

FINDINGS OF THE PECOS-BARSTOW-
TOYAH
INDEPENDENT SCHOOL DISTRICT BOARD
OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED BY
SOUTHERN UNION GAS SERVICES, LTD



December 15, 2011

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OF THE
PECOS-BARSTOW-TOYAH INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES
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DECEMBER 15, 2011

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STATE OF TEXAS §

COUNTY OF REEVES §

On the 15th day of December, 2011, a public meeting of the Board of Trustees of the Pecos-Barstow-Toyah 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 the Southern Union Gas Services, LTD (Southern Union Gas) 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 Pecos-Barstow-Toyah Independent School District makes the following findings with respect to the application of Southern Union Gas, and the economic impact of that application:

On August 18, 2011, the Superintendent of Schools of the Pecos-Barstow-Toyah Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received an Application from Southern Union Gas 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, Southern Union Gas (Texas Taxpayer Id. 17524680836), 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**.

Board Findings of the Pecos-Barstow-Toyah Independent School District

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.

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 Reeves 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 8, 2011. 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 Pecos-Barstow-Toyah 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 Pecos-Barstow-Toyah 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 Southern Union Gas, 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**.

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.

In support of Finding 1, the economic impact evaluation states:

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

Board Finding Number 2.

The economic condition of Reeves County, Texas is in need of long-term improvement.

Based on information provided by the Comptroller's Office, Reeves County is the 159th largest in the state in terms of population. Population growth in Reeves County is positive and was the state's 144th fastest growing county from 2009 to 2010. The state population grew by 1.8 percent between 2009 and 2010, while the population of Reeves County increased by 0.5 percent over the same period.

September 2011 employment for Reeves County was up 1.4 percent from September 2010, above the state's 0.9 percent increase in total employment during the same period. The unemployment rate in Reeves County was 10.7 percent in September 2011, significantly

higher than the current state average of 8.5 percent. It is noteworthy that the Reeves County unemployment rate increased from 10.2 percent a year ago to the 10.7 percent level in September 2011.

Reeves County continues to have a substantially lower per capita personal income than the state as a whole. In terms of per capita income, Reeves County's \$26,779 in 2009 ranked 225th among the 254 counties in Texas, while the Texas average was \$38,609 for the same period.

The local economy in Reeves County is susceptible to adverse changes because of its relatively small population base. Reeves County will benefit from economic activity like that associated with the Southern Union Gas 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 \$45,531 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. Southern Union Gas indicates that total employment will be approximately ten (10) new jobs, all of which will be qualifying jobs.

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

After construction, the project will create ten new jobs when fully operational. All ten 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 Permian Basin Regional Planning Commission Region, where Reeves County is located was \$41,392 in 2010. The annual average manufacturing wage for 2010 for Reeves County is \$19,643. That same year, the county annual average wage for all industries was \$31,928. In addition to a salary of \$45,531, each qualifying position will receive benefits such as medical and dental insurance, life insurance, AD&D and long-term disability insurance, 401K savings plan, vacation and

holiday pay. Southern Union Gas Services, LTD also offers an enhancement to the Savings Plan to allow eligible employees to receive an additional, non-discretionary employer contribution referred to as a retirement power contribution.

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 \$13 million on the basis of the goal of ten (10) new qualifying positions for the entire Southern Union Gas project.

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

The project's total investment is \$130 million, resulting in a relative level of investment per qualifying job of \$13 million.

Board Finding Number 5.

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 Southern Union Gas' 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 Southern Union Gas

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	200	163	363	\$7,200,000	\$9,800,000	\$17,000,000
2013	210	194	404	\$7,655,310	\$14,344,690	\$22,000,000
2014	10	48	58	\$455,310	\$5,544,690	\$6,000,000
2015	10	45	55	\$455,310	\$5,544,690	\$6,000,000
2016	10	43	53	\$455,310	\$5,544,690	\$6,000,000
2017	10	46	56	\$455,310	\$5,544,690	\$6,000,000
2018	10	45	55	\$455,310	\$5,544,690	\$6,000,000
2019	10	48	58	\$455,310	\$5,544,690	\$6,000,000
2020	10	50	60	\$455,310	\$5,544,690	\$6,000,000
2021	10	50	60	\$455,310	\$5,544,690	\$6,000,000
2022	10	47	57	\$455,310	\$6,544,690	\$7,000,000
2023	10	53	63	\$455,310	\$6,544,690	\$7,000,000
2024	10	48	58	\$455,310	\$6,544,690	\$7,000,000
2025	10	50	60	\$455,310	\$7,544,690	\$8,000,000
2026	10	53	63	\$455,310	\$7,544,690	\$8,000,000

Source: CPA, REMI, Southern Union Gas

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Pecos-Barstow-Toyah ISD's ad valorem tax base in 2010 was \$982.2 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-11. During that same year, Pecos-Barstow-Toyah ISD's estimated wealth per WADA was \$337,335.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Reeves County, and Reeves County Hospital District, with all property tax incentives sought being granted using estimated market value from Southern Union Gas' application. Southern Union Gas has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and hospital district. Table 3 illustrates the estimated tax impact of the Southern Union Gas project on the region if all taxes are assessed.

Board Findings of the Pecos-Barstow-Toyah 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	Pecos-Barstow-Toyah I&S Levy	Pecos-Barstow-Toyah M&O Levy	Pecos-Barstow-Toyah I&S M&O and I&S Tax Levies (Before Credit Credited)	Pecos-Barstow-Toyah I&S M&O and I&S Tax Levies (After Credit Credited)	Reeves County Tax Levy	Reeves County Hospital District Tax Levy	Estimated Total Property Taxes
			0.2270	1.0400				0.3962	0.5845	
2012	\$28,400	\$28,400		\$64	\$295	\$360	\$360	\$113	\$166	\$638
2013	\$104,028,400	\$104,028,400		\$236,144	\$1,081,895	\$1,318,040	\$1,318,040	\$206,070	\$304,018	\$1,828,127
2014	\$126,908,400	\$10,000,000		\$288,082	\$104,000	\$392,082	\$392,082	\$251,393	\$370,883	\$1,014,358
2015	\$123,102,000	\$10,000,000		\$279,442	\$104,000	\$383,442	\$243,742	\$243,853	\$359,759	\$847,354
2016	\$119,409,792	\$10,000,000		\$271,060	\$104,000	\$375,060	\$235,361	\$236,539	\$348,969	\$820,869
2017	\$115,828,350	\$10,000,000		\$262,930	\$104,000	\$366,930	\$227,231	\$229,444	\$338,503	\$795,178
2018	\$112,354,352	\$10,000,000		\$255,044	\$104,000	\$359,044	\$219,345	\$222,563	\$328,350	\$770,258
2019	\$108,984,573	\$10,000,000		\$247,395	\$104,000	\$351,395	\$211,696	\$215,888	\$318,502	\$746,085
2020	\$105,715,888	\$10,000,000		\$239,975	\$104,000	\$343,975	\$204,276	\$209,413	\$308,949	\$722,638
2021	\$102,545,263	\$10,000,000		\$232,778	\$104,000	\$336,778	\$197,078	\$203,132	\$299,683	\$699,894
2022	\$99,469,757	\$99,469,757		\$225,796	\$1,034,485	\$1,260,282	\$1,260,282	\$197,040	\$290,695	\$1,748,017
2023	\$96,486,517	\$96,486,517		\$219,024	\$1,003,460	\$1,222,484	\$1,222,484	\$382,260	\$563,954	\$2,168,698
2024	\$93,592,773	\$93,592,773		\$212,456	\$973,365	\$1,185,820	\$1,185,820	\$370,796	\$547,040	\$2,103,657
2025	\$90,785,842	\$90,785,842		\$206,084	\$944,173	\$1,150,257	\$1,150,257	\$359,675	\$530,634	\$2,040,566
2026	\$88,063,119	\$88,063,119		\$199,903	\$915,856	\$1,115,760	\$1,115,760	\$348,888	\$514,720	\$1,979,368
						Total	\$9,183,813	\$3,677,066	\$5,424,827	\$18,285,706

Assumes School Value Limitation and Tax Abatements from Reeves County and Reeves County Hospital District.

Source: CPA, Southern Union Gas

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	Pecos-Barstow-Toyah I&S Levy	Pecos-Barstow-Toyah M&O Levy	Pecos-Barstow-Toyah I&S M&O and I&S Tax Levies	Reeves County Tax Levy	Reeves County Hospital District Tax Levy	Estimated Total Property Taxes	
			0.2270	1.0400			0.3962	0.5845		
2012	\$28,400	\$28,400		\$64	\$295	\$360	\$113	\$166	\$638	
2013	\$104,028,400	\$104,028,400		\$236,144	\$1,081,895	\$1,318,040	\$412,140	\$608,036	\$2,338,215	
2014	\$126,908,400	\$126,908,400		\$288,082	\$1,319,847	\$1,607,929	\$502,786	\$741,767	\$2,852,482	
2015	\$123,102,000	\$123,102,000		\$279,442	\$1,280,261	\$1,559,702	\$487,706	\$719,519	\$2,766,927	
2016	\$119,409,792	\$119,409,792		\$271,060	\$1,241,862	\$1,512,922	\$473,078	\$697,938	\$2,683,938	
2017	\$115,828,350	\$115,828,350		\$262,930	\$1,204,615	\$1,467,545	\$458,889	\$677,005	\$2,603,439	
2018	\$112,354,352	\$112,354,352		\$255,044	\$1,168,485	\$1,423,530	\$445,125	\$656,700	\$2,525,355	
2019	\$108,984,573	\$108,984,573		\$247,395	\$1,133,440	\$1,380,835	\$431,775	\$637,004	\$2,449,614	
2020	\$105,715,888	\$105,715,888		\$239,975	\$1,099,445	\$1,339,420	\$418,825	\$617,899	\$2,376,144	
2021	\$102,545,263	\$102,545,263		\$232,778	\$1,066,471	\$1,299,248	\$406,264	\$599,367	\$2,304,879	
2022	\$99,469,757	\$99,469,757		\$225,796	\$1,034,485	\$1,260,282	\$394,079	\$581,391	\$2,235,752	
2023	\$96,486,517	\$96,486,517		\$219,024	\$1,003,460	\$1,222,484	\$382,260	\$563,954	\$2,168,698	
2024	\$93,592,773	\$93,592,773		\$212,456	\$973,365	\$1,185,820	\$370,796	\$547,040	\$2,103,657	
2025	\$90,785,842	\$90,785,842		\$206,084	\$944,173	\$1,150,257	\$359,675	\$530,634	\$2,040,566	
2026	\$88,063,119	\$88,063,119		\$199,903	\$915,856	\$1,115,760	\$348,888	\$514,720	\$1,979,368	
						Total	\$18,844,134	\$5,892,399	\$8,693,140	\$33,429,673

Source: CPA, Southern Union Gas

¹Tax Rate per \$100 Valuation

Board Finding Number 6.

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 \$126.9 million to the tax base for debt service purposes at the peak investment level for the 2014-15 school year. The Southern Union Gas project remains fully taxable for debt services taxes, with Pecos-Barstow-Toyah ISD currently levying a \$0.227 per \$100 I&S rate. The value of the Southern Union Gas project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's tax base. Given that Pecos-Barstow-Toyah ISD's wealth per student exceeds the average provided for under the state facilities programs, the additional tax base should provide some relief to local taxpayers.

Board Finding Number 7.

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 Southern Union Gas 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 manufacturing project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Pecos-Barstow-Toyah ISD as stated in **Attachment D**.

Board Finding Number 8.

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 Southern Union Gas' application, "Southern Union Gas Services, LTD is a leading natural gas gathering and processing company, whose primary activities include

Board Findings of the Pecos-Barstow-Toyah Independent School District

gathering, treating, processing and transporting natural gas and natural gas liquids to a variety of markets, including power generating companies, utilities, energy marketers and industrial users within the Southwestern United States. The company operates approximately 4,600 miles of pipelines, with five cryogenic plants and six natural gas treating plants within Texas and New Mexico. The company is currently in negotiations with both the state of New Mexico and Eddy County as a perspective site for the gas processing facility, along with this location in Reeves County.”

