

TAX ABATEMENT AGREEMENT

STATE OF TEXAS §

COUNTY OF FALLS §

This Tax Abatement Agreement (hereinafter "Agreement") is entered into by and between Falls County, Texas (hereinafter "County") and Hecate Energy Roseland Solar LLC and its successors and assigns (hereinafter "Company") on the 25th day of November 2019("Effective Date").

WHEREAS, the County is authorized to enter into Tax Abatement Agreements pursuant to Chapter 312 of the *Texas Property Tax Code* (the "Tax Code"), and

WHEREAS, the County has adopted Tax abatement guidelines which provide criteria governing tax abatement agreements to be entered into by the County as contemplated by the Tax Code; and

WHEREAS, the County has adopted a resolution stating that it elects to be eligible to participate in tax abatement in accordance with the Tax Code; and

WHEREAS, the County Commissioners Court established The Roseland Solar Reinvestment Zone ("Reinvestment Zone") in accordance with Section 312.401 of the Tax Code on 14th day of October 2019 (the "**Reinvestment Zone**"); and

WHEREAS, the Company has a leasehold interest in real property located within the Reinvestment Zone (the "**Real Estate Rights**"); and

WHEREAS, the Company intends to operate and maintain a solar electric power generating facility in Texas with solar panels located in Falls County; it is contemplated that the Project will cost more than \$300 million; and

WHEREAS, the Company would not exercise or utilize the Real Estate Rights or construct the Improvements (as defined in Section 3(i) of this Agreement) without receipt of an ad valorem tax abatement from the County; and

WHEREAS, Company contemplates that from time to time during the Term, certain financial or other interests in all or a portion of the Project may be transferred to entities, lenders and or investors in the Project for financing purposes (each an "Investor Group"); and

WHEREAS, the County Commissioners Court finds that the improvements and additions proposed by the Company will benefit the economy of the County and the State of Texas and increase the local tax base; and

WHEREAS, a copy of this Agreement has been furnished, in the manner prescribed by the Tax Code, to the presiding officers of the governing bodies of each of the taxing units in which the Real Estate Rights are located; and

WHEREAS, the Commissioners Court finds that the Company's project is feasible and practicable and would be of benefit to the Reinvestment Zone, and the taxing units with jurisdiction over the real property leased by the Company for the Project.

NOW, THEREFORE, in consideration of the recitals set forth above and the mutual obligations and promises set forth below, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the County and Company agree as follows:

SECTION 1. Recitations. The parties agree that the recitations above in this agreement are true and correct and shall be incorporated into this Agreement.

SECTION 2. Authorization. This Agreement is authorized and governed by the Property Redevelopment and Tax Abatement Act, Chapter 312, TEXAS TAX CODE, as amended, and the Falls County Tax Abatement Guidelines and Criteria as previously adopted by the Commissioners Court of Falls County (the "**Guidelines and Criteria**"). The Commissioners Court of Falls County has determined that the terms of this Agreement and the property subject to this Agreement meet the Guidelines and Criteria adopted by the County.

SECTION 3. Term. This Agreement shall remain in force and effect for a period of ten (10) years from the Start Date, and shall expire and be of no further force and effect after said date.

SECTION 4. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

a. "**Completion Date**" means the date that the construction and installation of the Project is substantially complete and the Company has provided the Certificate to the County.

b. "**Certificate**" means a letter, provided by the Company to the County Judge of Falls County, certifying that it has completed construction of the Project and outlining the Improvements included in the Project, and stipulating the overall nameplate capacity of the Project. At any time before or after receipt of the Certificate, the County may inspect the Property within the Reinvestment Zone in accordance with this Agreement to determine the status of the Improvements.

c. "**Certified Appraised Value**" means the appraised value, for property tax purposes, of the Property within the Reinvestment Zone as certified by the Falls County Appraisal District for each taxable year.

d. "**County Authorities**" shall mean Falls County acting by and through its duly elected and appointed representatives.

e. "**Commissioners Court**" shall mean the governing body of Falls County, Texas.

f. "**Force Majeure**" means any contingency or cause beyond the reasonable control of a party including, without limitation, acts of God or the public enemy, war, riot, insurrection, government or de facto governmental action (unless caused by acts or omissions of such party), strikes, fires, explosions, adverse weather or floods.

g. **“Project”** means development and construction/installation of facilities equipment, fixtures and personal property additions on the Property to create a renewable energy project using photovoltaic panels for the generation of electricity as further detailed in Exhibit “B.”

h. **“Property”** means the tract of land described in Exhibit “A” attached hereto and incorporated herein for all purposes, and all improvements and tangible personal property located thereon, which comprise the Reinvestment Zone.

i. **“Reinvestment Zone”** means Roseland Solar Reinvestment Zone created by the Order of the Falls County Commissioners court dated October 14, 2019.

