



KPMG LLP
811 Main Street
Suite 4500
Houston, TX 77002

Telephone 713 319 2000
Fax 713 583 9567

To Mr. Gary Price

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From Shawn McDermott, KPMG LLP
Brandon Honea, KPMG LLP
Jerry Lo, KPMG LLP

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Noltex L.L.C. Addendum to Application for Appraised Value Limitation

BACKGROUND

Noltex L.L.C (“Noltex”) submitted an application (dated February 19, 2013) for appraised value limitation on qualified property pursuant to Texas Tax Code, Chapter 313, in relation to a facility expansion project at its plant in La Porte, TX. This document serves as an addendum of additional information to provide clarification surrounding the scope of the facility, planned expansion, and valuation.

DISCUSSION

Noltex began the manufacture of Ethylene Vinyl Alcohol Copolymer (EVOH) in 1996 in La Porte Texas. Through capacity expansion and debottlenecking, the current capacity is 23,000 metric tons (MT).

The current Noltex manufacturing facility consists of two manufacturing lines each capable of producing 11,500MT of EVOH annually, distillation columns for solvent recovery and raw material purification, raw material preparation and storage areas, waste water handling, utilities (natural gas, nitrogen, steam, demineralized water, process water, fire water, cooling tower water, potable water, and refrigerated brine systems), storage tanks for various raw materials and waste gas handling systems in the form of a flare and regenerative thermal oxidizer (RTO). Pipelines deliver the major raw materials of ethylene gas, vinyl acetate monomer and methanol.

The manufacturing process consists of combining methanol (solvent) with ethylene gas (monomer) and vinyl acetate (monomer) in the presence of an organic peroxide initiator in a reactor under controlled temperature and pressure. The resulting ethylene vinyl acetate paste (EVAC) is then processed to remove unreacted vinyl acetate and ethylene monomers. The EVAC is treated to convert it into EVOH. The remaining manufacturing processes convert the EVOH paste into a solid pellet, chemically treat the pellets to impart desired properties, dry the pellets to within specification and then package the pellets in 600kg boxes, 25kg bags or 21,000kg bulk trucks. The packaged product is then shipped to offsite warehouses for storage and shipment to the customer.

The Line 3 project is taking place on currently undeveloped land and will consist of a third manufacturing line capable of initially being able to produce 15,000MT per year. It will incorporate a new manufacturing line, distillation and solvent recovery systems, packaging and shipping



facilities. The overall manufacturing process will essentially be identical to the existing facility, just on a larger scale.

While the Line 3 project consists mainly of new construction and equipment, some expansion and tie-in to existing facilities is required. This includes:

- A new thermal oxidizer and flare will be constructed which will be used by all three lines.
- Sharing of the existing RTO with the Line 3 strand forming process area.
- A new demineralized water generation unit bringing the site total from two to three.
- Tie-ins will be required for process water, nitrogen, natural gas, steam, raw materials (ethylene, vinyl acetate and methanol), fire water and waste water.
- Various existing additive tanks will require expansion with tie-in piping to Line 3.

The expansion costs associated with Line 3 will be accounted for through the use of specified authorization for expenditures (AFE's), and Noltex will be able to distinguish between investments made for this expansion project apart from costs incurred from Lines 1 and 2. Noltex will request a separate property tax account from the appraisal district in order to further segregate valuation associated with existing capital and the new qualified property to be subject to the appraisal value limitation.

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