Board Finding Number 9.

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

Board Finding Number 10.

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

Board Finding Number 11.

The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Ten 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 2010 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2010 industrial value for Pecos-Barstow-Toyah ISD is \$44.76 million. Pecos-Barstow-Toyah 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. Pecos-Barstow-Toyah ISD is classified as a “rural” district due to its population characteristics. Given that the

value of industrial property in Pecos-Barstow-Toyah ISD is more than \$1 million but less than \$90 million, it is classified as a Category III district which can offer a minimum value limitation of \$10 million.

Board Finding Number 12.

The Applicant (Taxpayer Id. 17524680836) 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 13.

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 14.

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 Pecos-Barstow-Toyah 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 Pecos-Barstow-Toyah Independent School District.

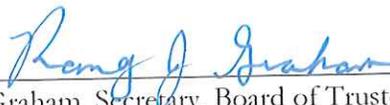
Board Findings of the Pecos-Barstow-Toyah Independent School District

Dated the 15th day of December 2011.

PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT

By: 
Bill Oglesby, President, Board of Trustees

ATTEST:

By: 
Randy Graham, Secretary, Board of Trustees



LYNN M. MOAK, PARTNER

DANIEL T. CASEY, PARTNER

November 22, 2011

President and Members
Board of Trustees
Pecos-Barstow-Toyah Independent School District
1302 South Park St.
Pecos, Texas 79772

Re: Recommendations and Findings of the firm Concerning Application of Southern Union Gas Services, LTD. for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President Oglesby 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 Pecos-Barstow-Toyah Independent School District, with respect to the pending Application of Southern Union Gas Services, LTD. 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 Southern Union Gas Services, LTD. for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

A handwritten signature in blue ink that reads "Daniel T. Casey".

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

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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

November 30, 2011

President and Members
Board of Trustees
Pecos-Barstow-Toyah Independent School District
P.O. Box 869
Pecos, Texas 79772

Re: Recommendations and Findings of the Firm Concerning Application of Southern Union Gas Services, LTD for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President Oglesby 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 Pecos-Barstow-Toyah Independent School District, with respect to the pending Application of Southern Union Gas Services, LTD 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. We have also negotiated an Agreement between the District and Southern Union Gas Services, LTD. 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.

Letter to Pecos-Barstow-Toyah ISD
November 30, 2011
Page 2 of 2

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 Southern Union Gas Services, LTD 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



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

Date application received by district

AUGUST 18, 2011

Authorized School District Representative

First Name

CLARKE

Last Name

BOYD

Title

SUPERINTENDENT

School District Name

PECOS-BARSTOW-TOYAH ISD

Street Address

1302 SOUTH PARK ST

Mailing Address

City

PECOS

State

TX

ZIP

79772

Phone Number

432-447-7201

Fax Number

432-447-2690

Mobile Number (optional)

E-mail Address

BOYDC@PBTISD.ESC18.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

City
AUSTIN

State
TX

ZIP
78701

Phone Number
512-494-9949

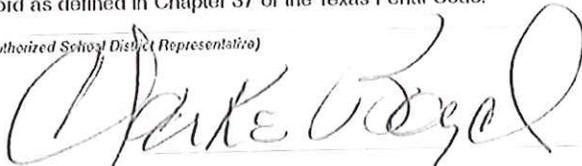
Fax Number
512-494-9919

Mobile Number (Optional)

E-mail Address
KOHANLON@808WEST.COM

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

8/18/11

Has the district determined this application complete? Yes No

If yes, date determined complete. 8/19/2011

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

Will submit

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 submit



APPLICANT INFORMATION - CERTIFICATION OF APPLICATION

Authorized Business Representative (Applicant)

First Name

STEPHEN

Last Name

MCGREGOR

Title

VICE PRESIDENT, TAXES

Organization

SOUTHERN UNION COMPANY

Street Address

5444 WESTHEIMER HOUSTON, TX 77056

Mailing Address

P.O. BOX 4967

City

HOUSTON

State

TX

ZIP

77210-4967

Phone Number

713-989-7134

Fax Number

713-989-1152

Mobile Number (optional)

Business e-mail Address

STEPHEN.MCGREGOR@SUG.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

KERRY

Last Name

ALBRIGHT

Title

PROPERTY TAX SUPERVISOR

Organization

SOUTHERN UNION COMPANY

Street Address

5444 WESTHEIMER HOUSTON, TX 77056

Mailing Address

P.O. BOX 4967

City

HOUSTON

State

TX

ZIP

77210-4967

Phone Number

713-989-2711

Fax Number

713-989-1152

Mobile Number (optional)

E-mail Address

KERRY.ALBRIGHT@SUG.COM

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

Will consultant be primary contact? N/A Yes No



APPLICANT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

Authorized Company Consultant (If Applicable)

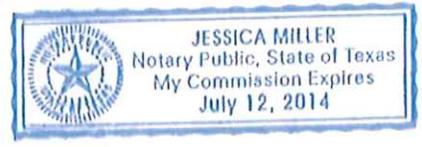
First Name _____ Last Name _____
 Title _____
 Firm Name _____
 Street Address _____
 Mailing Address _____
 City _____ State _____ ZIP _____
 Phone Number _____ Fax Number _____
 Business e-mail Address _____

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 _____

Stephen D. McRae, VP-TAX
 GIVEN under my hand and seal of office this 16th day of August, 2011



Jessica Miller
 Notary Public, State of Texas

(Notary Seal)

My commission expires July 12, 2014

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

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

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

Please answer only either A OR B:

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

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

BUSINESS APPLICANT INFORMATION

Legal Name under which application is made

SOUTHERN UNION GAS SERVICES, LTD

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

17524680836

NAICS code

325120

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

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

APPLICANT BUSINESS STRUCTURE

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

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

Corporation

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 [X] No

If so, please attach documentation of the combined group membership and contact information.

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

3. Are all applicant members of the combined group current on all tax payments due to the State of Texas? ... [X] 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 UNDERTAX CODE CHAPTER 313.024

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

PROJECT DESCRIPTION

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

SEE ATTACHMENT A

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

SEE ATTACHMENT A

PROJECT CHARACTERISTICS (CHECK ALL THAT APPLY)

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

PROJECTED TIMELINE

- Begin Construction JANUARY 2012 Begin Hiring New Employees SEPTEMBER 2012
- Construction Complete JUNE 2013 Fully Operational JUNE 2013
- Purchase Machinery & Equipment JANUARY 2012
- Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)? Yes No
- Note: Improvements made before that time may not be considered qualified property.
- When do you anticipate the new buildings or improvements will be placed in service? JUNE 2013

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.)

APPLICANT IS SEEKING 50% TAX ABATEMENTS FROM REEVES COUNTY AND REEVES COUNTY HOSPITAL DISTRICT FOR 10 YEARS BEGINNING 2013.

THE PROPERTYIdentify county or counties in which the proposed project will be located REEVESCentral Appraisal District (CAD) that will be responsible for appraising the property REEVESWill 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: REEVES, 100% City: N/A
(Name and percent of project) (Name and percent of project)Hospital District: REEVES COUNTY HOSPITAL DISTRICT, 100% 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? _____ \$10,000,000
 What is the amount of appraised value limitation for which you are applying? _____ \$10,000,000
 What is your total estimated *qualified* investment? \$130,000,000

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

What is the anticipated date of application approval? DECEMBER 1, 2011

What is the anticipated date of the beginning of the qualifying time period? DECEMBER 1, 2011

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? \$130,000,000

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

Attach the following items to this application:

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

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

Except for new equipment described in Tax Code §151.318(q) or (q-1), is the proposed tangible personal property to be placed in service for the first time: (1) in or on the new building or other new improvement for which you are applying? Yes No

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

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

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

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

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

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

QUALIFIED PROPERTY

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

Attach the following items to this application:

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

Land

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

If you answered "no" to the question above, what is the anticipated date on which you will submit proof of a reinvestment zone with boundaries encompassing the land on which you propose new construction or improvements? SEPTEMBER 26, 2011

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

Will the project be on leased land? Yes No



QUALIFIED PROPERTY (CONTINUED)

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

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

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

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

Miscellaneous

Is the proposed project a building or new improvement to an existing facility? [X] 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. -0- (Market Value) 2011 (Tax Year)

Is any of the existing property subject to a value limitation agreement under Tax Code 313? [] Yes [X] 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? [X] 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 [X] Second Quarter [] Third Quarter [] Fourth Quarter of 2011 (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? 269

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

Total number of new jobs that will have been created when fully operational 10

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? [X] 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 [X] 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? 10

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 IAC §9.1051(7).

110% of the county average weekly wage for all jobs (all industries) in the county is \$675.40
 110% of the county average weekly wage for manufacturing jobs in the county is \$415.53
 110% of the county average weekly wage for manufacturing jobs in the region is \$875.60

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? \$45,531.20

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? \$45,531.20

- 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 ATTACHMENT

ECONOMIC IMPACT

- Is an Economic Impact Analysis attached (If supplied by other than the Comptroller's office)? n/a 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	N/A
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	will provide upon adoption
22	Order, Resolution, or Ordinance Establishing the Zone (Attachment)*	9 of 16	will provide
23	Legal Description of Reinvestment Zone (Attachment)*	9 of 16	will provide
24	Guidelines and Criteria for Reinvestment Zone(Attachment)*	9 of 16	will provide

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

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)*

ATTACHMENT A
PROJECT DESCRIPTION
APPLICATION FOR VALUE LIMITATION AGREEMENT
PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT

Project Description

Southern Union Gas Services, LTD is proposing to build a new gas processing facility in Reeves County, Texas within the Reeves County Hospital District and the Pecos-Barstow-Toyah Independent School District. The facility will be constructed on a purchased parcel of land consisting of 45 acres.

Red Bluff Gas Processing Plant

The Red Bluff Plant is a natural gas processing plant with a nominal gas processing capacity of 200 MMSCFD. The plant will process gas that has been collected by the upstream gas gathering system in Reeves and surrounding counties of the plant location.

The first processing step in the Red Bluff plant process is to separate the pipeline condensate liquids from the pipeline gas. Once separated, the condensate liquids are processed in a condensate stabilizer system in order to sell the hydrocarbon condensates to the NGL sales pipeline. Gas from the inlet separators is then treated in the amine treating system for removal of CO₂ from the inlet gas. The removal is required to prevent CO₂ freezing in the cryogenic NGL recovery plant and to meet the sales gas pipeline's and NGL pipeline's specifications. The CO₂ removed by the amine system is routed to an incinerator system to destroy incidental hydrocarbon vapors contained in the CO₂ stream. From the amine system, the sweet gas is then processed in the cryogenic plant for natural gas liquid recovery. The gas is refrigerated by mechanical refrigeration and by expansion through a turbo expander. The NGL liquids condensed by the refrigeration system are fractionated in a demethanizer column and then pumped into a NGL sales pipeline. Gas from the cryogenic plant, now stripped of NGL liquids, is compressed and delivered to the sales gas pipeline.

Red Bluff Gas Processing Plant consists of the following main processing units and utility systems which are classified as the "Qualified Investment":

- Inlet Facilities
- Dehydration
- Regeneration
- Amine treater and thermal oxidizer
- NGL Recovery Train
- NGL Product Delivery Facilities
- Residue Recompression & Cooling
- Waste Heat Recovery
- Heat Medium
- Fuel Gas
- Methanol Injection
- Drains & Flare
- Instrument & Utility Air

Ability to Relocate

Southern Union Gas Services, LTD is a leading natural gas gathering and processing company, whose primary activities include gathering, treating, processing and transporting natural gas and natural gas liquids to a variety of markets, including power generating companies, utilities, energy marketers and industrial users within the Southwestern United States. The company operates approximately 4,600 miles of pipelines, with five cryogenic plants and six natural gas treating plants within Texas and New Mexico. The company is currently in negotiations with both the state of New Mexico and Eddy County as a perspective site for the gas processing facility, along with this location in Reeves County.