j. **“Improvements”** shall mean the buildings and structures (or additions, upgrades, or portions thereof), parking, paving and other improvements, including fixed machinery, equipment and process units which may consist of one or more electrical substations, underground and overhead electrical distribution and transmission facilities, solar photovoltaic panels and mounting structures, transformers, appurtenant electric equipment, communication cable, data collection facilities, to be installed, added, upgraded, or used on the Property by or for the Company after the Effective Date of this Agreement; and all other real and tangible personal property permitted by Chapter 312 of the Texas Property Tax Code and the Falls County Guidelines and Criteria which relate to the Hecate Energy Roseland Solar LLC Project. The land located in the Reinvestment Zone is not eligible for the abatement nor are assets of the lessors of the land where the Improvements are located. Tangible personal property located on the Property at any time before the period covered by the Agreement is not eligible for Abatement. In addition to the property described in this definition, the kind, number and location of the proposed improvements on the Property is described on Exhibit “C” attached hereto.

k. **“Start Date”** shall mean the January 1 of the tax year immediately following the Completion Date; however, at Company’s option, the Start Date may commence on January 1st of the first Calendar Year following the Calendar Year in which installation of the Improvements at the Property commences. Company’s option shall only be effective if Company delivers a written option exercise notice to both the County Judge of Falls County and the Central Appraisal District of Falls County no later than ninety (90) days after the commencement of construction of the Project.

l. **“Term of Abatement”** or **“Abatement Period”**, unless terminated sooner as provided elsewhere herein, means the 10-year period from and after the Start Date during which tax abatement for County property taxes is granted.

SECTION 5. **Abatement.** The tax abatement provided in this Agreement is for Falls County and Falls County Farm to Market Lateral Road property taxes.

SECTION 6. **Company Obligations.**

As a condition to the granting and maintaining of the tax abatement as set forth in this Agreement, the Company shall, subject to events of Force Majeure and casualty where applicable:

a. Acquire a leasehold interest in real property located within the Reinvestment Zone;

b. Provide the Appraisal District with documentation and information reasonably requested for each Tax Year that will assist in determining the Taxable Value. This information shall be provided no later than April 15, subject to extension as allowed by law;

c. Comply with all certification and reporting requirements set forth in this Agreement;

d. Timely pay all unabated property taxes and rollback taxes; and

e. Satisfy the following requirements:

(i) Construction of the Improvements. The Company anticipates that it will commence construction of the Project on or before December 1, 2020 with a completion goal within twenty-four (24) months thereafter. Company reserves the right to postpone the construction commencement by up to twenty-four (24) months by providing prior written notice to the County. The Certified Appraised Value of the Improvements will depend upon annual appraisals by the Falls County Appraisal District. The Company agrees to construct Improvements on the Property within the Reinvestment Zone consisting of solar power electric generation facilities of a minimum of four hundred fifty (450) megawatts. The number of panels and inverters will vary depending on the types of inverters and the size of the solar power electric facility, but the overall nameplate capacity of the Improvements will not be less than for hundred fifty (450) megawatts.

(ii) Job Creation. The Company or Company's maintenance and operations contractor agrees to create at least one (1) permanent full time job at the Project and make reasonable efforts to employ persons who are residents of Falls County, Texas in such jobs; provided, however, that the Company or Company's contractor shall not be required to employ Falls County residents who are not (i) equally or more qualified than nonresident applicants; (ii) available for employment on terms and/or salaries comparable to those required by nonresident applicants or (iii) able to become qualified with 40 hours of training. In the event a Falls County resident could become qualified with a maximum of 40 hours of training, the Company or Company's contractor shall provide for such training. Each of the persons employed in such jobs shall perform a portion of their work in Falls County, Texas. Additionally, the Company or Company's contractor agrees to make reasonable efforts to employ construction persons who are residents of Falls County, Texas during the initial construction and preparation of the Project site, subject to the same qualifications as set forth for the above referenced permanent jobs.

(iii) Infrastructure Location. The Company agrees to construct its substation, operation and maintenance facilities, yards, and other similar facilities related to the Project within the territorial borders of Falls County, Texas.

(iv) Local Goods and Services. The Company shall use commercially reasonable efforts to maximize its use of Falls County labor and services and supplies purchased from Falls County businesses in the course of performing under this Agreement.

SECTION 7. Abatement.

a. Provided the Company constructs solar power electric generation facility in Falls County as described in Section 6(e)(i) above, there shall be granted and allowed hereunder to the

Company by the County Authorities a 100% property tax abatement on the Improvements constructed, expanded, or acquired hereunder on the Property for ten (10) tax years, commencing on the Start Date.

b. For each of the years one (1) through ten (10) during the Abatement Period, the Company agrees to make Payment in Lieu of Tax (PILOT) payments as shown in the schedule below payable on or before January 31 next following the tax levy for each year for which this Agreement is effective.

Abatement Year	Payment Per Megawatt (ac)
1	\$517/mw
2	\$517/mw
3	\$517/mw
4	\$517/mw
5	\$517/mw
6	\$517/mw
7	\$517/mw
8	\$517/mw
9	\$517/mw
10	\$517/mw

d. It is specifically understood and agreed that the abatement granted herein is nonexclusive and does not prevent the County Authorities from dealing with any other or subsequent owner or owners of the Project, or other projects; provided, however, the County Authorities agree that the abatement provided herein shall extend to the Company (whether the Company, its successors and assigns, or the Investor Group, as applicable) for the period of the above specified tax abatements.

e. The Company agrees that the Improvements, once constructed, shall remain in place and operational, to the extent commercially reasonable until at least twenty (20) years after the date the Certificate for such Improvements is provided by the Company; provided that nothing herein prevents the Company from replacing Improvements within the Reinvestment Zone prior to that date.

