

**FINDINGS OF THE MIDWAY
INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
HORN WIND LLC AND ITS AFFILIATES**



December 19, 2013

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OF THE
MIDWAY INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES
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ON THE APPLICATION SUBMITTED BY
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DECEMBER 19, 2013

Board Findings of the Midway Independent School District

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DISTRICT BOARD OF TRUSTEES UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
HORN WIND LLC AND ITS AFFILIATES

STATE OF TEXAS

§

COUNTY OF CLAY

§

On the 19th day of December, 2013, a public meeting of the Board of Trustees of the Midway Independent School District was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of Horn Wind LLC and Its Affiliates (Horn Wind) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Midway Independent School District makes the following findings with respect to the application of Horn Wind, and the economic impact of that application:

On July 23, 2013, the Superintendent of Schools of the Midway Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received an Application from Horn Wind for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached as **Attachment A**.

The Applicant, Horn Wind (Texas Taxpayer Id. 32028268780), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be in good standing with the Texas Comptroller of Public Accounts. See **Attachment B**.

The Board of Trustees has acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy.

Board Findings of the Midway Independent School District

The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Clay County Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a favorable recommendation was issued on November 7, 2013. A copy of the Comptroller's letter is attached to the findings as **Attachment C**.

After receipt of the Application, the Texas Comptroller of Public Accounts caused to be conducted an economic impact evaluation pursuant to Texas Tax Code § 313.026 and the Board of Trustees has carefully considered such evaluation. A copy of the economic impact evaluation is attached to these findings as **Attachment D**.

The Board of Trustees also directed that a specific financial analysis be conducted of the impact of the proposed value limitation on the finances of the Midway Independent School District. A copy of a report prepared by Moak, Casey & Associates, Inc. is attached to these findings as **Attachment E**.

The Board of Trustees has confirmed that the taxable value of property in the Midway Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in **Attachment F**.

After receipt of the Application, the District entered into negotiations with Horn Wind, over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The proposed Agreement is attached to these findings as **Attachment G**.

Board Findings of the Midway Independent School District

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

Board Finding Number 1.

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

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 Horn 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 Henrietta, Texas is in need of long-term improvement, based on the state's analysis of Clay County data.

Based on information provided by the Comptroller's Office that focused on the county level, Clay County is the 161st largest county in the state in terms of population. Population growth in Clay County is down. The population of Clay County decreased by 0.9 percent between 2009 and 2010, whereas the state population increased 1.8 percent during the same period.

September 2011 employment for Clay County was down 2.2 percent from September 2010, below the state's 0.9 percent increase in total employment during the same period. The unemployment rate in Clay County was 6.2 percent in September 2011, lower than the state average of 8.5 percent.

Clay County continues to have a slightly higher per capita personal income than the state as a whole. In terms of per capita income, Clay County's \$38,764 in 2009 ranked 44th among the 254 counties in Texas, while the Texas average was \$38,609 for the same period.

Board Findings of the Midway Independent School District

The local economy in Clay County will benefit from economic activity like that associated with the Horn Wind project. Major capital investments like this project are beneficial to the community on a number of fronts, including direct and indirect employment, expanded opportunities for existing businesses and increased local tax bases.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least \$42,000 per year. The review of the application by the State Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs must pay 110 percent of the regional average manufacturing wage. Horn Wind indicates that total employment will be approximately eight (8) new jobs, seven (7) of which will be a qualifying jobs.

In support of Finding 3, the economic impact evaluation states:

After construction, the project will create eight new jobs when fully operational. Seven of these 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 NORTEX Regional Planning Commission Region, where Clay County is located was \$37,076 in 2012. The annual average manufacturing wage for 2012 for Clay County was \$42,744. That same year, the county annual average wage for all industries was \$32,292. In addition to a minimum salary of \$42,000, each qualifying position will receive benefits such as a health benefits plan.

Board Finding Number 4.

The level of the applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$43 million on the basis of the goal of seven (7) new qualifying positions for the entire Horn Wind project.

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

The project's total investment is \$300 million, resulting in a relative level of investment per qualifying job of \$43 million.

Board Finding Number 5.

Based upon the information provided to the District with regard to the industry standard for staffing ratios of similar projects in the State of Texas, the District has determined that if the job creation requirement set forth in Texas Tax Code § 313.021(2)(A)(iv)(b) was applied, for the size and scope of the project described in the Application, the required number of jobs meets or exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility.

Board Finding Number 6.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region.

Table 1 depicts Horn Wind's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 15 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Board Findings of the Midway Independent School District

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

| Year | Employment | | | Personal Income | | |
|------|------------|--------------------|-------|-----------------|--------------------|-------------|
| | Direct | Indirect + Induced | Total | Direct | Indirect + Induced | Total |
| 2014 | 14 | 17 | 31 | \$605,769 | \$1,394,231 | \$2,000,000 |
| 2015 | 42 | 39 | 81 | \$1,749,462 | \$3,250,538 | \$5,000,000 |
| 2016 | 8 | 16 | 24 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2017 | 8 | 19 | 27 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2018 | 8 | 23 | 31 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2019 | 8 | 23 | 31 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2020 | 8 | 19 | 27 | \$336,000 | \$2,664,000 | \$3,000,000 |
| 2021 | 8 | 23 | 31 | \$336,000 | \$2,664,000 | \$3,000,000 |
| 2022 | 8 | 21 | 29 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2023 | 8 | 19 | 27 | \$336,000 | \$2,664,000 | \$3,000,000 |
| 2024 | 8 | 17 | 25 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2025 | 8 | 17 | 25 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2026 | 8 | 10 | 18 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2027 | 8 | 12 | 20 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2028 | 8 | 8 | 16 | \$336,000 | \$1,664,000 | \$2,000,000 |

Source: CPA, REMI, Horn Wind, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2012-2013. Midway ISD's ad valorem tax base in 2012-2013 was \$87.97 million. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Midway ISD's estimated wealth per WADA was \$375,163. 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 and Clay County with all property tax incentives sought being granted using estimated market value from Horn Wind's application. Horn Wind has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county. Table 3 illustrates the estimated tax impact of the Horn Wind project on the region if all taxes are assessed.

Board Findings of the Midway Independent School District

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

| Year | Estimated Taxable Value for I&S | Estimated Taxable Value for M&O | Tax Rate ¹ | Midway ISD I&S Levy | Midway ISD M&O Levy | Midway ISD M&O and I&S Tax Levies (Before Credit Credited) | Midway ISD M&O and I&S Tax Levies (After Credit Credited) | Clay County | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|-----------------------|---------------------|---------------------|--|---|--------------------|--------------------------------|
| | | | | 0.0000 | 1.0400 | | | 0.4782 | |
| 2014 | \$0 | \$0 | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2015 | \$200,000,000 | \$200,000,000 | | \$0 | \$2,080,000 | \$2,080,000 | \$2,080,000 | \$95,640 | \$2,175,640 |
| 2016 | \$300,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$52,000 | \$286,920 | \$338,920 |
| 2017 | \$270,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$387,342 | \$413,342 |
| 2018 | \$255,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$487,764 | \$513,764 |
| 2019 | \$240,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$573,840 | \$599,840 |
| 2020 | \$225,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$645,570 | \$671,570 |
| 2021 | \$210,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$702,954 | \$728,954 |
| 2022 | \$195,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$745,992 | \$771,992 |
| 2023 | \$180,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$774,684 | \$800,684 |
| 2024 | \$165,000,000 | \$165,000,000 | | \$0 | \$1,716,000 | \$1,716,000 | \$0 | \$789,030 | \$789,030 |
| 2025 | \$150,000,000 | \$150,000,000 | | \$0 | \$1,560,000 | \$1,560,000 | \$1,430,000 | \$717,300 | \$2,147,300 |
| 2026 | \$135,000,000 | \$135,000,000 | | \$0 | \$1,404,000 | \$1,404,000 | \$1,404,000 | \$645,570 | \$2,049,570 |
| 2027 | \$120,000,000 | \$120,000,000 | | \$0 | \$1,248,000 | \$1,248,000 | \$1,248,000 | \$573,840 | \$1,821,840 |
| 2028 | \$105,000,000 | \$105,000,000 | | \$0 | \$1,092,000 | \$1,092,000 | \$1,092,000 | \$502,110 | \$1,594,110 |
| | | | | | | Total | \$7,488,000 | \$7,928,556 | \$15,416,556 |

Assumes School Value Limitation and Tax Abatement with the County.

Source: CPA, Horn Wind, LLC

¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives

| Year | Estimated Taxable Value for I&S | Estimated Taxable Value for M&O | Tax Rate ¹ | Midway ISD I&S Levy | Midway ISD M&O Levy | Midway ISD M&O and I&S Tax Levies | Clay County | Estimated Total Property Taxes | |
|------|---------------------------------|---------------------------------|-----------------------|---------------------|---------------------|-----------------------------------|---------------------|--------------------------------|---------------------|
| | | | | 0.0000 | 1.0400 | | 0.4782 | | |
| 2014 | \$0 | \$0 | | \$0 | \$0 | \$0 | \$0 | \$0 | |
| 2015 | \$200,000,000 | \$200,000,000 | | \$0 | \$2,080,000 | \$2,080,000 | \$956,400 | \$3,036,400 | |
| 2016 | \$300,000,000 | \$300,000,000 | | \$0 | \$3,120,000 | \$3,120,000 | \$1,434,600 | \$4,554,600 | |
| 2017 | \$270,000,000 | \$270,000,000 | | \$0 | \$2,808,000 | \$2,808,000 | \$1,291,140 | \$4,099,140 | |
| 2018 | \$255,000,000 | \$255,000,000 | | \$0 | \$2,652,000 | \$2,652,000 | \$1,219,410 | \$3,871,410 | |
| 2019 | \$240,000,000 | \$240,000,000 | | \$0 | \$2,496,000 | \$2,496,000 | \$1,147,680 | \$3,643,680 | |
| 2020 | \$225,000,000 | \$225,000,000 | | \$0 | \$2,340,000 | \$2,340,000 | \$1,075,950 | \$3,415,950 | |
| 2021 | \$210,000,000 | \$210,000,000 | | \$0 | \$2,184,000 | \$2,184,000 | \$1,004,220 | \$3,188,220 | |
| 2022 | \$195,000,000 | \$195,000,000 | | \$0 | \$2,028,000 | \$2,028,000 | \$932,490 | \$2,960,490 | |
| 2023 | \$180,000,000 | \$180,000,000 | | \$0 | \$1,872,000 | \$1,872,000 | \$860,760 | \$2,732,760 | |
| 2024 | \$165,000,000 | \$165,000,000 | | \$0 | \$1,716,000 | \$1,716,000 | \$789,030 | \$2,505,030 | |
| 2025 | \$150,000,000 | \$150,000,000 | | \$0 | \$1,560,000 | \$1,560,000 | \$717,300 | \$2,277,300 | |
| 2026 | \$135,000,000 | \$135,000,000 | | \$0 | \$1,404,000 | \$1,404,000 | \$645,570 | \$2,049,570 | |
| 2027 | \$120,000,000 | \$120,000,000 | | \$0 | \$1,248,000 | \$1,248,000 | \$573,840 | \$1,821,840 | |
| 2028 | \$105,000,000 | \$105,000,000 | | \$0 | \$1,092,000 | \$1,092,000 | \$502,110 | \$1,594,110 | |
| | | | | | | Total | \$28,600,000 | \$13,150,500 | \$41,750,500 |

Source: CPA, Horn Wind, LLC

¹Tax Rate per \$100 Valuation

Board Finding Number 7.

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

In support of this finding, the analysis prepared by Moak, Casey & Associates projects that the project would initially add \$300 million to the tax base for debt service purposes at the peak investment level for the 2016-17 school year, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, although MISD does not currently levy an I&S tax.

Board Finding Number 8.

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

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the new wind project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Midway ISD as stated in **Attachment D**.

Board Finding Number 9.

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

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

According to Horn Wind's application, "Horn Wind, LLC is a Texas company. We have the ability to be relocated to other wind development regions in the United States or to other regions of Texas. The project will create permanent jobs in the region where it is built this wind project. But until the project is financed and then built. Horn

Board Findings of the Midway Independent School District

Wind is able to move this project and our company to any other region of the United States. Once built, the project will have a permanent 20+ year life, will be located only on the assigned property designated and will create and sustain the jobs denoted in Appendix D.”

Board Finding Number 10.

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

Board Finding Number 11.

The Board of Trustees hired consultants to review and verify the information in the Application from Horn Wind. Based upon the consultants’ review, the Board has determined that the information provided by the Applicant is true and correct.

Board Finding Number 12.

The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Five Million Dollars, which is consistent with the minimum values currently set out by Tax Code, §§ 313.054(a).

According to the Texas Comptroller of Public Accounts’ School and Appraisal Districts’ Property Value Study 2012 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2012 industrial value for Midway ISD is \$494,740. Midway ISD is categorized as Subchapter C, which applies only to a school district that has territory in a strategic investment area, as defined under Subchapter O, Chapter 171, Tax Code or in a county: (1) that has a population of less than 50,000 and (2) in which, from 1990 to 2000, according to the federal decennial census, the population: (A) remained the same; (B) decreased; or (C) increased, but at a rate of not more than three percent per annum. Midway ISD is classified as a “rural” district due to its population characteristics. Given that the value of industrial property in Midway ISD is more than \$100,000 but less than \$1 million, it is classified as a Category IV district which can offer a minimum value limitation of \$5 million.

Board Finding Number 13.

The Applicant (Taxpayer Id. 32028268780) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its “good standing” certification as a franchise-tax paying entity.

Board Finding Number 14.

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

In support of this finding, the report of Moak, Casey & Associates, Inc. shows that the District will incur a revenue loss in the first year that the value limitation is in effect without the proposed Agreement. However, with this Agreement, the negative consequences of granting the value limitation are offset through the revenue protection provisions agreed to by the Applicant and the District. Revenue protection measures are in place for the duration of the Agreement.

Board Finding Number 15.

Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

It is therefore ORDERED that the Agreement attached hereto as **Attachment G** is approved and hereby authorized to be executed and delivered by and on behalf of the Midway Independent School District. It is further ORDERED that these findings and the Attachments referred to herein be attached to the Official Minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the Midway Independent School District.

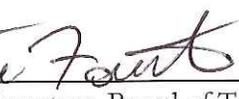
Board Findings of the Midway Independent School District

Dated the 19th day of December 2013.

MIDWAY INDEPENDENT SCHOOL DISTRICT

By: 
Mike McClendon, President, Board of Trustees

ATTEST:

By: 
Jennifer Scott, Secretary, Board of Trustees





LYNN M. MOAK, PARTNER

DANIEL T. CASEY, PARTNER

December 12, 2013

President and Members
Board of Trustees
Midway Independent School District
12142 STATE HWY 148 S
Henrietta, Texas 76365

Re: Recommendations and Findings of the firm Concerning Application of Horn Wind LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President McClendon and Members of the Board of Trustees:

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

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

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

Sincerely,

Daniel T. Casey

www.moakcasey.com

Phone 512-485-7878

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

Fax 512-485-7888

O'HANLON, MCCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE
AUSTIN, TEXAS 78701
TELEPHONE: (512) 494-9949
FACSIMILE: (512) 494-9919

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

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

JUSTIN DEMERATH

December 12, 2013

President and Members
Of the Board of Trustees
Midway Independent School District
12142 STATE HWY 148 S
Henrietta, Texas 76365

Re: Recommendations and Findings of the Firm Concerning Application of Horn Wind LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, first qualifying year 2014

Dear President McClendon and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Midway Independent School District, with respect to the pending Application of Horn Wind LLC for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, to be effected by an agreement with a first qualifying time year of 2014. Since our engagement on behalf of the District, we have been actively engaged in reviewing the pending Application and verifying its contents. We have also negotiated an Agreement between the District and Horn Wind LLC. Based upon our review we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.

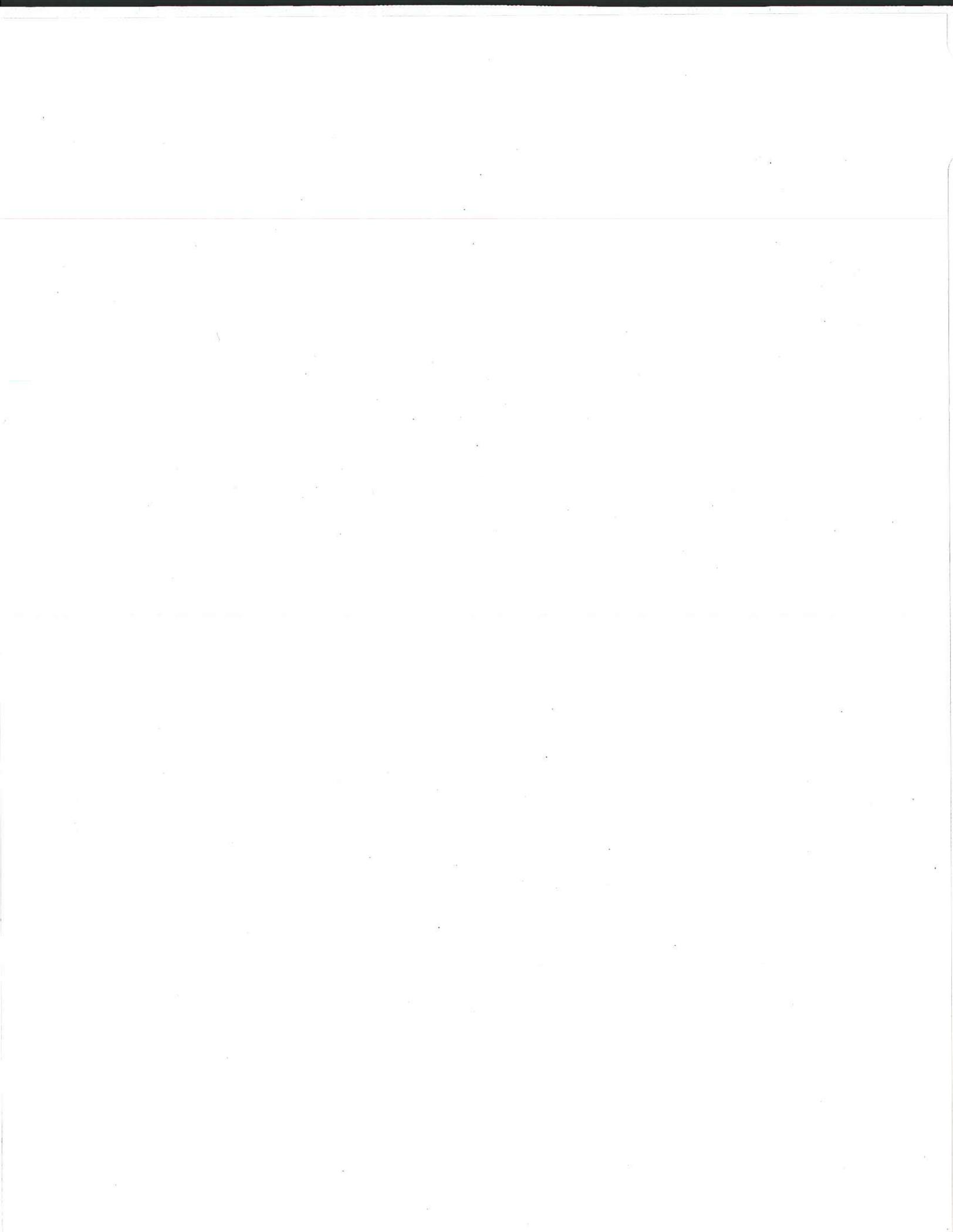
4. All applicable school finance implications arising from the contemplated Agreement have been explored.
5. The proposed Agreement contains adequate legal provisions so as to protect the interests of the District.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin O'Hanlon', written in a cursive style.

Kevin O'Hanlon
For the Firm



Attachment A

Application

O'HANLON, MCCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE

AUSTIN, TEXAS 78701

TELEPHONE: (512) 494-9949

FACSIMILE: (512) 494-9919

KEVIN O'HANLON

CERTIFIED, CIVIL APPELLATE

CERTIFIED, CIVIL TRIAL

LESLIE MCCOLLOM

CERTIFIED, CIVIL APPELLATE

CERTIFIED, LABOR AND EMPLOYMENT

TEXAS BOARD OF LEGAL SPECIALIZATION

JUSTIN DEMERATH

July 29, 2013

Local Government Assistance & Economic Analysis
Texas Comptroller of Public Accounts
P.O. Box 13528
Austin, Texas 78711-3528

RE: Application to the Midway Independent School District from Horn Wind, LLC

To the Local Government Assistance & Economic Analysis Division:

By copy of this letter transmitting the application for review to the Comptroller's Office, the Midway Independent School District is notifying the Applicant Horn Wind, LLC of its intent to consider Horn Wind, LLC's application for appraised value limitation on qualified property. The Applicant submitted the application to the school district on July 23, 2013. The Board voted at a properly posted Board meeting to accept the application on July 23, 2013. The application was determined complete by the school district on July 26, 2013. Please prepare the economic impact report.

The Applicant has provided detailed maps and project descriptions that show only the qualified property that is the subject of this application. Also, the qualified property that is the subject of the application does not include land.

Please note, no construction has begun at the project site as of the date of the filing of the application and the District's determination that the application is complete. The Applicant is aware that the determination of a completed application by the Comptroller determines what property may be eligible for a value limitation agreement. There is no existing property for this project.

The applicant has requested that the County create the reinvestment zone for this project. The legal description and a final executed copy of the reinvestment zone are included in the application. The Applicant has provided both a detailed map of the reinvestment zone location and description, as well as a map of the project within the reinvestment zone boundaries.

Letter to Local Government Assistance & Economic Analysis Division
July 29, 2013
Page 2 of 2

The school district has determined that the wage information included in the application represents the most recent wage data available at the time of the application, including the newly published 2012 Regional Wage Information. The wage the Applicant has committed to paying on this project is above the required statutory minimums.

A paper copy of the application will be hand delivered to your office today. In accordance with 34 Tex. Admin Code §9.1054, a copy of the application will be submitted to the Clay County Appraisal District.

Please feel free to contact me with questions.

Sincerely,

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

Kevin O'Hanlon
School District Consultant

Cc: Chief Appraiser
Clay County Appraisal District

Horn Wind, LLC

Hollis Adams, Midway ISD



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 07/25/2013 |
| First Name Hollis | Last Name Adams | |
| Title Superintendent | | |
| School District Name Midway ISD | | |
| Street Address 12142 STATE HWY 148 S | | |
| Mailing Address 12142 STATE HWY 148 S | | |
| City HENRIETTA | State TX | ZIP 76365-7210 |
| Phone Number (940) 476-2215 | Fax Number (940) 476-2226 | |
| Mobile Number (optional) | E-mail Address Hollis.Adams@esc9.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 Kevin | | Last Name O'Hanlon | |
| Title Attorney | | | |
| Firm Name O'Hanlon, McCollom & Demerath, PC | | | |
| Street Address 808 West Avenue | | | |
| Mailing Address 808 West Avenue | | | |
| City Austin | | State TX | ZIP 78701 |
| Phone Number (512) 494-9949 | | Fax Number (512) 494-9919 | |
| Mobile Number (Optional) | | E-mail Address kohanlon@808west.com, mhanley@808west.com, | |

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

| | |
|--|------------------------|
| Signature (Authorized School District Representative)  | Date 7-23-12 |
|--|------------------------|

Has the district determined this application complete? Yes No

If yes, date determined complete. 7-26-12

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

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 | will supplement |

APPLICANT INFORMATION - CERTIFICATION OF APPLICATION

Authorized Business Representative (Applicant)

| | | | |
|---|--|---|---------------------|
| First Name Jimmy | | Last Name Horn | |
| Title Manager | | | |
| Organization South Clay Wind Farm, LLC and Shannon-1 Wind Farm, LLC | | | |
| Street Address 219 Virgie Ln | | | |
| Mailing Address 219 Virgie Ln | | | |
| City Windthorst | | State TX | ZIP 76389 |
| Phone Number (940) 642-9781 | | Fax Number | |
| Mobile Number (optional) | | Business e-mail Address horn.wind@yahoo.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 | | Last Name | |
| Title | | | |
| Organization | | | |
| Street Address | | | |
| Mailing Address | | | |
| City | | State | ZIP |
| Phone Number | | Fax Number | |
| Mobile Number (optional) | | E-mail Address | |

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

Will consultant be primary contact? Yes No

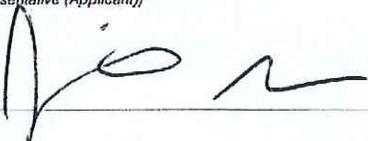
APPLICANT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

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 | | |

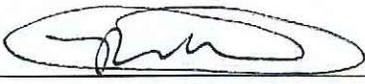
I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application is true and correct to the best of my knowledge 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 |
|  | 07-03-2013 |

GIVEN under my hand and seal of office this 3 day of July, 2013




Notary Public, State of TEXAS

My commission expires July 20, 2016

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



FEES AND PAYMENTS

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

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

Please answer only either A OR B:

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

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

BUSINESS APPLICANT INFORMATION

Legal Name under which application is made

Horn Wind, LLC and its Affiliates South Clay Wind Farm, LLC and Shannon-1 Wind Farm, LLC

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

32028268780; 32041118301; 32039528115

NAICS code

221115 (2012 NAICS) [221119 1997 NAICS CODE]

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

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

Archer City ISD-2008 and 2011 & Midway ISD-2010 (Midway agreement expired for lack of qualified investment)

APPLICANT BUSINESS STRUCTURE

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

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

Limited Liability Company

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

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

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

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



ELIGIBILITY UNDER TAX CODE CHAPTER 313.024

Are you an entity to which Tax Code, Chapter 171 applies? [X] 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 [X] No
(2) research and development [] Yes [X] No
(3) a clean coal project... [] Yes [X] No
(4) an advanced clean energy project... [] Yes [X] No
(5) renewable energy electric generation [X] Yes [] No
(6) electric power generation using integrated gasification... [] Yes [X] No
(7) nuclear electric power generation [] Yes [X] No
(8) a computer center that is used as an integral part or as a necessary auxiliary part...