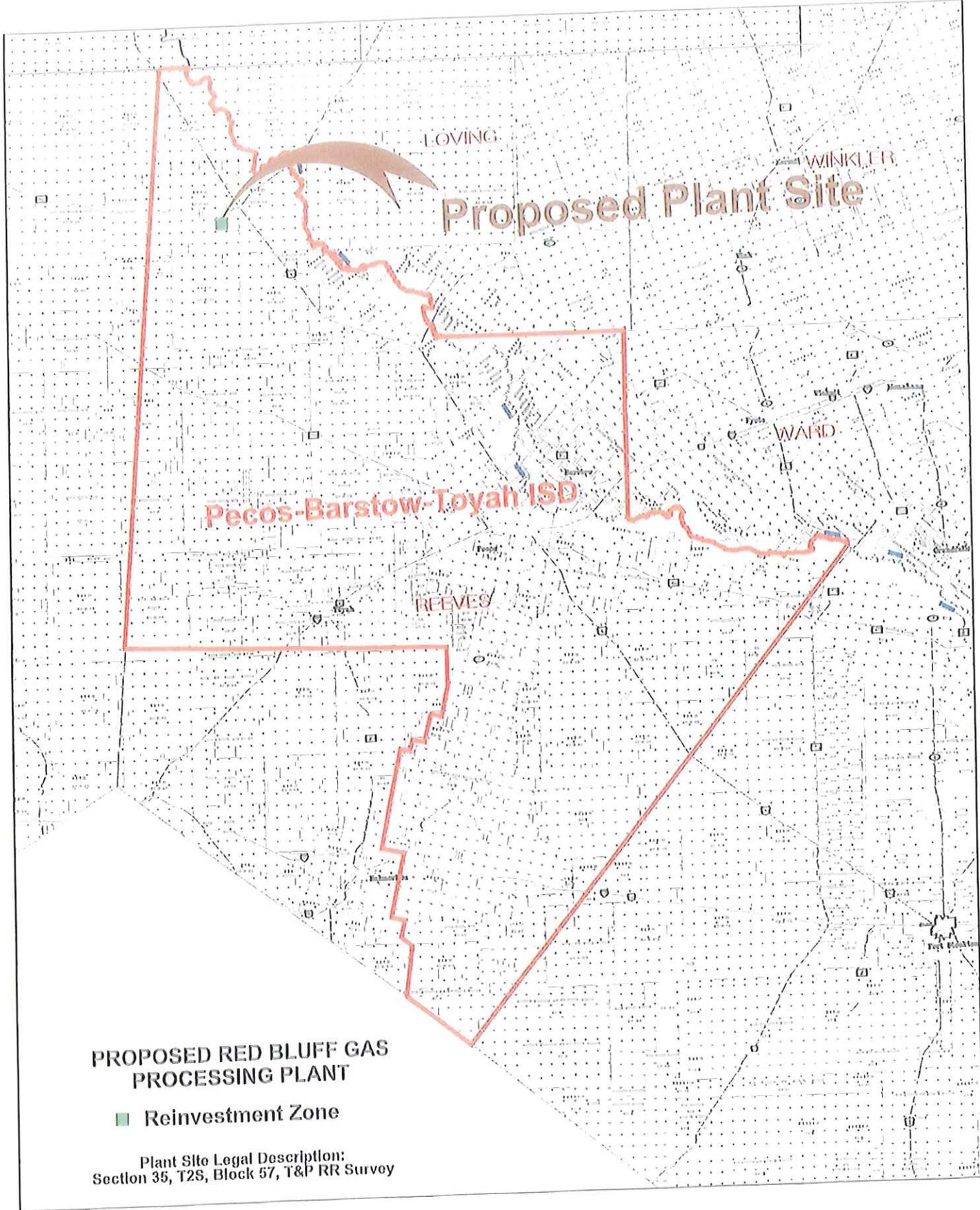
Description of Qualified Investment/Qualified Property

Red Bluff Gas Processing Plant consists of the following main processing units and utility systems which are classified as the "Qualified Investment":

- Inlet Facilities
- Dehydration
- Regeneration
- Amine treater and thermal oxidizer
- NGL Recovery Train
- NGL Product Delivery Facilities
- Residue Recompression & Cooling
- Waste Heat Recovery
- Heat Medium
- Fuel Gas
- Methanol Injection
- Drains & Flare
- Instrument & Utility Air
- Potable and Utility Water

ATTACHMENT B
PROJECT LAND LEGAL DESCRIPTION
APPLICATION FOR VALUE LIMITATION AGREEMENT
PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT

Description for one section totaling 640 acres of land located in Reeves County, Texas.
Section 35, Blk 57, T2S T&P RR Survey Reeves County, Texas



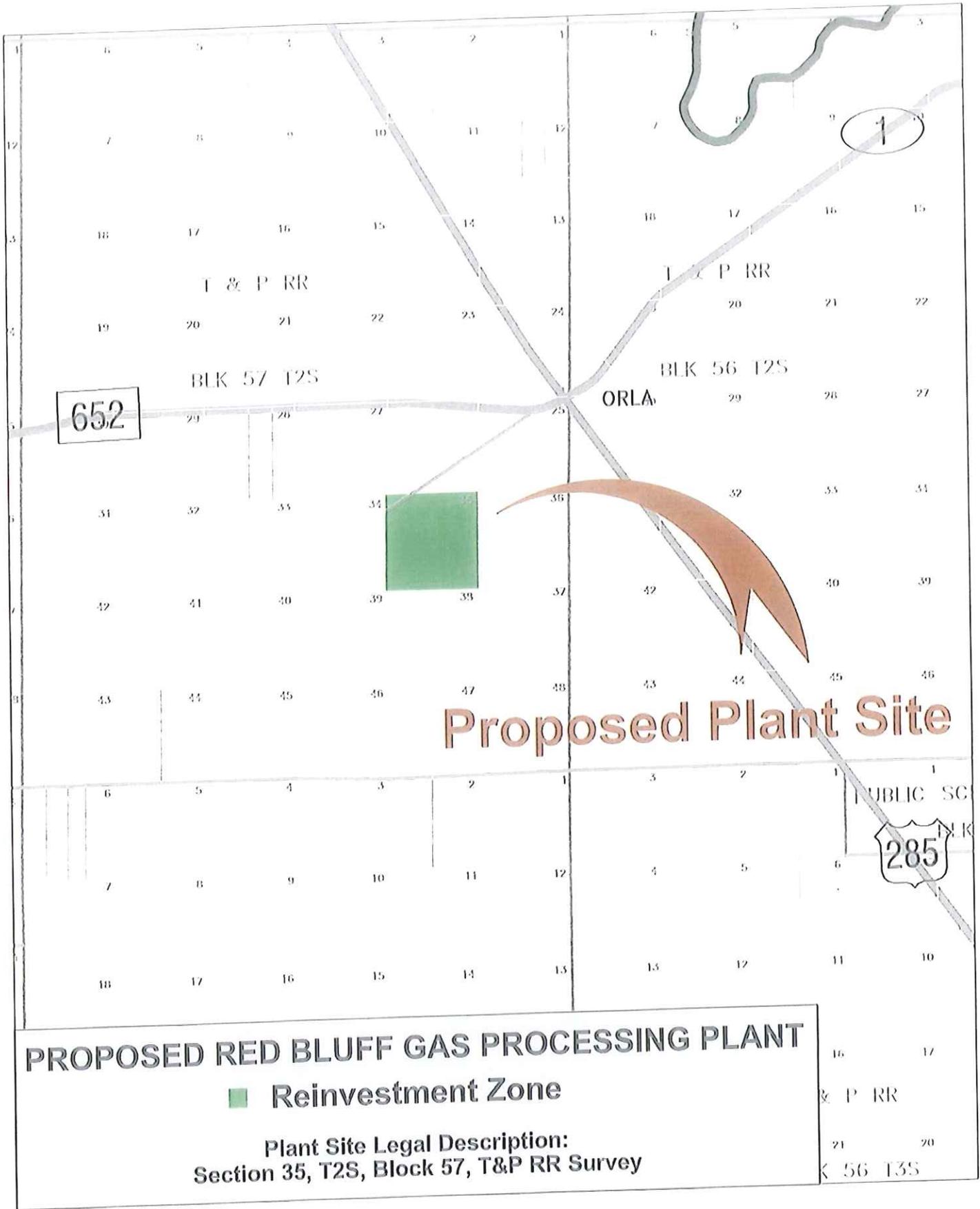
Proposed Plant Site

Pecos-Barstow-Toyah ISD

**PROPOSED RED BLUFF GAS
PROCESSING PLANT**

■ Reinvestment Zone

Plant Site Legal Description:
Section 35, T2S, Block 57, T&P RR Survey



652

1

BLK 57 T2S

BLK 56 T2S

ORLA

Proposed Plant Site

285

PROPOSED RED BLUFF GAS PROCESSING PLANT

■ Reinvestment Zone

Plant Site Legal Description:
Section 35, T2S, Block 57, T&P RR Survey

Checklist Item 14

ATTACHMENT

CALCULATION OF WAGE REQUIREMENTS-REEVES COUNTY

110% of County Average Weekly Wage for all Jobs

2010	2Q	606
2010	3Q	588
2010	4Q	652
2011	1Q	610

$$\begin{aligned} 2456/4 &= \$614 \text{ average weekly salary} \\ &\quad \underline{\times 1.1 (110\%)} \\ &\quad \$675.40 \text{ 110\% of County Average Weekly Wage for all Jobs} \end{aligned}$$

110% of County Average Weekly Wage for Manufacturing Jobs in County

2010	2Q	471
2010	3Q	355
2010	4Q	316
2011	1Q	369

$$\begin{aligned} 1511/4 &= \$377.75 \text{ average weekly salary} \\ &\quad \underline{\times 1.1 (110\%)} \\ &\quad \$415.53 \text{ 110\% of County Average Weekly Wage for Manufacturing Jobs} \end{aligned}$$

110 % of County Average Weekly Wage for Manufacturing Jobs in Region
(Permian Basin)

\$19.90 per hour
X 40 hr per week
\$ 796.00 average weekly salary

\$796 average weekly salary
X 1.10 (110%)
\$875.60

\$875.60
X 52 weeks
\$45,531.20 110% of County Average Weekly Wage for all Jobs in Region

Quarterly Employment and Wages (QCEW)

[\[Back\]](#)

Page 1 of 1 (40 results/page)

| <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Year | Period | Area | Ownership | Division | Level | Ind Code | Industry | Avg Weekly Wages | |
| 2010 | 1st Qtr | Reeves County | Private | 00 | 0 | 10 | Total, All Industries | \$617 | |
| 2010 | 2nd Qtr | Reeves County | Private | 00 | 0 | 10 | Total, All Industries | \$606 | |
| 2010 | 3rd Qtr | Reeves County | Private | 00 | 0 | 10 | Total, All Industries | \$588 | |
| 2010 | 4th Qtr | Reeves County | Private | 00 | 0 | 10 | Total, All Industries | \$652 | |
| 2011 | 1st Qtr | Reeves County | Private | 00 | 0 | 10 | Total, All Industries | \$610 | |
| 2011 | 1st Qtr | Reeves County | Private | 31 | 2 | 31-33 | Manufacturing | \$369 | |
| 2010 | 4th Qtr | Reeves County | Private | 31 | 2 | 31-33 | Manufacturing | \$316 | |
| 2010 | 3rd Qtr | Reeves County | Private | 31 | 2 | 31-33 | Manufacturing | \$355 | |
| 2010 | 2nd Qtr | Reeves County | Private | 31 | 2 | 31-33 | Manufacturing | \$471 | |
| 2010 | 1st Qtr | Reeves County | Private | 31 | 2 | 31-33 | Manufacturing | \$493 | |

**2010 Manufacturing Wages by Council of Government Region
Wages for All Occupations**

COG	Wages	
	Hourly	Annual
Texas		
<u>1. Panhandle Regional Planning Commission</u>	\$18.60	\$38,683
<u>2. South Plains Association of Governments</u>	\$16.21	\$33,717
<u>3. NORTEX Regional Planning Commission</u>	\$18.34	\$38,153
<u>4. North Central Texas Council of Governments</u>	\$23.45	\$48,777
<u>5. Ark-Tex Council of Governments</u>	\$15.49	\$32,224
<u>6. East Texas Council of Governments</u>	\$17.63	\$36,672
<u>7. West Central Texas Council of Governments</u>	\$17.48	\$36,352
<u>8. Rio Grande Council of Governments</u>	\$15.71	\$32,683
<u>9. Permian Basin Regional Planning Commission</u>	\$19.90	\$41,398
<u>10. Concho Valley Council of Governments</u>	\$15.33	\$31,891
<u>11. Heart of Texas Council of Governments</u>	\$17.91	\$37,257
<u>12. Capital Area Council of Governments</u>	\$25.37	\$52,778
<u>13. Brazos Valley Council of Governments</u>	\$15.24	\$31,705
<u>14. Deep East Texas Council of Governments</u>	\$15.71	\$32,682
<u>15. South East Texas Regional Planning Commission</u>	\$27.56	\$57,333
<u>16. Houston-Galveston Area Council</u>	\$24.52	\$51,002
<u>17. Golden Crescent Regional Planning Commission</u>	\$20.07	\$41,738
<u>18. Alamo Area Council of Governments</u>	\$17.28	\$35,952
<u>19. South Texas Development Council</u>	\$13.27	\$27,601
<u>20. Coastal Bend Council of Governments</u>	\$21.55	\$44,822
<u>21. Lower Rio Grande Valley Development Council</u>	\$14.35	\$29,846
<u>22. Texoma Council of Governments</u>	\$18.10	\$37,651
<u>23. Central Texas Council of Governments</u>	\$17.21	\$35,788
<u>24. Middle Rio Grande Development Council</u>	\$13.21	\$27,471

Source: Texas Occupational Employment and Wages
 Data published: June 2011
 Data published annually, next update will be June 2012.