SECTION 8. Limitation on Use. Company agrees to limit its use of the Property to the proposed commercial uses and to limit its uses of the property to uses consistent with the general purpose of encouraging development of the designated Reinvestment Zone during the term of this Agreement.

SECTION 9. Administrative.

(a) Access to and Inspection of Property by County Employees. The Company shall allow the County Authorities, employees, and/or designated representatives of the County Authorities reasonable access to the Improvements for the purpose of inspecting any Improvements erected to ensure that such Improvements are completed and maintained in accordance with the terms of this Agreement and to ensure that all terms and conditions of this Agreement are being met. All such inspections shall be made only after giving the Company forty-eight (48) hours advance notice and shall be conducted in such a manner as to not unreasonably interfere with the construction and/or operation of the Improvements. All such inspections shall be made with one (1) or more representatives of the Company and in accordance with all applicable visitor policies and safety standards. Upon completion of construction, the designated representative of the County Authorities may annually evaluate each facility receiving abatement to ensure compliance with the Agreement, and Company shall cooperate in preparing a report to the Commissioners Court confirming compliance with this Agreement. County Authorities, employees, and/or designated representatives of the County Authorities, shall defend, indemnify, and hold harmless Company from any damages or liability to persons or property arising from County Authorities, employees, and/or designated representatives of the County Authorities, entry upon Company's Property, unless such injury is caused by the sole negligence of Company, to the extent permitted by law.

(b) On May 1st of each year that this Agreement is in effect, the Company shall certify to the County Authorities, and to the governing body of each taxing unit, that the Company is in compliance with each applicable term of this Agreement.

(c) The Chief Appraiser of the Falls County Appraisal District annually shall determine the Certified Appraised Value of the Property and the Improvements. The Chief Appraiser shall record the Certified Appraised Value in the appraisal records. The Certified Appraised Value listed in the appraisal records shall be used to compute the amount of abated taxes that are required to be recaptured and paid in the event this Agreement is terminated in a manner that results in recapture. During the term of this Agreement, each year, the Company shall furnish the Chief Appraiser with such information outlined in Chapter 22, TEXAS TAX CODE, as may be necessary for the administration of the abatement specified herein.

SECTION 10. Default and Remedies. The County Authorities may declare a default hereunder if the Company (1) in the absence of a Force Majeure, fails, refuses, or neglects to comply with any of the material terms, conditions, or representations of this Agreement and fails to cure during the cure period described herein; or (2) allows ad valorem taxes owed to the County Authorities or any other taxing jurisdiction in Falls County to become delinquent and fails either to cure during the cure period or to timely and properly follow the legal procedures for their protest or contest. The County shall notify the Company and any lender of the Company of any default in writing in the manner

prescribed herein. All contact information for purposes of a notice of default shall be provided to the County Judge, including any lender information. The County is not required to notify any third party to which the County Judge has not been actually notified in writing. The notice shall specify the basis for the declaration of default, and the Company shall have the periods of time specified in Section 10(c) to cure any default. Any lender of which the County has notice shall have the right to cure any defect, including any defect caused by an assignee or contractor of such lender, during the same cure periods provided for the Company under this Agreement. Any notice of default under this Agreement shall prominently state the following at the top of the notice:

NOTICE OF DEFAULT UNDER TAX ABATEMENT AGREEMENT

YOU ARE HEREBY NOTIFIED OF THE FOLLOWING DEFAULT UNDER YOUR TAX ABATEMENT AGREEMENT WITH THE COUNTY. FAILURE TO CURE THIS DEFAULT WITHIN THE TIME PERIODS PROVIDED BY THE AGREEMENT SHALL RESULT IN TERMINATION OF THE TAX ABATEMENT AGREEMENT AND, IF THE DEFAULT INVOLVES FAILURE TO MAKE IMPROVEMENTS UNDER THE AGREEMENT, RECAPTURE OF TAXES ABATED PURSUANT TO THAT AGREEMENT.

(a) Notwithstanding any other provision of this Agreement to the contrary, in the event a party is rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this Agreement (other than any obligation to make payment of any amount when due and payable hereunder), the obligation of such party, so far as it is affected by such Force Majeure, shall be suspended during the continuance of any condition or event of Force Majeure, but for no longer period, and such condition or event shall so far as possible be remedied with all reasonable dispatch. The party prevented or hindered from performing shall give prompt (but in no event later than twenty business days after the occurrence of such event) notice and reasonably full particulars of such event to the other party and shall take all reasonable actions within its power to remove the basis for nonperformance (including securing alternative supply sources) and after doing so shall resume performance as soon as possible.