Are you requesting that any of the land be classified as qualified investment? [] Yes [X] No
Will any of the proposed qualified investment be leased under a capitalized lease? [] Yes [X] No
Will any of the proposed qualified investment be leased under an operating lease? [] Yes [X] No
Are you including property that is owned by a person other than the applicant? [] Yes [X] 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 [X] 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 Appendix B, C-E appendices for other relevant information

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

The company is able to relocate and this ability is described in Appendix B

PROJECT CHARACTERISTICS (CHECK ALL THAT APPLY)

- [X] New Jobs [X] 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 July 2014 Begin Hiring New Employees July 2014
Construction Complete March 2015 Fully Operational April 2015
Purchase Machinery & Equipment Nov 2013 - Nov 2014

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)? [X] 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? March 2015



ECONOMIC INCENTIVES

Identify state programs the project will apply for:

| State Source | Amount |
|--------------|--------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| 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.)

See Schedule D for details

THE PROPERTY

Identify county or counties in which the proposed project will be located Clay County

Central Appraisal District (CAD) that will be responsible for appraising the property Clay County

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: Clay County (100%) City: N/A
(Name and percent of project) (Name and percent of project)

Hospital District: N/A Water District: N/A
(Name and percent of project) (Name and percent of project)

Other (describe): N/A Other (describe): N/A
(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.



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? 5 million

What is the amount of appraised value limitation for which you are applying? 5 million

What is your total estimated qualified investment? 300,300,000

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? December 2013

What is the anticipated date of the beginning of the qualifying time period? December 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? 300,300,000

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

Attach the following items to this application:

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

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

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

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

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

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

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

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

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

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

QUALIFIED PROPERTY

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

Attach the following items to this application:

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

Land

Is the land on which you propose new construction or improvements currently located in an area designated as a reinvestment zone under Tax Code Chapter 311 or 312 or as an enterprise zone under Government Code Chapter 2303? [X] 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?

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

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

QUALIFIED PROPERTY (CONTINUED)

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

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

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

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

Miscellaneous

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

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

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

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

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

WAGE AND EMPLOYMENT INFORMATION

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

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

First Quarter Second Quarter Third Quarter Fourth Quarter of 2013
(year)

What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the TWC?
0

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. N/A

Total number of new jobs that will have been created when fully operational 8

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? 7

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 683.65

110% of the county average weekly wage for manufacturing jobs in the county is 904.20

110% of the county average weekly wage for manufacturing jobs in the region is 784.30

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? 40,783.60

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? 42,000

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?

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 Appendix D

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.

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 | N/A |
| 4 | Detailed description of the project | 6 of 16 | ✓ |
| 5 | If project is located in more than one district, name other districts and list percentage in each district (Attachment) | 7 of 16 | N/A |
| 6 | Description of Qualified Investment (Attachment) | 8 of 16 | ✓ |
| 7 | Map of qualified investment showing location of new buildings or new improvements with vicinity map. | 8 of 16 | ✓ |
| 8 | Description of Qualified Property (Attachment) | 8 of 16 | ✓ |
| 9 | Map of qualified property showing location of new buildings or new improvements with vicinity map | 8 of 16 | ✓ |
| 10 | Description of Land (Attachment) | 9 of 16 | ✓ |
| 11 | A detailed map showing location of the land with vicinity map. | 9 of 16 | ✓ |
| 12 | A description of all existing (if any) improvements (Attachment) | 9 of 16 | N/A |
| 13 | Request for Waiver of Job Creation Requirement (if applicable) (Attachment) | 9 of 16 | ✓ |
| 14 | Calculation of three possible wage requirements with TWC documentation. (Attachment) | 10 of 16 | ✓ |
| 15 | Description of Benefits | 10 of 16 | ✓ |
| 16 | Economic Impact (if applicable) | 10 of 16 | N/A |
| 17 | Schedule A completed and signed | 13 of 16 | ✓ |
| 18 | Schedule B completed and signed | 14 of 16 | ✓ |
| 19 | Schedule C (Application) completed and signed | 15 of 16 | ✓ |
| 20 | Schedule D completed and signed | 16 of 16 | ✓ |
| 21 | Map of Reinvestment Zone (Attachment) (Showing the actual or proposed boundaries and size, Certified to be accurate by either the government entity creating the zone, the local appraisal district, or a licensed surveyor, with vicinity map)* | 9 of 16 | ✓ |
| 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.

Schedule A (Rev. Jan. 2010): Investment

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 qualify- ing 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 appli- cation with district (neither qualified property nor eligible to become qualified investment) | | | | | X | | |
| | Investment made after filing complete ap- plication 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 | | | | | X | | |
| | 2 | | | | | | | |
| Tax Credit Period (with 50% cap on credit) | Value Limitation Period | 3 | | | | | | |
| | | 4 | | | | | | |
| | | 5 | | | | | | |
| | | 6 | | | | | | |
| | | 7 | | | | | | |
| | | 8 | | | | | | |
| | | 9 | | | | | | |
| | | 10 | | | | | | |
| Credit Settle-Up Period | Continue to Maintain Viable Presence | 11 | | | | | | |
| | | 12 | | | | | | |
| | | 13 | | | | | | |
| Post- Settle-Up Period | | 14 | | | | | | |
| Post- Settle-up Period | | 15 | | | | | | |

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property 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

DATE



Schedule B (Rev. Jan. 2010): Estimated Market and Taxable Value

Applicant Name _____

ISD Name _____

| | | | | | | Qualified Property | | Reductions From Market Value | Estimated Taxable Value | |
|--|--|-------------|-------------------------|---|--------------------------------|---|--|------------------------------|--|--|
| | | Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year) YYYY | 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 | | | | | | | | |
| | Complete tax years of qualifying time period | 1 | | | | | | | | |
| | | 2 | | | | | | | | |
| Tax Credit Period (with 50% cap on credit) | Value Limitation Period | 3 | | | | | | | | |
| | | 4 | | | | | | | | |
| | | 5 | | | | | | | | |
| | | 6 | | | | | | | | |
| | | 7 | | | | | | | | |
| | | 8 | | | | | | | | |
| | | 9 | | | | | | | | |
| | | 10 | | | | | | | | |
| Credit Settle-Up period | Continue to Maintain Viable Presence | 11 | | | | | | | | |
| | | 12 | | | | | | | | |
| | | 13 | | | | | | | | |
| Post- Settle-Up Period | | 14 | | | | | | | | |
| Post- Settle-Up Period | | 15 | | | | | | | | |

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 _____



Schedule C - Application: Employment Information

Applicant Name

ISD Name

| | | 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 quali- fying jobs appli- cant commits to create meeting all criteria of Sec. 313.021(3) (cumulative) |
| | | pre- year 1 | | | | | | | |
| Tax Credit Period (with 50% cap on credit) | Complete tax years of qualify- ing time period | 1 | | | | | | | |
| | | 2 | | | | | | | |
| | Value Limitation Period | 3 | | | | | | | |
| | | 4 | | | | | | | |
| | | 5 | | | | | | | |
| | | 6 | | | | | | | |
| | | 7 | | | | | | | |
| | | 8 | | | | | | | |
| | | 9 | | | | | | | |
| | | 10 | | | | | | | |
| Credit Settle-Up period | Continue to Maintain Viable Presence | 11 | | | | | | | |
| | | 12 | | | | | | | |
| | | 13 | | | | | | | |
| Post- Settle-Up Period | | 14 | | | | | | | |
| Post- Settle-Up Period | | 15 | | | | | | | |

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

DATE



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

Applicant Name _____

ISD Name _____

| | | | | | Sales Tax Information | | Franchise Tax | Other Property Tax Abateements Sought | | | | |
|--|--------------------------------------|------|--------------------|--------------------------|---|---|---|---|---|---|---|--|
| | | | | | Sales Taxable Expenditures | | Franchise Tax | County | City | Hospital | Other | |
| | | Year | School Year (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) | | | | | | | | | | | | |
| Tax Credit Period (with 50% cap on credit) | Value Limitation Period | 1 | | | | | | | | | | |
| | | 2 | | | | | | | | | | |
| | | 3 | | | | | | | | | | |
| | | 4 | | | | | | | | | | |
| | | 5 | | | | | | | | | | |
| | | 6 | | | | | | | | | | |
| | | 7 | | | | | | | | | | |
| | | 8 | | | | | | | | | | |
| | | 9 | | | | | | | | | | |
| | | 10 | | | | | | | | | | |
| Credit Settle-Up period | Continue to Maintain Viable Presence | 11 | | | | | | | | | | |
| | | 12 | | | | | | | | | | |
| | | 13 | | | | | | | | | | |
| Post- Settle-Up Period | | 14 | | | | | | | | | | |
| Post- Settle-Up Period | | 15 | | | | | | | | | | |

*For planning, construction and operation of the facility.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE _____

DATE _____

Applicant Name: Horn Wind, LLC (South Clay-Shannon-1 Project)
 MIDWAY ISD

| PROPERTY INVESTMENT AMOUNTS (Estimated investment in each year. Do not put the year preceding the first complete tax year of the qualifying time period (assuming no deferrals)) | Year | School Year (YYYY-YYYY) | Tax Year (actual tax year below) YYYY | Column A: Personal Property amount of new investment (original cost) placed in service during this year | Tangible The | Column B: Building or permanent nonremovable component of building (annual amount only) | Column C: Sum of Investment (during the qualifying time period) | Column D: Investment that is not qualified investment but investment affecting economic impact and total value | Other Investment (A+B+D) | Total Investment (A+B+D) |
|---|-----------|-------------------------|---------------------------------------|---|---------------|---|---|--|--------------------------|--------------------------|
| Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment) | | | | \$0 | | \$0 | | \$0 | | \$0 |
| Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) | | | | \$0 | | \$0 | | \$0 | | \$0 |
| 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) | 2013/2014 | 2013 | | \$0 | | \$0 | | \$0 | | \$0 |
| Complete tax years of qualifying time period | 1 | 2014/2015 | 2014 | \$0 | \$200,000,000 | \$300,000 | \$0 | \$0 | \$0 | \$500,300,000 |
| | 2 | 2015/2016 | 2015 | \$0 | \$100,000,000 | \$0 | \$200,300,000 | \$0 | \$0 | \$100,300,000 |
| Value Limitation Period | 3 | 2016/2017 | 2016 | \$0 | \$0 | \$0 | \$100,000,000 | \$0 | \$0 | \$100,000,000 |
| | 4 | 2017/2018 | 2017 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| | 5 | 2018/2019 | 2018 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| | 6 | 2019/2020 | 2019 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| | 7 | 2020/2021 | 2020 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| | 8 | 2021/2022 | 2021 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| | 9 | 2022/2023 | 2022 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| | 10 | 2023/2024 | 2023 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| Continue to Maintain Viable Presence | 11 | 2024/2025 | 2024 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| | 12 | 2025/2026 | 2025 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| | 13 | 2026/2027 | 2026 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| | 14 | 2027/2028 | 2027 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |
| | 15 | 2028/2029 | 2028 | \$0 | \$0 | \$0 | | \$0 | \$0 | \$0 |

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property 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: For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property. The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified.

Column C: 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.

Column D: 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: TIMMY HORN DATE: 06-25-2013

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

Applicant Name: Horn Wind, LLC (South Clay--Shannon-1 Project)
 ISD Name: Midway ISD

Form 50-296

| Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year) (YYYY) | 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 | Estimated Taxable Value | Final taxable value for M&O - after all reductions |
|------------|-------------------------|---|--------------------------------|---|--|----------------|--|-------------------------|--|
| pre-year 1 | 2013/2014 | 2013 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 0 |
| 1 | 2014/2015 | 2014 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 0 |
| 2 | 2015/2016 | 2015 | \$0 | \$200,000,000 | \$0 | \$0 | \$200,000,000 | \$200,000,000 | \$200,000,000 |
| 3 | 2016/2017 | 2016 | \$0 | \$300,000,000 | \$0 | \$0 | \$300,000,000 | \$300,000,000 | \$5,000,000 |
| 4 | 2017/2018 | 2017 | \$0 | \$270,000,000 | \$0 | \$0 | \$270,000,000 | \$270,000,000 | \$5,000,000 |
| 5 | 2018/2019 | 2018 | \$0 | \$255,000,000 | \$0 | \$0 | \$255,000,000 | \$255,000,000 | \$5,000,000 |
| 6 | 2019/2020 | 2019 | \$0 | \$240,000,000 | \$0 | \$0 | \$240,000,000 | \$240,000,000 | \$5,000,000 |
| 7 | 2020/2021 | 2020 | \$0 | \$225,000,000 | \$0 | \$0 | \$225,000,000 | \$225,000,000 | \$5,000,000 |
| 8 | 2021/2022 | 2021 | \$0 | \$210,000,000 | \$0 | \$0 | \$210,000,000 | \$210,000,000 | \$5,000,000 |
| 9 | 2022/2023 | 2022 | \$0 | \$195,000,000 | \$0 | \$0 | \$195,000,000 | \$195,000,000 | \$5,000,000 |
| 10 | 2023/2024 | 2023 | \$0 | \$180,000,000 | \$0 | \$0 | \$180,000,000 | \$180,000,000 | \$5,000,000 |
| 11 | 2024/2025 | 2024 | \$0 | \$165,000,000 | \$0 | \$0 | \$165,000,000 | \$165,000,000 | \$165,000,000 |
| 12 | 2025/2026 | 2025 | \$0 | \$150,000,000 | \$0 | \$0 | \$150,000,000 | \$150,000,000 | \$150,000,000 |
| 13 | 2026/2027 | 2026 | \$0 | \$135,000,000 | \$0 | \$0 | \$135,000,000 | \$135,000,000 | \$135,000,000 |
| 14 | 2027/2028 | 2027 | \$0 | \$120,000,000 | \$0 | \$0 | \$120,000,000 | \$120,000,000 | \$120,000,000 |
| 15 | 2028/2029 | 2028 | \$0 | \$105,000,000 | \$0 | \$0 | \$105,000,000 | \$105,000,000 | \$105,000,000 |

Tax Credit Period (with 50% cap on credit)

Credit Settle-Up Period (Continue to Maintain Viable Presence)

Post-Settle-Up Period

Post-Settle-Up Period

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: *JAMES HARRY MORGAN* DATE: 06-25-2013

Schedule C- Application: Employment Information

| Applicant Name ISD Name | | Horn Wind, LLC (South Clay-Shannon-1 Project) Midway ISD | | Form 50-296 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 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| 1 | 2014/2015 | 2014 | 30,000 man-hours | \$42,000 | 0 | \$0 | 0 | \$0 |
| 2 | 2015/2016 | 2015 | 70,000 man-hours | \$42,000 | 8 | \$42,000 | 9 | \$42,000 |
| 3 | 2016/2017 | 2016 | | | 8 | \$42,000 | 9 | \$42,000 |
| 4 | 2017/2018 | 2017 | | | 8 | \$42,000 | 9 | \$42,000 |
| 5 | 2018/2019 | 2018 | | | 8 | \$42,000 | 9 | \$42,000 |
| 6 | 2019/2020 | 2019 | | | 8 | \$42,000 | 9 | \$42,000 |
| 7 | 2020/2021 | 2020 | | | 8 | \$42,000 | 9 | \$42,000 |
| 8 | 2021/2022 | 2021 | | | 8 | \$42,000 | 9 | \$42,000 |
| 9 | 2022/2023 | 2022 | | | 8 | \$42,000 | 9 | \$42,000 |
| 10 | 2023/2024 | 2023 | | | 8 | \$42,000 | 9 | \$42,000 |
| 11 | 2024/2025 | 2024 | | | 8 | \$42,000 | 9 | \$42,000 |
| 12 | 2025/2026 | 2025 | | | 8 | \$42,000 | 9 | \$42,000 |
| 13 | 2026/2027 | 2026 | | | 8 | \$42,000 | 9 | \$42,000 |
| 14 | 2027/2028 | 2027 | | | 8 | \$42,000 | 9 | \$42,000 |
| 15 | 2028/2029 | 2028 | | | 8 | \$42,000 | 9 | \$42,000 |
| Continue to Maintain Viable Presence | | | | | | | | |
| 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]
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

TIMMY HORN
 MANAGER

06-25-2013

DATE

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

| Taxpayer Name | Sales Tax Information | | Sales Taxable Expenditures | | Franchise Tax | Other Property Tax Abatements Sought | | | Form 50-296 | |
|---|-------------------------|-------------------------------|---|---|---|--------------------------------------|--------|------|-------------|----------|
| | School Year (YYYY-YYYY) | Tax/Calendar Year (YYYY-YYYY) | Column F: Estimate of total annual expenditures* subject to state sales tax | Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax | | Franchise Tax | County | City | | Hospital |
| Horn Wind, LLC (South Clay-Shannon-1 Project) | | | | | | | | | | |
| | Year | School Year (YYYY-YYYY) | Tax/Calendar Year (YYYY-YYYY) | Column F: Estimate of total annual expenditures* subject to state sales tax | Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax | Franchise Tax | County | City | Hospital | Other |
| | 1 | 2013/2014 | 2013 | 0 | 0 | 0 | 0% | 0 | 0 | 0 |
| | 2 | 2014/2015 | 2014 | 0 | 200,000,000 | 0 | 0% | 0 | 0 | 0 |
| | 3 | 2015/2016 | 2015 | 0 | 100,000,000 | 0 | 90% | 0 | 0 | 0 |
| | 4 | 2016/2017 | 2016 | 0 | 0 | 0 | 80% | 0 | 0 | 0 |
| | 5 | 2017/2018 | 2017 | 0 | 0 | 0 | 70% | 0 | 0 | 0 |
| | 6 | 2018/2019 | 2018 | 0 | 0 | 0 | 60% | 0 | 0 | 0 |
| | 7 | 2019/2020 | 2019 | 0 | 0 | 0 | 50% | 0 | 0 | 0 |
| | 8 | 2020/2021 | 2020 | 0 | 0 | 0 | 40% | 0 | 0 | 0 |
| | 9 | 2021/2022 | 2021 | 0 | 0 | 22,500 | 30% | 0 | 0 | 0 |
| | 10 | 2022/2023 | 2022 | 0 | 0 | 22,500 | 20% | 0 | 0 | 0 |
| | 11 | 2023/2024 | 2023 | 0 | 0 | 22,500 | 10% | 0 | 0 | 0 |
| | 12 | 2024/2025 | 2024 | 0 | 0 | 22,500 | 0% | 0 | 0 | 0 |
| | 13 | 2025/2026 | 2025 | 0 | 0 | 22,500 | 0% | 0 | 0 | 0 |
| | 14 | 2026/2027 | 2026 | 0 | 0 | 22,500 | 0% | 0 | 0 | 0 |
| | 15 | 2027/2028 | 2027 | 0 | 0 | 22,500 | 0% | 0 | 0 | 0 |
| | 16 | 2028/2029 | 2028 | 0 | 0 | 22,500 | 0% | 0 | 0 | 0 |
| | 17 | 2029/2030 | 2029 | 0 | 0 | 22,500 | 0% | 0 | 0 | 0 |

06-25-2013

[Signature] JIMMY BOYD
 AUTHORIZED COMPANY REPRESENTATIVE

DATE

or planning, construction and operation of the facility.

Horn Wind, LLC
219 Virgie Lane
Windthorst, TX 76389

July 01, 2013

Dear Mr. Adams and Midway ISD School Board:

Horn Wind, LLC request on behalf of the South Clay--Shannon-1 project a waiver for the minimum jobs creation requirement as provided under Tax Code 313.0025 for our Application for Appraisal Value Limitation-Texas Tax Form 50-296.

Page 9 of Form 50-296 allows for the submission of a minimum jobs waiver request. Industry standards show the need for only 8 jobs for the wind project of 200 Megawatt. This standard is documented on the attached letter from FPL, a wind industry leader. The South Clay--Shannon-1 project job breakdown is outlined below.

Project: 200MW-nameplate (118 turbines)

Positions

- 6 Jobs Turbine Technicians
- 1 Jobs HV and Plant Technician
- 1 Job Site Manager

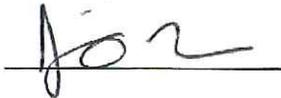
The project will include 118 wind turbines to reach the 200MW capacity rating. The jobs will be created as full time positions and will continue through the full project life. The above positions are based on the industry standard of 1 Turbine Technician for every 15-20 wind turbines plus a Site Manager and a High Voltage/Plant Technician.

Please, consider this request for your governing body to waive the minimum job creation requirement for the South Clay--Shannon-1 Project's Application for Appraisal Value Limitation.

Thank you for your time.

Please denote decision to accept or decline below.

Sincerely,



Jimmy Horn
President
Horn Wind, LLC

Signature: _____
Name: _____
Title: _____

Decision (circle): Approved Disapproved

Appendix A

Appendix A2: Number of Jobs Necessary for Industry Standard Operation

Summary: This appendix specifies the standards number of jobs required to operate an industrial wind farm based on the number of turbines installed. It will be used as a basis for the request for a governing body waiver for the minimum job creation amount.

South Clay--Shannon-1 wind project specifications are as follows:

200 megawatt-nameplate

This will include 118 1.7 wind turbines depending upon turbine size to reach the 200 megawatt maximum capacity rating. The following jobs will be created as full time positions and will continue throughout the full 20+ years of the project life. Some overlapping of duties may occur, but a minimum of 8 jobs will always exist during the projects life.

South Clay--Shannon-1 Wind Farm Salaries starting Yr 2015

| | <u>Position</u> | <u>Salary</u> | <u>Industry Standard</u> |
|--------|-----------------------|------------------------|--------------------------|
| 6 Jobs | Turbine Technicians | \$42,000/yr (\$800/wk) | \$28K to \$38K w/exp |
| 1 Job | HV / Plant Technician | \$45,000/yr | \$45K-\$65K |
| 1 job | Site Manager | >\$50,000 | >\$50K |

Total jobs created with at least 80% meeting the 110% wage rate requirement will be created. In addition, a number of temporary jobs will exist during the initial construction period.

The above positions are based on the industry standard of 1 maintenance technician for every 15-20 wind turbines plus a Site Manager and a High Voltage and Plant Technician.

For this Appraisal Value Limitation Form 50-296, the **South Clay--Shannon-1 project is applying for a Minimum Job Waiver based on the industry standard job creation number.** Eight permanent jobs are needed to operate the 200 megawatt wind farm which is less the 10 jobs for rural school districts requirements.

BORDEN WIND, LLC
MIDWAY ISD-VALUE LIMIT 50-296
APPENDIX A-3

FPL Energy, 700 Universe Boulevard, Juno Beach, FL 33408



FPL Energy

October 22, 2007

VIA E-MAIL

Amalia Hanley
O'HANLON, McCOLLOM & DEMERATH
Attorneys-at-law
808 West Ave.
Austin, Texas 78701

Dear Mali,

Included in our Applications for Appraised Value Limitation on Qualified Property, Texas Form HB-1200, for Coyote Wind, LLC ("Coyote") and Wolf Ridge Wind, LLC ("Wolf") was a statement in Step 5: Economic Impact, Question 3 – Estimate the average weekly wage rate for qualifying jobholders that declared Coyote and Wolf's average weekly wage rate was "Greater than 110% of the average weekly manufacturing wages." This statement was included because the weekly wages for both Coyote and Wolf are estimated to be greater than the Texas Tax Code, Chapter 313 requirement of wages greater than 110% of the county average weekly wage for manufacturing jobs in the county where the jobs are located.

At the time of completion of Form HB-1200, Coyote and Wolf had obsolete information as to the current average weekly wage for both Borden County (Coyote) and Cooke County (Wolf). Therefore, the statement was added so that the applications would not be rejected on account of the obsolete number that would have been included on the Form.

As to the number of qualifying full-time jobs, wind farm projects typically involve a considerable number of part-time jobs during the construction phase. Once construction is complete, a lesser number of highly-skilled technicians are required for the long-term operation of the wind farm. Coyote and Wolf typically estimate, that after completion of construction of the wind farm, approximately one full-time skilled technician may support approximately fifteen turbines.

In addition to the technicians discussed above, other project related full-time employees include a site leader, a plant technician, and a high voltage technician.

Note that these are only estimates and these figures may vary based on location, site conditions, the size of the turbines and the size of the wind farm, and manufacturer service and support levels.

Please contact me if you have any additional questions with respect to the applications for Coyote and Wolf.

Best regards,

Kevin O'Steen, CPA

Appendix B

Investment

1. Description of Property
2. Improvements
3. Project Layout and Vicinity Map
 - a. Detailed Project Layout Map (Turbines)
 - b. Vicinity Map of Project
4. Company's Ability to Relocate
5. Scope of Project
6. Construction Timeline
7. Proof of Application Fee

Appendix B

Appendix B1 & B2: Description the Property and Proposed Improvements

B1 - Description of all property as defined by tax code 303.021(2)

Per Tax Form 50-296, the following will describe the property and the assets to be placed in service on said property of a project to install and operate a 200 Megawatt industrial wind farm for a minimum of 20 year project life for the purpose of profitably generating electricity for sell. All assets will reside on said property for the duration of the project life.

For purposes of simplification, the below terms described in full, hereafter will fully carry the meaning denoted below but will be referred to in their shorted form.

'Wind Farm': The 200 MW-nameplate capacity Industrial Wind Farm located in Clay County Reinvestment Zone no. 1. Designation: South Clay--Shannon-1.

'Reinvestment Zone' the Southwest Clay County Wind Power Reinvestment Zone which was established by the Commissioners Court of Clay County on August 23, 2010. Zone establishment is in accordance with Tex. Tax Code 312.401.

'Land Property(s)': the designated land tracts leased from land owners by Horn Wind, LLC and used in the South Clay--Shannon-1 Wind Farm Project. This term will refer to the any existing improvements to the land prior to the lease and use in South Clay--Shannon-1 project will be included in this term 'land property'.

'Improvements' the additions of proposed and installed improvements to the land as well as any other personal property to be added and reside on the land for the soul use in the operation of the project. This term will include new roads, other infrastructure, transmission and the wind mills (towers and turbines).