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.

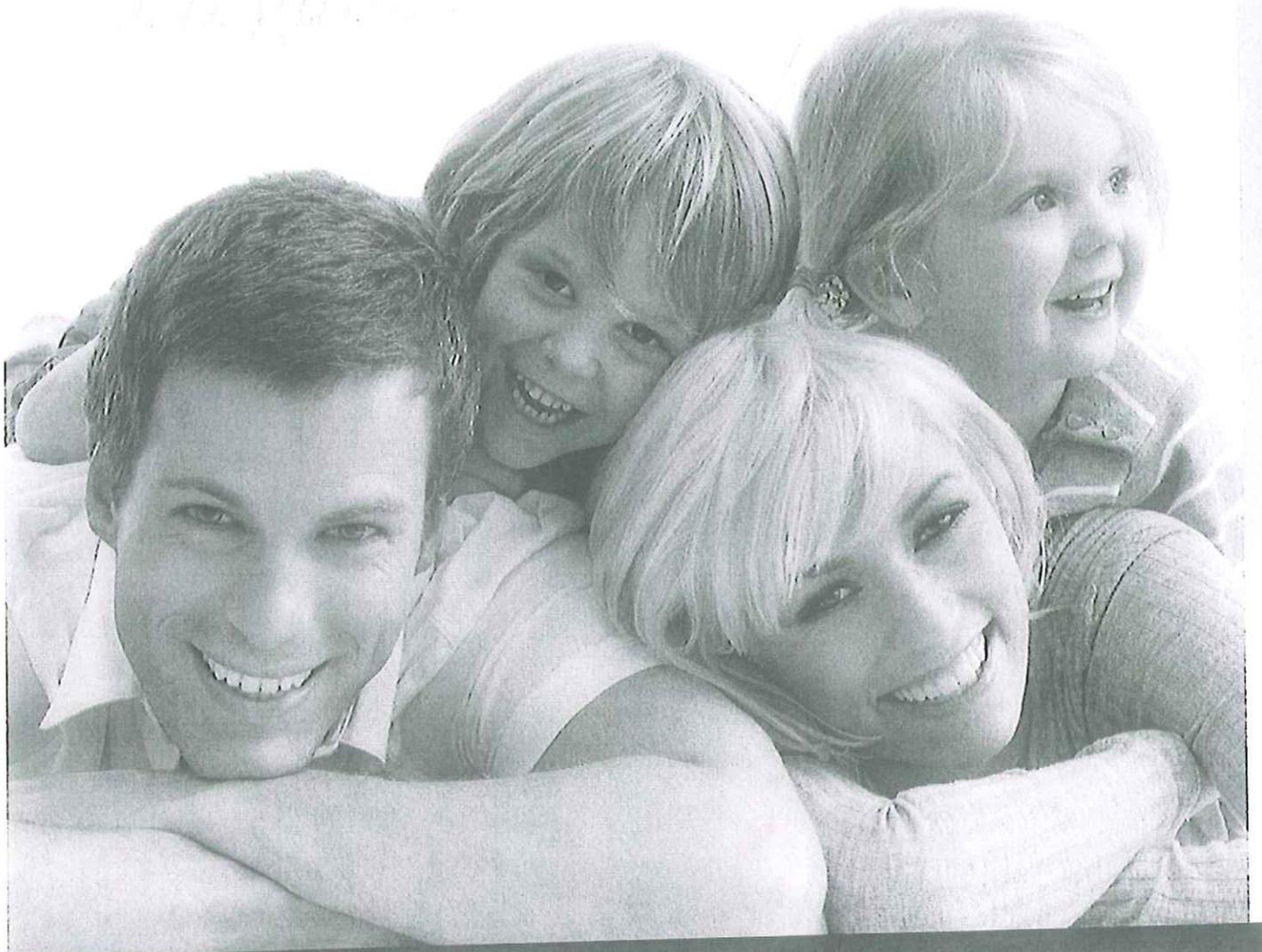
ATTACHMENT C
EMPLOYMENT WAGES AND BENEFITS
APPLICATION FOR VALUE LIMITATION AGREEMENT
PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT

Benefits

Southern Union Gas Services, LTD offers medical and dental insurance, life insurance, AD&D and long-term disability insurance, 401K savings plan, vacation and holiday pay. Southern Union Gas Services, LTD also offers an enhancement to the Savings Plan to allow eligible employees to receive an additional, non-discretionary employer contribution referred to as a retirement power contribution.

Employee Benefits & Programs

in a place




Southern Union Company

2011 Southern Union Gas Services

The company offers several medical plan options administered by United Healthcare allowing you to choose the one that best fits the needs of you and your family, while also providing the best value. Medical coverage is effective on your hire date provided enrollment is made within 31 days. You will also automatically receive prescription drug coverage when you participate in the medical plan. Your choice of medical plan will affect how much of your healthcare expenses you will have to pay and how much the plan will pay. The features of each plan are similar, but there are differences in:

- The premiums you pay
- The deductible you are required to pay before the plan will pay for services
- The co-pay you pay for certain services
- The percentage coinsurance you pay each time you need additional medical care, after meeting your deductible

To help you decide which option best meets your healthcare needs, please review the following comparison chart:

Feature		Value Plan		70/60 PPO Plan		90/70 PPO Plan	
		In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network
Annual Deductible	Individual	\$750	\$1,875	\$350	\$875	\$250	\$625
	Family	\$1,500	\$3,750	\$700	\$1,750	\$500	\$1,250
Annual Out-of-Pocket Maximum	Individual	\$1,500	\$3,000	\$2,500	\$5,000	\$1,500	\$3,000
	Family	\$3,000	\$6,000	\$5,000	\$10,000	\$3,000	\$6,000
Office Visit	Primary	80% covered*	60% covered*	\$30 copay	60% covered*	\$25 copay	70% covered*
	Specialist	80% covered*	60% covered*	\$40 copay	60% covered*	\$35 copay	70% covered*
Prescription Drug Coverage	Retail (Tier 1 Tier 2 Tier 3)	30%** 40%** 50%**		\$10 \$30 \$50		\$10 \$30 \$50	
	Mail Order (Tier 1 Tier 2 Tier 3)	30%** 40%** 50%**		\$25 \$75 \$125		\$25 \$75 \$125	
Lifetime Maximum		Unlimited		Unlimited		Unlimited	

An 80% Indemnity Plan option is also available where employees are not supported by the United Healthcare network of doctors and facilities.

*After annual deductible, amount the plan pays

**After annual deductible, amount you pay

Dental Plan

The Dental Plan helps you and your family with the costs of maintaining good dental health and treating dental disease and injury. Enrolling in the Dental Plan is optional. There is a separate contribution for dental coverage. If you elect dental coverage, it is provided by Delta Dental of Texas. Although you may seek treatment from any dentist, using in-network providers will reduce your out-of-pocket costs. By using a participating dentist you will receive dental services at a discounted rate.

The list of participating dentists is located on the Delta Dental website at www.deltadentalins.com. The Dental Plan provides coverage for the following dental services:

Feature	Coverage	
Annual Deductible	Individual	\$50
	Family	\$150
Annual Maximum	Per Person	\$1,500
Preventive Services	Cleaning and exams	100% covered
Basic Services	Fillings, extractions, root canals, repairs to dentures	80% covered
Major Services	Crowns, bridgework, dentures, TMJ procedures and other major services	50% covered
Orthodontic Services	Children up to age 19, includes exams and appliances	50% covered (separate \$1,500 lifetime maximum for orthodontic services)

Vision Plan

Enrolling in the Vision Service Provider (VSP) plan is optional. There is a separate contribution for vision coverage. You can obtain care from an out-of-network provider, but you will have to pay more out-of-pocket. Here's a closer look at the difference in coverage available to you when you visit a VSP doctor versus a doctor who does not participate in the VSP network.

Feature	VSP Network	Out-of-Network
Eye Exam (every 12 months)	100% covered	Plan pays up to \$35 Single Vision Plan pays up to \$30
Eyeglass Lenses (every 12 months)	100% covered	Bifocal: Plan pays up to \$40
		Tritocal: Plan pays up to \$60
		Contacts: Plan pays up to \$80
Frames (standard frames)	100% covered	Plan pays up to \$50
	Once every 12 months under age 19 Once every 24 months over age 19	Once every 12 months under age 19 Once every 24 months over age 19
Contacts	In lieu of glasses: Plan pays up to \$175 If medically necessary: Plan pays normal and customary charges.	In lieu of glasses: Plan pays up to \$175 If medically necessary: Plan pays up to \$300

Spending Accounts

Spending Accounts provide an opportunity for before-tax reimbursement of eligible healthcare and dependent care expenses. You decide how much to deposit into each account annually, subject to election restrictions. If you decide to contribute to any of the spending accounts, carefully estimate your contributions because health care and dependent care elections are for the entire calendar year, unless you have a Qualifying Life Event (QLE) later in the year. Any change in either of these accounts must be made within 31 days of the QLE. Spending Account maximum contributions are as followed:

Account Type	Monthly Max	Annual Max
Healthcare Spending	None	\$5,000
Dependent Care Spending	None	\$5,000, or \$2,500 if married and file a separate tax return.

Life Insurance

Life insurance is provided to help ease the financial burden you or your dependents may face if you or another family member dies.

Employee Life Insurance

The company automatically provides Basic Life and Basic AD&D benefits at no cost to you. Basic coverage is equal to one times your annual base salary, (as of your hire date or January 1st, whichever is later) rounded up to the nearest \$1,000, up to a maximum benefit of \$500,000.

Supplemental Life Insurance

For added protection, you may elect supplemental life coverage for you and your family. Contributions are made on an after-tax basis. You may increase or decrease your employee life coverage each year during annual enrollment, however Evidence of Insurability (EOI) may be required before the insurance company will agree to provide certain amounts of life insurance coverage.

Employee Supplemental Life Insurance

You may purchase additional life insurance coverage in increments from 1.0, 1.5, 2.0, 2.5 or 3.0 times your annual base salary. The cost is based on the level of coverage, salary and age.

Supplemental Spouse Life Insurance

Coverage is available for your spouse in \$10,000 increments up to a maximum of 50% of your combined basic and supplemental life insurance coverage amount or \$500,000, whichever is less. The cost for your spouse's coverage is based on your spouse's age.

Supplemental Dependent Child Life Insurance (up to age 25)

You may elect Dependent Child Life insurance in the amount of \$10,000 per child. The contribution is a flat rate, regardless of the number of children covered.