(b) If the County Authorities declare a default of this Agreement, this Agreement shall terminate (after notice and opportunity to cure as provided for herein), and the County Authorities, in such event, shall be entitled to recapture any and all property taxes which have been abated as a result of this Agreement, less the aggregate of all amounts paid by the Company specifically in lieu of taxes under this Agreement prior to the date of such termination. The County Authorities shall notify the Company of any default in writing in the manner prescribed herein. The notice shall specify the basis for the declaration of default, and the Company shall have ninety (90) days from the date of such notice to cure any default; provided, however, where fulfillment of any obligation requires more than ninety (90) days, performance shall be commenced within ninety (90) days after the receipt of notice, and such performance shall be diligently continued until the default is cured; provided, however, that if such default is not cured within one hundred and fifty (150) days from the date of notice of default from the County Authorities, the failure to cure such default shall constitute a default hereunder. If the default cannot be cured, or if the Company fails to cure within the period herein specified, the Company shall be liable for and will pay to the County Authorities within ninety (90) days following the termination of this Agreement (1) the amount of

all property taxes abated under this Agreement (as required above), (2) interest on the abated amount at the rate provided for in the Texas Tax Code for delinquent taxes, and (3) penalties on the amount abated in the year of default at the rate provided for in the Texas Tax Code for delinquent taxes.

(c) Notwithstanding the preceding portions of this paragraph, if any default arises from a violation of law resulting from a change in law, or a change in the interpretation or enforcement of law, by a governmental entity, then such default shall not give rise to the termination of this Agreement so long as the defaulting party acts in accordance with a commercially reasonable plan of action to cure such default prepared by such defaulting party and delivered to the other party.

SECTION 11. Changes in Tax Laws. The tax abatement provided in this Agreement is conditioned upon and subject to any changes in the state tax laws during the term of this Agreement. A portion or all of the Improvements may be eligible for complete or partial exemption from ad valorem taxes as a result of existing law or future legislation. This Agreement is not to be construed as evidence that no such exemptions shall apply to the Improvements.

SECTION 12. Assignment of Agreement. This Agreement may not be assigned by the Company without the approval of the County Authorities by resolution or order of Commissioners Court, except that the Company may collaterally assign this Agreement to any of its affiliates or an Investor Group without the County Authorities' consent or otherwise assign its rights and responsibilities hereunder without the County Authorities' consent to any entity or entities or Investor Group which acquires all or any portion of the Company interest in the Improvements, the Property or the Project; provided, however, that the Company shall give written notice of any such assignment to the County Authorities, whereupon the County Authorities shall cause any property taxes applicable to the interest in the Improvements acquired by the entity or entities or Investor Group to be assessed separately to the entity or entities or Investor Group. Any assignment, including without limitation an assignment to another entity or Investor Group, shall require that all conditions and obligations in this Agreement applying to the interest acquired by the assignee shall be assumed by the assignee, and upon such assumption, the Company, (or any entity or Investor Group other than such assignee) shall have no further rights, duties or obligations under the Agreement to the extent such rights, duties or obligations apply to the interest acquired by the assignee. No assignment shall be approved if (a) the County Authorities have declared a default hereunder that has not been cured, or (b) the assignee is delinquent in the payment of ad valorem taxes owed to the County Authorities or any other taxing jurisdiction in Falls County. Approval by the County Authorities shall not be unreasonably withheld. The parties hereto agree that a transfer of stock or a portion of stock or other ownership interest in the Company to a third party shall not be considered an assignment under the terms of this Agreement.

SECTION 13. Notices. Notices required to be given by this Agreement shall be mailed, certified mail return receipt requested, to the following addresses:

FALLS COUNTY JUDGE
125 Bridge Street
Marlin, TX 76661

and

Hecate Energy Roseland Solar LLC
ATTN: Andrew Boggs, Director
621 West Randolph Street
Chicago, Illinois 60661

SECTION 14. Severability. If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall to any extent be declared or held to be invalid or unenforceable by any county, governmental authority or agency having jurisdiction over the subject matter of this Agreement, the remaining terms of this Agreement and the application of such terms or provision to any other person or circumstance shall not be affected by such declaration or holding and shall remain valid and enforceable as allowed by law, and the parties shall negotiate in good faith to modify this Agreement to reform the invalid or unenforceable provisions hereof. If a court ruling or change in law affects the Company's eligibility for abatement, the County shall recapture so much of the abated taxes as required, but no penalties or interest shall be assessed against Company unless required by law.

SECTION 15. Governing Law; Venue. This Agreement shall be construed and governed in accordance with the laws of the State of Texas without giving effect to its conflict of law rules. Venue for any action relating to the interpretation or performance of this Agreement or to enforce any right or obligation relating to this Agreement shall be in the state court of competent jurisdiction in Falls County, Texas.

SECTION 16. Road Maintenance. During construction of the Improvements, the Company shall use commercially reasonable efforts to minimize the disruption to County roads caused by the construction process and shall repair any damages caused to County roads by the construction process. After construction, the Company shall leave such County roads in a state of equal condition as they were prior to construction, excepting normal wear and tear.

SECTION 17. Amendment. Except as otherwise provided, this Agreement may be modified by the parties hereto upon mutual written consent to include other provisions which could have originally been included in this Agreement or to delete provisions that were not originally necessary to this Agreement pursuant to the procedures set forth in Chapter 312 of the Texas Tax Code.