South Clay--Shannon-1 Wind Farm project is a 200 MW capacity industrial wind farm located in the Southwest Clay County Wind Power Reinvestment Zone. The Land Property(s) used for the Wind Farm are leased land comprised entirely of rural farm land.

This project, the Wind Farm, comprised of Land Property(s) and Improvements meets the requirements of Tax Code 313.021(2): Qualified property as denoted below.

- a) i. The land is located in a reinvestment zone created under chapter 312.
- ii. The new improvements do/did not exist before the date owner applied for a limitation of appraised value under subchapter for code section 313.
- iii. The project is not subject to any other tax abatements entered into by a school district under chapter 312.
- iv. The new improvements will at least meet the minimum amount required for the qualifying investment for Section 312.023 of \$5 million, urban, Category IV. And a new job creation quantity waiver is being filed to lower the number of new jobs

required based on the industry standards for wind farm operation. The project will meet this Category IV requirement with the waiver approval.

- b) & c) The new Improvements (including tangible personal property) are not subject to a tax abatement agreement entered into by a school district under Chapter 312. In addition all new Improvements (including new equipment) will be placed in service for the first time on this project.

The Land

The Land (Land Property(s)) is described as rural farm land bases about. There are no major structures on the land with the exception of a few houses and barns.

Each piece of leased land used in the Wind Farm project is within the reinvestment zone.

- A map of the reinvestment zone is included in Appendix C.
- Documentation on the reinvestment zone is presented in Appendix C.
- Order establishing the Clay County Reinvestment Zone in appendix C.
- All land leases are filed in Appendix F.

Land Legal Descriptions

Detailed Legal Land Descriptions are presented in Appendix C-4. Also, the Land Legal Description of each piece of land included in the South Clay--Shannon-1 Wind Farm Project is filed in Appendix F on the two pages after the signature pages of each land Surface Lease for each piece of leased land. See Appendix F.

B2 - Proposed Improvement and Personal Property

For this items classification, all turbines will be classified as Business Personal Property. All other assets and structures including towers, roads, transmission equipment and lines will be classified as proposed improvements and specified as permanent fixtures.

Installation of the above items is scheduled as follows:

Gravel roads to each tower installation location will be built and current roads will be upgraded in the 6 month period immediately prior to the beginning of turbine installation.

Towers and turbines will be installed during a 6 to 9 month window immediately preceding the testing and Commercial Operation Date. At this time, the Commercial Operation Date is set for December, 2014. This date may change dues to unforeseen delays.

At the actual Commercial Operation date, all construction will be complete on the South Clay--Shannon-1 Project. All turbines will be installed by the end of the qualifying time period, currently set for the end of 2015.

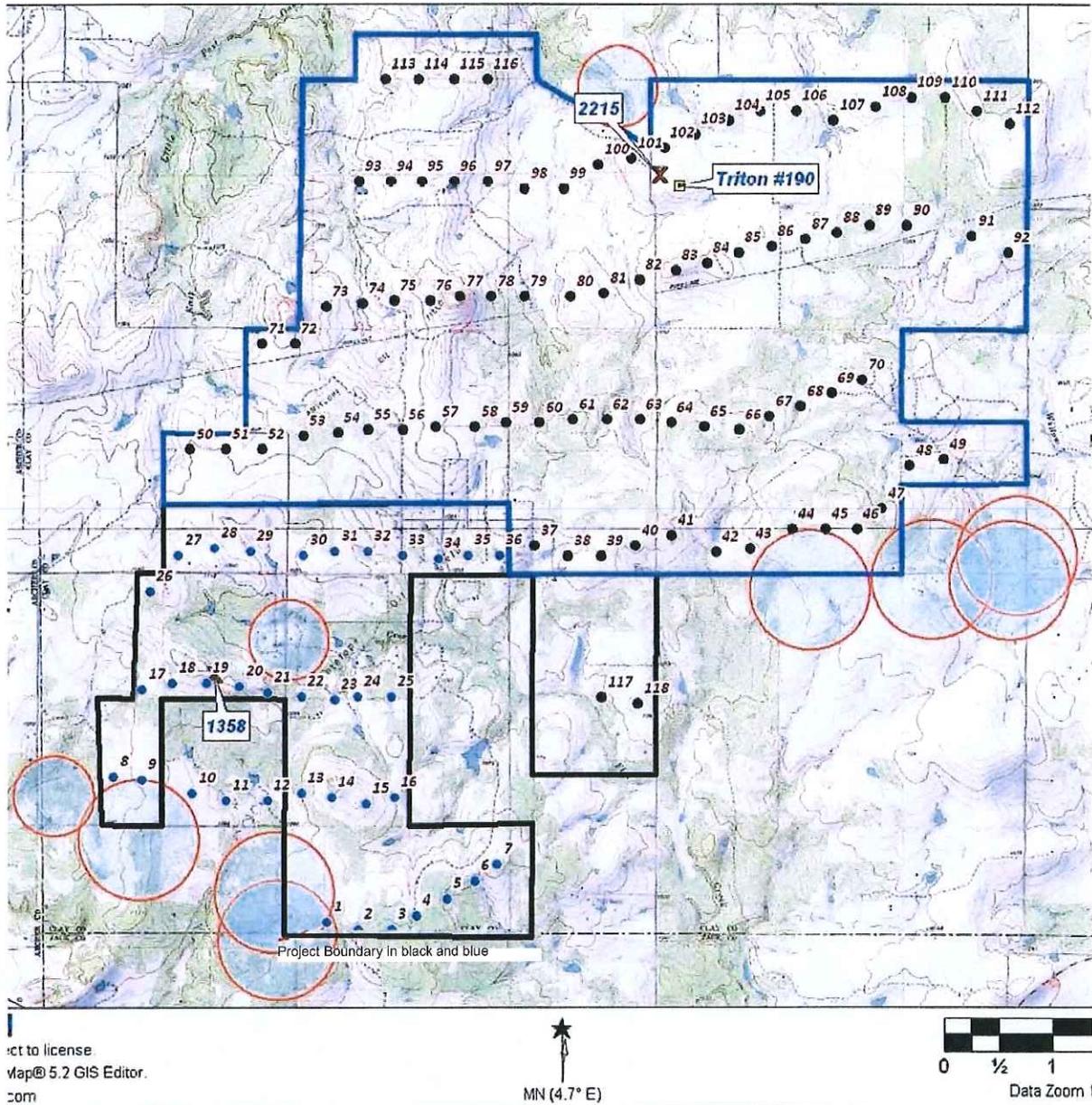
With all turbines installed, the project will be rates at 200MW-nameplate and have a market value of about \$300 million. The project life is expected at 25 years.

Turbines will constitute approximately \$250 million of the project value. All other improvements are estimated at \$50 million in value for a total value of \$300 million. Each asset is defined and timed in form 50-296 Schedules A, B, and C.

Detailed maps of the actual or proposed location of the land and proposed improvements

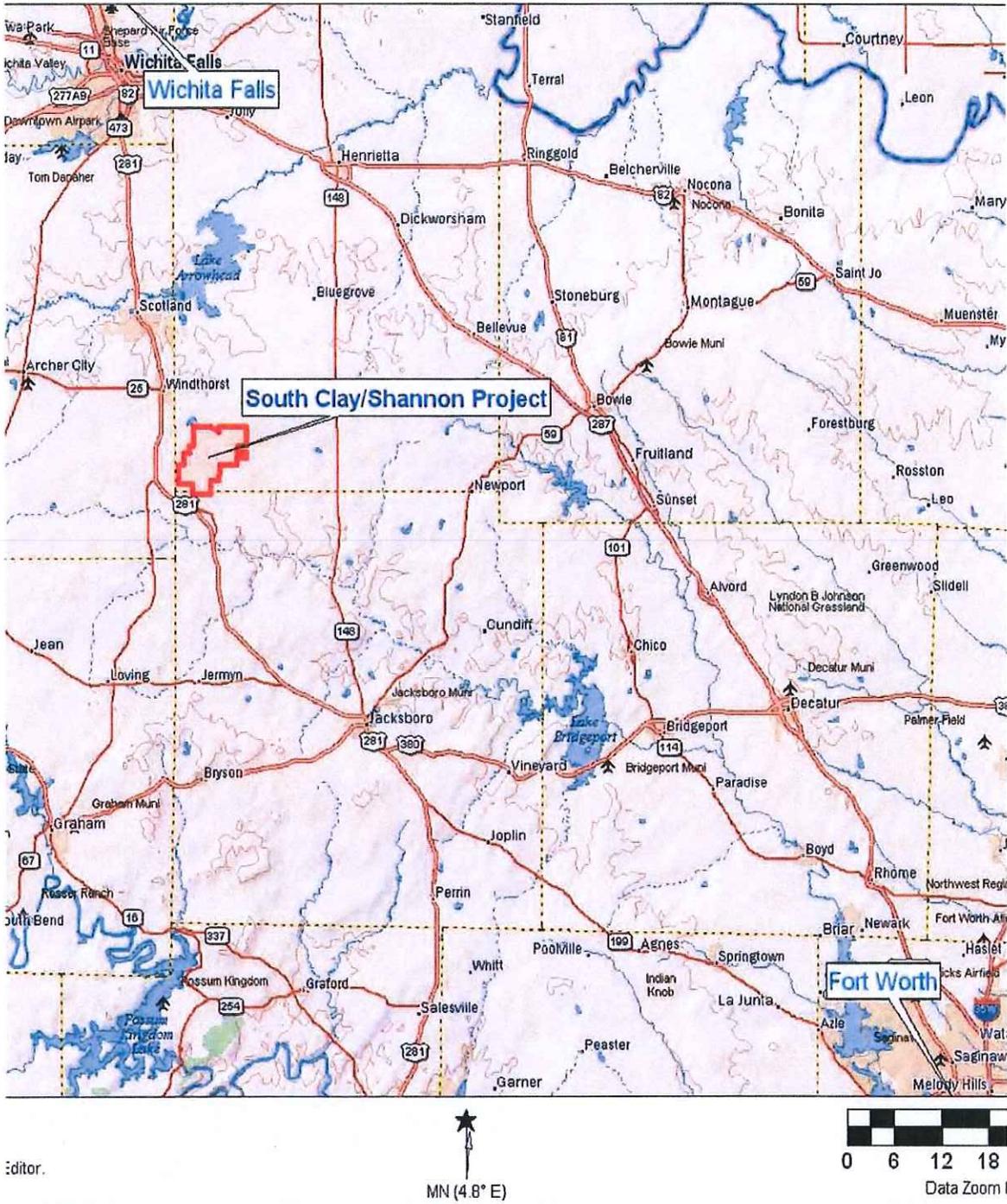
Detailed maps of the land, improvements and reinvestment zone are filed in Appendix C.

B3 – Local Map of the South Clay-Shannon Wind Project with Turbine Sites



Please see attachment C-6 for map of project in relation to reinvestment zone boundaries

B3 – Regional Map around the South Clay-Shannon Wind Project



B4 – Company’s Ability to Relocate

The ability of the company to relocate to another state or another region of the state: Horn Wind, LLC is a Texas company. We have the ability to be relocated to other wind development regions in the United States or to other regions of Texas. The project will create permanent jobs in the region where it is built this wind project. But until the project is financed and then built, Horn Wind is able to move this project and our company to any other region of the United States. Once built, the project will have a permanent 20+ year life, will be located only on the assigned property designated and will create and sustain the jobs denoted in Appendix D.

B5 - Scope of Project

Per Tax Form 50-296 the following will describe in detail the scope of the proposed project including the type and planned use of real and tangible personal property, the nature of the business, and a timeline for construction (also found in Schedule A, B, & C), and any other relevant information.

Shortened terms will be used from formal long descriptions denoted above. Much of the below information is taken from the statements filed in the South Clay--Shannon-1, LLC Tax Abatement Agreement with Clay County. (Appendix C)

The Project, hereafter referred to as a the Wind Farm, will consist of a wind powered electric generating facility to be located entirely within the Reinvestment Zone and shall consist of buildings and structures and other improvements, fixed machinery, equipment and process units including one or more electrical substations, underground and overhead electrical distribution and transmission facilities, wind turbine generators, electric transformers, appurtenant electric equipment, communication cables, data collection facilities, meteorological towers, and roads to be installed, added upgraded or used on the Subject Tracts, referred to as the Land Property(s), by or for the owner.

The Project will have a total of operating capacity of approximately 200 megawatts. The Project will include 118 1.7 megawatt wind turbine generators or similar equipment capable of producing the approximate generating capacity referred to above.

The nature of the South Clay--Shannon-1 project (Wind Farm) and the parent company Horn Wind, LLC construct and operate industrial level wind farm for the purpose of generating and selling electricity for a profit. This Wind Farm will create permanent jobs for Clay County and will be the source of tax dollar generation for the county and school district.

The timing for construction is as follows. Schedules A, B, and C have the best estimate capital investment schedule for the Wind Farm construction and operation. Construction on the Wind Farm Project is expected to be substantially complete between December 2014 and June 2015. These completion deadlines could be extended into late-2015 or year 2016 if necessity requires.

Plans and Specifications, Governmental Requirements and Workmanship. All improvements to the real property which are a part of the Project, an all equipment and personal property installed as a part of the Project, shall be constructed and installed in accordance with plans and specifications prepared and certified by an engineer or architect licensed within one of the states of the United States of America and in accordance with all regulations of any governmental agency or entity having jurisdiction over any aspect of the construction of the project or its operations.

All facilities and equipment related to the Project shall be located in Clay County. South Clay--Shannon-1 agrees to create not less than 8 new jobs in connection with the construction of the Wind Farm; either through direct employment or through employment by contractors or service providers engaged to provide goods or services in connection with the project.

A majority of the above information has been directly extracted from the official "Tax Abatement Agreement between Clay County and South Clay--Shannon-1, LLC" This information was submitted by South Clay--Shannon-1 and agreed upon in this signed agreement to be binding for this county tax abatement in conjunction with the reinvestment zone.

B6 - Investment - Project Outlay and Timeline

This Investment schedule is our best estimate for the timing and amounts of capital outlays. The tower and housing for the turbine is considered a permanent fixture/structure. The turbines and related equipment is classified as business/tangible personal property Values in Millions of Dollars (\$ mil).

| \$ Millions | Price per Unit (\$ Mil) | Qty | Permanent Fixture-New Building, Etc | Tangible Personal Property | Timing |
|--------------------|--------------------------------|------------|--|-----------------------------------|----------------------|
| Turbines | 1.5 | 118 | | 177.00 | Jan 2014 to Mar 2015 |
| Towers | 0.6 | 118 | 70.80 | | Jun 2014 to Mar 2015 |
| Transmission | 8.00 | All | 8.00 | | Aug 2014 to Jan 2015 |
| Substation | 7.00 | All | 7.00 | | Aug 2014 to Jan 2015 |
| Roads/Access | 8.50 | All | 8.50 | | Aug 2014 to Jan 2015 |
| Erect/Install | 27.0 | All | 27.00 | | Aug 2014 to Jan 2015 |
| Misc. | 1.00 | All | 1.00 | | Jan 2014 to Mar 2015 |
| Leases/Contracts | 0.70 | All | 0.70 | | Jan 2014 to Mar 2015 |
| | | | 123.00 | 177.00 | |

Total Value: \$300 million

Midway Independent School District

"Excellence in Education"

12142 State Highway 148 S.
Henrietta, Texas 76365

Hollis Adams
Superintendent

Cherry Johnston
Principal

Phone: 940-476-2215
Fax: 940-476-2226

Horn Wind, LLC
219 Virgie Lane
Windthorst, Texas 76389

Mr. Horn,

As the authorized representative of the Midway Independent School District, please be advised that the District has considered your request to defer the immediate payment of the application fee for the application submitted by Horn Wind, LLC. The Board has determined that it will accept the payment of the application fee in installments. Payments will be due as follows:

1. An initial payment of \$5,000 to be made on or before July 31, 2013 to the Midway Independent School District.
2. A second payment of \$20,000 to be made upon the later of final action of the Board of Trustees to approve the application submitted by Horn Wind, LLC or December 31, 2013.

Sincerely,



Hollis Adams, Jr.
Superintendent, Midway ISD

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)*

Appendix C

Qualified Property

1. Description of Qualified Property - See Appendix B-1
2. Proposed Improvements - See Appendix B-2
3. Map of Qualified Property - See Appendix B-3
4. Land Information
 - a. Legal Description of Land
 - b. Appraisal Parcel Number
 - c. Owner
 - d. Tax Value of the Land
5. Vicinity Map of Project
6. Reinvestment Zone Map
7. Reinvestment Zone Order (Establishment)
 - a. Order Establishing the Zone
 - b. Guidelines and Criteria for Reinvestment Zone

Appendix C

Appendix B1, B2 & B3: Description the Property and Improvements

C1 - Description of Qualified Property - See Appendix B-1

C2 - Proposed Improvements - See Appendix B-2

C3 - Map of Qualified Property - See Appendix B-3

Appendix C

Appendix C4: Land Information

C4- Land Legal Information

Below is the legal description of the land included within the South Clay--Shannon-1 Project. The following page also includes the Legal Description of the Land along with Appraisal Parcel Number, Landowner, Acreage and the Tax Value of the Land.

| | |
|----------------------------|----------------------------------|
| Tex. Em. & Land Co. Survey | All of Abstracts 462 through 468 |
| | All of Abstracts 471 through 477 |
| | All of Abstracts 480 through 495 |
| | All of Abstracts 498 through 505 |
| | All of Abstracts 506 through 510 |
| | All of Abstracts 523 |
| McKinney & Williams Survey | All of Abstracts 359 |
| W Wells Survey | All of Abstracts 711 |
| B Cobb Survey | All of Abstracts 978 |
| W Forris Survey | All of Abstracts 148 |
| P Gilliland Survey | All of Abstracts 162 |
| B.B.B. & C.C.R. Company | Abstract 1002 |

Detailed Land Legal Information

- a. Legal Description of Land
- b. Parcel Number
- c. Owner and Acreage
- d. Current Taxable Value

| Parcel (a & b) | Owner (c) | Acreage (c) | Taxable Value (d) |
|--------------------------------|------------------------------|---------------------|----------------------------|
| <u>Tex. Em. & Land Co.</u> | | | |
| A-462 | Edward Moer | 137.5/91.5/90 acres | \$21,860/\$14,550/\$12,700 |
| A-463 | Praire Grove Ranch (Garrett) | 308.415 acres | \$19,250 |
| A-464 | Lloyd Wolf | 100 acres | \$13,000 |
| A-464 (cont.) | Praire Grove Ranch (Garrett) | 220 acres | \$2,530 |
| A-465 | Lloyd Wolf | 319 acres | \$29,560 |
| A-466 | Praire Grove Ranch (Garrett) | 320 acres | \$19,970 |
| A-467 | Praire Grove Ranch (Garrett) | 320 acres | \$19,980 |
| A-468 | David Jackson | 85 acres | \$5,307 |
| A-471 | David Jackson | 80 acres | \$4,995 |
| A-472 | Praire Grove Ranch (Garrett) | 320 acres | \$19,980 |
| A-473 | Praire Grove Ranch (Garrett) | 320 acres | \$19,980 |
| A-474 | Bobby Steinberger | 320 acres | \$28,180 |
| A-475 | Bobby Steinberger | 320 acres | \$46,050 |
| A-476 | Praire Grove Ranch (Garrett) | 320 acres | \$19,970 |
| A-477 | Praire Grove Ranch (Garrett) | 91 acres | \$5,680 |
| A-477 (cont.) | Edward Moer | 44.07 acres | \$2,750 |
| A-483 | Praire Grove Ranch (Garrett) | 320 acres | \$19,970 |
| A-485 | Mike Jackson | 200/98.54 acres | \$12,490/\$6,150 |
| A-486 | Doug Wolf | 160 acres | \$18,220 |
| A-486 (cont.) | Jimmy/Joey Horn | 155 acres | \$12,710 |
| A-487 | Kevin Horn | 80 acres | \$4,990 |
| A-488 | Jerry/Kevin Horn | 150 acres | \$16,780 |
| A-489 | Doug Wolf | 220 acres | \$14,980 |
| A-489 (cont.) | Wayman Oliver | 100 acres | \$6,240 |
| A-490 | Bob/Kaye Schreiber | 320 acres | \$20,400 |

Tex. Em. & Land Co. (cont.)

| | | | |
|---------------|------------------------------|--------------------|------------------|
| A-492 | Praire Grove Ranch (Garrett) | 160/60 acres | \$9,990/\$3,750 |
| A-502 | Ferry Schroeder | 280 acres | \$18,380 |
| A-503 | Cletus Schroeder | 192 acres | \$11,980 |
| A-503 (cont.) | Robert Schroeder | 88 acres | \$11,860 |
| A-506 | Arthur Litteken | 320 acres | \$19,970 |
| A-507 | Arthur Litteken | 320 acres | \$19,970 |
| A-508 | Praire Grove Ranch (Garrett) | 320 acres | \$19,970 |
| A-509 | Praire Grove Ranch (Garrett) | 320 acres | \$19,970 |
| A-510 | Praire Grove Ranch (Garrett) | 320 acres | \$19,970 |
| A-523 | Praire Grove Ranch (Garrett) | 273.34/46.66 acres | \$17,070/\$2,920 |

McKinney & Williams Survey

| | | | |
|-------|-----------------|-----------|----------|
| A-359 | Arthur Litteken | 320 acres | \$19,970 |
|-------|-----------------|-----------|----------|

W Wells Survey

| | | | |
|---------------|-----------------|-----------|----------|
| A-711 | Arthur Litteken | 189 acres | \$11,790 |
| A-711 (cont.) | Edward Moer | 128 acres | \$20,350 |

B Cobb Survey

| | | | |
|-------|------------------------------|-----------|---------|
| A-978 | Praire Grove Ranch (Garrett) | 160 acres | \$9,990 |
|-------|------------------------------|-----------|---------|

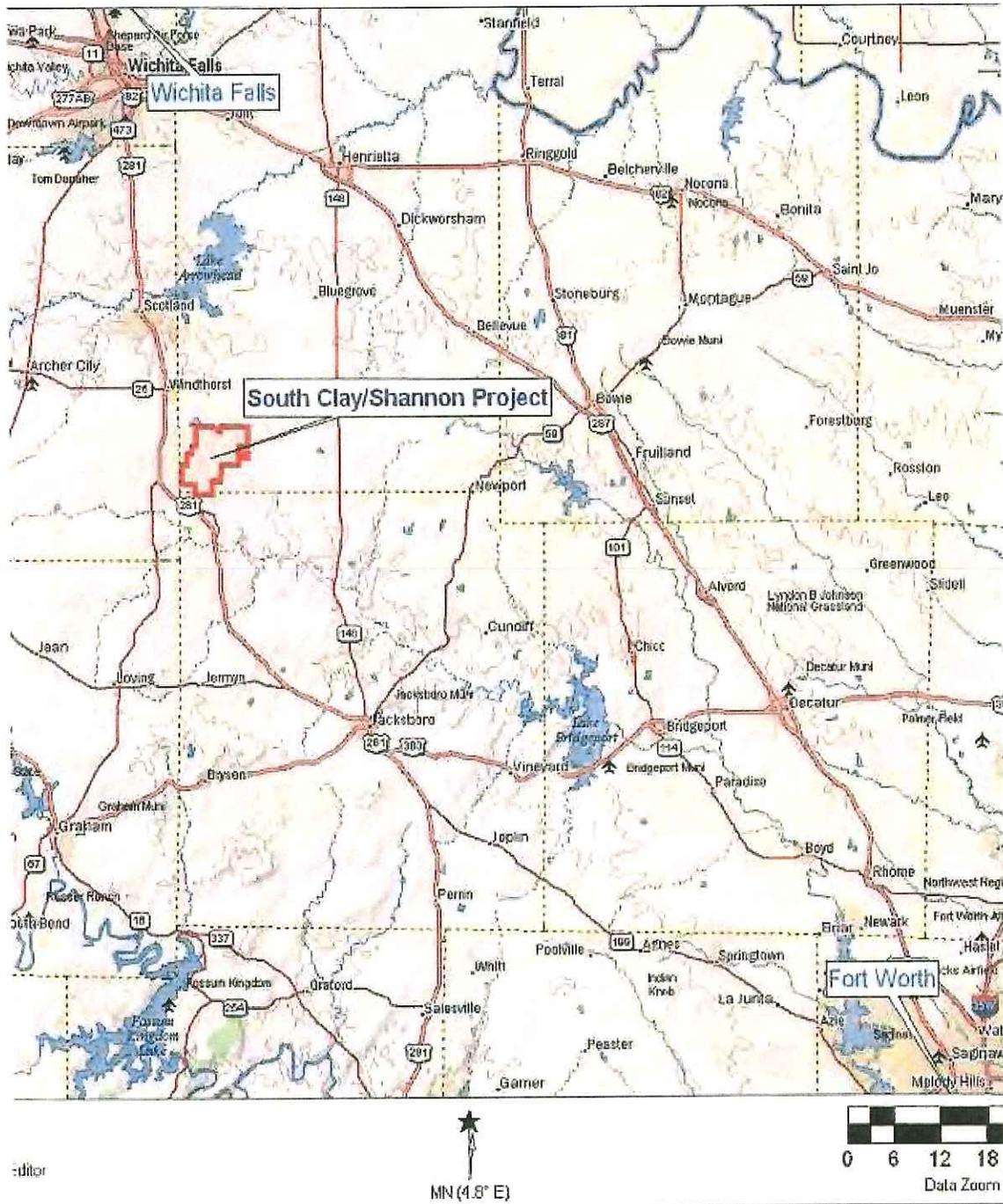
W Forris Survey

| | | | |
|-------|-----------------|---------------------|----------|
| A-148 | Arthur Litteken | 148.55/387.81 acres | \$43,300 |
|-------|-----------------|---------------------|----------|