Annually, during open enrollment you may change your medical, dental, vision, flexible spending account and life insurance elections. If you have a QLE later in the calendar year, you may be able to make changes to your coverage. Any eligible change must be made within 31 days of the QLE.



Savings Plan

The company Savings Plan allows you to contribute up to a total of 50% of your pay on a pre-tax or Roth basis and/or up to 10% of your compensation on an after-tax basis to a number of investment options, subject to the annual federal limits regarding 401(k) contributions. The company will match your pre-tax or Roth Savings Plan contributions at a rate of \$0.50 on the \$1.00, up to 4% of your eligible compensation.

You will be 100% vested in the matching contributions after a 5-year graded vesting schedule.

The company also offers an enhancement to the Savings Plan to allow employees to receive an additional, non-discretionary employer contribution.

Parking & Transportation

Secured, covered parking is provided for all Fort Worth-based employees at no cost.

Work & Family Programs

Vacation

Employees accrue vacation on a monthly basis based on their length of service. Vacation is accrued at the end of the month. New hires with a start date between the 1st and 15th of the month, will receive their first accrual at the end of their first month of employment. New hires with a start date from the 16th to the end of the month, will receive their first accrual at the end of the following month. Employees will receive their new accrual rate on January 1st of the year the employee reaches their milestone year of service. Vacation accrual rate is as followed:

Length of Service	Accrual Rate	Maximum Vacation Accrual per Calendar Year
Less than 1 year	6.6 hours per month	80 hours
1-5 years	10 hours per month	120 hours
6-13 years	13.3 hours per month	160 hours
14+ years	16.6 hours per month	200 hours

Holidays

There are ten (10) holidays per year, which includes eight (8) company-designated holidays and two (2) personal days. New employees are eligible for these, regardless of the time they join the company. The holiday schedule can be found on the company intranet site.

Flexible Work Hours

Fort Worth office employees may begin the workday as early as 7:00 a.m. and as late as 8:30 a.m., subject to management approval.

Employee Discounts

Southern Union offers employees discounts to various vendors such as Ford Partner Program, Verizon Wireless, GM Supplier Discount, and HP, Dell, and Microsoft Office Employee Purchase Programs.

Sick Leave

Employees are eligible for up to 80 hours of sick leave for employee illness or non-work related injury, immediate family member illness and doctor's appointments for employee or family members.

Short Term Disability

Short term disability (STD) benefits are available to eligible employees who are unable to perform the duties of their job because of an illness or injury that exceeds the elimination period. Short term disability time is based on years of service: 15 or more years - 1,040 hours at 100% pay; 10-15 years - 780 hours at 100% pay and 260 hours at 80% pay; less than 10 years - 520 hours at 100% pay and 520 hours at 80% pay.

Long Term Disability

The company automatically provides you with long term disability (LTD) benefits as part of your employment. The company will cover 60% of your monthly pay if you have been disabled for more than 6 months as a result of an illness or injury.

Bereavement

You may receive approval for up to 5 days off with pay due to the death of an immediate family member.

Adoption/Paternity Leave

Employees can take up to 40 hours for adoption or birth of a child.

Jury, Witness Duty and Military Duty

Employees serving jury or witness duty will receive full pay. Employees serving military duty will be paid their full salary for the first 2 weeks of service; thereafter, the company pays the difference between base and military pay up to the cumulative Uniformed Services Employment and Reemployment Rights Act (USERRA) limit (5 years).

Family Medical Leave Act (FMLA)

Provides up to 12 weeks of unpaid, job protected leave to "eligible" employees for certain family or medical reasons. You are eligible if you have worked for Southern Union for at least one year and for 1,250 hours over the previous 12 months. Reasons for taking leave:

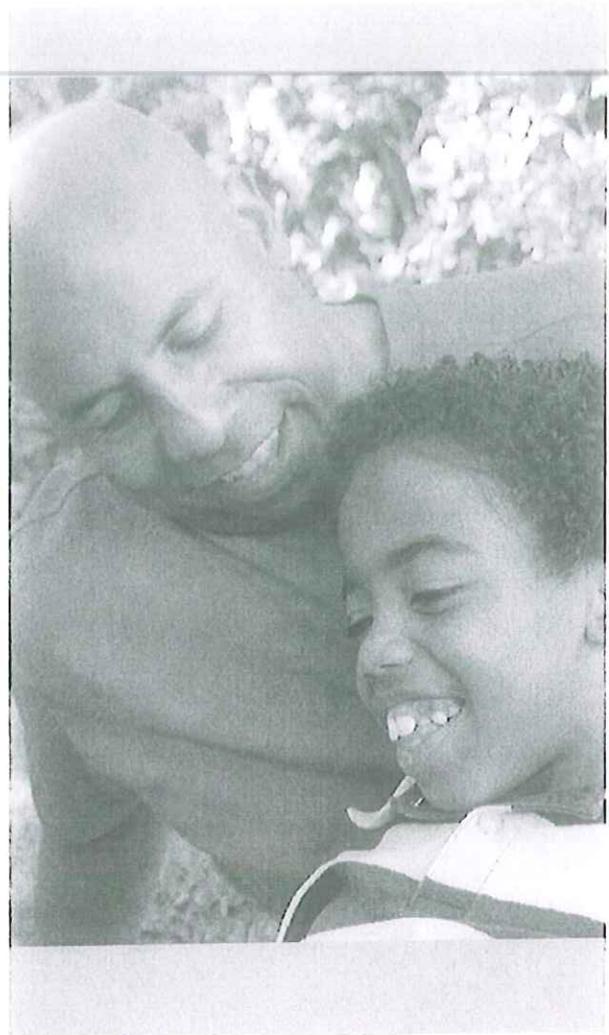
- To care for your child after birth, or placement for adoption or foster care
- To care for your spouse, son, daughter or parent who has a serious health condition
- For a serious health condition that makes you unable to perform your job
- For certain military related situations

Leaves of Absence

The company may approve unpaid leaves of absence for family and medical leave, personal leave, military service or government or civic service.

Educational Assistance

Employees enjoy numerous opportunities for continued education and training through company-sponsored courses and the Educational Assistance Program. The Educational Assistance Program provides reimbursement of approved tuition, fees and books for courses completed at approved institutions. Reimbursement ranges from 75 - 100%, based on grades attained, up to a total annual maximum benefit of \$5,250 and a lifetime maximum of \$21,000.



Employee Assistance Program - Care24 (EAP)

The company provides Care24 services which offer you access to a wide range of health and well-being information seven days a week, 24 hours a day. Using one toll-free phone number, you can speak confidentially with registered nurses and counselors who can help with almost any problem ranging from medical and family matters to personal legal, financial and emotional needs.

Internal Job Posting Policy

This policy provides employees the opportunity to express interest in specific job openings and enables the company to fill positions effectively when qualified internal candidates are identified.

Business Casual Dress Policy

The company's Fort Worth office has a year-round business casual dress policy. Appropriate business casual attire for men includes regular or knit shirts with an open collar and dress or casual slacks. Appropriate business casual attire for women includes dresses, skirts, dress or casual slacks, blouses, sweaters and jackets. Additionally, employees may wear presentable jeans on Fridays.

This information highlights the benefits and other plans offered to regular full-time employees of the company, but does not contain all of the details. The terms of the plan documents govern the specifics of the plans. The company reserves the right to amend, modify, suspend or terminate any of the benefit plans at any time. Please contact your Human Resource Representative to learn more about employee benefits.

Schedule A (Rev. May 2010): Investment

Form 50-298

Applicant Name: SOUTHERN UNION GAS SERVICES, LTD
 ISD Name: PECOS-BARSTOW-TOYAH ISD

PROPERTY INVESTMENT AMOUNTS

(Estimated investment in each year. Do not put cumulative totals.)

The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	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 of building during this year	Column B: Building or permanent nonremovable component (annual amount only)	Column C: Sum of A and B Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period	1	2012-2013	\$ 104,000,000	\$ -	\$ 104,000,000	\$ 475,000	\$ 475,000
		2	2013-2014	\$ 26,000,000	\$ -	\$ 26,000,000	\$ -	\$ 26,000,000
		3	2014-2015					
		4	2015-2016					
		5	2016-2017					
		6	2017-2018					
		7	2018-2019					
		8	2019-2020					
		9	2020-2021					
		10	2021-2022					
		11	2022-2023					
		12	2023-2024					
		13	2024-2025					
		14	2025-2026					
		15	2026-2027					
Credit Settle-Up Period	Continue to Maintain Viable Presence							
	Post-Settle-Up Period							
Post-Settle-Up Period								

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 §913.02(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. Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period. 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 §913.02(1)(E).

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. Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Column D: 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.

Column E: 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 post-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. May 2010): Estimated Market And Taxable Value
SOUTHERN UNION GAS SERVICES, LTD

Applicant Name
ISD Name

PECOS-BARSTOW-TOYAH ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"		Final taxable value for 100% after all reductions	Final taxable value for M&O after all reductions
	pre-year 1	2011-2012	2011		\$ -	\$ -	\$ -	\$ -	\$ -
Complete tax years of qualifying time period	1	2012-2013	2012	\$28,400	\$ -	\$ -	\$ -	\$ 28,400	\$ 28,400
	2	2013-2014	2013	\$28,400	\$ -	\$ 104,000.000	\$ -	\$ 104,028,400	\$ 104,028,400
	3	2014-2015	2014	\$28,400	\$ -	\$ 126,880.000	\$ -	\$ 126,908,400	\$ 10,000,000
	4	2015-2016	2015	\$28,400	\$ -	\$ 123,073.600	\$ -	\$ 123,102,000	\$ 10,000,000
	5	2016-2017	2016	\$28,400	\$ -	\$ 119,381.392	\$ -	\$ 119,409,792	\$ 10,000,000
Value Limitation Period	6	2017-2018	2017	\$28,400	\$ -	\$ 115,799.950	\$ -	\$ 115,828,350	\$ 10,000,000
	7	2018-2019	2018	\$28,400	\$ -	\$ 112,325.952	\$ -	\$ 112,354,352	\$ 10,000,000
	8	2019-2020	2019	\$28,400	\$ -	\$ 108,956.173	\$ -	\$ 108,984,573	\$ 10,000,000
	9	2020-2021	2020	\$28,400	\$ -	\$ 105,687.488	\$ -	\$ 105,715,888	\$ 10,000,000
	10	2021-2022	2021	\$28,400	\$ -	\$ 102,516.863	\$ -	\$ 102,545,263	\$ 10,000,000
Credit Settle-Up Period	11	2022-2023	2022	\$28,400	\$ -	\$ 99,441.357	\$ -	\$ 99,469,757	\$ 99,469,757
	12	2023-2024	2023	\$28,400	\$ -	\$ 96,458.117	\$ -	\$ 96,486,517	\$ 96,486,517
	13	2024-2025	2024	\$28,400	\$ -	\$ 93,564.373	\$ -	\$ 93,592,773	\$ 93,592,773
Post-Settle-Up Period	14	2025-2026	2025	\$28,400	\$ -	\$ 90,757.442	\$ -	\$ 90,785,842	\$ 90,785,842
	15	2026-2027	2026	\$28,400	\$ -	\$ 88,034.719	\$ -	\$ 88,063,119	\$ 88,063,119

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]
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

8/16/20
 DATE

Schedule C- Application: Employment Information

Form 50-296

Applicant Name: SOUTHERN UNION GAS SERVICES, LTD
 ISD Name: PECOS-BARSTOW-TOYAH ISD

