in the Code §33.01(a) or its successor statute; provided however that no penalties shall accrue until sixty (60) days following Applicant's receipt of notice of breach. Interest on said amounts shall be calculated in accordance with the methodology set forth in the Code §33.01(c), or its successor statute.

Section 8.5 DISPUTE RESOLUTION

8.5.1 After the Applicant receives notice of breach from District, the Applicant shall have sixty (60) days to either (a) tender payment, (b) submit evidence of its efforts to cure, or (c) submit to the District written notice of dispute mediation. The mediation shall be conducted by a mutually agreeable mediator at a mutually convenient time and place. If no mediator is agreed upon by the Parties, a mediator shall be appointed by the judge of the state district court in the judicial district containing the administrative offices of the District. 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. The Parties shall each bear one-half of the mediation fees and expenses.

8.5.2 In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such sixty (60) days, the District shall have the remedies for the collection of the amounts determined under Section 8.2 and as set forth in Chapter 33, Subchapters B and C of the Code. 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 §§6.30 and 33.07 of the Code, or other applicable law.

8.5.3 In any event where a dispute between the Parties cannot be resolved, and after completing the mediation procedures required above, 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, except as may be limited by this Agreement, 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.

ARTICLE 9 - MISCELLANEOUS PROVISIONS

Section 9.1 NOTICES

All notices required to be sent under this Agreement shall be given in writing via certified mail, return receipt requested to the Parties hereto as follows:

To the District:

With a copy to:

Name: Hereford Independent School District
Attn: Kelli Moulton, Superintendent
(or the successor superintendent)
Address: 601 N. 25 Mile Ave.
City/Zip: Hereford, Texas 79045
Phone #: (806) 364-0606
Fax #: (806) 363-7647
Email: kellimoulton@herefordisd.net

Underwood Law Firm, P.C.
Attn: Fred Stormer
P.O. Box 9158
Amarillo TX 79105-9158
Phone #: 806-379-1306
Fax #: 806-379-0316
fred.stormer@uwlaw.com

To the Applicant:

Name: Phillip Moore
Address: 101 W. 6th St., Suite 714
City/Zip: Austin, Texas 78701
Phone #: (512) 767-7461
Fax #: (512) 767-7461
Email: pmoore@lrenergy.com

With a copy to the Mortgagee in connection with any notice of default from the District to the Applicant, provided that the Applicant has provided the District such Mortgagee's name, address, telephone number and facsimile number. Each notice provided pursuant to this Section shall be deemed effective on receipt by the addressee as listed herein. Each Party may designate an additional or replacement recipient for notice, or change its address for purposes of this Section, but such change shall only be effective in the event it is given by written notice to the other Party in the manner provided for herein. The Party providing notice shall not be liable for any failures or consequences resulting from the failure of the Party receiving notice to inform the first Party of such additional or replacement recipient or changed address.

Section 9.2 AMENDMENT

This Agreement may not be modified, amended, or terminated except by written mutual agreement of the District and the Applicant. No amendment to this Agreement shall be effective until the same is approved, accepted, and signed by the Parties.

Section 9.3 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 and further provided that the Applicant, together with such assignee, shall be jointly and severally liable to the District for outstanding taxes or other obligations arising under this Agreement prior to the date of assignment. Upon such assignment Applicant's assignee will be liable to the District for outstanding taxes or other obligations arising under this Agreement.

Section 9.4 ENTIRE AGREEMENT

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

Section 9.5 MAINTENANCE OF APPRAISAL DISTRICT RECORDS

When appraising an Applicant's Qualified Property subject to a limitation on Appraised Value under this Agreement, the chief appraiser(s) of the Appraisal District(s) shall determine the market value of the property and include both the market value and the appropriate value under this Agreement in its appraisal records.

Section 9.6 GOVERNING LAW AND VENUE

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 rules that would direct the application of the laws of another jurisdiction. The exclusive venue for any action between the Parties shall be in the state district court in the county of the District's central administrative office.

Section 9.7 AUTHORITY TO EXECUTE AGREEMENT

By signing below, each of the Parties expressly warrants that he or she has been authorized to execute this Agreement for and on behalf of the respective Party.

