

**DECLARATION OF DEFAULT
AND
NOTICE OF OPPORTUNITY TO CURE**

WHEREAS, on April 18, 2011, the Superintendent of Schools of the Gregory-Portland Independent School District, acting as agent of the Board of Trustees of the District (the "Board of Trustees"), received from the Applicant TPCO America an Application for Appraised Value Limitation on Qualified Property (the "Application"), and acknowledged receipt of the Application and the requisite application fee as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy CCG (Local) pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, on November 15, 2011, the Board of Trustees made factual findings pursuant to Tex. Tax Code § 313.025(f), including, but not limited to, findings that: (i) the information in the Application was true and correct; (ii) this Agreement was in the best interest of the District and the State of Texas; (iii) the Applicant was eligible for the Limitation on Appraised Value of the Applicant's Qualified Property; and, (iv) each criterion listed in Texas Tax Code § 313.025(e) had been met; and,

WHEREAS, on November 15, 2011, the Board of Trustees determined that the Tax Limitation Amount requested by Applicant was Twenty Million Dollars (\$20,000,000.00) and that such amount was consistent with the minimum values set out by Tax Code, §§ 313.022(b) and 313.052; and,

WHEREAS, on November 15, 2011, the Board of Trustees approved an Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes (the "Agreement"), and such Agreement was subsequently executed and delivered to the Applicant; and,

WHEREAS, in executing the November 15, 2011, TPCO America agreed to, *inter alia*, create and maintain at least the number of New Jobs set forth on Schedule C, Column C of its Application; create and maintain at least the number of New Jobs set forth on Schedule C, Column E of its Application; and, create and maintain at least Eighty Percent (80%) of all New Jobs, created by Applicant on the project, as Qualifying Jobs.

WHEREAS, TPCO America had previously advised the District that the timing of construction of the pipe mill project had been delayed from the original projections in the Application, and the delay in construction had also pushed back the timeline for hiring permanent employees at the site; and,

WHEREAS, TPCO America submitted Amended Application Schedules of employment and investment, including a new Schedule C for the project based upon more accurate forecasts of expenditures and taxable values, and such schedules were approved by the District on June 17, 2014; and,

WHEREAS, the amended Schedule C, approved on June 17, 2014, required TPCO America to have created fifty New Jobs, of which forty (80% of 50 New Jobs) were required to be Qualified Jobs, for Tax Year 2014; and,

WHEREAS, on May 14, 2015, TPCO America submitted a verified Chapter 313 Annual Eligibility Report (Tx. Comptroller Form # 50-772-A) to Gregory-Portland ISD which indicated that TPCO America had for Tax Year 2014 created 49 New Jobs (§ 5A, Item 1) of which 15 New Jobs were Qualifying Jobs (§ 5A, Items 7c and 8a); and,

WHEREAS, the verified Annual Report indicated that TPCO America has failed to meet its obligations under Subsections 7.6(d), 7.6(e), and/or 7.6(f) of the November 15, 2011 Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes; and,

WHEREAS, for Tax Year 2014, TPCO America's appraised values (prior to application of the Tax Limitation Agreement) on the two tax accounts it had in Gregory-Portland ISD were \$28,581,700.00 and \$7,404,270.00 respectively for a total amount of \$35,985,970.00, and in the absence of the Tax Limitation Agreement, TPCO America would have owed Gregory-Portland ISD \$421,035.85 in Maintenance & Operations taxes; and,

WHEREAS, under the terms of the November 15, 2011 Agreement, TPCO America's Maintenance and Operations Tax Year 2014 taxable value in Gregory-Portland ISD was limited to \$20,000,000.00, on which TPCO America paid Gregory-Portland ISD \$234,000.00 in Maintenance & Operations Taxes; and,

WHEREAS, for Tax Year 2014, TPCO America's Maintenance & Operations tax savings equaled \$187,035.85; and,

WHEREAS, on or about July 21, 2015, the Superintendent of Gregory-Portland ISD, via letter, gave TPCO America written notice of its possible breach of the Agreement pursuant to Section 7.8 thereof; and,

WHEREAS, on October 20, 2015 the Board of Trustees of the Gregory-Portland Independent School District held a hearing in order to consider the facts and arguments relevant to its required enforcement of the Agreement, at which time it heard from both its own administrative staff and from representatives of TPCO America.

NOW, THEREFORE THE BOARD OF TRUSTEES OF THE GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT FIND AND RESOLVE AS FOLLOWS:

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

SECTION 2. TPCO America has failed to meet its obligations under Subsections 7.6(d), 7.6(e), and/or 7.6(f) of the November 15, 2011 Agreement to create no fewer than 50 New Jobs of which at least 80% are Qualifying Jobs.

SECTION 3. For Tax Year 2014, TPCO America's Maintenance & Operations tax savings was the amount of \$187,035.85, which in the absence of the Tax Limitation Agreement would have been due and payable, in accordance with the provisions of Tex. Tax Code §31.02, on or before February 1, 2015.

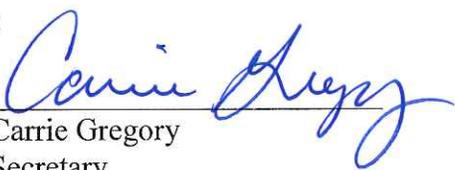
SECTION 4. TPCO America is entitled, pursuant to Section 7.8 of the Agreement, to ninety (90) days cure period prior to the Board final declaration of default.

SECTION 5. In accordance with the provisions of Section 7.8 of the Agreement, the Board of Trustees has determined that TPCO America is entitled to avail itself of the provisions of Section 7.7 of the Agreement in order to cure its non-compliance by making the liquidated damages payment to the Texas Comptroller's Office required by Tex. Tax Code § 313.0275(b), in accordance with the provisions of Tex. Tax Code § 313.0275(c).

PASSED, APPROVED AND ADOPTED this the 20 day of October, 2015.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

By: 
Randy Eulenfeld
President
Board of Trustees

Attest:
By: 
Carrie Gregory
Secretary
Board of Trustees