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2011-2012	2011						
Complete tax years of qualifying time period	1	2012-2013	2012	FTE 200	\$ 36,000				
	2	2013-2014	2013	FTE 200	\$ 36,000	10	\$ 45,531	10	\$ 45,531
	3	2014-2015	2014			10	\$ 45,531	10	\$ 45,531
	4	2015-2016	2015			10	\$ 45,531	10	\$ 45,531
	5	2016-2017	2016			10	\$ 45,531	10	\$ 45,531
Tax Credit Period (with 50% cap on credit)	6	2017-2018	2017			10	\$ 45,531	10	\$ 45,531
	7	2018-2019	2018			10	\$ 45,531	10	\$ 45,531
	8	2019-2020	2019			10	\$ 45,531	10	\$ 45,531
	9	2020-2021	2020			10	\$ 45,531	10	\$ 45,531
	10	2021-2022	2021			10	\$ 45,531	10	\$ 45,531
Credit Settle-Up Period	11	2022-2023	2022			10	\$ 45,531	10	\$ 45,531
	12	2023-2024	2023			10	\$ 45,531	10	\$ 45,531
	13	2024-2025	2024			10	\$ 45,531	10	\$ 45,531
Post-Settle-Up Period	14	2025-2026	2025			10	\$ 45,531	10	\$ 45,531
Post-Settle-Up Period	15	2026-2027	2026			10	\$ 45,531	10	\$ 45,531

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

8/16/24
 DATE

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

Applicant Name

SOUTHERN UNION GAS SERVICES, LTD

ISD Name

PECOS-BARSTOW-TOYAH ISD

Form 50-2996

Other Property Tax Abatements Sought

		Sales Tax Information				Franchise Tax				Other Property Tax Abatements Sought			
		Sales Taxable Expenditures		Franchise Tax		County		City		Hospital		Other	
	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	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)		2011-2012	2011										
	1	2012-2013	2012	13,000,000	117,000,000								
	2	2013-2014	2013	2,100,000	3,900,000	31,457	50%	N/A	N/A	50%	N/A	N/A	N/A
	3	2014-2015	2014	2,100,000	3,900,000	119,000	50%	N/A	N/A	50%	N/A	N/A	N/A
	4	2015-2016	2015	2,100,000	3,900,000	198,000	50%	N/A	N/A	50%	N/A	N/A	N/A
	5	2016-2017	2016	2,100,000	3,900,000	218,000	50%	N/A	N/A	50%	N/A	N/A	N/A
	6	2017-2018	2017	2,100,000	3,900,000	232,000	50%	N/A	N/A	50%	N/A	N/A	N/A
	7	2018-2019	2018	2,100,000	3,900,000	231,000	50%	N/A	N/A	50%	N/A	N/A	N/A
	8	2019-2020	2019	2,100,000	3,900,000	229,000	50%	N/A	N/A	50%	N/A	N/A	N/A
	9	2020-2021	2020	2,100,000	3,900,000	247,000	50%	N/A	N/A	50%	N/A	N/A	N/A
	10	2021-2022	2021	2,100,000	3,900,000	264,000	50%	N/A	N/A	50%	N/A	N/A	N/A
	11	2022-2023	2022	2,100,000	3,900,000	262,000	50%	N/A	N/A	50%	N/A	N/A	N/A
	12	2023-2024	2023	2,100,000	3,900,000	129,000							
	13	2024-2025	2024	2,100,000	3,900,000	225,000							
	14	2025-2026	2025	2,100,000	3,900,000	225,000							
	15	2026-2027	2026	2,100,000	3,900,000	225,000							

*For planning, construction and operation of the facility.

Steph A. Vojt, VP-ITM

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

8/16/19

DATE

REEVES COUNTY COMMISSIONER'S COURT

RESOLUTION

STATE OF TEXAS

§

COUNTY OF REEVES

§

§

WHEREAS, the Commissioners Court of Reeves County (the "County") desires to make available tax abatement relief in the area which is the subject of this resolution in order to encourage the development of primary employment and to attract major investment in the County; and,

WHEREAS, the County has elected to become eligible to participate in tax abatement agreements under the provisions of the Texas Property Redevelopment and Tax Abatement Act (Chapter 312 of the Texas Tax Code); and,

WHEREAS, the County has adopted guidelines and criteria governing tax abatement agreements in Resolution No. 9-11+ dated Sept 9th, 2011 (the "Abatement Guidelines and Criteria"); and,

WHEREAS, a public hearing is required by Chapter 312 of the Texas Tax Code prior to approval of a reinvestment zone; and

WHEREAS, Southern Union Gas Services, Ltd. published notice of a public hearing to be held on September 12, 2011, regarding the designation of the area described in the attached Exhibit 1 as a reinvestment zone for tax abatement purposes;

WHEREAS, the improvements proposed by Southern Union Gas Services, Ltd., are feasible and of benefit to the reinvestment zone after expiration of an abatement agreement; and

WHEREAS, the property described on Exhibit 1 meets the criteria established in the Abatement Guidelines and Criteria; and

WHEREAS, the designation of the reinvestment zone would contribute to the retention or expansion of primary employment or would attract major investment in the reinvestment zone that would be of benefit to the property described on Exhibit 1 and would contribute to the economic development of the County; and

WHEREAS, all interested members of the public were given an opportunity to make comment at the public hearing.

THEREFORE, BE IT ENACTED BY THE COMMISSIONERS COURT OF REEVES COUNTY, TEXAS:

A reinvestment zone for the purposes of Chapter 312 of the Texas Tax Code is hereby established for the property shown on the attached Exhibit 1.

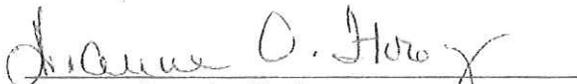
The foregoing Resolution was lawfully moved by Rigelio Alvarado, duly seconded by Tony Trujillo, and duly adopted by the Reeves County Commissioner's Court.

Signed the 12th day of September, 2011.



The Honorable W.J. Bang
Reeves County Judge

ATTEST:

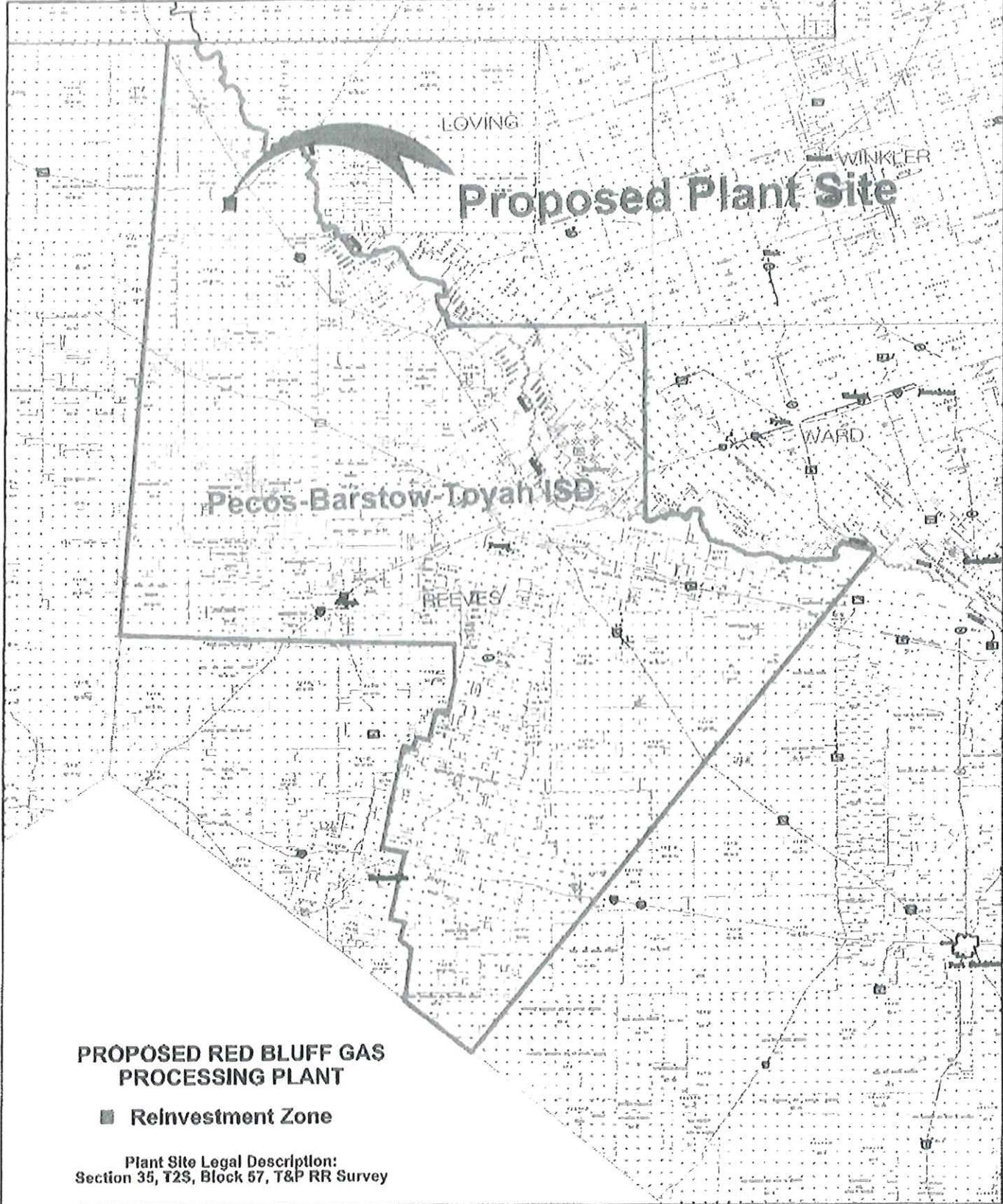


Reeves County Clerk

Exhibit 1
RED BLUFF REINVESTMENT ZONE

Description for one section totaling 640 acres of land located in Reeves County, Texas.

Section 35, Blk 57, T2South T&P RR Survey, Reeves County, Texas.



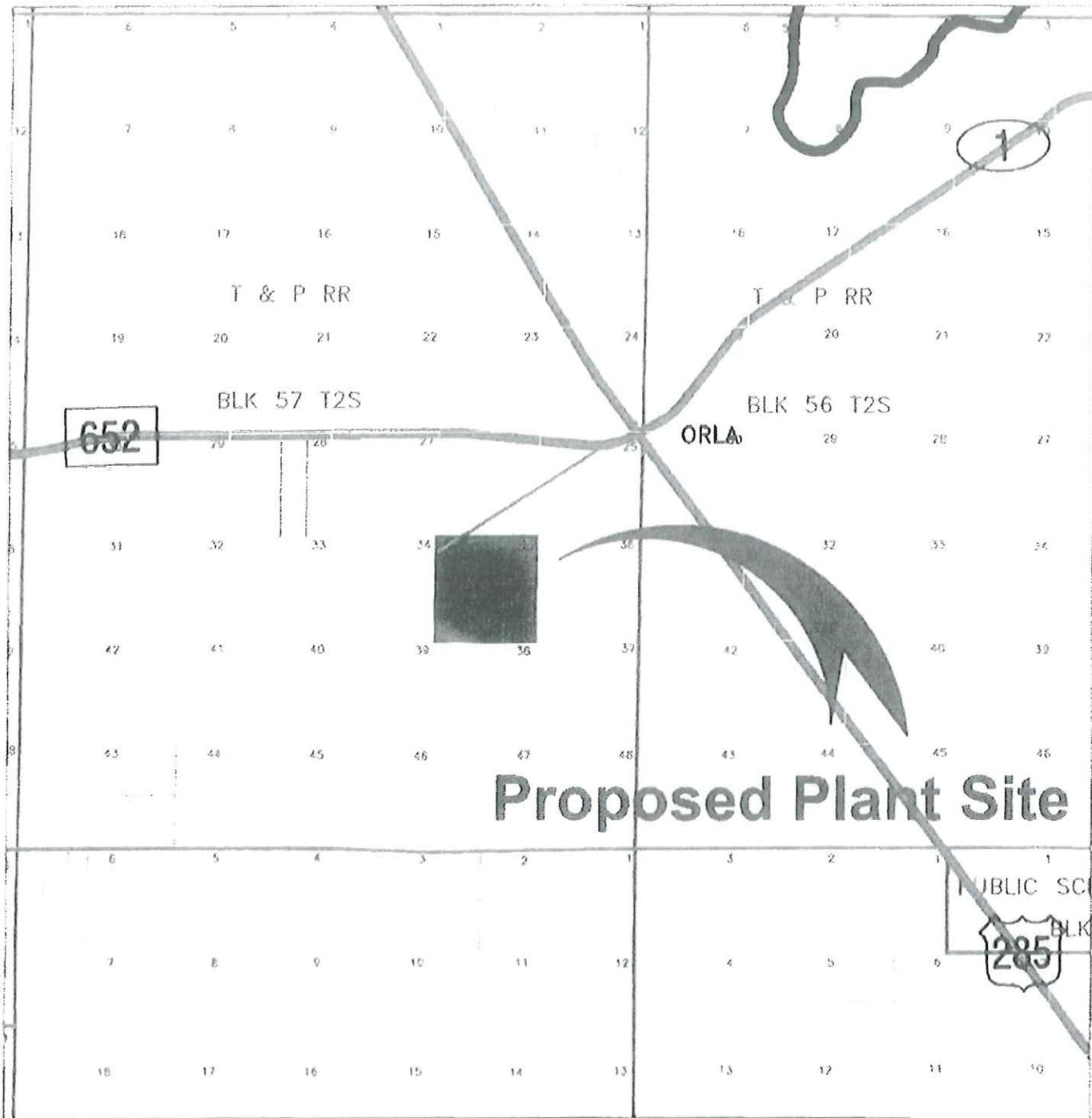
Proposed Plant Site

Pecos-Barstow-Toyah ISD

**PROPOSED RED BLUFF GAS
PROCESSING PLANT**

■ **Reinvestment Zone**

Plant Site Legal Description:
Section 35, T2S, Block 57, T&P RR Survey



Proposed Plant Site

PROPOSED RED BLUFF GAS PROCESSING PLANT
 ■ Reinvestment Zone
 Plant Site Legal Description:
 Section 35, T2S, Block 57, T&P RR Survey