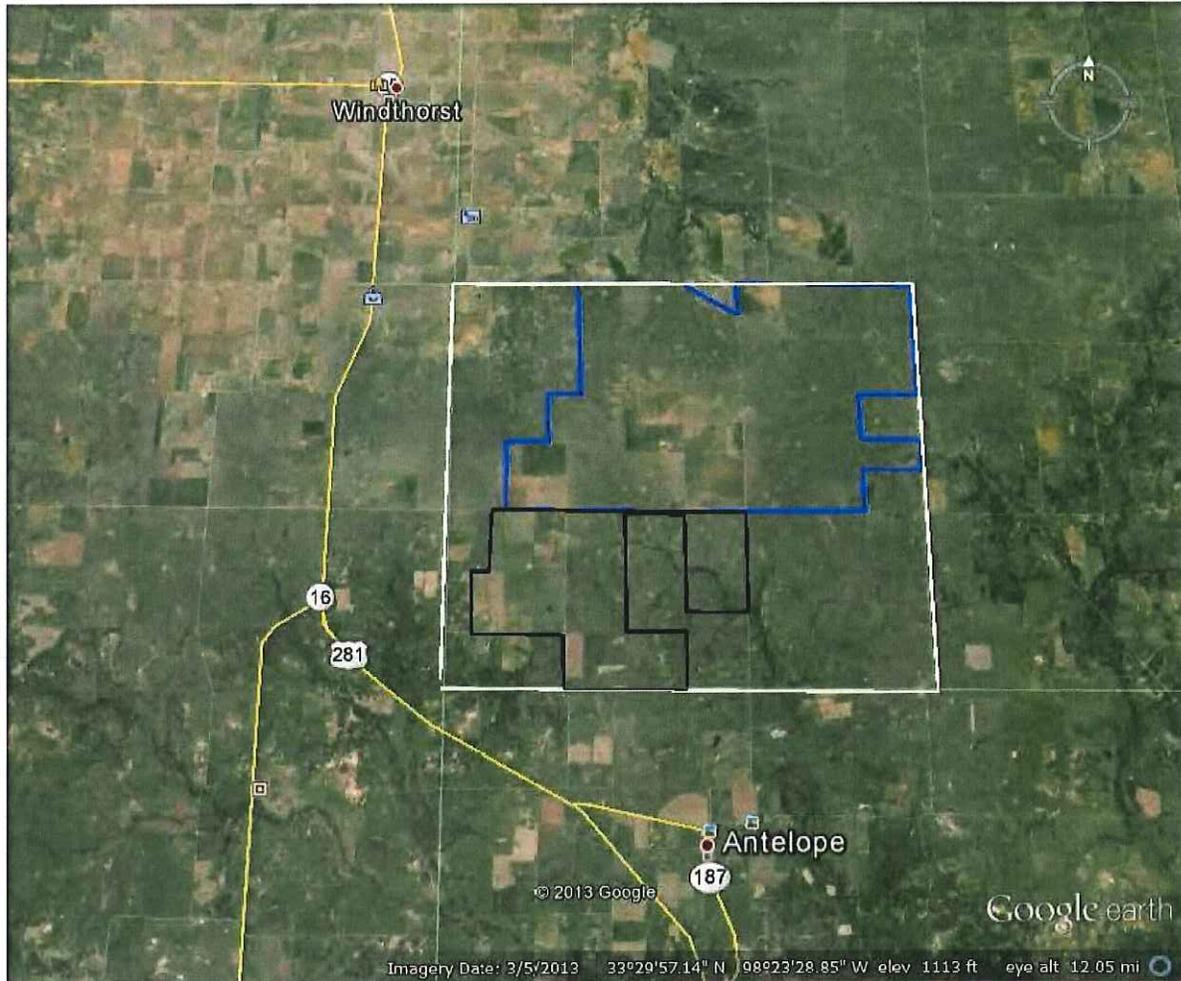
P Gilliland Survey

| | | | |
|-------|------------------------------|-----------|----------|
| A-162 | Praire Grove Ranch (Garrett) | 307 acres | \$19,160 |
|-------|------------------------------|-----------|----------|

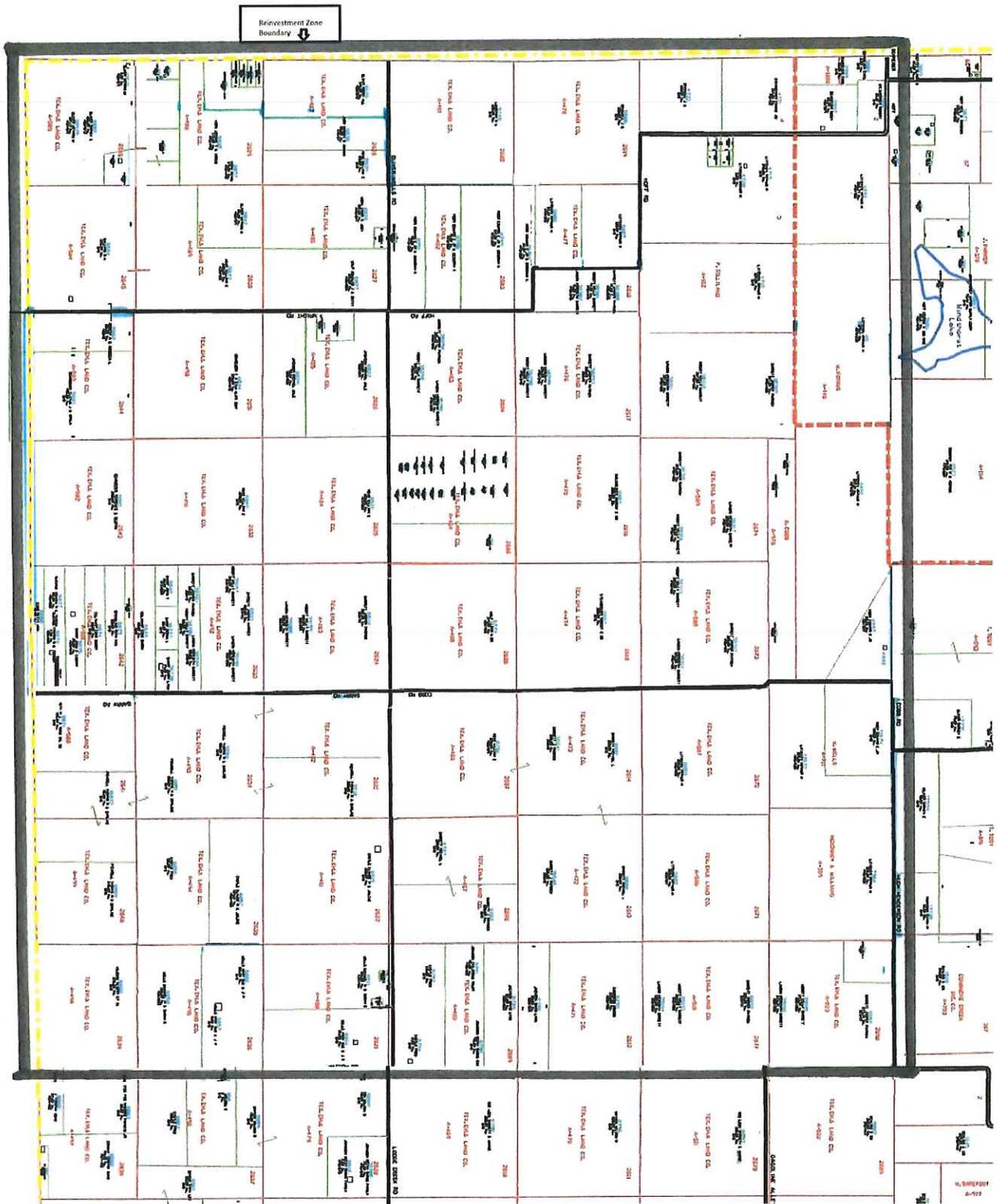
Appendix C5: Vicinity Map around the South Clay-Shannon Wind Project



Appendix C6: Reinvestment Zone Map with Project Map Inside



White Boundary-Reinvestment Zone Boundary
Black and Blue Boundary-Project Location within reinvestment zone



YURN WIND, LLC
MIDWAY ISD - VALUE LIMIT - 50-256
APPENDIX C-7, Pg A

**ORDER DESIGNATING THE SOUTHWEST
CLAY COUNTY WIND POWER REINVESTMENT ZONE**

August 23, 2010

AN ORDER OF THE COMMISSIONERS COURT OF CLAY COUNTY, TEXAS MAKING CERTAIN FINDINGS OF FACT AND DESIGNATING THE SOUTHWEST CLAY COUNTY WIND POWER REINVESTMENT ZONE.

WHEREAS, on May 10, 2010 the Commissioners Court of Clay County, Texas (sometimes hereinafter referred to as the "Commissioners Court") adopted a resolution electing to participate in tax abatement and adopted guidelines and criteria for any tax abatement that is granted by the Commissioners Court; and

WHEREAS, on July 27, 2010 the Commissioners Court convened a public hearing with respect to the advisability of designating the following lands (sometimes hereinafter referred to as the "Subject Lands") as a reinvestment zone pursuant to TEX. TAX CODE §312.401, to-wit:

BEGINNING at a point on the Clay County and Archer County Line where Schreiber Road intersects the County Line which is the Northwest corner of the B.B.B. & C.R.R. Company Survey, Abstract 1002;

THENCE, South with the Clay-Archer County Line to the Southwest corner of Texan Emigration and Land Company Survey 2646, Abstract 505, which is the Northern boundary for Jack County which is the Southwest corner of this tract;

THENCE, East with the Jack County Line to Southeast corner of the Texan Emigration and Land Company Survey 2639, Abstract 498, which is the Southeast corner of this tract;

THENCE, North with Watson Road to the Northeast corner of Texan Emigration and Land Company Survey 2690, Abstract 523, which is the Northeast corner of this tract; and

THENCE, West to the Northwest corner of B.B.B. & C.R.R. Company Survey, Abstract 1002, which is the place of beginning for the Northwest corner of this tract;

WHEREAS, said public hearing was adjourned to, and completed on, August 23, 2010;

WHEREAS, not later than the seventh day before July 27, 2010, notice of the public hearing was (1) published in the Clay County Leader, a newspaper having a general circulation in Clay County, Texas and (2) delivered in writing to the presiding officer of Midway Independent School District and the presiding officer of the Windthorst Independent School District, said school districts being the only other taxing units that include the Subject Lands in their boundaries;

WHEREAS, the Subject Lands are not in the taxing jurisdiction of a municipality;

HORN WIND, LLC
MIDWAY ISD - UDLME LIMIT-50-296
APPENDIX C-7, Pg 6

WHEREAS, based upon the information available to it, including information presented at the public hearing referred to above and at prior meetings of the Commissioners Court, the Commissioners Court has determined, and hereby finds and concludes:

(1) that the erection of wind powered electric generating facilities on the Subject Lands is feasible and practical and would be a benefit to the Subject Lands and to Clay County, Texas after the expiration of a tax abatement agreement entered by Clay County, Texas pursuant to Chapter 312 of the Texas Tax Code;

(2) that the designation of the Subject Lands as a reinvestment zone will attract major investment in the zone that will be a benefit to the Subject Lands and will contribute to the economic development of Clay County, Texas;

(3) that the designation of the Subject Lands as a reinvestment zone is consistent with the tax abatement guidelines and criteria adopted by the Commissioners Court on May 10, 2010;

(4) that this order was approved by a majority of the Commissioners Court at a meeting held on August 23, 2010 which was open to the public, was preceded by proper notice, as required by Chapter 551 of the Texas Government Code (the Open Meetings Act), and at which a quorum of the members of the Commissioners Court were present;

(5) that the action of the Commissioners Court in approving this order followed the public hearing on the advisability of designating the Subject Lands as a reinvestment zone referred to above; and

(6) that the following orders should be entered:

IT IS ORDERED, BY THE COMMISSIONER'S COURT OF CLAY COUNTY, TEXAS:

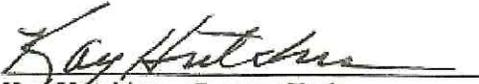
1. That the Subject Lands located in Clay County, Texas be, and such tracts hereby are, designated as the Southwest Clay County Wind Power Reinvestment Zone and are hereby declared eligible for property tax abatement as authorized by the tax abatement guidelines and criteria heretofore adopted by the Commissioner's Court on May 10, 2010.

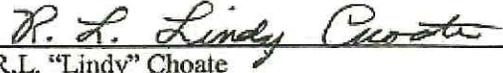
2. That the foregoing designation shall be effective for a period of five years from the date of this order; provided that such designation may be renewed by appropriate action of the Commissioners Court at a future date.

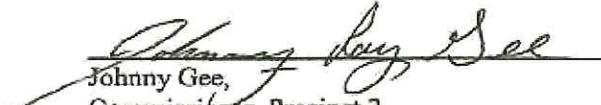
PASSED AND APPROVED on the 23rd day of August, 2010.

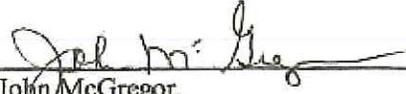

Kenneth Liggett, County Judge

ATTEST:


Kay Hutchison, County Clerk


R.L. "Lindy" Choate
Commissioner, Precinct 1


Johnny Gee,
Commissioner, Precinct 2


John McGregor,
Commissioner, Precinct 3


Brice Jackson,
Commissioner, Precinct 4

12012 WIND, LLC
MIDWAY 130 VAPOR UNIT 30-296
APPENDIX C-7, P. 4

(B)

COUNTY OF CLAY

STATE OF TEXAS

A RESOLUTION OF THE CLAY COUNTY COMMISSIONERS' COURT RENEWING GUIDELINES AND CRITERIA GOVERNING TAX ABATEMENT AGREEMENTS BY THE COUNTY OF CLAY, TEXAS

WHEREAS, Texas Tax Code Section 312.002 provides that no municipality or county may designate an area as a reinvestment zone, and that no taxing unit may execute a tax abatement agreement under Texas Tax Code chapter 312, unless it first (i) establishes guidelines and criteria for tax abatement agreements and (ii) adopts a resolution stating that the taxing unit elects to become eligible to participate in tax abatement; and

WHEREAS, the County of CLAY, Texas, desires to be eligible to participate in tax abatement under certain circumstances; now therefore,

BE IT RESOLVED BY THE COMMISSIONERS' COURT OF CLAY COUNTY, TEXAS THAT

ARTICLE I.

CLAY County, Texas elects to be eligible to participate in tax abatement.

ARTICLE II

The following guidelines and criteria were previously established, are hereby established and shall hereafter govern tax abatement agreements by the County of CLAY, Texas:

1. Improvements proposed as part of a tax abatement agreement for property located within a duly designated reinvestment zone shall be commenced within 2 years of the date of said agreement.

2. All construction proposed, as part of any such improvements, shall meet applicable County of CLAY, Texas, Codes and Zoning requirements.
3. All property included in a tax abatement shall be maintained in accordance with all applicable County of CLAY, Texas, Codes and Zoning requirements during the term of the tax abatement agreement.
4. Throughout tax abatement agreement, the owner(s) or persons in possession and control of the improvements located thereon which is included within an area which is the subject of a tax abatement agreement shall pay all lawfully assessed ad valorem taxes levied on such property before the same shall become delinquent.
5. For property located in a commercial and/or industrial reinvestment zone, and proposed as the subject of a tax abatement agreement, the following criteria shall apply:
 - a. The proposed improvements must have the effect of increasing the value of the real property upon which they are located; and,
 - b. The proposed improvements shall have the effect of adding to the available number of jobs and/or retaining existing jobs in the greater CLAY County, Texas area.
6. For residential property located in a residential reinvestment zone, and proposed as the subject of a tax abatement agreement, the following criteria shall apply:
 - a. The proposed improvements shall address the blighting or deteriorating influences on the subject property;
 - b. The proposed improvements shall address building safety, unsanitary or unsafe conditions, or property deterioration; and
 - c. Where applicable, the improvements shall address faulty lot layout with respect to size, accessibility, or usefulness.
7. All improvements proposed, as part of a tax abatement agreement, shall further the purposes established by the Legislature of the State of Texas in Chapter 312 of the Texas Tax Code.
8. In accordance with Texas Tax Code section 312.002, these guidelines and criteria shall not limit the discretion of the County to decide whether to enter into a specific tax abatement agreement. Accordingly, the County may enter into a particular tax abatement agreement whenever it determines that it is in the best interests of the County to enter into such agreement and provide such abatement with respect to a particular applicant, in doing so, the County may vary from the

provisions of this Tax Abatement Policy Statement in any respect that is not contrary to state law.

ARTICLE III

This resolution shall be effective from its adoption on May 10, 2010, for the full period authorized by law.

PASSED, APPROVED, RATIFIED, AND ADOPTED THIS 10 day of May 2010

COUNTY OF CLAY

Kenneth Liggett
Kenneth Liggett,
County Judge of CLAY County, Texas

R. L. "Lindy" Choate
R. L. "Lindy" Choate,
County Commissioner, Prec. 1, CLAY County

Johnny Gee
Johnny Gee,
County Commissioner, Prec. 2, CLAY County

John McGregor
John McGregor,
County Commissioner, Prec. 3, CLAY County

Brian Jackson
Brian Jackson,
County Commissioner, Prec. 4, CLAY County

ATTEST:

Kay Hutchison
Kay Hutchison,
County Clerk of CLAY County, Texas

Appendix D

Appendix D1: - Condition Requirements for 'Qualifying Jobs'.

Texas Work Force - New jobs meet qualification

Summary: This appendix is information about and the meeting of qualifications for the 'Qualifying Jobs' requirement on Form 50-296, page 9 & 10.

To meet specification for 'Qualifying Jobs', the below requirements must be met:

(X) "Qualifying job" means a permanent full-time job that:

- (A) requires at least 1,600 hours of work a year;
- (B) is not transferred from one area in this state to another area in this state;
- (C) is not created to replace a previous employee;
- (D) is covered by a **group health benefit plan** (as defined by Section 481.151, Government Code) for which the business offers to pay at least 80 percent of the premiums or other charges assessed for employee-only coverage under the plan, regardless of whether an employee may voluntarily waive the coverage; and
- (E) **pays at least 110 percent of the county average weekly wage for manufacturing jobs in the region designated for the regional planning commission, council of governments** where the job is located per Tax Code Section 313.051 (b).

(Ref: Tax Code Section 313.021)

Requirements A, B & C:

The 200MW wind farm will create at least 8 full-time jobs. At least 80% of these jobs will meet the qualifications of 'Qualifying Jobs'. The project is a permanent fixture with a 20 year expected life. The required number and specifications for these wind project jobs are detailed in Appendix C: Number of jobs necessary for industry. Also, Appendix C: Minimum Job Waiver and the following two support letters document industry operating standards from wind industry leaders.

All of the newly created jobs will be full-time (at least 1600 hours) and will have been created in the area. None of these new jobs will be created to replace previous employees. No jobs will be transferred in from other areas of the state.

Requirements D & E: Group Health Benefits Plan and Wage Requirement

Government Code 481.151 specifies the requirements to meet a 'Qualifying Job'.

Specifications from Gov Code 481.151:

(Item 6) "Group Health Benefit Plan" means:

- (A) a health plan provided by a health maintenance organization established under the Texas Health Maintenance Organization Act (Chapter 20A, Vernon's Texas Insurance Code);
- (B) a health benefit plan approved by the commissioner of insurance; or

(C) a self-funded or self-insured employee welfare benefit plan that provides health benefits and is established in accordance with the Employee Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.), as amended.

(Item 17) "Qualified job" means a job for which an application has been submitted and that:

(A) pays at least 100 of the county average weekly wage; and

(B) is covered by a group health benefit plan for which the business offers to pay at least 50 percent of the premiums or other charges assessed for employee-only coverage under the plan, regardless of whether an employee may voluntarily waive coverage.

(Ref: Gov Code , 481.151, item 6 & 17)

Tax Form 50-296 (Ref: Tax Code Section 313.021) is more stringent than Gov Code 481.151 but both requirements are met as defined below.

Requirement D, Health Benefits Plan, will be fulfilled as specified in Form 50-296, Page 10.

Requirement E, the 110 percent of Manufacturing Wage rate requirements is fulfilled as specified per Form 50-296, Page 10. The NORTEX RPC and Clay County wage rates are detailed below and on the following attachments. The 2011 Manufacturing Wage COG wage summary and four quarters of 2011 Clay County Total Industry and Manufacturing wage rates are following:

NORTEX Average Weekly Wage (Manufacturing): 784.30weekly
 $40,783.60/52 = 784.30$ $\$37,076 \times 110\% = \$40,783.60$

Clay County Average weekly wage (Manufacturing): \$822
 $\$822/\text{weekly} \times 52 = \$42,744$ $\$42,744 \times 110\% = \$47,018 (\$904/\text{wk})$

Clay County Average weekly wage (All Industries): \$621
 $\$621/\text{weekly} \times 52 = \$32,318$ $\$32,318 \times 110\% = \$35,550 (\$684/\text{wk})$

South Clay—Shannon-1 Project Salaries starting Yr 2015:

| | | | |
|--------|-------------------------|------------------------|-------------------------|
| 6 jobs | Turbine Technicians | \$42,000/yr (\$800/wk) | \$28K to \$38K with/exp |
| 1 job | HV and Plant Technician | \$45,000/yr | \$45K to \$65K |
| 1 job | Site Manager | \$60,000/yr | >50K |

As shown here, a total of 8 jobs will be created with at least 80% meeting the 110% wage rate requirement and fulfilling the Health Benefit Plan requirement.

2011 Manufacturing Wages - NORTEX Region Attached
Quarterly Employment and Wages (QCEW) Attached

**2012 Manufacturing Wages by Council of Government Region
 Wages for All Occupations**

| COG | Wages | |
|---|----------------|-----------------|
| | Hourly | Annual |
| Texas | \$23.56 | \$48,996 |
| 1. Panhandle Regional Planning Commission | \$20.12 | \$41,850 |
| 2. South Plains Association of Governments | \$16.18 | \$33,662 |
| 3. NORTEX Regional Planning Commission | \$17.83 | \$37,076 |
| 4. North Central Texas Council of Governments | \$24.68 | \$51,333 |
| 5. Ark-Tex Council of Governments | \$16.84 | \$35,032 |
| 6. East Texas Council of Governments | \$19.61 | \$40,797 |
| 7. West Central Texas Council of Governments | \$18.24 | \$37,941 |
| 8. Rio Grande Council of Governments | \$16.17 | \$33,631 |
| 9. Permian Basin Regional Planning Commission | \$21.93 | \$45,624 |
| 10. Concho Valley Council of Governments | \$16.33 | \$33,956 |
| 11. Heart of Texas Council of Governments | \$19.07 | \$39,670 |
| 12. Capital Area Council of Governments | \$26.03 | \$54,146 |
| 13. Brazos Valley Council of Governments | \$16.55 | \$34,424 |
| 14. Deep East Texas Council of Governments | \$16.20 | \$33,698 |
| 15. South East Texas Regional Planning Commission | \$29.38 | \$61,118 |
| 16. Houston-Galveston Area Council | \$26.59 | \$55,317 |
| 17. Golden Crescent Regional Planning Commission | \$21.03 | \$43,742 |
| 18. Alamo Area Council of Governments | \$18.40 | \$38,280 |
| 19. South Texas Development Council | \$13.54 | \$28,170 |
| 20. Coastal Bend Council of Governments | \$22.97 | \$47,786 |
| 21. Lower Rio Grande Valley Development Council | \$16.33 | \$33,961 |
| 22. Texoma Council of Governments | \$22.57 | \$46,949 |
| 23. Central Texas Council of Governments | \$17.16 | \$35,689 |
| 24. Middle Rio Grande Development Council | \$18.93 | \$39,380 |

Source: Texas Occupational Employment and Wages

Data published: July 2013

Data published annually, next update will be July 31, 2014

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)

Page 1 of 1 (40 results/page)

| Year | Period | Area | Ownership | Division | Level | Ind Code | Industry | Avg Weekly Wages |
|------|---------|-------------|-----------|----------|-------|----------|-----------------------|------------------|
| 2012 | 1st Qtr | Clay County | Private | 00 | 0 | 10 | Total, All Industries | \$606 |
| 2012 | 2nd Qtr | Clay County | Private | 00 | 0 | 10 | Total, All Industries | \$601 |
| 2012 | 3rd Qtr | Clay County | Private | 00 | 0 | 10 | Total, All Industries | \$583 |
| 2012 | 4th Qtr | Clay County | Private | 00 | 0 | 10 | Total, All Industries | \$696 |
| 2012 | 4th Qtr | Clay County | Private | 31 | 2 | 31-33 | Manufacturing | \$1,327 |
| 2012 | 3rd Qtr | Clay County | Private | 31 | 2 | 31-33 | Manufacturing | \$621 |
| 2012 | 2nd Qtr | Clay County | Private | 31 | 2 | 31-33 | Manufacturing | \$712 |
| 2012 | 1st Qtr | Clay County | Private | 31 | 2 | 31-33 | Manufacturing | \$628 |

2012 Total, all industries: $2486/4 = 621 * 52 \text{ weeks} = 32,318 \times 110\% = 35,550 = 684/\text{wk}$

2012 Manufacturing: $3288/4 = 822 * 52 \text{ weeks} = 42,744 \times 110\% = 47,018 = 904/\text{wk}$

2012 Manufacturing Wages by COG: $37,733/52 \text{ weeks} = 725 * 110\% = 41,506 = 798/\text{wk}$

Appendix E

Other Applicable Info

1. Major Land Lease Cover & Signature Pages
2. Other Applicable Info

SURFACE LEASE

This SURFACE LEASE (this "Lease") is made and entered into effective as of the Effective Date (hereinbelow defined) by and between Prairie Grove Ranch Partnership, a Texas general partnership, as attorney-in-fact for J. Patrick Garrett, Michael L. Garrett, Kelly Garrett Abbott and Meredith Garrett Landin (such individuals, together with their heirs and assigns, are collectively referred to herein as "Owner") and South Clay Wind Farm, LLC, a Texas limited liability company (together with its successors and its permitted transferees and assigns, the "Lessee").

RECITALS

A. Owner is the owner of that certain property containing approximately 3,966 acres of land described on Exhibit "A" attached hereto and made a part hereof for all purposes (together with all wind rights and air space rights above, over and across the land, the "Premises").