Section 9.8 SEVERABILITY

Every provision of this Agreement is intended to be severable. If any term or provision of this Agreement is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement unless the invalidity of any provision(s) would have a material adverse effect on the purpose and intent of this Agreement. If the invalidity has a material adverse effect, the Parties shall make a good faith effort to renegotiate the terms of this Agreement consistent with the purpose and intent of the Parties prior to bringing any action.

Section 9.9 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 one and the same instrument.

Section 9.10 ACCURACY OF REPRESENTATIONS IN APPLICATION

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application or which was provided to the District subsequent thereto. Applicant warrants that all information, facts, and representations contained in the Application were true and correct, to the best of Applicant's knowledge, at the time that the Application was filed with the District. The District further acknowledges and agrees that Applicant has advised District of Applicant's intention to change the size and make of certain Qualified Property as set out in Schedule 2.3 herein, and that such changes as presented to the District do not change the nature of Applicant's Qualified Investment as a

renewable electric generation project. The Parties agree that the Application and all related schedules and attachments are included by reference in this Agreement as if fully set forth herein. It is expressly understood and agreed that this Agreement shall be void and of no further effect if any material misrepresentations were made in the Application, provided, however, changes to development plans made subsequent to filing of such Application and to which District has agreed, shall not trigger this provision.

Section 9.11. BINDING ON SUCCESSORS

In the event the District should merge or consolidate with another school district or other governmental entity, this Agreement shall be binding on the successor school district or governmental entity, and the duties and obligations of Applicant shall inure to the benefit of such successor school district or governmental entity.

Section 9.12 PUBLICATION

The Parties hereby acknowledge that certain documentation relating to the Application, including this Agreement and all economic analyses submitted to the District, are to be published for public inspection. Only information that is confidential under §313.028 of the Code may be excepted from publication.

Section 9.13 MORTGAGEE PROTECTION

District agrees that Applicant may mortgage, pledge, or otherwise encumber its interest in this Agreement or Applicant's Qualified Property to any financing party or lender or to any trustee or beneficiary under a deed of trust or to any master or special servicer (a "Mortgagee") for the purpose of financing operations of Qualified Property or constructing the Qualified Property or acquiring additional equipment following any initial phase of construction. Mortgagee shall be entitled to cure or commence cure of any such defaults in the same manner as Applicant. Applicant must provide the District notice of the Mortgagee in the same form and manner as required in Section 9.3.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been executed by the District and the Applicant in duplicate originals on this 22nd day of July, 2013.

TX HEREFORD WIND, LLC
Texas Taxpayer ID No. 32049474474

By: _____ Date: _____

Printed Name: _____

HEREFORD INDEPENDENT SCHOOL DISTRICT

By _____ Date: _____
Jeff O’Rand, President

Attest:

By _____

SCHEDULE 1.2

<u>Year of Agreement</u>	<u>Date of Appraisal</u>	<u>School Year</u>	<u>Tax Year</u>	<u>Summary Description</u>
0	January 1, 2013	2013-14	2013	No appraisal limitation.
1	January 1, 2014	2014-15	2014	No appraisal limitation.
2	January 1, 2015	2015-16	2015	No appraisal limitation.
3	January 1, 2016	2016-17	2016	\$30 million appraisal limitation.
4	January 1, 2017	2017-18	2017	\$30 million appraisal limitation. Possible tax credit for Applicant.
5	January 1, 2018	2018-19	2018	\$30 million appraisal limitation. Possible tax credit for Applicant.
6	January 1, 2019	2019-20	2019	\$30 million appraisal limitation. Possible tax credit for Applicant.
7	January 1, 2020	2020-21	2020	\$30 million appraisal limitation. Possible tax credit for Applicant.
8	January 1, 2021	2021-22	2021	\$30 million appraisal limitation. Possible tax credit for Applicant.
9	January 1, 2022	2022-23	2022	\$30 million appraisal limitation. Possible tax credit for Applicant.
10	January 1, 2023	2023-24	2023	\$30 million appraisal limitation. Possible tax credit for Applicant.
11	January 1, 2024	2024-25	2024	No appraisal limitation. Possible tax credit for Applicant. Applicant must Maintain a Viable Presence.
12	January 1, 2025	2025-26	2025	No appraisal limitation. Possible tax credit for Applicant. Applicant must Maintain a Viable Presence.
13	January 1, 2026	2026-27	2026	No appraisal limitation. Possible tax credit for Applicant. Applicant must Maintain a Viable Presence.