SECTION 18. Entire Agreement. This Agreement and Exhibits attached hereto contain the entire and integrated tax abatement agreement between the parties and supersedes all other negotiations and agreements between the parties relating to the grant of tax abatement for the Improvements located on the Property, whether written or oral. If there is a conflict between any of the Exhibits to this Agreement or the Guidelines and Criteria and this Agreement, the provisions of this Agreement shall control over the provisions in the Exhibit or the Guidelines and Criteria.

SECTION 19. Guidelines and Criteria. This Agreement is entered into by the parties consistent with the Guidelines and Criteria. To the extent this Agreement modifies any requirement or procedure set forth in the Guidelines and Criteria, those Guidelines and Criteria are deemed amended for purposes of this Agreement only.

SECTION 20. Headings. The section headings contained in this Agreement are for purposes of reference and convenience only and shall not limit or otherwise affect in any way the meaning of this Agreement.


SECTION 21. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one original.


[The remainder of this page is intentionally left blank.]

EXECUTED this 25th day of November, 2019.

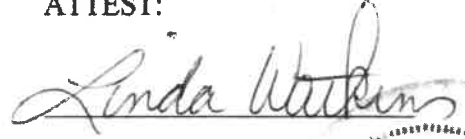
Hecate Energy Roseland Solar LLC

FALLS COUNTY

By: 
Name: Craig Overmyer
Vice President of Operations


Jay T. Elliott, Judge

ATTEST:



County Clerk

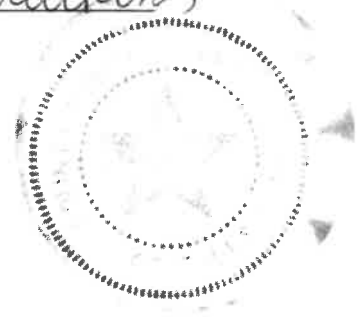


EXHIBIT A

Legal Description will be inserted here

EXHIBIT "B"

Hecate Energy Roseland Solar LLC is requesting Tax Abatement from Falls County for the Roseland Solar, LLC Project (the "Project"), a proposed solar powered electric generating facility in Falls County. The proposed Project would be constructed within a Reinvestment Zone that will be created by Falls County. A map showing the location of the project is included. The project is also known by the name Roseland Solar. The Project IGNR Number is 20INR0205 and was assigned on October 25, 2018.

The proposed Project is anticipated to have a total capacity of 500 MW, 60% of which will be located in Mart ISD with the remaining 40% located in Riesel ISD. Solar equipment selection is ongoing at this time and has not been finalized. The exact number of PV panels and their capacity will depend upon the panels and inverters selected, manufacturers availability and prices, ongoing engineering design optimization and the final megawatt generating capacity of the Project when completed. Current plans are to install approximately 1,668,973 PV panels and associated inverters within Falls County. The Applicant requests a Tax Abatement for all materials and equipment installed for the Project, including but not limited to underground collection systems, transmission lines, electrical interconnections, roads, control systems necessary for commercial generation of electricity, solar modules/panels, racking and mounting structures, inverters boxes, combiner boxes, meteorological equipment, roadways, maintenance and operations building, paving, fencing, electrical substations, generation transmission tie line and associated towers, and interconnection facilities.

Construction of the Project is anticipated to begin in February 2021 with completion by May 2022.

EXHIBIT "C"
Improvements

See Attached Map

Resolution

GUIDELINES AND CRITERIA FOR GRANTING TAX ABATEMENT IN REINVESTMENT ZONES CREATED IN THE JURISDICTION OF FALLS COUNTY, TEXAS.

WHEREAS, the creation and retention of job opportunities that bring new wealth is one of the highest civic priorities; and,

WHEREAS, new jobs and investments will benefit the area economy; provide needed opportunities, strengthen the real estate market, and generate tax revenue to support local services; and,

WHEREAS, Falls County must compete with other localities across the nation currently offering tax inducements to attract new and modernization projects; and,

WHEREAS, any tax incentives offered in Falls County would reduce needed tax revenue unless these tax incentives are strictly limited in application to those new and existing industries that bring new wealth to the community; and,

WHEREAS, the abatement of property taxes, when offered to attract primary jobs in industries that bring in money from outside a community instead of merely recirculation dollars within a community, has been shown to be an effective method of enhancing and diversifying an area's economy; and,

WHEREAS, Texas laws requires any eligible taxing jurisdiction to establish guidelines and criteria as to eligibility for tax abatement agreements prior to the granting of any future tax abatement, which guidelines and criteria are to remain unchanged for a two-year period unless amended by minimum votes, as provided by said state law; and,

WHEREAS, these guidelines and criteria shall not be constructed as implying or suggesting that the County of Falls, or any other taxing jurisdiction, is under any obligation to provide tax abatement or other incentives to any applicant, and all applicants shall be considered on a case-by-case basis; and,

WHEREAS, these guidelines and criteria are approved for circulation to all affected taxing jurisdiction for consideration as a common policy for all jurisdictions that choose to participate in tax abatement agreements;

NOW THEREFORE BE IT RESOLVED THAT, said guidelines and criteria are as follows:

Sec. 1. Definitions

(a) "Abatement" means the full or partial exemption from ad valorem taxes of certain real property, and certain personal property, in a reinvestment zone designated by the County of Falls for economic development purposes.