PUBLIC SCHOOL
 BLK
 285
 T & P RR
 21 20
 K 56 T3S

Attachment B

Certificate of Account Status



Franchise Tax Certification of Account Status

This Certification Not Sufficient for Filings with Secretary of State

[Obtain a certification](#) sufficient for filings with the Secretary of State.

Certification of Account Status

Entity Information:

Status:

Registered Agent:

Registered Agent Resignation Date:

State of Formation:

File Number:

SOS Registration Date:

Taxpayer Number:

Officers And Directors Information

**SOUTHERN UNION GAS
SERVICES, LTD.**

301 COMMERCE ST STE 700
FORT WORTH, TX 76102-4145

**TEMPORARY GOOD STANDING
through January 16, 2012**

C T CORPORATION SYSTEM
350 N. ST. PAUL ST. STE. 2900
DALLAS, TX 75201

TX

0006732410

February 16, 1993

17524680836

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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 8, 2011

Clarke Boyd
Superintendent
Pecos Barstow Toyah Independent School District
1302 S. Park St.
Pecos, Texas 79772

Dear Superintendent Boyd:

On Oct. 17, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Pecos Barstow Toyah Independent School District (Pecos Barstow Toyah ISD) by Southern Union Gas Services, LTD (Southern Union Gas) on Aug. 18, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding Southern Union Gas' application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review 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. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Pecos Barstow Toyah ISD is currently classified as a rural school district in Category 3. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$130,000,000) is consistent with the proposed appraised value limitation sought (\$10 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.

Southern Union Gas is proposing the construction of a manufacturing facility in Reeves County. Southern Union Gas is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by Southern Union Gas, the Comptroller's recommendation is that Southern Union Gas' application under Tax Code Chapter 313 be approved.

Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled on the school district. Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and state. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria.

Mr. Clarke Boyd
November 8, 2011
Page Two

The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. This recommendation is contingent on the following:

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution;

During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at www.window.state.tx.us/taxinfo/proptax/hb1200 to find an outline of the program and links to applicable rules and forms.

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

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

Applicant	Southern Union Gas Services, LTD
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Pecos Barstow Toyah ISD
2009-10 Enrollment in School District	2,193
County	Reeves
Total Investment in District	\$130,000,000
Qualified Investment	\$130,000,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	10
Number of qualifying jobs committed to by applicant	10
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$876
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$876
Minimum Annual Wage committed to by applicant for qualified jobs	\$45,531
Investment per Qualifying Job	\$13,000,000
Estimated 15 year M&O levy without any limit or credit:	\$15,467,956
Estimated gross 15 year M&O tax benefit	\$9,660,321
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):	\$9,583,213
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$977,895
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$5,884,743
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	62.0%
Percentage of tax benefit due to the limitation	89.9%
Percentage of tax benefit due to the credit.	10.1%

This presents the Comptroller's economic impact evaluation of Southern Union Gas (the project) applying to Pecos Barstow Toyah 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 ten new jobs when fully operational. All ten 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 Permian Basin Regional Planning Commission Region, where Reeves County is located was \$41,392 in 2010. The annual average manufacturing wage for 2010 for Reeves County is \$19,643. That same year, the county annual average wage for all industries was \$31,928. In addition to a salary of \$45,531, each qualifying position will receive benefits such as medical and dental insurance, life insurance, AD&D and long-term disability insurance, 401K savings plan, vacation and holiday pay. Southern Union Gas Services, LTD also offers an enhancement to the Savings Plan to allow eligible employees to receive an additional, non-discretionary employer contribution referred to as a retirement power contribution. The project's total investment is \$130 million, resulting in a relative level of investment per qualifying job of \$13 million.

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

According to Southern Union Gas' application, "Southern Union Gas Services, LTD is a leading natural gas gathering and processing company, whose primary activities include gathering, treating, processing and transporting natural gas and natural gas liquids to a variety of markets, including power generating companies, utilities, energy marketers and industrial users within the Southwestern United States. The company operates approximately 4,600 miles of pipelines, with five cryogenic plants and six natural gas treating plants within Texas and New Mexico. The company is currently in negotiations with both the state of New Mexico and Eddy County as a perspective site for the gas processing facility, along with this location in Reeves County."

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

During the past two years, two projects in the Permian Basin 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 Southern Union Gas project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

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

Table 1 depicts Southern Union Gas' 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 Southern Union Gas

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	200	163	363	\$7,200,000	\$9,800,000	\$17,000,000
2013	210	194	404	\$7,655,310	\$14,344,690	\$22,000,000
2014	10	48	58	\$455,310	\$5,544,690	\$6,000,000
2015	10	45	55	\$455,310	\$5,544,690	\$6,000,000
2016	10	43	53	\$455,310	\$5,544,690	\$6,000,000
2017	10	46	56	\$455,310	\$5,544,690	\$6,000,000
2018	10	45	55	\$455,310	\$5,544,690	\$6,000,000
2019	10	48	58	\$455,310	\$5,544,690	\$6,000,000
2020	10	50	60	\$455,310	\$5,544,690	\$6,000,000
2021	10	50	60	\$455,310	\$5,544,690	\$6,000,000
2022	10	47	57	\$455,310	\$6,544,690	\$7,000,000
2023	10	53	63	\$455,310	\$6,544,690	\$7,000,000
2024	10	48	58	\$455,310	\$6,544,690	\$7,000,000
2025	10	50	60	\$455,310	\$7,544,690	\$8,000,000
2026	10	53	63	\$455,310	\$7,544,690	\$8,000,000

Source: CPA, REMI, Southern Union Gas

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Pecos Barstow Toyah ISD's ad valorem tax base in 2010 was \$982.2 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Pecos Barstow Toyah ISD's estimated wealth per WADA was \$337,335. 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, Reeves County, and Reeves County Hospital District, with all property tax incentives sought being granted using estimated market value from Southern Union Gas' application. Southern Union Gas has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county and hospital district. Table 3 illustrates the estimated tax impact of the Southern Union Gas 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	Pecos-Burston-Toyah ISD I&S Levy	Pecos-Burston-Toyah ISD M&O Levy	Pecos-Burston-Toyah ISD M&O and I&S Tax Levies (Before Credit Credited)	Pecos-Burston-Toyah ISD M&O and I&S Tax Levies (After Credit Credited)	Reeves County Tax Levy	Reeves County Hospital District Tax Levy	Estimated Total Property Taxes
				0.2270	1.0400			0.3962	0.5845	
2012	\$28,400	\$28,400		\$64	\$295	\$360	\$360	\$113	\$166	\$638
2013	\$104,028,400	\$104,028,400		\$236,144	\$1,081,895	\$1,318,040	\$1,318,040	\$206,070	\$304,018	\$1,828,127
2014	\$126,908,400	\$10,000,000		\$288,082	\$104,000	\$392,082	\$392,082	\$251,393	\$370,883	\$1,014,358
2015	\$123,102,000	\$10,000,000		\$279,442	\$104,000	\$383,442	\$243,742	\$243,853	\$359,759	\$847,354
2016	\$119,409,792	\$10,000,000		\$271,060	\$104,000	\$375,060	\$235,361	\$236,539	\$348,969	\$820,869
2017	\$115,828,350	\$10,000,000		\$262,930	\$104,000	\$366,930	\$227,231	\$229,444	\$338,503	\$795,178
2018	\$112,354,352	\$10,000,000		\$255,044	\$104,000	\$359,044	\$219,345	\$222,563	\$328,350	\$770,258
2019	\$108,984,573	\$10,000,000		\$247,395	\$104,000	\$351,395	\$211,696	\$215,888	\$318,502	\$746,085
2020	\$105,715,888	\$10,000,000		\$239,975	\$104,000	\$343,975	\$204,276	\$209,413	\$308,949	\$722,638
2021	\$102,545,263	\$10,000,000		\$232,778	\$104,000	\$336,778	\$197,078	\$203,132	\$299,683	\$699,894
2022	\$99,469,757	\$99,469,757		\$225,796	\$1,034,485	\$1,260,282	\$1,260,282	\$197,040	\$290,695	\$1,748,017
2023	\$96,486,517	\$96,486,517		\$219,024	\$1,003,460	\$1,222,484	\$1,222,484	\$382,260	\$563,954	\$2,168,698
2024	\$93,592,773	\$93,592,773		\$212,456	\$973,365	\$1,185,820	\$1,185,820	\$370,796	\$547,040	\$2,103,657
2025	\$90,785,842	\$90,785,842		\$206,084	\$944,173	\$1,150,257	\$1,150,257	\$359,675	\$530,634	\$2,040,566
2026	\$88,063,119	\$88,063,119		\$199,903	\$915,856	\$1,115,760	\$1,115,760	\$348,888	\$514,720	\$1,979,368
						Total	\$9,183,813	\$3,677,066	\$5,424,827	\$18,285,706

Assumes School Value Limitation and Tax Abatements from Reeves County and Reeves County Hospital District

Source: CPA, Southern Union Gas

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Pecos-Burston-Toyah ISD I&S Levy	Pecos-Burston-Toyah ISD M&O Levy	Pecos-Burston-Toyah ISD M&O and I&S Tax Levies	Reeves County Tax Levy	Reeves County Hospital District Tax Levy	Estimated Total Property Taxes	
				0.2270	1.0400		0.3962	0.5845		
2012	\$28,400	\$28,400		\$64	\$295	\$360	\$113	\$166	\$638	
2013	\$104,028,400	\$104,028,400		\$236,144	\$1,081,895	\$1,318,040	\$412,140	\$608,036	\$2,338,215	
2014	\$126,908,400	\$126,908,400		\$288,082	\$1,319,847	\$1,607,929	\$502,786	\$741,767	\$2,852,482	
2015	\$123,102,000	\$123,102,000		\$279,442	\$1,280,261	\$1,559,702	\$487,706	\$719,519	\$2,766,927	
2016	\$119,409,792	\$119,409,792		\$271,060	\$1,241,862	\$1,512,922	\$473,078	\$697,938	\$2,683,938	
2017	\$115,828,350	\$115,828,350		\$262,930	\$1,204,615	\$1,467,545	\$458,889	\$677,005	\$2,603,439	
2018	\$112,354,352	\$112,354,352		\$255,044	\$1,168,485	\$1,423,530	\$445,125	\$656,700	\$2,525,355	
2019	\$108,984,573	\$108,984,573		\$247,395	\$1,133,440	\$1,380,835	\$431,775	\$637,004	\$2,449,614	
2020	\$105,715,888	\$105,715,888		\$239,975	\$1,099,445	\$1,339,420	\$418,825	\$617,899	\$2,376,144	
2021	\$102,545,263	\$102,545,263		\$232,778	\$1,066,471	\$1,299,248	\$406,264	\$599,367	\$2,304,879	
2022	\$99,469,757	\$99,469,757		\$225,796	\$1,034,485	\$1,260,282	\$394,079	\$581,391	\$2,235,752	
2023	\$96,486,517	\$96,486,517		\$219,024	\$1,003,460	\$1,222,484	\$382,260	\$563,954	\$2,168,698	
2024	\$93,592,773	\$93,592,773		\$212,456	\$973,365	\$1,185,820	\$370,796	\$547,040	\$2,103,657	
2025	\$90,785,842	\$90,785,842		\$206,084	\$944,173	\$1,150,257	\$359,675	\$530,634	\$2,040,566	
2026	\$88,063,119	\$88,063,119		\$199,903	\$915,856	\$1,115,760	\$348,888	\$514,720	\$1,979,368	
						Total	\$18,844,134	\$5,892,399	\$8,693,140	\$33,429,673

Source: CPA, Southern Union Gas

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 \$\$15,467,956. The estimated gross 15 year M&O tax benefit, or levy loss, is \$\$9,660,321.