SCHEDULE 1.3

DEFINITIONS

Wherever used in this Agreement, the following terms shall have the following meanings, unless the context in which the term is used clearly indicates a different meaning:

“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, of more than fifty percent (50%) 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.

"Aggregate Limit" means, for any year of this Agreement, the total of the Annual Limit amount for the current year and all previous years of the Agreement, less amounts paid by the Applicant to or on behalf of the District under Article 4.

“Agreement” means this Agreement.

“Annual Limit” means the maximum annual benefit that can be paid directly to the District under the provisions of Texas Tax Code §313.027(i). For purposes of this Agreement, the amount of the Annual Limit shall be calculated for each year by multiplying the District’s Average Daily Attendance for the applicable school year, as calculated pursuant to Texas Education Code §42.005, times the greater of \$100, or any larger amount allowed by Texas Tax Code §313.027(i), if such limit amount is increased for any future year of this Agreement. The Annual Limit shall first be computed for the first year of the Qualifying Time Period under this Agreement.

“Application Date” means the date as set forth in the Recitals.

“Applicant” means the company listed in the Preamble of this Agreement, who filed its Application with the District for a Limitation on Qualified Property on the Application Date, pursuant to Chapter 313 of the Code. The term shall also include the Applicant’s permitted successors in interest.

“Application” means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, Property Tax Code) which filing with the District by Applicant was completed on the Application Date (unless otherwise specified in the Recitals) by the tender of its Application fee.

“Appraisal District” means the Deaf Smith County Appraisal District.

“Appraised Value” has the same meaning as in Section 1.04(8) of the Texas Tax Code.

“Comptroller” means the Texas Comptroller of Public Accounts.

“Comptroller’s Rules” means the applicable rules and regulations of the Comptroller set forth in title 34 of the Texas Administrative Code or Chapter 313 of the Texas Tax Code, together with any court or administrative decisions interpreting same.

”County” means the County identified in the Preamble of this Agreement, which shall be the county in which the School District’s administrative offices are located.

“District” or ”School District” means the Hereford Independent School District listed in the Preamble of this Agreement, being a duly incorporated and operating independent school district in the State of Texas, having the power to levy, assess, and collect ad valorem taxes within its boundaries.

“District Funding Revenue” means those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to TEC §45.002 and Article VII §3 of the Texas Constitution. The term also includes all State revenues to which the District is or may be entitled under Chapters 41 and 42 of the TEC or any other statutory provision as well as any amendment or successor statute to these provisions. The term shall exclude 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 TEC.

“Enterprise Zone” means the District’s enterprise zone, if any, created pursuant to Chapter 2303 of the Texas Government Code and as further described by the legal description attached hereto as Schedule 2.1.

“Extraordinary Education-Related Expenses” means those additional expenses that the District incurs related to the project that are not directly funded in state aid formulas including, but not limited to, expenses for portable classrooms and hiring additional personnel attributable to increased enrollment due to project personnel.

“Force Majeure” means a failure caused by a provision of law, rules, regulations, or orders of any governmental authority having jurisdiction over the Applicant or the Qualified Investment, or any arrest, restraint, or decree of any court, natural disaster, riot, war, labor dispute, act of God, act of terrorism, or any other cause which inhibits performance and over which Applicant has no reasonable control.

“Maintain a Viable Presence” means the operation over the life of this Agreement of the facility, facilities, or property for which the tax limitation agreement is granted and the retention over the entire term of this Agreement in compliance with the Code, as defined in Section 1.2 above, of not fewer than the six Qualifying Jobs and New Jobs. Applicant shall be deemed to have maintained a viable presence following an event of Force Majeure that halts facility operations so long as Applicant commences repairs and/or reconstruction of the damaged within one hundred eighty (180) days after the event of Force Majeure. In the event of a closure due to environmental reasons, Applicant will be deemed to have maintained a viable presence so long

as it commences remediation or otherwise acts in accordance with the order of the court or environmental agency.

“Maintenance and Operations Revenue” means those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to §45.002 of the Texas Education Code and Article VII § 3 of the Texas Constitution, plus 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.