(b) "Affected jurisdiction" means the County of Falls, and any other taxing jurisdiction with any substantial parts of its area located in Falls County; and that levies ad valorem taxes and provides services to property located in said County; and that chooses to participate in tax abatement agreements by, or pursuant to, these guidelines.

(c) "Agreement" means a contractual agreement between a property owner or lessee, or both,

and an affected jurisdiction for the purposes of tax abatement.

- (d) "Base year value" means the assessed value of eligible property January 1 preceding the execution of the agreement, plus the agreed-upon value of eligible property improvements made after January 1 but before the execution of the agreement.
- (e) "Deferred maintenance" means improvements necessary for continued operations that do not improve productivity or alter the process technology.
- (f) "Distribution Center Facility" means permanent buildings and structures, including fixed machinery and equipment, used or to be used, primarily to receive, store, service, or distribute goods or materials owned by the facility operator.
- (g) "Expansion" means the addition of permanent building and structures, fixed machinery and equipment for purposes of increasing production capacity.
- (h) "Facility" means property improvements completed or in the process of construction that together comprise an integral whole.
- (i) "Manufacturing Facility" means permanent buildings and structures, including fixed machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.
- (j) "Modernization" means a complete or partial demolition of facilities and the complete or partial reconstruction or installation of a facility of similar or expanded production capacity. Modernization may result from the construction, alteration, or installation of permanent buildings and structures, alteration, or installation of permanent buildings and structures, fixed machinery and equipment. Modernization shall include improvements for the purposes of increasing productivity or updating the technology of machinery or equipment or both.
- (k) "New Facility" means a property previously undeveloped that is placed into service by means other than by, or in conjunction with, expansion or modernization.
- (l) "Other basic industry" means permanent buildings and structures, including fixed machinery and equipment not elsewhere described, used or to be used, for the production of products or services that primarily serve a market that result in the creation of new permanent jobs, and that bring in new wealth.
- (m) "Productive life" means the number of years a property improvement is expected to be in service in a facility.
- (n) "Regional entertainment facility" means permanent buildings and structures, including fixed machinery and equipment, used or to be used to provide entertainment through the admission of the general public.
- (o) "Research facility" means permanent buildings and structures, including fixed machinery and equipment, used or to be used primarily for the research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.

7/10/19

(p) "Regional service facility" means permanent buildings and structures, including fixed machinery and equipment, used or to be used, to service goods.

(q) "Renewable Energy Resource" means a resource which produces energy derived from renewable energy technologies, as defined in PUC Substantive Rule 25.5.

Sec. 2. Criteria for Abatement and Designation a Reinvestment Zone.

(a) Authorized facility. A facility may be eligible for abatement if it is a manufacturing facility, research facility, distribution center or regional service facility, regional entertainment facility, renewable energy resource, or other basic industry.

(b) Creation of new value. Abatement may be granted only for the additional value of eligible property improvements made subsequent to, and specified in, an abatement agreement between Falls County and the property owner or lessee, subject to such limitation as Falls County may require.

(c) New and existing facilities. Abatement may be for new facilities and improvements to existing facilities purposes of modernization or expansion.

(d) Eligible property. Abatement may be extended to the value of permanent buildings and structures, fixed machinery and equipment, and certain other personal property, site improvements, and office space and related fixed improvements necessary to the operation and administration of the facility.

(e) Ineligible property. The following types of property shall be fully taxable and ineligible for abatement: land; inventories; supplies; housing; hotel accommodations; deferred maintenance investments; property to be rented or leased, except as provided in Section 2 (f); improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion; any improvements, including those to produce, store or distribute natural gas, fluids or gases, that are not integral to the operation of the facility; property owned or used by the State of Texas or its political subdivision or by any organization owned, operated, or directed by a political subdivision of the State of Texas.

(f) Owned and Leased Facilities. If a leased facility is granted abatement, the agreement shall be executed with the lessor and the lessee.

(g) Value and term of abatement. A tax abatement agreement granted by Falls County shall be up to but not exceeding ten (10) years in duration and up to but not exceeding 100% of the ad valorem property taxes assessed.

(h) Economic qualification. In order to be eligible to receive tax abatement the planned improvement:

(1) must be expected to prevent the loss of employment, retain employment, or create employment on a permanent basis.

(2) must not be expected to solely or primarily have the effect of transferring employment from

7/10/19

one part of the County of Falls to another; and,

(i) Existing business. Recognizing the importance of cosmetic improvements to the community of those existing businesses that modernize or expand over and above normal repair and upkeep, they may be granted a two-year tax abatement of the amount of value the facility is increased. (If a business has a building appraised at \$50,000.00 and modernization or expansion changes the appraised value to \$100,000.00, \$50,000.00 of the new value could be abated for two years beginning January 1 after the year completed.)

(j) Taxability. From the execution of the abatement agreement to the end of the agreement period taxes shall be assessed as follows:

(1) the value of ineligible property as provided in Section 2 (e) shall be fully taxable; and,

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

(3) The additional value of new eligible property shall be taxable in the manner described in Section 2(g, h, &i).