B. Lessee desires to develop, construct and operate a commercial Wind Energy Project (as defined herein below), which Wind Energy Project will include wind-powered turbines and generators and other related equipment and facilities, including, without limitation, power lines and roadways, all of the foregoing to be located in, on, over and under the Premises.

C. Owner and Lessee desire to enter into this Lease on the terms and conditions hereinafter set forth.

1. Basic Lease Information/Definitions.

- "Affiliate:" An "Affiliate" of an entity is any other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such entity. "Control" as used in this definition means the ability to control the management and policies of an entity, through the ownership of voting securities, by contract or otherwise.
- "Affiliate Sale:" Defined in Section 3.c.(i)B.
- "Annual Site Payments:" Defined in Section 3a.(iii)B.
- "Beginning Index:" Defined in Section 3.h.
- "Claims:" Defined in Section 21.a.

HORN WIND, LLC
MIDWAY ISD-VALLE LIMIT 50-296
APPENDIX E-1, Pg 2

Surface Lease
Page 33

IN WITNESS WHEREOF, the parties have executed this Lease to be effective as of (although not necessarily on) the Effective Date set forth in Section 1 above.

EXECUTED by Owner on this 29 day of JANUARY, 2010.

OWNER:

*Prairie Grove Ranch Partnership,
as attorney-in-fact for J. Patrick Garrett,
Michael L. Garrett, Kelly Garrett Abbott
and Meredith Garrett Landin*

By: 
Name: MICHAEL L. GARRETT
Title: MANAGING PARTNER

EXECUTED by Lessee on this 29 day of JAN, 2010.

LESSEE:

South Clay Wind Farm, LLC

By: 
Jerry T. Horn Jimmy Horn
Manager PRESIDENT

[EXHIBITS "A", "B", "C" and "D" TO SURFACE LEASE FOLLOW]



Attachment B

Certificate of Account Status

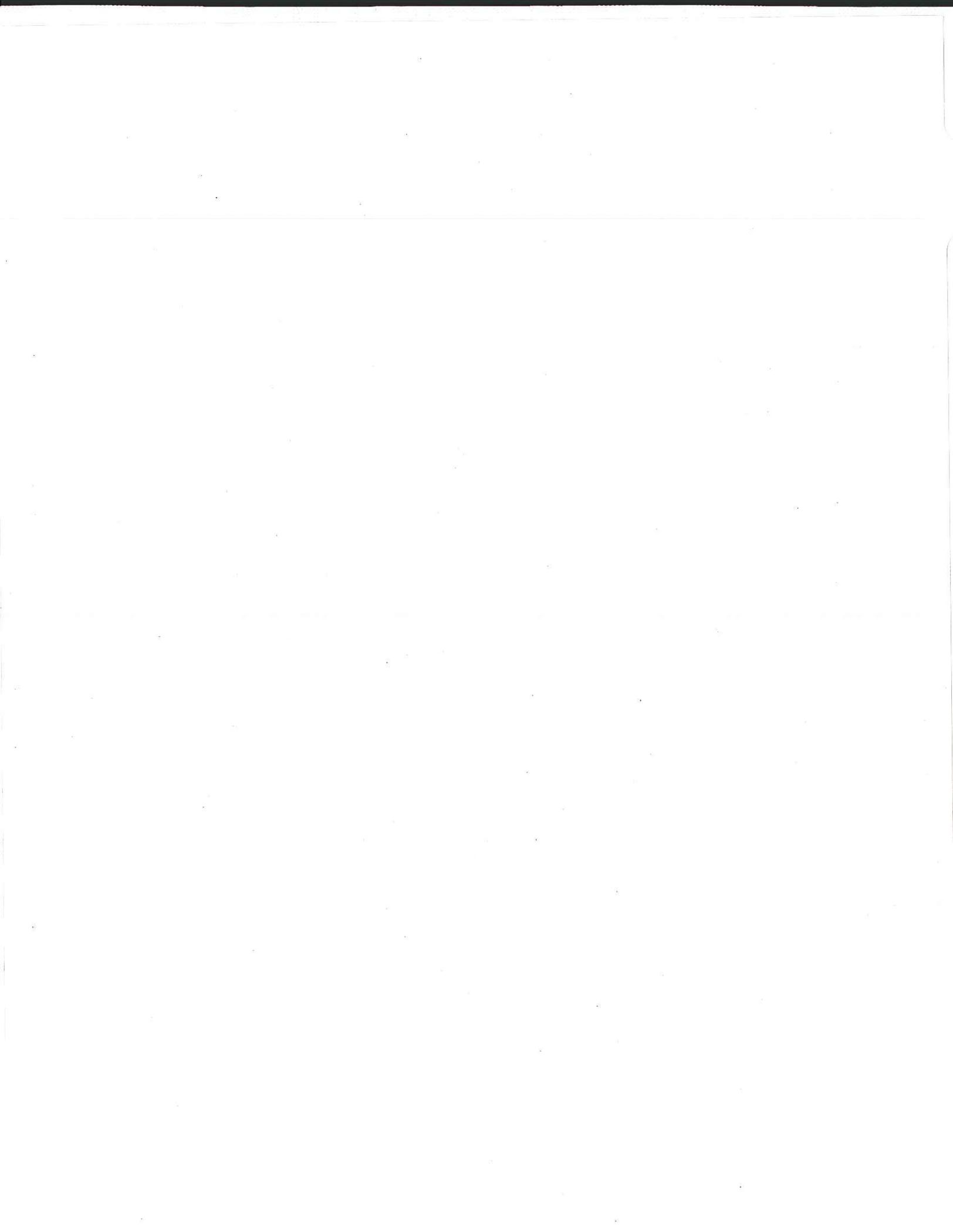


Franchise Tax Account Status

As of: 12/02/2013 12:34:46 PM

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

| HORN WIND, L.L.C. | |
|-------------------------------------|--|
| Texas Taxpayer Number | 32028268780 |
| Mailing Address | 219 VIRGIE LN WINDTHORST, TX 76389-3004 |
| Right to Transact Business in Texas | ACTIVE |
| State of Formation | TX |
| Effective SOS Registration Date | 03/19/2007 |
| Texas SOS File Number | 0800789110 |
| Registered Agent Name | JIMMY M HORN |
| Registered Office Street Address | 219 VIRGIE LANE WINDTHORST, TX 76389 |



Attachment C

State Comptroller's Recommendation

S U S A N
C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



November 7, 2013

Mr. Hollis Adams
Superintendent
Midway Independent School District
12142 State Highway 148 S.
Henrietta, Texas 76365-7210

Dear Superintendent Adams:

On August 26, 2013, the Comptroller received the completed application (Application # 320) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in July 2013 to Midway Independent School District (the school district) by Horn Wind, LLC and its Affiliates South Clay Wind Farm, LLC and Shannon-1 Wind Farm, 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 4 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 (\$300.3 million) is consistent with the proposed appraised value limitation sought (\$5 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 Clay 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 August 26, 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. Huber
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

| | |
|---|--|
| Applicant | Horn Wind, LLC and its Affiliates South Clay Wind Farm, LLC and Shannon-1 Wind Farm, LLC |
| Tax Code, 313.024 Eligibility Category | Renewable Energy Electric Generation - Wind |
| School District | Midway ISD |
| 2011-2012 Enrollment in School District | 94 |
| County | Clay |
| Total Investment in District | \$300,300,000 |
| Qualified Investment | \$300,300,000 |
| Limitation Amount | \$5,000,000 |
| Number of total jobs committed to by applicant | 8* |
| Number of qualifying jobs committed to by applicant | 7 |
| Average Weekly Wage of Qualifying Jobs committed to by applicant | \$808 |
| Minimum Weekly Wage Required Tax Code, 313.051(b) | \$785 |
| Minimum Annual Wage committed to by applicant for qualified jobs | \$42,000 |
| Investment per Qualifying Job | \$42,900,000 |
| Estimated 15 year M&O levy without any limit or credit: | \$28,600,000 |
| Estimated gross 15 year M&O tax benefit | \$21,112,000 |
| 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): | \$20,554,460 |
| Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program) | \$2,028,000 |
| Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection: | \$8,045,540 |
| Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted) | 71.9% |
| Percentage of tax benefit due to the limitation | 90.4% |
| Percentage of tax benefit due to the credit. | 9.6% |
| * 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 Horn Wind (the project) applying to Midway 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 eight new jobs when fully operational. Seven of these 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 NORTEX Regional Planning Commission Region, where Clay County is located was \$37,076 in 2012. The annual average manufacturing wage for 2012 for Clay County was \$42,744. That same year, the county annual average wage for all industries was \$32,292. In addition to a minimum salary of \$42,000, each qualifying position will receive benefits such as a health benefits plan. The project's total investment is \$300 million, resulting in a relative level of investment per qualifying job of \$43 million.

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

According to Horn Wind's application, "Horn Wind, LLC is a Texas company. We have the ability to be relocated to other wind development regions in the United States or to other regions of Texas. The project will create permanent jobs in the region where it is built this wind project. But until the project is financed and then built, Horn Wind is able to move this project and our company to any other region of the United States. Once built, the project will have a permanent 20+ year life, will be located only on the assigned property designated and will create and sustain the jobs denoted in Appendix D."

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

During the past two years, seven projects in the NORTEX 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 Horn 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 Horn Wind's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 15 years of annual investment and employment levels 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 Horn Wind

| Year | Employment | | | Personal Income | | |
|------|------------|--------------------|-------|-----------------|--------------------|-------------|
| | Direct | Indirect + Induced | Total | Direct | Indirect + Induced | Total |
| 2014 | 14 | 17 | 31 | \$605,769 | \$1,394,231 | \$2,000,000 |
| 2015 | 42 | 39 | 81 | \$1,749,462 | \$3,250,538 | \$5,000,000 |
| 2016 | 8 | 16 | 24 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2017 | 8 | 19 | 27 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2018 | 8 | 23 | 31 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2019 | 8 | 23 | 31 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2020 | 8 | 19 | 27 | \$336,000 | \$2,664,000 | \$3,000,000 |
| 2021 | 8 | 23 | 31 | \$336,000 | \$2,664,000 | \$3,000,000 |
| 2022 | 8 | 21 | 29 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2023 | 8 | 19 | 27 | \$336,000 | \$2,664,000 | \$3,000,000 |
| 2024 | 8 | 17 | 25 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2025 | 8 | 17 | 25 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2026 | 8 | 10 | 18 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2027 | 8 | 12 | 20 | \$336,000 | \$1,664,000 | \$2,000,000 |
| 2028 | 8 | 8 | 16 | \$336,000 | \$1,664,000 | \$2,000,000 |

Source: CPA, REMI, Horn Wind, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2012-2013. Midway ISD's ad valorem tax base in 2012-2013 was \$87.97 million. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Midway ISD's estimated wealth per WADA was \$375,163. 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 and Clay County with all property tax incentives sought being granted using estimated market value from Horn Wind's application. Horn Wind has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county. Table 3 illustrates the estimated tax impact of the Horn Wind project on the region if all taxes are assessed.

| Year | Estimated Taxable Value for I&S | Estimated Taxable Value for M&O | Tax Rate ¹ | Midway ISD I&S Levy | Midway ISD M&O Levy | Midway ISD M&O and I&S Tax Levies (Before Credit Credited) | Midway ISD M&O and I&S Tax Levies (After Credit Credited) | Clay County | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|-----------------------|---------------------|---------------------|--|---|--------------------|--------------------------------|
| | | | | 0.0000 | 1.0400 | | | 0.4782 | |
| 2014 | \$0 | \$0 | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2015 | \$200,000,000 | \$200,000,000 | | \$0 | \$2,080,000 | \$2,080,000 | \$2,080,000 | \$95,640 | \$2,175,640 |
| 2016 | \$300,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$52,000 | \$286,920 | \$338,920 |
| 2017 | \$270,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$387,342 | \$413,342 |
| 2018 | \$255,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$487,764 | \$513,764 |
| 2019 | \$240,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$573,840 | \$599,840 |
| 2020 | \$225,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$645,570 | \$671,570 |
| 2021 | \$210,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$702,954 | \$728,954 |
| 2022 | \$195,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$745,992 | \$771,992 |
| 2023 | \$180,000,000 | \$5,000,000 | | \$0 | \$52,000 | \$52,000 | \$26,000 | \$774,684 | \$800,684 |
| 2024 | \$165,000,000 | \$165,000,000 | | \$0 | \$1,716,000 | \$1,716,000 | \$0 | \$789,030 | \$789,030 |
| 2025 | \$150,000,000 | \$150,000,000 | | \$0 | \$1,560,000 | \$1,560,000 | \$1,430,000 | \$717,300 | \$2,147,300 |
| 2026 | \$135,000,000 | \$135,000,000 | | \$0 | \$1,404,000 | \$1,404,000 | \$1,404,000 | \$645,570 | \$2,049,570 |
| 2027 | \$120,000,000 | \$120,000,000 | | \$0 | \$1,248,000 | \$1,248,000 | \$1,248,000 | \$573,840 | \$1,821,840 |
| 2028 | \$105,000,000 | \$105,000,000 | | \$0 | \$1,092,000 | \$1,092,000 | \$1,092,000 | \$502,110 | \$1,594,110 |
| | | | | | | Total | \$7,488,000 | \$7,928,556 | \$15,416,556 |

Assumes School Value Limitation and Tax Abatement with the County.

Source: CPA, Horn Wind, LLC

¹Tax Rate per \$100 Valuation

| Year | Estimated Taxable Value for I&S | Estimated Taxable Value for M&O | Tax Rate ¹ | Midway ISD I&S Levy | Midway ISD M&O Levy | Midway ISD M&O and I&S Tax Levies | Clay County | Estimated Total Property Taxes | |
|------|---------------------------------|---------------------------------|-----------------------|---------------------|---------------------|-----------------------------------|---------------------|--------------------------------|---------------------|
| | | | | 0.0000 | 1.0400 | | 0.4782 | | |
| 2014 | \$0 | \$0 | | \$0 | \$0 | \$0 | \$0 | \$0 | |
| 2015 | \$200,000,000 | \$200,000,000 | | \$0 | \$2,080,000 | \$2,080,000 | \$956,400 | \$3,036,400 | |
| 2016 | \$300,000,000 | \$300,000,000 | | \$0 | \$3,120,000 | \$3,120,000 | \$1,434,600 | \$4,554,600 | |
| 2017 | \$270,000,000 | \$270,000,000 | | \$0 | \$2,808,000 | \$2,808,000 | \$1,291,140 | \$4,099,140 | |
| 2018 | \$255,000,000 | \$255,000,000 | | \$0 | \$2,652,000 | \$2,652,000 | \$1,219,410 | \$3,871,410 | |
| 2019 | \$240,000,000 | \$240,000,000 | | \$0 | \$2,496,000 | \$2,496,000 | \$1,147,680 | \$3,643,680 | |
| 2020 | \$225,000,000 | \$225,000,000 | | \$0 | \$2,340,000 | \$2,340,000 | \$1,075,950 | \$3,415,950 | |
| 2021 | \$210,000,000 | \$210,000,000 | | \$0 | \$2,184,000 | \$2,184,000 | \$1,004,220 | \$3,188,220 | |
| 2022 | \$195,000,000 | \$195,000,000 | | \$0 | \$2,028,000 | \$2,028,000 | \$932,490 | \$2,960,490 | |
| 2023 | \$180,000,000 | \$180,000,000 | | \$0 | \$1,872,000 | \$1,872,000 | \$860,760 | \$2,732,760 | |
| 2024 | \$165,000,000 | \$165,000,000 | | \$0 | \$1,716,000 | \$1,716,000 | \$789,030 | \$2,505,030 | |
| 2025 | \$150,000,000 | \$150,000,000 | | \$0 | \$1,560,000 | \$1,560,000 | \$717,300 | \$2,277,300 | |
| 2026 | \$135,000,000 | \$135,000,000 | | \$0 | \$1,404,000 | \$1,404,000 | \$645,570 | \$2,049,570 | |
| 2027 | \$120,000,000 | \$120,000,000 | | \$0 | \$1,248,000 | \$1,248,000 | \$573,840 | \$1,821,840 | |
| 2028 | \$105,000,000 | \$105,000,000 | | \$0 | \$1,092,000 | \$1,092,000 | \$502,110 | \$1,594,110 | |
| | | | | | | Total | \$28,600,000 | \$13,150,500 | \$41,750,500 |

Source: CPA, Horn Wind, LLC

¹Tax Rate per \$100 Valuation

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

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$28,600,000. The estimated gross 15 year M&O tax benefit, or levy loss, is \$21,112,000.

Attachment 3 is an economic overview of Clay 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.



TEXAS EDUCATION AGENCY

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

Michael Williams
Commissioner

November 6, 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 Horn Wind Energy LLC project on the number and size of school facilities in Midway Independent School District (MISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the MISD superintendent, Hollis Adams, the TEA has found that the Horn Wind Energy LLC project would not have a significant impact on the number or size of school facilities in CCISD.

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,

A handwritten signature in black ink, appearing to read "Al McKenzie".

Al McKenzie, Manager
Foundation School Program Support

AM/rk



TEXAS EDUCATION AGENCY

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

Michael Williams
Commissioner

November 6, 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 Horn Wind Energy LLC project for the Midway Independent School District (MISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Horn Wind Energy LLC project on MISD 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,

A handwritten signature in black ink, appearing to read "Al McKenzie".

Al McKenzie, Manager
Foundation School Program Support

AM/rk

Clay County

Population

- Total county population in 2010 for Clay County: 10,780 , down 0.9 percent from 2009. State population increased 1.8 percent in the same time period.
- Clay County was the state's 161rd largest county in population in 2010 and the 233rd fastest growing county from 2009 to 2010.
- Clay County's population in 2009 was 91.1 percent Anglo (above the state average of 46.7 percent), 1.2 percent African-American (below the state average of 11.3 percent) and 5.2 percent Hispanic (below the state average of 36.9 percent).
- 2009 population of the largest cities and places in Clay County:

| | | | |
|------------|-------|-----------|-----|
| Henrietta: | 3,199 | Petrolia: | 779 |
| Byers: | 510 | Bellevue: | 377 |
| Dean: | 340 | Jolly: | 185 |

Economy and Income

Employment

- September 2011 total employment in Clay County: 5,651 , down 2.2 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 Clay County unemployment rate: 6.2 percent, up from 5.9 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

- Clay County's ranking in per capita personal income in 2009: 44th with an average per capita income of \$38,764, up 1.8 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 Clay County averaged \$84.50 million annually from 2007 to 2010. County total agricultural values in 2010 were down 38.0 percent from 2009. Major agriculture related commodities in Clay County during 2010 included:
 - Hay • Wheat • Milk Cows • Horses • Other Beef
- 2011 oil and gas production in Clay County: 346,793.0 barrels of oil and 418,592.0 Mcf of gas. In September 2011, there were 1080 producing oil wells and 30 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 Clay County during the fourth quarter 2010: \$5.12 million, up 6.1 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

| | |
|------------|---|
| Henrietta: | \$2.28 million, up 4.5 percent from the same quarter in 2009. |
| Petrolia: | \$382,674.00, down 4.8 percent from the same quarter in 2009. |
| Byers: | \$160,247.00, up 3.4 percent from the same quarter in 2009. |
| Bellevue: | \$189,543.00, down 2.7 percent from the same quarter in 2009. |
| Dean: | \$60,685.00, up 13.0 percent from the same quarter in 2009. |
| Jolly: | \$637,071.00, up 9.9 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 Clay County through the fourth quarter of 2010: \$19.42 million, up 1.5 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

| | |
|------------|--|
| Henrietta: | \$8.51 million, up 0.6 percent from the same period in 2009. |
| Petrolia: | \$1.59 million, up 2.4 percent from the same period in 2009. |
| Byers: | \$675,142.00, up 3.2 percent from the same period in 2009. |
| Bellevue: | \$695,713.00, down 5.9 percent from the same period in 2009. |
| Dean: | \$257,415.00, up 34.0 percent from the same period in 2009. |
| Jolly: | \$2.57 million, up 5.3 percent from the same period in 2009. |

Annual (2010)

- Taxable sales in Clay County during 2010: \$19.42 million, up 1.5 percent from 2009.
- Clay County sent an estimated \$1.21 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:

| | |
|------------|---|
| Henrietta: | \$8.51 million, up 0.6 percent from 2009. |
| Petrolia: | \$1.59 million, up 2.4 percent from 2009. |
| Byers: | \$675,142.00, up 3.2 percent from 2009. |
| Bellevue: | \$695,713.00, down 5.9 percent from 2009. |
| Dean: | \$257,415.00, up 34.0 percent from 2009. |
| Jolly: | \$2.57 million, up 5.3 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 Clay County based on the sales activity month of August 2011: \$84,875.57, up 156.6 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

| | |
|------------|--|
| Henrietta: | \$27,916.31, up 0.2 percent from August 2010. |
| Petrolia: | \$2,974.21, up 84.3 percent from August 2010. |
| Byers: | \$1,021.04, up 14.4 percent from August 2010. |
| Bellevue: | \$1,188.13, down 8.3 percent from August 2010. |
| Dean: | \$220.79, down 40.3 percent from August 2010. |
| Jolly: | \$51,555.09, up 4829.6 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 Clay County based on sales activity months from September 2010 through August 2011: \$469,931.26, up 10.6 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

| | |
|------------|--|
| Henrietta: | \$342,032.62, down 1.0 percent from fiscal 2010. |
| Petrolia: | \$23,151.24, down 0.1 percent from fiscal 2010. |
| Byers: | \$12,022.79, down 2.8 percent from fiscal 2010. |
| Bellevue: | \$18,265.67, down 6.8 percent from fiscal 2010. |
| Dean: | \$6,949.63, up 63.1 percent from fiscal 2010. |
| Jolly: | \$67,509.31, up 236.8 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 Clay County based on sales activity months through August 2011: \$328,074.65, up 21.8 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

| | |
|------------|---|
| Henrietta: | \$224,972.00, up 3.6 percent from the same period in 2010. |
| Petrolia: | \$14,727.37, down 4.9 percent from the same period in 2010. |
| Byers: | \$8,252.65, up 1.6 percent from the same period in 2010. |
| Bellevue: | \$11,521.42, down 4.3 percent from the same period in 2010. |
| Dean: | \$5,802.10, up 85.4 percent from the same period in 2010. |
| Jolly: | \$62,799.11, up 365.6 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 Clay County based on sales activity in the 12 months ending in August 2011: \$469,931.26, up 10.6 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

| | |
|------------|---|
| Henrietta: | \$342,032.62, down 1.0 percent from the previous 12-month period. |
| Petrolia: | \$23,151.24, down 0.1 percent from the previous 12-month period. |
| Byers: | \$12,022.79, down 2.8 percent from the previous 12-month period. |
| Bellevue: | \$18,265.67, down 6.8 percent from the previous 12-month period. |
| Dean: | \$6,949.63, up 63.1 percent from the previous 12-month period. |
| Jolly: | \$67,509.31, up 236.8 percent from the previous 12-month period. |

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

■ **Payment to the cities from January 2011 through October 2011:**

| | |
|------------|--|
| Henrietta: | \$272,202.97, down 2.4 percent from the same period in 2010. |
| Petrolia: | \$19,251.75, up 1.9 percent from the same period in 2010. |
| Byers: | \$9,991.34, down 0.8 percent from the same period in 2010. |
| Bellevue: | \$14,756.98, down 7.3 percent from the same period in 2010. |
| Dean: | \$6,378.08, up 69.4 percent from the same period in 2010. |
| Jolly: | \$65,998.89, up 277.0 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 Clay County based on sales activity months in 2010: \$411,212.13, down 1.3 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

| | |
|------------|---|
| Henrietta: | \$334,149.27, down 1.3 percent from 2009. |
| Petrolia: | \$23,909.32, up 12.6 percent from 2009. |
| Byers: | \$11,892.36, up 0.9 percent from 2009. |
| Bellevue: | \$18,786.44, down 3.8 percent from 2009. |
| Dean: | \$4,276.36, up 22.3 percent from 2009. |
| Jolly: | \$18,198.38, down 17.2 percent from 2009. |

Property Tax

- As of January 2009, property values in Clay County: \$1.38 billion, up 3.3 percent from January 2008 values. The property tax base per person in Clay County is \$126,583, above the statewide average of \$85,809. About 11.1 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Clay County's ranking in state expenditures by county in fiscal year 2010: 168th. State expenditures in the county for FY2010: \$37.29 million, up 0.2 percent from FY2009.
- In Clay County, 8 state agencies provide a total of 34 jobs and \$329,182.00 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
- AgriLife Extension Service
- Parks & Wildlife Department
- Health & Human Services Commission

Higher Education

- Community colleges in Clay County fall 2010 enrollment:
 - None.
- Clay County is in the service area of the following:
 - Vernon College with a fall 2010 enrollment of 3,167. Counties in the service area include:
 - Archer County
 - Baylor County
 - Clay County
 - Cottle County
 - Foard County
 - Hardeman County
 - Haskell County
 - King County
 - Knox County

Throckmorton County
Wichita County
Wilbarger County

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

School Districts

- Clay County had 5 school districts with 9 schools and 1,759 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.)

- Bellevue ISD had 159 students in the 2009-10 school year. The average teacher salary was \$41,795. The percentage of students meeting the 2010 TAKS passing standard for all tests was 73 percent.
- Byers ISD had 101 students in the 2009-10 school year. The average teacher salary was \$39,949. The percentage of students meeting the 2010 TAKS passing standard for all tests was 47 percent.
- Henrietta ISD had 905 students in the 2009-10 school year. The average teacher salary was \$44,845. The percentage of students meeting the 2010 TAKS passing standard for all tests was 82 percent.
- Midway ISD had 111 students in the 2009-10 school year. The average teacher salary was \$41,572. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
- Petrolia ISD had 483 students in the 2009-10 school year. The average teacher salary was \$39,254. The percentage of students meeting the 2010 TAKS passing standard for all tests was 87 percent.