“Net Tax Savings” 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 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 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 the jobs defined by 34 Tex. Admin. Code §9.1051 and which Applicant will create by and through the project which is the subject of its Application. Under Texas Tax Code §313.024(d), Eighty Percent (80%), of all New Jobs created by Applicant on the project shall also be Qualifying Jobs, as defined below.

“Qualified Investment” has the meaning as that term is defined in §313.021(1) of the Code.

“Qualified Property” has the meaning as that term is defined in §313.021(2) of the Code.

“Qualifying Job” means the number of New Jobs Applicant will create by and through the project that is the subject of this Application and which meet the requirements of Texas Tax Code §313.021(3).

“Qualifying Time Period” has the meaning as that term is defined in §313.021(4) of the Code.

“Reinvestment Zone” means the District’s Reinvestment Zone created pursuant to Code §312.0025 by action of the Board of Trustees or by the County and as further described by the description and/or depiction of said Reinvestment Zone attached hereto as Schedule 2.1, which is incorporated herein by reference for all purposes.

“School Finance Law” means Chapters 41 and 42 of the TEC, the Texas Economic Development Act (Chapter 313, Code), Chapter 403, Subchapter M, 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 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 Applicant's ad valorem tax obligation to the District either with or without the limitation of property values made pursuant to this Agreement.

"State" means the State of Texas.

"Tax Credit" means the credit to be received by the Applicant as computed under the provisions of Subchapter D of the Texas Economic Development Act and 34 Tex. Admin. Code §9.1056, provided that the Applicant timely complies with the requirements under such provisions, including the filing of a completed application under §313.103 of the Code and 34 Tex. Admin. Code § 9.1054.

"Tax Limitation Amount" means the amount of Thirty Million Dollars (\$30,000,000.00), for the purposes of this Agreement and §313.027 of the Code.

"Taxable Value" has the same meaning as in Section 1.04(10) of the Texas Tax Code.

SCHEDULE 2.1

**DESCRIPTION AND MAP OF
REINVESTMENT ZONE and/or ENTERPRISE ZONE**

**DESCRIPTION OF
DEAF SMITH COUNTY
REINVESTMENT ZONE 2013-01**

The SE/4 of Section 86, Blk M7, BS&F Survey, Deaf Smith County, Texas

All of Sections 1, 2, 3, 4, 19, 20, 21, 22, 23, 24, 25, 26, 41, 42, 43, 44, 45, 46, 47, 48, 63, 64, 65, 66, 67, 68, 69, and 70, Blk M7, BS&F Survey, Deaf Smith County, Texas

Those portions of Sections 71, 62, 49, 40, 27, 18, and 5, Blk M7, BS&F Survey, lying in Deaf Smith County, Texas

WT THORP Survey, Deaf Smith County, Texas

WH HOWARD Survey, Deaf Smith County, Texas

JS WICHE Survey, Deaf Smith County, Texas

AS GRACY Survey, Deaf Smith County, Texas

All of Sections 318, 319, 320, 321, 322, 323, 358, 359, and 360, Blk. M-6, SK&K Survey, Deaf Smith County, Texas

Those portions of Sections 281, 282, 283, 284, 317, 324, 356, and 357, Blk M-6, SK&K Survey, lying in Deaf Smith County, Texas



SCHEDULE 2.3

DESCRIPTION OF QUALIFIED INVESTMENT AND/OR QUALIFIED PROPERTY

The Qualified Investment and/or Qualified Property consists of all of the property constructed or placed upon the real property described and shown in Exhibit A to this Schedule 2.3 (“project area”). The Qualified Investment and/or Qualified Property includes, but is not limited to, the following:

In Hereford school district, it is contemplated that approximately 109 wind turbine generators each having 1.85 megawatts of generating capacity will be constructed, providing a total electricity generating capacity of approximately 200 megawatts of electricity. Construction is expected to commence in the second half of 2013, and be completed in the third or fourth quarter of 2014. In addition to the wind turbines, the project will also include a wind turbine tower for each wind turbine generator, a reinforced concrete slab for each wind turbine generator and tower, one or more operations and maintenance buildings used to operate the project and hold maintenance supplies, replacement parts, and related equipment, a series of new access roads to the turbines, underground electrical collection cables, a substation, an overhead transmission line (including poles and related equipment) connecting to a substation at the point of interconnection to the ERCOT transmission line, and other ancillary equipment and personal property as is necessary to safely operate and maintain a wind power facility and to transmit power to the ERCOT grid, and meteorological equipment and towers used to measure wind speed and direction and to gather meteorological data.