Sec. 3. Application and Hearing

(a) Any present or potential owner of taxable property in the jurisdiction of the Taxing Entities of the County of Falls, Texas may request tax abatement by filing a written request with the Falls County Commissioners Court via the office of the County Judge Electronic or facsimile transmission of documents, while informative, do not meet the requirements of this Section.

(b) The application shall consist of a completed application form accompanied by: a general description of the proposed use and the general nature and extent of the modernization, expansion, or new improvements to be undertaken including their estimated cost; a descriptive list of the improvements that will be a part of the facility; a map and property description; and a time schedule for undertaking and completing the planned improvements and an estimate of the number of jobs created or preserved

In the case of modernization, a statement of the assessed value of the facility separately stated for real and personal property shall be given for the tax year immediately preceding the application.

The application form requires financial and other information that may be appropriate for evaluating the financial capacity of the applicant and any other factors.

(c) After receipt of an application, the Commissioners Court shall determine within forty-five(45) days how to proceed with the application. Within this time frame, the Commissioners Court shall choose to deny the application, consider the application, or consider the application on an expedited basis:

(d) Consideration of Application. If the County determines that the application should be further considered, then the County Judge shall schedule a hearing to obtain public input on the

application. In the manner prescribed in Chapter 312 of the Texas Tax Code, the County must send written notice to the presiding officers of all taxing units with jurisdiction over the property for which an abatement is sought and must publish notice of the hearing time, place and subject in the local newspaper. The Commissioners' Court shall pass an order creating the reinvestment zone for the project and may then arrange to consider for approval the tax abatement agreement between the applicant and the County at its next regularly scheduled meeting. In the manner prescribed in Chapter 312 of the Texas Tax Code, the County must give written notice of its intent to do so to the presiding officers of all taxing units with jurisdiction over the property for which an abatement is sought, along with a copy of the proposed tax abatement agreement. At the regularly scheduled meeting, the Commissioners' Court may finally vote by simple majority to enter into the tax abatement agreement as submitted or as modified by the Court or to decline. The approved tax abatement agreement may be executed in the same manner as other contracts made by the County.

(e) Expedited Consideration of Application. If the County determines that the application should receive expedited consideration, then the County Judge shall schedule an opportunity to obtain public input on the application at the Commissioners Court's next meeting. In the manner prescribed by Chapter 312 of the Texas Tax Code, the County must send written notice to the presiding officers of all taxing units with jurisdiction over the property for which an abatement is sought along with a copy of the proposed tax abatement agreement, and must publish notice of the hearing time, place and subject in the local newspaper. During the Commissioners' Court meeting, the Commissioners' Court shall evaluate the application against the criteria in Sections 2 and shall decide whether to designate the property for which the abatement is sought as a reinvestment zone. If the reinvestment zone is designated, the Commissioners' Court shall pass an order to that effect and may then immediately consider for approval the tax abatement agreement between the applicant and the County. After consideration, the Commissioners' Court may finally vote by simple majority to enter into the tax abatement agreement, vote to modify the agreement or decline to enter into the agreement. An approved tax abatement agreement may be executed in the same manner as other contracts made by the County.

(f) Confidentiality. As required by Section 312.003 of the Texas Tax Code, information that is provided to the County in connection with an application or a request for a tax abatement under this chapter that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property for which the abatement is sought is confidential and not subject to public disclosure until the tax abatement is executed.

(g) When the abatement is disapproved, an applicant may be granted a review, or rehearing, in which a new application and hearing may be required.

(h) Tax abatement may not be approved if the County finds that the application therefore was filed after the commencement of the construction, alteration, or installation of improvements related to a proposed modernization, expansion, or new facility.

(i) Request for variance from the provisions of Section 2 may be made in written form to the Commissioners' Court of Falls County. Such request shall include all the items listed in Section 3 (b) above, together with a complete description of the circumstances that prompt the applicant to request variance. The approval process for a variance shall be identical to that for a standard application and may be supplemented by such additional requirements as may be deemed necessary by the County.

Sec. 4. Standards for denying Approval of Abatement.

(a) If any affected jurisdiction is able to conclusively show cause in the public hearing why the granting of the abatement will have a substantial adverse effect on its bonds, tax revenue, service capacity, or the providing of services, Falls County shall deny the approval of abatement.

(b) An abatement agreement shall not be granted if it is determined that:

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

(2) the applicant has insufficient financial capacity;

(3) planned or potential use of the property would constitute a hazard to public safety, health, or morals; or,

(4) codes or laws would be violated.

Sec. 5. Effect of Approval of Application

Falls County Commissioners' Court acts only for the taxing entity of Falls County and for no other taxing entity within Falls County. The County's approval or disapproval of an application has no effect on any other taxing entity within the jurisdiction or their right to approve or disapprove an application. Only the governing bodies of the effected jurisdictions may grant tax abatements, and enter into tax abatement agreements with applicants.