Attachment E

Summary of Financial Impact

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED HORN
WIND, LLC PROJECT ON THE FINANCES OF THE MIDWAY
INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED
CHAPTER 313 PROPERTY VALUE LIMITATION**

August 16, 2013

Final Report

PREPARED BY



Estimated Impact of the Proposed Horn Wind, LLC Project on the Finances of the Midway Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Horn Wind, LLC (Horn Wind) has requested that the Midway Independent School District (MISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to MISD on July 23, 2013, Horn Wind proposes to invest \$300 million to construct a new renewable wind energy electric generation project in MISD.

The Horn Wind project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

Under the provisions of Chapter 313, MISD may offer a minimum value limitation of \$5 million. Chapter 313 calls for the project to be fully taxable in the 2014-15 and 2015-16 school years, unless the District and the Company agree to an extension of the start of the two-year qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2014-15 and 2015-16 school years. Beginning with the 2016-17 school year, the project would go on the local tax roll at \$5 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes.

The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, although MISD does not currently levy an I&S tax. The full value of the investment is expected to reach \$300 million in the 2016-17 school year, which is approximately three times the size of the District's current tax base.

In the case of the Horn Wind project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. Under current law, MISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$557,540). No out-year revenue losses are expected under the estimates presented below.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$20.6 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

School Finance Mechanics

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence

of the fact that the Comptroller's Office needs this time to conduct its property value study and the audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

The third year is often problematical financially for a school district that approves a Chapter 313 value limitation. The implementation of the value limitation often results in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant under the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state M&O property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study.

Under the HB 1 system adopted in 2006, most school districts received additional state aid for tax reduction (ASATR) that was used to maintain their target revenue amounts established at the revenue levels under old law for the 2005-06 or 2006-07 school years, whichever was highest. In terms of new Chapter 313 property value limitation agreements, adjustments to ASATR funding often moderated the impact of the reduced M&O collections as a result of the limitation, in contrast with the earlier formula-driven finance system.

House Bill 3646 as enacted in 2009 created more "formula" school districts that were less dependent on ASATR state aid than had been the case previously. The formula reductions enacted during the First Called Session in 2011 made \$4 billion in reductions to the existing school funding formulas for the 2011-12 and 2012-13 school years. For the 2011-12 school year, across-the-board reductions were made that reduced each district's WADA count and resulted in an estimated 781 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 243 districts operated directly on the state formulas. For the 2012-13 school year, the changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula, with 689 districts operating on formula and 335 districts still receiving ASATR funding.

Senate Bill 1 and House Bill 1025 as passed by the 83rd Legislature made significant increases to the basic allotment and other formula changes by appropriation. The ASATR reduction percentage is increased slightly to 92.63 percent, while the basic allotment is increased by \$325 and \$365, respectively, for the 2013-14 and 2014-15 school years. A slight increase in the guaranteed yield for the 6 cents above compressed—known as the Austin yield—is also included. With the basic allotment increase, it is estimated that approximately 300 school districts will still receive ASATR in the 2013-14 school year and 273 districts would do so in the 2014-15 school year. Current state policy calls for ASATR funding to be eliminated by the 2017-18 school year.

MISD is generally classified as a formula district under the estimates presented below, although it would receive some ASATR funds to offset the reduction in M&O taxes associated with the implementation of the value limitation in the 2016-17 school year. This issue will be discussed in more detail below.

One concern in projecting into the future is that the underlying state statutes in the Education Code were not changed in order to provide these funding increases. All of the major formula

changes were made by appropriation, which gives them only a two-year lifespan unless renewed in the 2015 legislative session. Despite this uncertainty, it is assumed that these changes will remain in effect for the forecast period for the purpose of these estimates, assuming a continued legislative commitment to these funding levels in future years.

A key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Horn Wind project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f)(1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The general approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. The SB 1 basic allotment increases are reflected in the underlying models. With regard to ASATR funding, the 92.63 percent reduction enacted for the 2013-14 school year and thereafter, until the 2017-18 school year. A statement of legislative intent was adopted in 2011 to no longer fund target revenue by the 2017-18 school year, so that change is reflected in the estimates presented below. The projected taxable values of the Horn Wind, LLC project are also factored into the base model used here. The impact of the limitation value for the proposed Horn Wind project is isolated separately and the focus of this analysis.

Student enrollment counts are held constant at 93 students in average daily attendance (ADA) in analyzing the effects of the Horn Wind project on the finances of MISD. The District's local tax base reached \$102 million for the 2012 tax year and is maintained at that level for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.04 is used throughout this analysis. MISD has estimated state property wealth per weighted ADA or WADA of approximately \$380,004 for the 2012-13 school year. The enrollment and property value assumptions for the 15 years that are the subject of this analysis are summarized in Table 1.

School Finance Impact

School finance models were prepared for MISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2014-15 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding beyond the projected level for that school year. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Horn Wind facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A second model is developed which adds the Horn Wind value but imposes the proposed property value limitation effective in the third year, which in this case is the 2016-17 school year. The results of this model are identified as “Value Limitation Revenue Model” under the revenue protection provisions of the proposed agreement (see Table 3). A summary of the differences between these models is shown in Table 4.

Under these assumptions, MISD would experience an M&O revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$557,540). This is the same year that MISD would become a Chapter 41 school district subject to recapture. Horn Wind is expected to receive \$3,068,000 in M&O tax savings in the 2016-17 school year. Reduced recapture costs of \$1.786 million would offset much of this reduction, along with \$724,063 in offsetting ASATR funds. Once the limitation is recognized in the state property value study used in state aid calculations for the 2017-18 school year and thereafter, MISD would no longer be subject to recapture until the 2025-26 school year under the estimates presented here.

As noted previously, no attempt was made to forecast further reductions in ASATR funding beyond the 92.63 percent adjustment adopted for the 2013-14 school year. It is assumed that ASATR will be eliminated beginning in the 2017-18 school year, based on the 2013 statement of legislative intent.

In general, the ASATR offset poses little financial risk to the school district as a result of the adoption of the value limitation agreement. But a significant reduction of ASATR funding prior to the assumed 2017-18 school year elimination of these funds could reduce the residual tax savings in the first year that the \$5 million value limitation takes effect.

The Comptroller’s state property value study influences these calculations, as noted previously. At the school-district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect. Two state value determinations are made for school districts granting Chapter 313 agreements, consistent with local practice. A consolidated single state property value had been provided previously.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.04 per \$100 of taxable value M&O rate is assumed in 2013-14 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$19.1 million over the life of the agreement. In addition, Horn Wind would be eligible for a tax credit for M&O taxes paid on value in excess of the value limitation in each of the first two qualifying years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$2.0 million over the course of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key MISD revenue losses are expected to total approximately \$557,540 in the initial 2016-17 value limitation year under the agreement. The total potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to reach \$20.6 million over the life of the agreement. While legislative changes to ASATR funding could increase the hold-harmless amount owed in the initial limitation year, there would still be a substantial tax benefit to Horn Wind under the value limitation agreement for the remaining years that the limitation is in effect.

Facilities Funding Impact

The Horn Wind project remains fully taxable for debt services taxes. MISD does not currently levy an I&S tax.

The Horn Wind project is not expected to affect MISD in terms of enrollment. The entire project is expected to result in an additional nine full-time positions once it begins operation. Continued expansion of the project and related development could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

Conclusion

The proposed Horn Wind renewable energy electric generation project enhances the tax base of MISD. It reflects continued capital investment in keeping with the goals of Chapter 313 of the Tax Code.

Under the assumptions outlined above, the potential tax savings for the applicant under a Chapter 313 agreement could reach an estimated \$20.6 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of MISD in meeting its future debt service obligations, should the District decide to pursue a bond issue.

Table 1 – Base District Information with Horn Wind, LLC Project Value and Limitation Values

| Year of Agreement | School Year | ADA | WADA | M&O Tax Rate | I&S Tax Rate | CAD Value with Project | CAD Value with Limitation | CPTD with Project | CPTD With Limitation | CPTD Value with Project per WADA | CPTD Value with Limitation per WADA |
|-------------------|-------------|-------|--------|--------------|--------------|------------------------|---------------------------|-------------------|----------------------|----------------------------------|-------------------------------------|
| Pre-Year 1 | 2013-14 | 93.20 | 235.11 | \$1.0400 | \$0.0000 | \$102,081,480 | \$102,081,480 | \$100,366,968 | \$100,366,968 | \$426,888 | \$426,888 |
| 1 | 2014-15 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$102,081,480 | \$102,081,480 | \$100,366,968 | \$100,366,968 | \$426,927 | \$426,927 |
| 2 | 2015-16 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$302,081,480 | \$302,081,480 | \$100,366,968 | \$100,366,968 | \$426,927 | \$426,927 |
| 3 | 2016-17 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$402,081,480 | \$107,081,480 | \$300,366,968 | \$300,366,968 | \$1,277,658 | \$1,277,658 |
| 4 | 2017-18 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$372,081,480 | \$107,081,480 | \$400,366,968 | \$105,366,968 | \$1,703,023 | \$448,195 |
| 5 | 2018-19 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$357,081,480 | \$107,081,480 | \$370,366,968 | \$105,366,968 | \$1,575,414 | \$448,195 |
| 6 | 2019-20 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$342,081,480 | \$107,081,480 | \$355,366,968 | \$105,366,968 | \$1,511,609 | \$448,195 |
| 7 | 2020-21 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$327,081,480 | \$107,081,480 | \$340,366,968 | \$105,366,968 | \$1,447,804 | \$448,195 |
| 8 | 2021-22 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$312,081,480 | \$107,081,480 | \$325,366,968 | \$105,366,968 | \$1,383,999 | \$448,195 |
| 9 | 2022-23 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$297,081,480 | \$107,081,480 | \$310,366,968 | \$105,366,968 | \$1,320,194 | \$448,195 |
| 10 | 2023-24 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$282,081,480 | \$107,081,480 | \$295,366,968 | \$105,366,968 | \$1,256,389 | \$448,195 |
| 11 | 2024-25 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$267,081,480 | \$267,081,480 | \$280,366,968 | \$105,366,968 | \$1,192,585 | \$448,195 |
| 12 | 2025-26 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$252,081,480 | \$252,081,480 | \$265,366,968 | \$265,366,968 | \$1,128,780 | \$1,128,780 |
| 13 | 2026-27 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$237,081,480 | \$237,081,480 | \$250,366,968 | \$250,366,968 | \$1,064,975 | \$1,064,975 |
| 14 | 2027-28 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$222,081,480 | \$222,081,480 | \$235,366,968 | \$235,366,968 | \$1,001,170 | \$1,001,170 |
| 15 | 2028-29 | 93.20 | 235.09 | \$1.0400 | \$0.0000 | \$207,081,480 | \$207,081,480 | \$220,366,968 | \$220,366,968 | \$937,365 | \$937,365 |

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

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

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | Excess Formula Reduction | Recapture Costs | Additional Local M&O Collections | State Aid From Additional M&O Tax Collections | Recapture from the Additional Local Tax Effort | Total General Fund |
|-------------------|-------------|-----------------------------|-----------|------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| Pre-Year 1 | 2013-14 | \$1,043,029 | \$231,655 | \$0 | \$0 | \$0 | \$41,667 | \$16,868 | \$0 | \$1,333,218 |
| 1 | 2014-15 | \$1,043,029 | \$253,167 | \$0 | \$0 | \$0 | \$41,667 | \$18,707 | \$0 | \$1,356,570 |
| 2 | 2015-16 | \$3,003,127 | \$253,167 | \$0 | \$0 | \$0 | \$119,969 | \$55,857 | \$0 | \$3,432,119 |
| 3 | 2016-17 | \$4,042,179 | \$33,391 | \$0 | \$0 | -\$2,424,144 | \$161,477 | \$0 | \$0 | \$1,812,903 |
| 4 | 2017-18 | \$3,742,164 | \$33,391 | \$0 | \$0 | -\$2,611,183 | \$149,492 | \$0 | \$0 | \$1,313,864 |
| 5 | 2018-19 | \$3,592,157 | \$33,391 | \$0 | \$0 | -\$2,419,459 | \$143,499 | \$0 | \$0 | \$1,349,588 |
| 6 | 2019-20 | \$3,442,149 | \$33,391 | \$0 | \$0 | -\$2,270,960 | \$137,507 | \$0 | \$0 | \$1,342,087 |
| 7 | 2020-21 | \$3,292,142 | \$33,391 | \$0 | \$0 | -\$2,122,594 | \$131,514 | \$0 | \$0 | \$1,334,453 |
| 8 | 2021-22 | \$3,142,134 | \$33,391 | \$0 | \$0 | -\$1,974,379 | \$125,522 | \$0 | \$0 | \$1,326,668 |
| 9 | 2022-23 | \$2,992,127 | \$33,391 | \$0 | \$0 | -\$1,826,337 | \$119,529 | \$0 | \$0 | \$1,318,710 |
| 10 | 2023-24 | \$2,842,119 | \$33,391 | \$0 | \$0 | -\$1,678,495 | \$113,537 | \$0 | \$0 | \$1,310,552 |
| 11 | 2024-25 | \$2,660,110 | \$33,391 | \$0 | \$0 | -\$1,512,408 | \$106,266 | \$0 | \$0 | \$1,287,359 |
| 12 | 2025-26 | \$2,513,103 | \$33,391 | \$0 | \$0 | -\$1,367,493 | \$100,393 | \$0 | \$0 | \$1,279,393 |
| 13 | 2026-27 | \$2,366,095 | \$33,391 | \$0 | \$0 | -\$1,222,830 | \$94,521 | \$0 | \$0 | \$1,271,177 |
| 14 | 2027-28 | \$2,219,088 | \$33,391 | \$0 | \$0 | -\$1,078,466 | \$88,648 | \$0 | \$0 | \$1,262,661 |
| 15 | 2028-29 | \$2,072,081 | \$33,391 | \$0 | \$0 | -\$934,461 | \$82,775 | \$0 | \$0 | \$1,253,786 |

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

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | Excess Formula Reduction | Recapture Costs | Additional Local M&O Collections | State Aid From Additional M&O Tax Collections | Recapture from the Additional Local Tax Effort | Total General Fund |
|-------------------|-------------|-----------------------------|-----------|------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| Pre-Year 1 | 2013-14 | \$1,043,029 | \$231,655 | \$0 | \$0 | \$0 | \$41,667 | \$16,868 | \$0 | \$1,333,218 |
| 1 | 2014-15 | \$1,043,029 | \$253,167 | \$0 | \$0 | \$0 | \$41,667 | \$18,707 | \$0 | \$1,356,570 |
| 2 | 2015-16 | \$3,003,127 | \$253,167 | \$0 | \$0 | \$0 | \$119,969 | \$55,857 | \$0 | \$3,432,119 |
| 3 | 2016-17 | \$1,092,032 | \$33,391 | \$724,063 | \$0 | -\$637,747 | \$43,624 | \$0 | \$0 | \$1,255,363 |
| 4 | 2017-18 | \$1,092,032 | \$203,165 | \$0 | \$0 | \$0 | \$43,624 | \$17,277 | \$0 | \$1,356,098 |
| 5 | 2018-19 | \$1,092,032 | \$203,165 | \$0 | \$0 | \$0 | \$43,624 | \$17,277 | \$0 | \$1,356,098 |
| 6 | 2019-20 | \$1,092,032 | \$203,165 | \$0 | \$0 | \$0 | \$43,624 | \$17,277 | \$0 | \$1,356,098 |
| 7 | 2020-21 | \$1,092,032 | \$203,165 | \$0 | \$0 | \$0 | \$43,624 | \$17,277 | \$0 | \$1,356,098 |
| 8 | 2021-22 | \$1,092,032 | \$203,165 | \$0 | \$0 | \$0 | \$43,624 | \$17,277 | \$0 | \$1,356,098 |
| 9 | 2022-23 | \$1,092,032 | \$203,165 | \$0 | \$0 | \$0 | \$43,624 | \$17,277 | \$0 | \$1,356,098 |
| 10 | 2023-24 | \$1,092,032 | \$203,165 | \$0 | \$0 | \$0 | \$43,624 | \$17,277 | \$0 | \$1,356,098 |
| 11 | 2024-25 | \$2,660,110 | \$203,165 | \$0 | \$0 | \$0 | \$106,266 | \$42,086 | \$0 | \$3,011,627 |
| 12 | 2025-26 | \$2,513,103 | \$33,391 | \$0 | \$0 | -\$1,367,493 | \$100,393 | \$0 | \$0 | \$1,279,393 |
| 13 | 2026-27 | \$2,366,095 | \$33,391 | \$0 | \$0 | -\$1,222,830 | \$94,521 | \$0 | \$0 | \$1,271,177 |
| 14 | 2027-28 | \$2,219,088 | \$33,391 | \$0 | \$0 | -\$1,078,466 | \$88,648 | \$0 | \$0 | \$1,262,661 |
| 15 | 2028-29 | \$2,072,081 | \$33,391 | \$0 | \$0 | -\$934,461 | \$82,775 | \$0 | \$0 | \$1,253,786 |

Table 4 – Value Limit less Project Value with No Limit

| Year of Agreement | School Year | M&O Taxes @ Compressed Rate | State Aid | Additional State Aid-Hold Harmless | Excess Formula Reduction | Recapture Costs | Additional Local M&O Collections | State Aid From Additional M&O Tax Collections | Recapture from the Additional Local Tax Effort | Total General Fund |
|-------------------|-------------|-----------------------------|-----------|------------------------------------|--------------------------|-----------------|----------------------------------|---|--|--------------------|
| Pre-Year 1 | 2013-14 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1 | 2014-15 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | 2015-16 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | 2016-17 | -\$2,950,148 | \$0 | \$724,063 | \$0 | \$1,786,397 | -\$117,853 | \$0 | \$0 | -\$557,540 |
| 4 | 2017-18 | -\$2,650,133 | \$169,774 | \$0 | \$0 | \$2,611,183 | -\$105,868 | \$17,277 | \$0 | \$42,234 |
| 5 | 2018-19 | -\$2,500,125 | \$169,774 | \$0 | \$0 | \$2,419,459 | -\$99,875 | \$17,277 | \$0 | \$6,510 |
| 6 | 2019-20 | -\$2,350,118 | \$169,774 | \$0 | \$0 | \$2,270,960 | -\$93,883 | \$17,277 | \$0 | \$14,011 |
| 7 | 2020-21 | -\$2,200,110 | \$169,774 | \$0 | \$0 | \$2,122,594 | -\$87,890 | \$17,277 | \$0 | \$21,645 |
| 8 | 2021-22 | -\$2,050,103 | \$169,774 | \$0 | \$0 | \$1,974,379 | -\$81,898 | \$17,277 | \$0 | \$29,430 |
| 9 | 2022-23 | -\$1,900,095 | \$169,774 | \$0 | \$0 | \$1,826,337 | -\$75,905 | \$17,277 | \$0 | \$37,388 |
| 10 | 2023-24 | -\$1,750,088 | \$169,774 | \$0 | \$0 | \$1,678,495 | -\$69,913 | \$17,277 | \$0 | \$45,546 |
| 11 | 2024-25 | \$0 | \$169,774 | \$0 | \$0 | \$1,512,408 | \$0 | \$42,086 | \$0 | \$1,724,268 |
| 12 | 2025-26 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 13 | 2026-27 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2027-28 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2028-29 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Table 5 - Estimated Financial impact of the Horn Wind, LLC Project Property Value Limitation Request Submitted to MISD at \$1.04 M&O Tax Rate

| Year of Agreement | School Year | Project Value | Estimated Taxable Value | Value Savings | Assumed M&O Tax Rate | Taxes Before Value Limit | Taxes after Value Limit | Tax Savings @ Projected M&O Rate | Tax Credits for First Two Years Above Limit | Tax Benefit to Company Before Revenue Protection | School District Revenue Losses | Estimated Net Tax Benefits |
|-------------------|-------------|---------------|-------------------------|---------------|----------------------|--------------------------|-------------------------|----------------------------------|---|--|--------------------------------|----------------------------|
| Pre-Year 1 | 2013-14 | \$0 | \$0 | \$0 | \$1.040 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1 | 2014-15 | \$0 | \$0 | \$0 | \$1.040 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | 2015-16 | \$200,000,000 | \$200,000,000 | \$0 | \$1.040 | \$2,080,000 | \$2,080,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | 2016-17 | \$300,000,000 | \$5,000,000 | \$295,000,000 | \$1.040 | \$3,120,000 | \$52,000 | \$3,068,000 | \$0 | \$3,068,000 | -\$557,540 | \$2,510,460 |
| 4 | 2017-18 | \$270,000,000 | \$5,000,000 | \$265,000,000 | \$1.040 | \$2,808,000 | \$52,000 | \$2,756,000 | \$26,000 | \$2,782,000 | \$0 | \$2,782,000 |
| 5 | 2018-19 | \$255,000,000 | \$5,000,000 | \$250,000,000 | \$1.040 | \$2,652,000 | \$52,000 | \$2,600,000 | \$26,000 | \$2,626,000 | \$0 | \$2,626,000 |
| 6 | 2019-20 | \$240,000,000 | \$5,000,000 | \$235,000,000 | \$1.040 | \$2,496,000 | \$52,000 | \$2,444,000 | \$26,000 | \$2,470,000 | \$0 | \$2,470,000 |
| 7 | 2020-21 | \$225,000,000 | \$5,000,000 | \$220,000,000 | \$1.040 | \$2,340,000 | \$52,000 | \$2,288,000 | \$26,000 | \$2,314,000 | \$0 | \$2,314,000 |
| 8 | 2021-22 | \$210,000,000 | \$5,000,000 | \$205,000,000 | \$1.040 | \$2,184,000 | \$52,000 | \$2,132,000 | \$26,000 | \$2,158,000 | \$0 | \$2,158,000 |
| 9 | 2022-23 | \$195,000,000 | \$5,000,000 | \$190,000,000 | \$1.040 | \$2,028,000 | \$52,000 | \$1,976,000 | \$26,000 | \$2,002,000 | \$0 | \$2,002,000 |
| 10 | 2023-24 | \$180,000,000 | \$5,000,000 | \$175,000,000 | \$1.040 | \$1,872,000 | \$52,000 | \$1,820,000 | \$26,000 | \$1,846,000 | \$0 | \$1,846,000 |
| 11 | 2024-25 | \$165,000,000 | \$165,000,000 | \$0 | \$1.040 | \$1,716,000 | \$1,716,000 | \$0 | \$1,716,000 | \$1,716,000 | \$0 | \$1,716,000 |
| 12 | 2025-26 | \$150,000,000 | \$150,000,000 | \$0 | \$1.040 | \$1,560,000 | \$1,560,000 | \$0 | \$130,000 | \$130,000 | \$0 | \$130,000 |
| 13 | 2026-27 | \$135,000,000 | \$135,000,000 | \$0 | \$1.040 | \$1,404,000 | \$1,404,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2027-28 | \$120,000,000 | \$120,000,000 | \$0 | \$1.040 | \$1,248,000 | \$1,248,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2028-29 | \$105,000,000 | \$105,000,000 | \$0 | \$1.040 | \$1,092,000 | \$1,092,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | | | | | | \$28,600,000 | \$9,516,000 | \$19,084,000 | \$2,028,000 | \$21,112,000 | -\$557,540 | \$20,554,460 |

Tax Credit for Value Over Limit in First 2 Years

| | Year 1 | Year 2 | Max Credits |
|-----------------------|--------|-------------|--------------------|
| | \$0 | \$2,028,000 | \$2,028,000 |
| Credits Earned | | | \$2,028,000 |
| Credits Paid | | | <u>\$2,028,000</u> |
| Excess Credits Unpaid | | | \$0 |

***Note:** School District Revenue-Loss estimates are subject to change based on numerous factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year appraisals of project values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.