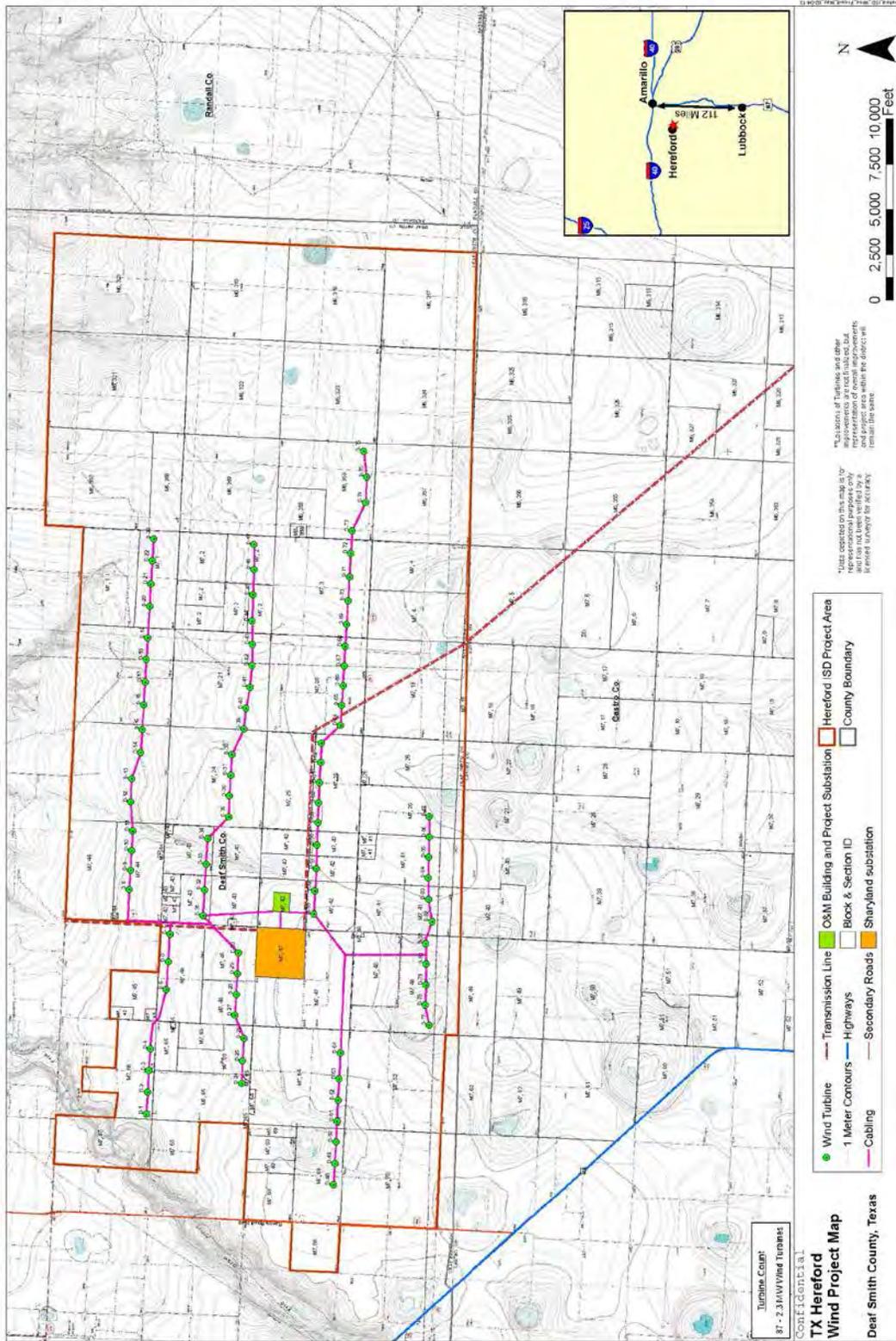
All of the improvements that make up the Qualified Investment and/or Qualified Property will be made within the project area, which is completely within the reinvestment zone as shown in Schedule 2.1.