Sec. 6. Tax Abatement Agreements

The Falls County Commissioners' Court after approval of an application shall enter into an agreement with the applicant. Such agreements shall be executed with the owner of the facility, and with the lessee when required. Such agreements shall include:

(1) the estimated value to be abated and the base year value;

(2) the percentage of value to be abated each year as provided in Sec. 2 (g, h, &i);

(3) the commencement date and the termination date of abatement;

(4) the proposed use of the facility, nature of construction, time schedule, map, property description, and improvements list as provided in application, Section 3 (b);

(5) contractual obligations in the event of default, violation of terms or conditions, delinquent taxes recapture, administration, and assignment as provided in Sections 2 (a), 2 (f), 2 (g, h, &i), 7, 8, and 9.

(6) size of investment and number of jobs involved along with qualifiers as applicable including distinguishing between full, part time and seasonal jobs and general skills and paygrades. Such agreement be executed within 30 days after the applicant has forwarded all necessary information and documentation to the County; and

(7) the agreement shall stipulate that employees, or designated representatives, or both, of

Falls County will have access to the reinvestment zone during the terms of the abatement to inspect the facility to determine if the terms and conditions of the agreement are being met. All inspections will be made only after the giving of 24 hours prior notice and will be conducted in such a manner that they will not unreasonably interfere with the construction or operation or both of the facility. All inspections will be made in the presence of one or more representatives of the company or individual and in accordance with the safety standards of the company or individual. The agreement shall further stipulate the form and frequency of the required reporting to demonstrate both initial and ongoing compliance.

Sec. 7 Recapture

(a) If the facility is completed and begins producing products or services, but subsequently discontinues producing products or services for any reason excepting casualty or accident or natural disaster, for a period of one year during the abatement period, then the agreement shall terminate and so shall the abatement of the taxes for the calendar year during which the facility no longer produces. The taxes otherwise abated for that calendar year shall be paid to the affected jurisdiction within 60 days from the date of termination.

(b) If the Falls County Commissioners' Court determines that the company or individual is in default according to the terms and conditions of its agreement, the Commissioners' Court shall notify the company or individual in writing at the address stated in the agreement, and if such default is not cured within 30 days from the date of such notice ("cure period") , then the agreement may be terminated.

(c) If the company or individual (1) allows its ad valorem taxes owed to the County of Falls, or any other taxing entity in Falls County, to become delinquent and fails to timely and properly follow the legal procedures for their protest or contest or both; or (2) violates any of the terms and conditions of the abatement agreement and fails to cure during the cure-period, or (3) has liens or judgments filed against it by the IRS or (4) defaults in the payments of obligations to it's creditors or is subject to a voluntary or involuntary transfer for the benefit of its creditors then the agreement may then be terminated by Falls County, and all taxes previously abated by virtue of the agreement will be recaptured and payable within 60 days of the termination.

Sec. 8. Administration

(a) The Chief Appraiser of the Falls County Appraisal District shall annually determine an assessment of the real and personal property comprising the reinvestment zone. Each year, any company or individual receiving abatement shall furnish the assessor with such information as may be necessary for the abatement. Once value has been established, the chief appraiser shall notify the affected jurisdictions that levy taxes of the amount of the assessment.

(b) Upon completion of construction, a designated representative of Falls County shall annually evaluate each facility receiving abatement to ensure compliance with the agreement and shall make a report to the Commissioners' Court regarding the findings of each evaluation.

Sec. 9. Assignment

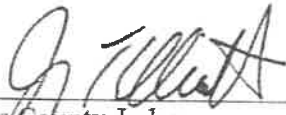
Abatement may be transferred and assigned by the holder to a new owner or lessee of the same facility upon the approval by resolution of Falls County Commissioners Court, subject to the financial capacity of the assignee and provided that all conditions and obligations in the

abatement agreement are guaranteed by the execution of a new contractual agreement between the new owner and Falls County. No assignment or transfer shall be approved if the parties to the existing agreement, the new owner, or the new lessee are liable to any taxing entity in Falls County for outstanding delinquent taxes or other obligations.

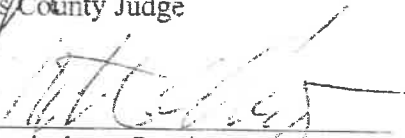
Sec. 10. Sunset Provision

The guidelines and criteria are effective upon the date of their adoption and will remain in force for two years unless amended by a three-quarters vote of the Falls County Commissioners' Court, at which time the tax abatement contracts created according to these provisions will be reviewed to determine whether or not the goals have been achieved. Based on that review, the guidelines and criteria may be further modified, renewed or eliminated.

Moved, Seconded, and Passed Unanimously, This the 10th day of July 2019.



Falls County Judge



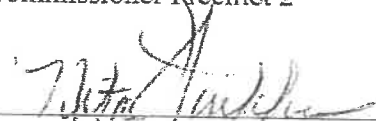
Commissioner Precinct 1



Commissioner Precinct 2

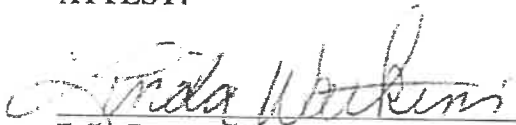


Commissioner Precinct 3



Commissioner Precinct 4

ATTEST:



Falls County Clerk