Attachment F

Taxable Value of Property



Window on State Government

Susan Combs Texas Comptroller of Public Accounts

2012 ISD Summary Worksheet

039/Clay

039-905/Midway ISD

| Category | Local Tax Roll Value | 2012 WTD Mean Ratio | 2012 PTAD Value Estimate | 2012 Value Assigned |
|-----------------------------|----------------------|---------------------|--------------------------|---------------------|
| A. Single-Family Residences | 7,065,580 | .9869 | 7,159,368 | 7,065,580 |
| B. Multi-Family Residences | 0 | N/A | 0 | 0 |
| C. Vacant Lots | 130,240 | N/A | 130,240 | 130,240 |
| D. Rural Real(Taxable) | 37,726,330 | .9890 | 38,146,411 | 37,726,330 |
| F1. Commercial Real | 112,700 | N/A | 112,700 | 112,700 |
| F2. Industrial Real | 0 | N/A | 0 | 0 |
| G. Oil, Gas, Minerals | 46,263,510 | .9842 | 47,006,208 | 46,263,510 |
| J. Utilities | 8,201,090 | .9841 | 8,333,594 | 8,201,090 |
| L1. Commercial Personal | 604,090 | N/A | 604,090 | 604,090 |
| L2. Industrial Personal | 494,740 | N/A | 494,740 | 494,740 |
| M. Other Personal | 1,863,870 | N/A | 1,863,870 | 1,863,870 |
| 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 | 102,462,150 | | 103,851,221 | 102,462,150 |
| Less Total Deductions | 6,714,688 | | 6,807,936 | 6,714,688 |
| Total Taxable Value | 95,747,462 | | 97,043,285 | 95,747,462 T2 |

| Category D Detail | Local Tax Roll | Ratio | PTAD Value |
|---|----------------|--------|------------|
| Market Value Non-Qualified Acres And Farm/Ranch Imp | 26,135,320 | 1.0055 | 25,992,362 |
| Prod Value Qualified Acres | 11,591,010 | .9537 | 12,154,049 |
| Taxable Value | 37,726,330 | | 38,146,411 |

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 |
|------------|------------|------------|------------|------------|------------|
| 98,098,462 | 95,747,462 | 98,098,462 | 95,747,462 | 96,261,789 | 96,261,789 |

| | |
|--|---|
| Loss To the Additional \$10,000 Homestead Exemption | 50% of the loss to the Local Optional Percentage Homestead Exemption |
| 2,351,000 | 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 |
|------------|------------|------------|------------|------------|------------|
| 98,098,462 | 95,747,462 | 98,098,462 | 95,747,462 | 96,261,789 | 96,261,789 |

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

119/Jack

039-905/Midway ISD

| Category | Local Tax Roll Value | 2012 WTD Mean Ratio | 2012 PTAD Value Estimate | 2012 Value Assigned |
|-----------------------------|----------------------|---------------------|--------------------------|---------------------|
| A. Single-Family Residences | 74,110 | N/A | 74,110 | 74,110 |
| B. Multi-Family | | | | |

| | | | | |
|---------------------------|-----------|-----|-----------|--------------|
| Residences | 0 | N/A | 0 | 0 |
| C. Vacant Lots | 5,050 | N/A | 5,050 | 5,050 |
| D. Rural Real(Taxable) | 2,665,130 | N/A | 2,665,130 | 2,665,130 |
| F1. Commercial Real | 0 | N/A | 0 | 0 |
| F2. Industrial Real | 0 | N/A | 0 | 0 |
| G. Oil, Gas, Minerals | 1,580,210 | N/A | 1,580,210 | 1,580,210 |
| J. Utilities | 768,460 | N/A | 768,460 | 768,460 |
| L1. Commercial Personal | 0 | N/A | 0 | 0 |
| L2. Industrial Personal | 0 | N/A | 0 | 0 |
| M. Other Personal | 58,550 | N/A | 58,550 | 58,550 |
| 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 | 5,151,510 | | 5,151,510 | 5,151,510 |
| Less Total Deductions | 532,004 | | 532,004 | 532,004 |
| Total Taxable Value | 4,619,506 | | 4,619,506 | 4,619,506 T2 |

| Category D Detail | Local Tax Roll | Ratio | PTAD Value |
|---|----------------|-------|------------|
| Market Value Non-Qualified Acres And Farm/Ranch Imp | 1,857,580 | N/A | 1,857,580 |
| Prod Value Qualified Acres | 807,550 | N/A | 807,550 |
| Taxable Value | 2,665,130 | | 2,665,130 |

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 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 4,807,146 | 4,619,506 | 4,807,146 | 4,619,506 | 4,620,468 | 4,620,468 |

| Loss To the Additional \$10,000 Homestead Exemption | 50% of the loss to the Local Optional Percentage Homestead Exemption |
|---|--|
| 187,640 | 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 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 4,807,146 | 4,619,506 | 4,807,146 | 4,619,506 | 4,620,468 | 4,620,468 |

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

039-905/Midway ISD

| Category | Local Tax Roll Value | 2012 WTD Mean Ratio | 2012 PTAD Value Estimate | 2012 Value Assigned |
|-----------------------------|----------------------|---------------------|--------------------------|---------------------|
| A. Single-Family Residences | 7,139,690 | .9870 | 7,233,478 | 7,139,690 |
| B. Multi-Family Residences | 0 | N/A | 0 | 0 |
| C. Vacant Lots | 135,290 | N/A | 135,290 | 135,290 |
| D. Rural Real(Taxable) | 40,391,460 | .9897 | 40,811,541 | 40,391,460 |
| F1. Commercial Real | 112,700 | N/A | 112,700 | 112,700 |
| F2. Industrial Real | 0 | N/A | 0 | 0 |
| G. Oil, Gas, Minerals | 47,843,720 | .9847 | 48,586,418 | 47,843,720 |
| J. Utilities | 8,969,550 | .9854 | 9,102,054 | 8,969,550 |
| L1. Commercial Personal | 604,090 | N/A | 604,090 | 604,090 |
| L2. Industrial Personal | 494,740 | N/A | 494,740 | 494,740 |
| M. Other Personal | 1,922,420 | N/A | 1,922,420 | 1,922,420 |

| | | | | |
|---------------------------|-------------|-----|-------------|-------------------|
| 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 | 107,613,660 | | 109,002,731 | 107,613,660 |
| Less Total Deductions | 7,246,692 | | 7,339,940 | 7,246,692 |
| Total Taxable Value | 100,366,968 | | 101,662,791 | 100,366,968 T2 |

| Category D Detail | Local Tax Roll | Ratio | PTAD Value |
|---|----------------|--------|------------|
| Market Value Non-Qualified Acres And Farm/Ranch Imp | 27,992,900 | 1.0051 | 27,849,942 |
| Prod Value Qualified Acres | 12,398,560 | .9566 | 12,961,599 |
| Taxable Value | 40,391,460 | | 40,811,541 |

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



Attachment G

Participation Agreement

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

by and between

MIDWAY INDEPENDENT SCHOOL DISTRICT

and

**HORN WIND, LLC AND ITS AFFILIATES SOUTH CLAY WIND FARM,
LLC AND SHANNON-1 WIND FARM, LLC**

(Texas Taxpayer ID # 32028268780; 32041118301; 32039528115)

TEXAS COMPTROLLER APPLICATION NUMBER 320

Dated

December 19, 2013

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

STATE OF TEXAS §

COUNTY OF CLAY §

THIS AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES, hereinafter referred to as this "Agreement," is executed and delivered by and between the **MIDWAY INDEPENDENT SCHOOL DISTRICT**, hereinafter referred to as the "District," a lawfully created independent school district within the State of Texas operating under and subject to the Texas Education Code, and **HORN WIND, LLC AND ITS AFFILIATES SOUTH CLAY WIND FARM, LLC AND SHANNON-1 WIND FARM, LLC**, Texas limited liability companies (Texas Taxpayer Identification Number 32028268780; 32041118301; 32039528115), hereinafter referred to as the "Applicant." The Applicant and the District are each hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties." Certain capitalized and other terms used in this Agreement shall have the meanings ascribed to them in Section 1.3.

RECITALS

WHEREAS, on July 23, 2013, the Superintendent of Schools of the Midway Independent School District (the "Superintendent"), acting as agent of the Board of Trustees of the District (the "Board of Trustees"), received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, on July 23, 2013, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from Horn Wind, LLC and its Affiliates South Clay Wind Farm, LLC and Shannon-1 Wind Farm, LLC; and,

WHEREAS, on July 26, 2013, the Superintendent acknowledged receipt of the Application and the requisite application fee, pursuant to Texas Tax Code §313.025(a)(1) and Local District Policy CCG (Local), and determined the Application to be complete; and,

WHEREAS, the Application was delivered to the office of the Texas Comptroller of Public Accounts (hereinafter referred to as "Comptroller") for review pursuant to Texas Tax Code § 313.025(d); and,

WHEREAS, the Comptroller established August 26, 2013 as the completed Application date; and,

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

WHEREAS, the Comptroller, pursuant to Texas Tax Code § 313.025(d), reviewed the Application, and on October 7, 2013, via letter, recommended that the Application be approved; and,

WHEREAS, the Comptroller conducted an economic impact evaluation pursuant to Chapter 313 of the Texas Tax Code, which was presented to the Board of Trustees at the December 19, 2013 public hearing held in connection with the Board of Trustees' consideration of the Application; and,

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

WHEREAS, on December 19, 2013, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

WHEREAS, on December 19, 2013, the Board of Trustees made factual findings pursuant to Texas Tax Code § 313.025(f), including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the Limitation on Appraised Value of the Applicant's Qualified Property; (iv) each criterion referenced in Texas Tax Code §313.025(e) has been met; and,

WHEREAS, on December 19, 2013, pursuant to the provisions of Texas Tax Code §313.025(f-1), the Board of Trustees waived the job creation requirement set forth in Texas Tax Code §313.051(b), based upon its factual Finding, made on December 19, 2013, that the if the number of jobs required by law (*i.e.* 10 jobs) was applied to this project, given its size and scope as described in the Application and in **Exhibit 3**, the number of jobs will exceed the industry standard for the number of employees reasonably necessary for the operation of the facility; and,

WHEREAS, the Midway Independent School District qualifies as a rural school district under the provisions of Texas Tax Code § 313.051(a)(2); and,

WHEREAS, on December 19, 2013, the Board of Trustees determined that the Tax Limitation Amount requested by the Applicant, and as defined in Sections 1.2 and 1.3, below, is consistent with the minimum values set out by Texas Tax Code, §313.052, as such Tax Limitation Amount was computed as of the date of this Agreement; and,

Agreement for Limitation on Appraised Value

Between Midway Independent School District and Horn Wind, LLC and its Affiliates South Clay Wind Farm, LLC and Shannon-1 Wind Farm, LLC

TEXAS COMPTROLLER APPLICATION NUMBER 320

December 19, 2013

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WHEREAS, the District received written notification, pursuant to 34 Texas Administrative Code § 9.1055(e)(2)(A), that the Comptroller reviewed this Agreement, and reaffirmed the recommendation previously made on October 7, 2013 that the Application be approved; and,

WHEREAS, on December 19, 2013, the Board of Trustees approved the form of this Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the President and Secretary of the Board of Trustees to execute and deliver such Agreement to the Applicant;

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

ARTICLE I

AUTHORITY, TERM, DEFINITIONS, AND GENERAL PROVISIONS

Section 1.1. AUTHORITY

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

Section 1.2. TERM OF THE AGREEMENT

This Agreement shall commence and first become effective on the Commencement Date, as defined in Section 1.3, below. In the event that the Applicant makes a Qualified Investment in the amount defined in Section 2.6 below, between the Commencement Date and the end of the Qualifying Time Period, the Applicant will be entitled to the Tax Limitation Amount defined in Section 1.3 below, for the following Tax Years: 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023. The limitation on the local ad valorem property values for Maintenance and Operations purposes shall commence with the property valuations made as of January 1, 2016, the appraisal date for the third full Tax Year following the Commencement Date.

The period beginning with the Commencement Date of December 19, 2013 and ending on December 31, 2015 will be referred to herein as the "Qualifying Time Period," as that term is defined in Texas Tax Code § 313.021(4). The Applicant shall not be entitled to a tax limitation during the Qualifying Time Period.

Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2023. Except as otherwise provided herein, this Agreement will terminate, in full, on the Final Termination Date. The termination of this Agreement shall not (i) release any obligations, liabilities, rights and remedies arising out of any breach of, or failure to comply with, this Agreement occurring prior to such termination, or (ii) affect the right of a Party to enforce the payment of any amount to which such Party was

Agreement for Limitation on Appraised Value

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entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination, so long as the right to such payment survives said termination.

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

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

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Between Midway Independent School District and Horn Wind, LLC and its Affiliates South Clay Wind Farm, LLC and Shannon-1 Wind Farm, LLC

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| Full Tax Year of Agreement | Date of Appraisal | School Year | Tax Year | Summary Description of Provisions |
|----------------------------|-------------------|-------------|----------|---|
| | | | | |
| 7 | January 1, 2020 | 2020-21 | 2020 | \$ 5 Million property value limitation. Possible tax credit due to Applicant. |
| 8 | January 1, 2021 | 2021-22 | 2021 | \$ 5 Million property value limitation. Possible tax credit due to Applicant. |
| 9 | January 1, 2022 | 2022-23 | 2022 | \$ 5 Million property value limitation. Possible tax credit due to Applicant. |
| 10 | January 1, 2023 | 2023-24 | 2023 | \$ 5 Million property value limitation. Possible tax credit due to Applicant. |
| 11 | January 1, 2024 | 2024-25 | 2024 | No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination. |
| 12 | January 1, 2025 | 2025-26 | 2025 | No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination. |
| 13 | January 1, 2026 | 2026-27 | 2026 | No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination. |

Section 1.3. DEFINITIONS

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

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

“Affiliate” means any entity that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Applicant. For purposes of this definition, control of an entity means (i) the ownership, directly or indirectly, of fifty percent (50%) or more of the voting rights in a company or other legal entity or (ii) the right to direct the management or operation of such entity whether by ownership (directly or indirectly) of securities, by contract or otherwise. For purposes of this Agreement, the parties specifically acknowledge that South Clay Wind Farm, LLC, (Texas Taxpayer ID #32041118301); and Shannon-1 Wind Farm, LLC, (Texas Taxpayer ID #32039528115) are Affiliates of Horn Wind, LLC (Texas Taxpayer ID #32028268780).

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

“Aggregate Limit” means, for any Tax Year of this Agreement, the cumulative total of the Annual Limit amount for such Tax Year and all previous years of the Agreement.

“Agreement” means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented from time to time in accordance with Section 6.3.

“Annual Limit” means the maximum annual benefit which can be paid directly to the District as a Supplemental Payment under the provisions of 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 tax year 2013, which, by virtue of the Commencement Date is the first year of the Qualifying Time Period under this Agreement.

“Applicant” means Horn Wind, LLC and its Affiliates South Clay Wind Farm, LLC and Shannon-1 Wind Farm, LLC, (Texas Taxpayer ID #32028268780; 32041118301; 32039528115), the company listed in the Preamble of this Agreement who, on July 23, 2013, filed with the District the Original Application for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The term “Applicant” shall also include the Applicant’s assigns and successors-in-interest, and their direct and indirect subsidiaries.

“Applicable School Finance Law” means Chapters 41 and 42 of the Texas Education Code; the Texas Economic Development Act (Chapter 313 of the Texas Tax Code); the provisions of Chapter 403; Subchapter M, of the Texas Government Code applicable to the District; the Constitution and general laws of the State applicable to the independent school

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districts of the State; applicable rules and regulations of the agencies of the State having jurisdiction over any matters relating to the public school systems and school districts of the State; and judicial decisions construing or interpreting any or all of the above. The term also includes any amendments or successor statutes that may be adopted in the future which impact or alter the calculation of the Applicant's ad valorem tax obligation to the District, either with or without the limitation of property values made pursuant to this Agreement.

"Application" means the Original Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) filed with the District by the Applicant on July 23, 2013, which has been certified by the Comptroller to collectively constitute a complete final Application as of the date of August 26, 2013. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by the Applicant to the District or the Comptroller for the purpose of obtaining an Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

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

"Appraisal District" means the Clay County Appraisal District.

"Board of Trustees" means the Board of Trustees of the Midway Independent School District.

"Commencement Date" means December 19, 2013, the date upon which this Agreement was approved by the District's Board of Trustees.

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

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

"County" means Clay County, Texas.

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

"District" or "School District" means the Midway Independent School District, being a duly authorized and operating independent school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter C of the Act applies. The term also includes any successor independent school district or other successor

governmental authority having the power to levy and collect ad valorem taxes for school purposes on the Applicant's Qualified Property or the Applicant's Qualified Investment.

"Final Termination Date" means December 31, 2026. However, any payment obligations of any Party arising under this Agreement prior to the Final Termination Date will survive until paid by the Party owing same.

"Force Majeure" means a failure caused by (a) provisions of law, or the operation or effect of rules, regulations or orders promulgated by any governmental authority having jurisdiction over the Applicant, the Applicant's Qualified Property or the Applicant's Qualified Investment or any upstream, intermediate or downstream equipment or support facilities as are necessary to the operation of the Applicant's Qualified Property or the Applicant's Qualified Investment; (b) any demand or requisition, arrest, order, request, directive, restraint or requirement of any government or governmental agency whether federal, state, military, local or otherwise; (c) the action, judgment or decree of any court; (d) floods, storms, hurricanes, evacuation due to threats of hurricanes, lightning, earthquakes, washouts, high water, fires, acts of God or public enemies, wars (declared or undeclared), blockades, epidemics, riots or civil disturbances, insurrections, strikes, labor disputes (it being understood that nothing contained in this Agreement shall require the Applicant to settle any such strike or labor dispute), explosions, breakdown or failure of plant, machinery, equipment, lines of pipe or electric power lines (or unplanned or forced outages or shutdowns of the foregoing for inspections, repairs or maintenance), inability to obtain, renew or extend franchises, licenses or permits, loss, interruption, curtailment or failure to obtain electricity, gas, steam, water, wastewater disposal, waste disposal or other utilities or utility services, inability to obtain or failure of suppliers to deliver equipment, parts or material, or inability of the Applicant to ship or failure of carriers to transport electricity from the Applicant's facilities; or (e) any other cause (except financial), whether similar or dissimilar, over which the Applicant has no reasonable control and which forbids or prevents Applicant's performance of its obligations under this Agreement.

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

"Maintain Viable Presence" means, after the development and construction of the project described in the Application and in the description of the Applicant's Qualified Investment and Qualified Property as set forth in Section 2.3, below, (i) the operation over the term of this Agreement of the facility or facilities for which the tax limitation is granted, as the same may from time to time be expanded, upgraded, improved, modified, changed, remodeled, repaired, restored, reconstructed, reconfigured, and/or reengineered; (ii) the maintenance of at least the number of New Jobs required by Chapter 313 of the Texas Tax Code from the time they are created until the Final Termination Date; and (iii) the maintenance of at least the number of Qualifying Jobs set forth in the Application from the time they are created until the Final Termination Date.

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

Agreement for Limitation on Appraised Value

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

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

"Net Aggregate Limit" means, for any Tax Year of this Agreement, the cumulative total of the Annual Limit amount for such Tax Year and all previous years of the Agreement, less all amounts previously paid by the Applicant to or on behalf of the District under Article IV, below.

"Net Tax Benefit" means, (i) the amount of maintenance and operations *ad valorem* taxes which the Applicant would have paid to the District for all Tax Years if this Agreement had not been entered into by the Parties, (ii) adding to the amount determined under clause (i) all Tax Credits received by the Applicant under Chapter 313, Texas Tax Code, and (iii) subtracting from the sum of the amounts determined under clauses (i) and (ii) the sum of (A) all maintenance and operations ad valorem school taxes actually due to the District or any other governmental entity, including the State of Texas, for all Tax Years of this Agreement, plus (B) any payments due to the District under Article III under this Agreement.

"New Jobs" means the total number of jobs, defined by 34 Texas Administrative Code § 9.1051, which the Applicant will create in connection with the project which is the subject of its Application. In accordance with the requirements of Texas Tax Code § 313.024(d), Eighty Percent (80%), of all New Jobs created by the Applicant on the project shall also be Qualifying Jobs, as defined below.

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

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

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

"Qualifying Time Period" means the period that begins on the Commencement Date of December 19, 2013 and ends on December 31, 2015.

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

"State" means the State of Texas.

"Substantive Document" means a document or other information or data in electronic media determined by the Comptroller to substantially involve or include information or data significant to the Application, the evaluation or consideration of the Application, or this Agreement or implementation of this Agreement for Limitation of Appraised Value pursuant to Chapter 313 of the Texas Tax Code. The term includes, but is not limited to, the Application and any amendments or supplements, any economic impact evaluation made in connection with the Application, this Agreement between the Applicant and the District and any subsequent amendments or assignments, any school district written finding or report filed with the Comptroller as required by Comptroller's Rule, and any application requesting school tax credits under Texas Tax Code, § 313.103.

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

"Tax Limitation Amount" means the maximum amount which may be placed as the Appraised Value on Qualified Property/Qualified Investment for years three (3) through ten (10) of this Agreement pursuant to Texas Tax Code § 313.054. That is, for each of the eight (8) Tax Years 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed, and the Tax Limitation Amount shall be, the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Five Million Dollars (\$5,000,000.00).

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

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

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

"Texas Education Agency Rules" means the applicable rules and regulations adopted by the Texas Commissioner of Education in relation to the administration of Chapter 313 of the Texas Tax Code, which are set forth at Title 19 – Part 2, Texas Administrative Code, together with any court or administrative decisions interpreting same.

ARTICLE II

PROPERTY DESCRIPTION

Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE

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

Section 2.2. LOCATION OF QUALIFIED PROPERTY

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

Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT AND QUALIFIED PROPERTY

The Qualified Investment and/or Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 3**, which is attached hereto and incorporated herein by reference for all purposes ("Applicant's Qualified Investment").

Qualified Investment shall be that property, described in **EXHIBIT 3** which is placed in service under the terms of the Application, during the Qualifying Time Period described in both Section 1.2 above, and the definition of Qualifying Time Period set forth in Section 1.3, above.

Qualified Property shall be all property, described in **EXHIBIT 3**, including, but not limited to the Applicant's Qualified Investment, together with the land described in **EXHIBIT 2** which: 1) is owned by the Applicant; 2) was first placed in service after August 26, 2013, the completed Application date established by the Comptroller; and 3) is used in connection with the activities described in the Application. Property which is not specifically described in **EXHIBIT 3** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Investment or Qualified Property for purposes of this Agreement, unless pursuant to Texas Tax Code § 313.027(e) and Section 8.3 of this Agreement, the Board of Trustees, by official action, provides that such other property is a part of the Applicant's Qualified Investment for purposes of this Agreement.

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

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

Notwithstanding the foregoing, any replacement property that meets the definition of Qualified Property (including, but not limited to, any such replacement property installed as part of the project in connection with turnarounds, outages, planned, unplanned and emergency shutdowns, and scheduled and unscheduled maintenance, repairs, restorations, modifications or inspections) shall not be subject to the foregoing restrictions and shall be considered Qualified Property hereunder.

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

At the end of the Qualifying Time Period, or at any other time when there is a material change in the Qualified Property located on the land described in **EXHIBIT 2**, upon a reasonable request of the District, the Comptroller, or the Appraisal District, the 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

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locate all such described property within the boundaries of the real property which is subject to the Agreement.

Section 2.5. QUALIFYING USE

The Applicant's Qualified Investment described above in Section 2.3 qualifies for a tax limitation agreement under Texas Tax Code § 313.024(b)(1) as a renewable energy electric generation facility.

Section 2.6. LIMITATION ON APPRAISED VALUE

So long as the Applicant makes a Qualified Investment in the amount Five Million Dollars (\$5,000,000.00), or greater, during the Qualifying Time Period; and unless this Agreement has been terminated as provided herein before such Tax Year, for each of the eight (8) Tax Years 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- (a) The Market Value of the Applicant's Qualified Investment; or
- (b) Five Million Dollars (\$5,000,000.00).

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

ARTICLE III

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 3.1. INTENT OF THE PARTIES

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in accordance with the provisions of Texas Tax Code §313.027(f)(1), be compensated by the Applicant for: any loss that the District incurs in its Maintenance and Operations Revenue; or for any new uncompensated operating cost incurred as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to, all such other payments as are set forth in Article IV. Subject only to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the risk of any negative financial consequence to the District in making the decision to enter into this Agreement will be borne by the Applicant and not by the District, and paid by the Applicant to the District in addition to any and all payments due under Article IV.

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

Subject to the applicable provisions of Sections 5.1 and 5.2, the amount to be paid by the Applicant to compensate the District for loss of Maintenance and Operations Revenue resulting from, or on account of, this Agreement for each year during the term of this Agreement (the "M&O Amount") shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

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

Where:

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

In making the calculations required by this Section 3.2:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.
- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property and/or the Applicant's Qualified Investment will be presumed to be one hundred percent (100%)
- iii. If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue as calculated under this Section 3.2 results in a negative number, the negative number will be considered to be zero.
- iv. All calculations made for years three (3) through ten (10) of this Agreement under Section 3.2, Subsection *ii* of this Agreement will reflect the Tax Limitation Amount for such year.

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- v. All calculations made under this Section 3.2 shall be made by a methodology which isolates the full M & O revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements, on account of any other factors not contained in this Agreement.

Section 3.3. COMPENSATION FOR LOSS OF OTHER REVENUES

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

- (a) All non-reimbursed costs incurred by the District in paying or otherwise crediting to the account of the Applicant, any applicable tax credit to which the Applicant may be entitled pursuant to Chapter 313, Subchapter D of the Texas Tax Code, and for which the District does not receive reimbursement from the State pursuant to Texas Education Code § 42.2515, or other similar or successor statute.
- (b) All non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the project.
- (c) All non-reimbursed increases in District costs paid to the Appraisal District caused by increased appraised values arising solely from the project described in the Application.
- (d) Any other loss of District revenues which are, or may be reasonably attributable to the payment by the Applicant to or on behalf of any other third party beneficiary.

Section 3.4. CALCULATIONS TO BE MADE BY THIRD PARTY

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") jointly approved each year by the District and the Applicant. If the Parties cannot agree on the Third Party, then the Third Party shall be selected by the mediator provided in Section 7.9 of this Agreement.

Section 3.5. DATA USED FOR CALCULATIONS

The calculations under this Agreement shall be initially based upon the valuations which are placed upon all taxable property in the District, including Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Tax Code § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 3.4. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

Section 3.6. DELIVERY OF CALCULATIONS

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 3.4 of this Agreement shall forward to the Parties a certification containing the calculations required under Sections 3.2 and/or 3.3 and Article IV, or under Section 5.1 of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation and fee for a period of five (5) years after payment. The Applicant shall not be liable for any of Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement or the fee paid by the Applicant to the Third Party pursuant to Section 3.7, if such fee is timely paid.

Section 3.7. PAYMENT BY APPLICANT

The Applicant shall pay any amount determined to be due and owing to the District under this Agreement on or before the January 31 of the year next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Third Party for all calculations under this Agreement under Section 3.6, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or tax credit or other reimbursement applications filed with or sent to the State of Texas which are, or may be required under the terms or because of the execution of this Agreement. In no year shall

the Applicant be responsible for the payment of any total expenses under this Section and Section 3.6, above, in excess of Ten Thousand Dollars (\$10,000.00).

Section 3.8. RESOLUTION OF DISPUTES

Pursuant to Section 3.4 and Section 3.6, should the Applicant disagree with the certification containing the calculations, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days of following the later of (i) receipt of the certification or (ii) the date Applicant is granted access to the books, records and other information in accordance with Section 3.6 for purposes of auditing or reviewing the information in connection with the certification. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Thereafter, the Applicant may appeal the final determination of certification containing the calculations to the District's Board of Trustees. Any appeal by the Applicant of the final determination of the Third Party may be made, in writing, to the District's Board of Trustees within thirty (30) days of the final determination of certification containing the calculations, without limitation of Applicant's other rights and remedies available hereunder, at law or in equity.

Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT

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

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

Section 3.10. EFFECT OF STATUTORY CHANGES

Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 5.1, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District will receive less Maintenance and Operations Revenue, or, if applicable, will be required to increase its payment of funds to the State, or to other governmental entities

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including the Appraisal District, because of its participation in this Agreement, the Applicant shall make payments to the District, up to the revenue protection amount limit set forth in Section 5.1, that are necessary to offset any negative impact on the District as a result of its participation in this Agreement. Such calculation shall take into account any adjustments to the amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District.