None of the foregoing listed property is covered under an existing County Appraisal District account number.

All of the property for which the Applicant is seeking a limitation of appraised value will be owned by the Applicant or a valid assignee pursuant to this Agreement.

EXHIBIT A
to
SCHEDULE 2.3

MAP OF QUALIFIED PROPERTY/PROJECT AREA



SCHEDULE 3.2

CALCULATIONS FOR LOSS OF REVENUES BY DISTRICT

The District Funding Revenue amount owed by Applicant to District will equal:

- (a) Original District Funding Revenue minus New District Funding Revenue, where;
 - i. “Original District Funding Revenue” means the total State and local District Funding Revenue that the District would have received for the school year under the School Finance Law absent this Agreement, effective for said school year.
 - ii. “New District Funding Revenue” means the total State and local District Funding Revenue that the District actually received under the School Finance Law for said school year.

- (b) In making the calculations required by this Schedule 3.2:
 - i. The Taxable Value of property for each school year will be determined under the School Finance Law.
 - ii. All calculations using the Original District Funding Revenue and the New District Funding Revenue made for years three (3) through ten (10) of this Agreement shall be based upon the limitation of value on the Qualified Property using the Tax Limitation Amount so that Applicant is not responsible for protecting the District against any decrease in the amount of local ad valorem taxes collected.
 - iii. All calculations made under this Schedule shall be made by a methodology which isolates only the revenue impact caused by this Agreement. Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements or any other factors.
 - iv. The calculation made under this Schedule cannot result in a negative number. In the event that the calculation is a negative number, the loss to the District under this Schedule will be considered to be zero.

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



July 19, 2013

Kelli Moulton
Superintendent
Hereford Independent School District
601 N. 25 Mile Ave.
Hereford, Texas 79045

Re: Agreement for Limitation on Appraised Value of Property for School District
Maintenance and Operations Taxes by and between Hereford Independent School District
and TX Hereford Wind, LLC

Dear Superintendent Moulton:

This office has been provided the "Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes by and between Hereford Independent School District and TX Hereford Wind, LLC" (the "Agreement"). As requested, the Agreement has been reviewed pursuant to 34 TAC 9.1055(e)(1).

Based on our review, this office concludes that it complies with the provisions of Tax Code, Chapter 313 and 34 TAC Chapter 9, Subchapter F.

If you need additional information or have questions, please contact me at (512) 463-3973.

Sincerely,

A handwritten signature in black ink, appearing to read "R. B. Wood".

Robert B. Wood
Director
Economic Development & Analysis

cc: Audie Sciumbato, Underwood Law Firm, P.C.
Declan Flanagan, Lincoln Renewable Energy, LLC



February 11, 2013

Hereford Independent School District Board (ISD)
601 N. 25 Mile Avenue
Hereford, TX 79045

Re: Job Waiver Request for Hereford Wind Farm

To Whom It May Concern:

As contained in Checklist Item 13 in TX Hereford Wind, LLC application for 313 Value Limitation Agreement, we are requesting a waiver for new job creation. Pursuant to Section 313.025 (f-1) of the Texas Tax Code, the governing body of a school district may waive the new jobs creation requirement in Section 313.021(2)(A)(iv)(b) or 313.051(b) and approve an application if the governing body makes a finding that the jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility of the property that is described in this application. The Project will create at least 6 qualifying jobs allocable to Hereford ISD, as that term is defined in Section 313.021(3) of the Texas Tax Code.

The applicant requests that the Hereford ISD's Board of Trustees make such a finding and waive the job creation requirement. Based on the industry standard, the size and scope of the project will require less than ten permanent jobs.

Wind projects create a large number of part-time jobs during the construction phase, but require a small number of highly-skilled technicians to operate a wind project once construction is completed and commercial operations start. The permanent employees of a wind project maintain and service wind turbines, underground electrical connections, substations and other infrastructure associated with the safe and reliable operation of the Project.

However, the project still stands to provide significant benefits to the community with respect to increased tax base and the royalty payments it will make to local landowners.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Jordan", is written over a light blue circular stamp or watermark.

Joe Jordan
Development Director
Lincoln Renewable Energy

312/810-6078
jjordan@lrenergy.com