ARTICLE IV

Section 4.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS

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

(a) **Amounts Exclusive of Indemnity Amounts**

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the Supplemental Payments set forth in this Article IV. The Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 of the Texas Tax Code, unless it is explicitly set forth in this Agreement. It is the express intent of the Parties that the obligation for Supplemental Payments under this Article IV are separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that all payments under Articles III and IV are subject to such limitations as are contained in Section 5.1, and that all payments under Article IV are subject to the separate limitations contained in Section 4.4.

(b) **Adherence to Statutory Limits on Supplemental Payments**

It is the express intent of the parties that any Supplemental Payments made to or on behalf of the District by the Applicant, under this Article IV, shall not exceed the limit imposed by the provisions of Texas Tax Code 313.027(i) unless that limit is increased by the Legislature at a future date, in which case all references to statutory limits in this Agreement will be automatically adjusted to reflect the new, higher limits, but only if, and to the extent that such increases are authorized by law.

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

In any year during the term of this Agreement, the District shall not be entitled to receive Supplemental Payments that exceed the lesser of:

- (a) the Applicant's Stipulated Supplemental Payment Amount, defined as Forty Percent (40%) of the Applicant's Net Tax Benefit, as the term is defined in Section 1.3, above; or,
- (b) the Net Aggregate Limit, as the term is defined in Section 1.3, above.

Section 4.3. ANNUAL CALCULATION OF STIPULATED SUPPLEMENTAL PAYMENT AMOUNT

The Parties agree that for each Tax Year of this Agreement, beginning with the third full year (Tax Year 2016), the Stipulated Supplemental Payment amount, described in Section 4.2 will annually be calculated based upon the then most current estimate of tax savings to the Applicant, which will be made, based upon assumptions of student counts, tax collections, and other applicable data, in accordance with the following formula:

Taxable Value of the Applicant's Qualified Property for such Tax Year had this Agreement not been entered into by the Parties (i.e., the Taxable Value of the Applicant's Qualified Property used for the District's interest and sinking fund tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

Minus,

The Taxable Value of the Applicant's Qualified Property for such Tax Year after giving effect to this Agreement (i.e., the Taxable Value of the Applicant's Qualified Property used for the District's maintenance and operations tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

Multiplied by,

The District's maintenance and operations tax rate for such Tax Year, or the school tax rate of any other governmental entity, including the State of Texas, for such Tax Year;

Plus,

Any Tax Credit received by the Applicant with respect to such Tax Year;

Minus,

Any amounts previously paid to the District under Article III for such Tax Year;

Multiplied by,

The number 0.4;

Minus,

Any amounts previously paid to the District under Sections 4.2 and 4.3 with respect to such Tax Year.

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

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

For each year of this Agreement, beginning with year three (Tax Year 2016) and continuing thereafter through year thirteen (Tax Year 2026), the District, or its Successor Beneficiary should one be designated under Section 4.6, below, shall not be entitled to receive Supplemental Payments, computed under Sections 4.2 and 4.3, above, that exceed the Net Aggregate Limit, defined in Section 1.3, above.

If, for any year of this Agreement, the payment of the Applicant's Stipulated Supplemental Payment amount, calculated under sections 4.2 and 4.3, above, exceeds the Net Aggregate Limit for that year, the difference between the Stipulated Supplemental Payment amount and the Net Aggregate Limit, shall be carried forward from year-to-year into subsequent years of this Agreement, and to the extent not limited by the Net Aggregate Limit in any subsequent year of this Agreement, shall be paid to the District. If there are changes in Chapter 313 Tax Laws, higher or lower payments accruing, which first became due prior to the effective date of any statutory change, will not be adjusted.

Any Stipulated Supplemental Payment amount, which cannot be made to the District prior to the end of year thirteen (Tax Year 2026), because such payment would exceed the Net Aggregate Limit, will be deemed to have been cancelled by operation of law.

Section 4.5. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS

- (a) All calculations required by this Article, including but not limited to: (i) the calculation of the Stipulated Supplemental Payment amount; (ii) the determination of both the Annual Limit, the Aggregate Limit, and the Net

Aggregate Limit; (iii) the effect, if any, of the Net Aggregate Limit upon the actual amount of Supplemental Payments eligible to be paid to the District by the Applicant; and, (iv) the carry forward and accumulation of any Stipulated Supplemental Payment amounts unpaid by the Applicant due to the Net Aggregate Limit in previous years, subject to Section 4.4, shall be calculated by the Third Party selected pursuant to Section 3.4.

- (b) The calculations made by the Third Party shall be made at the same time and on the same schedule as the calculations made pursuant to Section 3.6.
- (c) The payment of all amounts due under this Article shall be made at the time set forth in Section 3.7.

Section 4.6. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY

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

Any designation of a successor beneficiary under this Section shall not alter the Net Aggregate Limit or the Supplemental Payments described in Section 4.4, above.

Notwithstanding the foregoing, any payments made by Applicant shall be made in the manner and to the party designated in this Agreement unless Applicant receives unambiguous written notice from the District that such payments are to be made to a different party.

ARTICLE V

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 5.1. ANNUAL LIMITATION AFTER FIRST THREE YEARS

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year during the term of this Agreement beginning after the 2016 Tax Year and ending on the Final Termination Date, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Articles III and IV with

respect to such current Tax Year and all preceding Tax Years of this Agreement, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Section 3.4 and Section 3.6, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Articles III and IV shall be reduced until such excess is eliminated.

Section 5.2. OPTION TO CANCEL AGREEMENT

In the event that any payment otherwise due from the Applicant to the District under Article III and/or Section 4.2 with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 5.1 above, then the Applicant shall have the option to terminate this Agreement. The Applicant may exercise such option to cancel this Agreement by notifying the District of its election in writing not later than the June 30 of the year next following the Tax Year with respect to which a reduction under Section 5.1 is applicable. Any cancellation of this Agreement under the foregoing provisions of this Section 5.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred. Upon such termination this Agreement shall terminate and be of no further force or effect; provided, however, that the Parties respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged.

ARTICLE VI

TAX CREDITS

Section 6.1. APPLICANT'S ENTITLEMENT TO TAX CREDITS

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

Section 6.2. DISTRICT'S OBLIGATIONS WITH RESPECT TO TAX CREDITS

The District shall timely comply and shall cause the District's collector of taxes to timely comply with their obligations under Subchapter D of the Act and Comptroller Rules, including,

but not limited to, such obligations set forth in Section 313.104 of the Texas Tax Code, and either Comptroller and/or Texas Education Agency Rules.

Section 6.3. COMPENSATION FOR LOSS OF TAX CREDIT PROTECTION REVENUES

If, after the Applicant has actually received the benefit of a tax credit under Section 6.1, the District does not receive aid from the State pursuant to Texas Education Code § 42.2515 or other similar or successor statute with respect to all or any portion of such tax credit for reasons other than the District's failure to comply with the requirements for obtaining such aid, then the District shall notify the Applicant in writing thereof and the circumstances surrounding the State's failure to provide such aid to the District. The Applicant shall pay to the District the amount of such tax credit for which the District did not receive such aid within thirty (30) calendar days after receipt of such notice, and such payment shall be subject to the same provisions for late payment as are set forth in Section 7.4 and 7.5. If the District receives aid from the State for all or any portion of a tax credit with respect to which the Applicant has made a payment to the District under this Section 6.3, then the District shall pay to the Applicant the amount of such aid within thirty (30) calendar days after the District's receipt thereof.

ARTICLE VII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 7.1. DATA REQUESTS

During the term of this Agreement, and upon the written request of one Party or by the Comptroller (the "Requesting Party"), the other Party shall provide the Requesting Party with all information reasonably necessary for the Requesting Party to determine whether the other Party is in compliance with its obligations, including any employment obligations which may arise under this Agreement. The Applicant shall allow authorized employees of the District, the Comptroller, and/or the Appraisal District to have access to the Applicant's Qualified Property and/or business records, in accordance with Texas Tax Code § 22.07, during the term of this Agreement, in order to inspect the project to determine compliance with the terms hereof. All inspections will be made at a mutually agreeable time after the giving of not less than forty-eight (48) hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide the District, the Comptroller, or the Appraisal District with any technical or business information that is private personnel data, proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party.

Section 7.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES

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

Section 7.3. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE

By entering into this Agreement, the Applicant warrants that:

- (a) it will abide by all of the terms of the Agreement;
- (b) it will Maintain Viable Presence in the District through the Final Termination Date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure (as hereinafter defined), provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure; and,
- (c) it will meet minimum eligibility requirements under Texas Tax Code, Chapter 313 throughout the value limitation and tax-credit settle-up periods.

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

(a) In the event that the Applicant terminates this Agreement without the consent of the District, except as provided in Section 5.2, or in the event of a Material Breach per Section 7.6 that the Applicant or its successor-in-interest fails to cure, after the notice and cure period provided by Section 7.8, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, as calculated in accordance with Section 7.5, on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III, as of the date upon which such payments were made to the District. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV, as of the date upon which such payments were made to the District.

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(b) Notwithstanding Section 7.4(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence, subject to Section 7.8, and provides written notice of termination of the Agreement, then the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of such termination notice. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem taxes for all of the Tax Years for which a Tax Limitation was granted pursuant to this Agreement prior to the year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 7.5. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III, as of the date upon which such payments were made to the District. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV, as of the date upon which such payments were made to the District. Upon payment of such liquidated damages, the Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

Section 7.5. CALCULATION OF PENALTY AND INTEREST

In determining the amount of penalty or interest, or both, due in the event of a Material Breach (herebelow defined) of this Agreement, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 7.4 for each Tax Year during the term of this Agreement since the Commencement Date. The District shall calculate penalty or interest for each Tax Year during the term of this Agreement since the Commencement Date in accordance with the methodology set forth in Chapter 33 of the Texas Tax Code, as if the base amount calculated for such Tax Year less all credits under Section 7.4 had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute.

Section 7.6 MATERIAL BREACH OF AGREEMENT

The Applicant shall be in material breach of this Agreement if it commits one or more of the following acts or omissions (a "Material Breach"):

- (a) Applicant is determined to have failed to meet its obligations to have made accurate representations of fact in submission of its Application as is required by Section 8.13, below.
- (b) Applicant fails to Maintain Viable Presence in the District, as required by Section 7.3 of this Agreement, through the Final Termination Date of this Agreement.

- (c) Applicant fails to make any payment required under Articles III or IV of this Agreement on or before its due date.
- (d) Applicant fails to make any payment required by this Agreement, or by the State or its agencies where such payment is authorized or required by the Act or by rules adopted thereunder, subject to Section 3.8 as applicable.
- (e) Applicant fails to create and maintain at least the number of New Jobs set forth it committed to create and maintain on Schedule C, Column C of its Application.
- (f) Applicant fails to create and maintain at least the number of Qualifying Jobs set forth it committed to create and maintain on Schedule C, Column E of its Application.
- (g) Applicant fails to create and maintain at least Eighty Percent (80%) of all New Jobs created by the Applicant on the project as Qualifying Jobs.
- (h) Applicant makes any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Texas Tax Code, in excess of the amounts set forth in Articles III and IV, above. Voluntary donations made by the Applicant to the District after the date of execution of this Agreement, and not mandated by this Agreement or made in recognition of consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 are not barred by this provision.
- (i) Applicant fails to comply with any other material term of this Agreement, or the Applicant fails to meet its obligations under the applicable Comptroller's Rules, and under the Act, including but not limited to the filing of all required reports.

Section 7.7 LIMITED STATUTORY CURE OF MATERIAL BREACH

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

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Section 7.8. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT

Prior to making a determination that the Applicant has committed a Material Breach of this Agreement as defined in Section 7.6, above, the District shall provide the Applicant with a written notice of the facts which it believes have caused the Material Breach of this Agreement, and if cure is possible, the cure proposed by the District. After receipt of the notice, the Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that it is not in Material Breach of its obligations under the Agreement, or that it has cured or undertaken to cure any such Material Breach.

If the Board of Trustees is not satisfied with such response and/or that such Material Breach has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such Material Breach has occurred and, if so, whether such Material Breach has been cured. At any such hearing, the Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to whether or not a Material Breach of this Agreement has occurred, the date such Material Breach occurred, if any, and whether or not any such Material Breach has been cured. In the event that the Board of Trustees determines that such a Material Breach has occurred and has not been cured, it shall also terminate the Agreement and determine the amount of recaptured taxes under Section 7.4 (net of all credits under Section 7.4), and the amount of any penalty and/or interest under Section 7.5 that are owed to the District.

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

Section 7.9. DISPUTE RESOLUTION

After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, the Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after the Applicant's receipt of notice of the Board of Trustee's determination of Material Breach under Section 7.8, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then presiding in Clay County, Texas. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator's fees and expenses and the Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party

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

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such ninety (90) days, the District shall have the remedies for the collection of the amounts determined under Section 7.8 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney's fees and a lien and/or tax lien on the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Texas Tax Code § 33.07 to the attorneys representing the District pursuant to Texas Tax Code § 6.30. In the event that the Applicant is a prevailing party in any such legal proceedings under this section, the District shall be responsible for the payment of Applicant's reasonable attorney's fees.

In any event where a dispute between the District and the Applicant under this Agreement cannot be resolved by the Parties, after completing the procedures required above in this Section, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in any judicial proceeding, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any covenant, agreement or undertaking made by a Party pursuant to this Agreement.

Section 7.10. LIMITATION OF OTHER DAMAGES

Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, the District's damages for such a default shall under no circumstances exceed the greater of either any amounts calculated under Sections 7.4 and 7.5 above, or the monetary sum of the difference between the payments and credits due and owing to the Applicant at the time of such default and the District taxes that would have been lawfully payable to the District had this Agreement not been executed. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

The Parties further agree that the limitation of damages and remedies set forth in this Section 7.10 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 7.11. BINDING ON SUCCESSORS

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

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. INFORMATION AND NOTICES

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

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

Hollis Adams, Superintendent
MIDWAY INDEPENDENT SCHOOL DISTRICT
12142 State Hwy 148 S
Henrietta, Texas 76365-7210
Fax: (940) 476-2226
Email: hollis.adams@esc9.net

With a copy to:

Kevin O'Hanlon
O'Hanlon, McCollom & Demerath
808 West Avenue
Austin, Texas 78701

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

Notices to the Applicant shall be addressed to:

Jimmy Horn
Manager
SOUTH CLAY WIND FARM, LLC AND SHANNON-1 WIND FARM, LLC
219 Virgie Ln
Windthorst, Texas 76389
Fax:
Email: horn.wind@yahoo.com

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

Section 8.2. EFFECTIVE DATE, TERMINATION OF AGREEMENT

- (a) This Agreement shall be and become effective on the date of final approval of this Agreement by the District's Board of Trustees,
- (b) The obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the termination in full date established in Section 1.2 of this Agreement.
- (c) In the event that the Applicant fails to make a Qualified Investment in the amount of Five Million Dollars (\$5,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2015.

Section 8.3. AMENDMENTS TO AGREEMENT; WAIVERS

This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Waiver of any term, condition or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition or provision, or a waiver of any other term, condition or provision of this Agreement. By official action of the Board of Trustees, this Agreement may be amended to include, in the Applicant's Qualified Investment, additional or replacement Qualified Property not specified in **EXHIBIT 3**, provided that the Applicant reports to the District, the Comptroller, and the Appraisal District, in the same format, style, and presentation as the Application, all relevant investment, value, and employment information that is related to the additional property. Any amendment of the Agreement adding additional or replacement Qualified Property pursuant to this Section 8.3 shall, (1) require that all property added by amendment be eligible property as defined by Texas Tax Code, § 313.024; (2) clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and (3) define minimum eligibility requirements for the recipient of limited value. This Agreement may not be amended to extend the value limitation time period beyond its eight year statutory term.

Section 8.4. ASSIGNMENT

The Applicant may assign this Agreement, or a portion of this Agreement, to an Affiliate or a new owner or lessee of all or a portion of the Applicant's Qualified Property and/or the Applicant's Qualified Investment or collaterally assign the Agreement or any portion of the Agreement to any party or entity providing financing to the Applicant or its Affiliate, provided

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

Section 8.5. MERGER

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

Section 8.6. MAINTENANCE OF APPRAISAL DISTRICT RECORDS

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

Section 8.7. GOVERNING LAW

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

Section 8.8. AUTHORITY TO EXECUTE AGREEMENT

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

Section 8.9. SEVERABILITY

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and

conditions contained herein (and any other application such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 8.9, the term "Law" shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 8.10. PAYMENT OF EXPENSES

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

Section 8.11. INTERPRETATION

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

Section 8.12. EXECUTION OF COUNTERPARTS

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

Section 8.13. ACCURACY OF REPRESENTATIONS CONTAINED IN APPLICATION

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application. The Applicant warrants to the best of Applicant's knowledge that all information, facts, and representations contained therein

are true and correct. The parties further agree that the Application and all the attachments thereto are included by reference into this Agreement as if set forth herein in full.

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

Section 8.14. PUBLICATION OF DOCUMENTS

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

- a. Within seven days of such document, the school district shall submit a copy to the Comptroller for Publication on the Comptroller's Internet website.
- b. District shall provide on its website a link to the location of those documents posted on the Comptroller's website.
- c. This Section does not require the Publication of information that is confidential under Texas Tax Code § 313.028.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 19th day of December, 2013.

**HORN WIND, LLC AND ITS
AFFILIATES SOUTH CLAY WIND
FARM, LLC AND SOUTH SOUTH
CLAY WIND FARM, LLC AND
SHANNON-1 WIND FARM, LLC**

By: 
JIMMY HORN
Manager

**MIDWAY INDEPENDENT SCHOOL
DISTRICT**

By: 
MIKE MCCLENDON
President
Board of Trustees

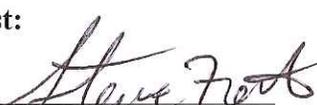
Attest:
By: 
JENNIFER SCOTT
Secretary
Board of Trustees

EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

The *Southwest Clay County Wind Power Reinvestment Zone* was originally created on August 20, 2010 by action of the Clay County Commissioner's Court. As a result of the action of the Clay County Commissioner's Court, all real property within Clay County, Texas is located within the boundaries of the *Southwest Clay County Wind Power Reinvestment Zone*. A map of the *Southwest Clay County Wind Power Reinvestment Zone* is attached as the next page of this **Exhibit 1**.

Reinvestment Zone Parcels

| | |
|----------------------------|--|
| Tex. Em. & Land Co. Survey | All of Abstracts 462 through 468 All of Abstracts 471 through 477 All of Abstracts 480 through 495 All of Abstracts 498 through 505 All of Abstracts 506 through 510 All of Abstracts 523 |
| McKinney & Williams Survey | All of Abstracts 359 |
| W Wells Survey | All of Abstracts 711 |
| B Cobb Survey | All of Abstracts 978 |
| W Forris Survey | All of Abstracts 148 |
| P Gilliland Survey | All of Abstracts 162 |
| B.B.B. & C.C.R. Company | Abstract 1002 |

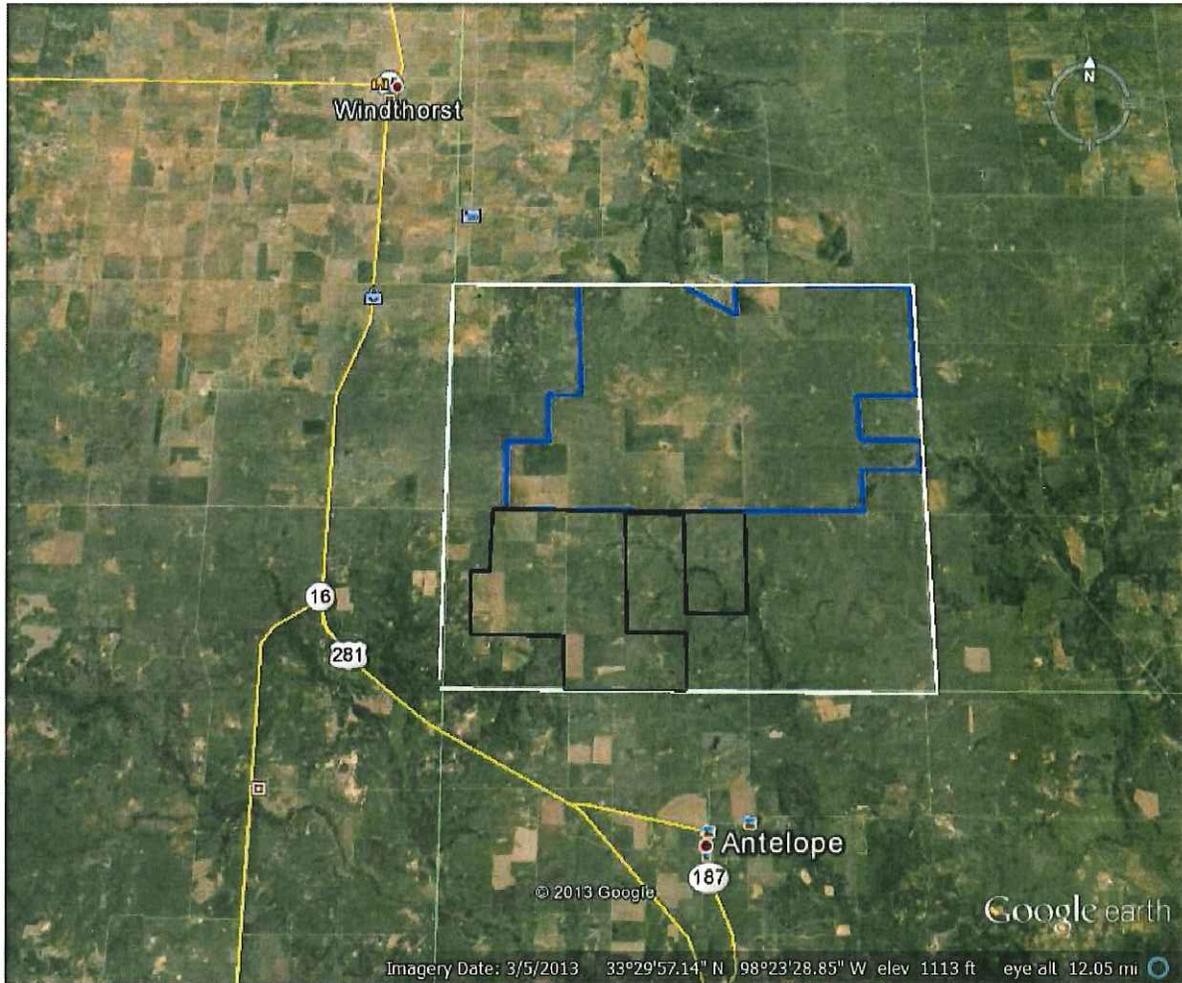
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Reinvestment Zone Map



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EXHIBIT 2

LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property owned by the Applicant and located within the boundaries of both the Midway Independent School District and the *Southwest Clay County Wind Power Reinvestment Zone* will be included in and subject to this Agreement. Specifically, all Qualified Property of the Applicant located in the following parcels of land is included, to wit:

Land Parcels

| | |
|----------------------------|--|
| Tex. Em. & Land Co. Survey | All of Abstracts 462 through 468 All of Abstracts 471 through 477 All of Abstracts 480 through 495 All of Abstracts 498 through 505 All of Abstracts 506 through 510 All of Abstracts 523 |
| McKinney & Williams Survey | All of Abstracts 359 |
| W Wells Survey | All of Abstracts 711 |
| B Cobb Survey | All of Abstracts 978 |
| W Forris Survey | All of Abstracts 148 |
| P Gilliland Survey | All of Abstracts 162 |
| B.B.B. & C.C.R. Company | Abstract 1002 |

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EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

The following will describe the property and the assets to be placed in service on said property of a project to install and operate an approximate 200 Megawatt industrial wind farm for an expected 20 year project life for the purpose of profitably generating electricity for sell. All assets will reside on said property for the duration of the project life.

For purposes of simplification, the below terms described in full, hereafter will fully carry the meaning denoted below but will be referred to in their shorted form.

'Wind Farm': The approximate 200 Megawatt-nameplate capacity industrial wind farm located in the Southwest Clay County Wind Power Reinvestment Zone, designation as South Clay--Shannon-1.

'Reinvestment Zone' the Southwest Clay County Wind Power Reinvestment Zone which was established by the Commissioners Court of Clay County on August 23, 2010. Zone establishment is in accordance with Tex. Tax Code 312.401.

'Land Property(s)': the designated land tracts leased from land owners by the Applicant and used in the South Clay--Shannon-1 Wind Farm project. This term will refer to the any existing improvements to the land prior to the lease and use in South Clay--Shannon-1 project will be included in this term 'land property'.

'Improvements' the additions of proposed and installed improvements to the land as well as any other personal property to be added and that will reside on the land for the soul use in the operation of the project. This term will include new roads, other infrastructure, transmission and distribution lines and the wind mills (towers and turbines).

South Clay--Shannon-1 Wind Farm project is an approximate 200 Megawatt-nameplate capacity industrial wind farm located in the Southwest Clay County Wind Power Reinvestment Zone. The Land Property(s) used for the Wind Farm are leased land comprised entirely of rural farm land.

This project, the Wind Farm, comprised of Land Property(s) and Improvements meets the requirements of Tax Code 313.021(2): Qualified Property as denoted below.

For this items classification, all turbines will be classified as business personal property. All other assets and structures including towers, roads, transmission equipment and lines will be classified as proposed improvements and specified as permanent fixtures.

Installation of the above items is scheduled as follows:

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Gravel roads to each tower installation location will be built and current roads will be upgraded in the 6 month period immediately prior to the beginning of turbine installation.

At the actual commercial operation date, all construction will be complete on the South Clay-Shannon-1 Project. All turbines will be installed by the end of the Qualifying Time Period, currently set for the end of 2015.

With all turbines installed, the project will be rated at approximately 200MW-nameplate and have a market value of about \$300 million. The project life is expected at 25 years. Turbines will constitute approximately \$250 million of the project value. All other improvements are estimated at \$50 million in value for a total value of \$300 million.