Attachment 3 is an economic overview of Reeves 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.



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

Robert Scott
Commissioner

October 31, 2011

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 Southern Union Gas Services Ltd. project on the number and size of school facilities in Pecos-Barstow-Toyah Independent School District (PBTISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the PBTISD superintendent, Mr. Clarke Boyd, the TEA has found that the Southern Union Gas Services Ltd. project would not have a significant impact on the number or size of school facilities in PBTISD.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

A handwritten signature in cursive script that reads "Belinda Dyer".

Belinda Dyer
Division Manager
Office of School Finance

BD/hd



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

Robert Scott
Commissioner

October 31, 2011

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 has analyzed the revenue gains that would be realized by the proposed Southern Union Gas Services Ltd. project for the Pecos-Barstow-Toyah Independent School District (PBTISD). Projections prepared by our Office of School Finance 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 Southern Union Gas Services Ltd. project on PBTISD are correct.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

A handwritten signature in black ink that reads "Belinda Dyer". The signature is written in a cursive, flowing style.

Belinda Dyer
Division Manager
Office of School Finance

BD/hd

Reeves County

Population

Total county population in 2010 for Reeves County: 11,197, up 0.5 percent from 2009. State population increased 1.8 percent in the same time period. Reeves County was the state's 159th largest county in population in 2010 and the 144th fastest growing county from 2009 to 2010. Reeves County's population in 2009 was 23.8 percent Anglo (below the state average of 46.7 percent), 2.4 percent African-American (below the state average of 11.3 percent) and 72.6 percent Hispanic (above the state average of 36.9 percent). 2009 population of the largest cities and places in Reeves County:

Pecos:	7,782	Balmorhea:	445
Toyah:	85		

Economy and Income

Employment

September 2011 total employment in Reeves County: 4,282, up 1.4 percent from September 2010. State total employment increased 0.9 percent during the same period.
 September 2011 Reeves County unemployment rate: 10.7 percent, up from 10.2 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

Reeves County's ranking in per capita personal income in 2009: 225th with an average per capita income of \$26,779, up 3.4 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 Reeves County averaged \$19.96 million annually from 2007 to 2010. County total agricultural values in 2010 were up 6.3 percent from 2009. Major agriculture related commodities in Reeves County during 2010 included:

Pecans	Hay	Other Crop	Other Beef	Alfalfa
--------	-----	------------	------------	---------

2011 oil and gas production in Reeves County: 1.2 million barrels of oil and 17.8 million Mcf of gas. In September 2011, there were 814 producing oil wells and 295 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Taxable sales in Reeves County during the fourth quarter 2010: \$19.03 million, up 11.7 percent from the same quarter in 2009. Taxable sales during the fourth quarter 2010 in the city of:

Pecos:	\$17.08 million, up 18.7 percent from the same quarter in 2009.
Balmorhea:	\$147,104.00, up 1.1 percent from the same quarter in 2009.
Toyah:	\$0.00, down 100.0 percent from the same quarter in 2009.

Annual (2010)

Taxable sales in Reeves County during 2010: \$74.63 million, up 12.7 percent from 2009. Reeves County sent an estimated \$4.66 million (or 0.03 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010. Taxable sales during 2010 in the city of:

Pecos:	\$64.83 million, up 13.8 percent from 2009.
Balmorhea:	\$607,936.00, up 31.4 percent from 2009.
Toyah:	\$15,498.00, down 65.2 percent from 2009.

Sales Tax - Local Sales Tax Allocations

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 Reeves County based on the sales activity month of August 2011: \$155,949.11, up 64.2 percent from August 2010. Payment based on the sales activity month of August 2011 to the city of:

Pecos:	\$151,890.73, up 65.0 percent from August 2010.
Balmorhea:	\$3,265.00, up 38.0 percent from August 2010.
Toyah:	\$793.38, up 41.6 percent from August 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 Reeves County based on sales activity months in 2010: \$1.24 million, up 8.8 percent from 2009. Payment based on sales activity months in 2010 to the city of:

Pecos:	\$1.21 million, up 9.0 percent from 2009.
Balmorhea:	\$29,796.84, up 20.9 percent from 2009.
Toyah:	\$4,534.63, down 49.4 percent from 2009.

Property Tax

As of January 2009, property values in Reeves County: \$812.61 million, down 10.1 percent from January 2008 values. The property tax base per person in Reeves County is \$73,566, below the statewide average of \$85,809. About 46.8 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

Reeves County's ranking in state expenditures by county in fiscal year 2010: 154th. State expenditures in the county for FY2010: \$45.41 million, up 0.1 percent from FY2009.

In Reeves County, 9 state agencies provide a total of 82 jobs and \$850,501 million 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
- Health & Human Services Commission
- Parks & Wildlife Department
- AgriLife Research

Higher Education

Community colleges in Reeves County fall 2010 enrollment:

None.

Reeves County is in the service area of the following:

Odessa College with a fall 2010 enrollment of 5,211. Counties in the service area include:

- Andrews County
- Brewster County
- Crane County
- Culberson County
- Ector County
- Gaines County
- Jeff Davis County
- Loving County
- Presidio County
- Reeves County
- Upton County
- Ward County
- Winkler County

Institutions of higher education in Reeves County fall 2010 enrollment:

None.

School Districts

Reeves County had 2 school districts with 6 schools and 2,352 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.)

Balmorhea ISD had 159 students in the 2009-10 school year. The average teacher salary was \$39,812. The percentage of students meeting the 2010 TAKS passing standard for all tests was 78 percent.

Pecos-Barstow-Toyah ISD had 2,193 students in the 2009-10 school year. The average teacher salary was \$45,629. The percentage of students meeting the 2010 TAKS passing standard for all tests was 61 percent.

Attachment E

Summary of Financial Impact

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED
SOUTHERN UNION GAS SERVICES, LTD PROJECT ON THE
FINANCES OF PECOS-BARSTOW-TOYAH ISD UNDER A
REQUESTED CHAPTER 313 PROPERTY VALUE LIMITATION**

September 22, 2011

Final Report

PREPARED BY



Estimated Impact of the Proposed Southern Union Gas Services, LTD Project on the Finances of Pecos-Barstow-Toyah ISD under a Requested Chapter 313 Property Value Limitation

Introduction

Southern Union Gas Services, LTD (Southern Union Gas) has requested that the Pecos-Barstow-Toyah ISD (PBTISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new gas processing facility. An application was submitted to PBTISD on August 18, 2011. Southern Union Gas proposes to invest \$130 million to construct a new gas processing project in PBTISD.

The Southern Union Gas 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, the original language in Chapter 313 of the Tax Code made companies engaged in manufacturing, research and development, and renewable electric energy production eligible 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.

School Finance Mechanics

Under the provisions of Chapter 313, PBTISD may offer a minimum value limitation of \$10 million. Based on the application, the qualifying time period would begin with the 2012-13 school year. The full taxable value of the investment is expected to reach \$126.9 million in 2014-15, with a moderate rate of depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

The provisions of Chapter 313 call for the project to be fully taxable in the 2012-13 and 2013-14 school years, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2012-13 and 2013-14 school years. Beginning in 2014-15, the project would go on the local tax roll at \$10 million and remain at that level of taxable value for eight years for maintenance and operations taxes. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with PBTISD currently levying a \$0.227 per \$100 I&S tax rate.

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 their property value study and now the planned 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.

For the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the third year was typically problematical for a school district that approved a Chapter 313 value limitation. This generally resulted 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 in the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state 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, assuming a similar deduction is made in the state property values.

Under the HB 1 system, 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.

In the case of HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point was the target revenue provisions from HB 1, that were then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure, as well as an additional \$120 per WADA guarantee.

Under the provisions of HB 3646, school districts did have the potential to earn revenue above the \$120 per WADA level, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 70 percent of all school districts were funded at the minimum \$120 per WADA level, while approximately 30 percent school districts were expected to generate higher revenue amounts per WADA in the 2009-10 school year. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district's base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system.

The formula reductions enacted under Senate Bill 1 (SB 1) as approved in the First Called Session in 2011 are designed to make \$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 797 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 227 districts operating directly on the state formulas.

For the 2012-13 school year, the SB 1 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. For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the appropriations bill. The recent legislative session also saw the adoption of a statement of legislative intent to no longer fund target revenue (through ASATR) by the 2017-18 school year.

One 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 Southern Union Gas 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 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 current SB 1 reductions are reflected in the underlying models. With regard to ASATR funding, the 92.35 percent reduction enacted for the 2012-13 school year is continued, since future changes are dependent on legislative action that is difficult to predict. While there is a statement of intent to no longer fund target revenue by the 2017-18 school year, implementing this change will require future legislative action, with any changes coming through the appropriations process, statutory changes, or both. The yield for the additional four cents of tax effort eligible under Tier II, Level 2 is maintained at \$59.97 per WADA over the forecast period, consistent with the value used in state funding for the current biennium.

Student enrollment counts are held constant at 2,040 students in average daily attendance (ADA) in analyzing the effects of the Southern Union Gas project on the finances of PBTISD. The District's local tax base reached \$1.0 billion for the 2011 tax year. The underlying \$1.0 billion taxable value for 2011-12 is maintained for the forecast period in order to isolate the effects of the property value limitation. PBTISD is not a property-wealthy district, with wealth per weighted ADA or WADA of approximately \$326,855 for the 2011-12 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for PBTISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin yield that influences future state funding, beyond the current \$59.97 yield per WADA, as noted previously. 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 second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Southern Union Gas facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A third model is developed which adds the Southern Union Gas value but imposes the proposed property value limitation effective in the third year, which in this case is the 2014-15 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). An M&O tax rate of \$1.04 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$16.4 million a year in net General Fund revenue.

Under these assumptions, PBTISD would experience a revenue loss as a result of the implementation of the value limitation in the 2014-15 school year (-\$77,108). The revenue reduction results from the mechanics of the four cents eligible for state aid at the Austin yield. Once the one-year lag in value associated with the property value study appears in the 2015-16 school year calculations, the revenue losses disappear under the current formulas.

As noted previously, no attempt was made to forecast further reductions in ASATR funding beyond the 92.35 percent adjustment adopted for the 2012-13 school year. One risk factor under the estimates presented here relates to the implementation of the value limitation in the 2014-15 school year. The formula loss of \$77,108 cited above between the base and the limitation models is based on an assumption of \$1.2 million in M&O tax savings for Southern Union Gas when the \$10 million limitation is implemented. In order to offset this reduction, a \$1.17 million increase in ASATR funding is calculated under the assumptions used here for the 2014-15 school year.

Given that the ASATR amount falls below the anticipated tax savings for the project in the first year of implementation of the agreement, there is no financial risk to the District as a result of the adoption of the value limitation agreement in response to future legislative changes in ASATR funding. But significant or complete elimination of ASATR funding could reduce the residual tax savings in the first year that the \$10 million value limitation takes effect.

With regard to target revenue that is supported by ASATR funding, these estimates assume a target of \$5,713 per WADA for PBTISD, compared with the state average of \$5,185. The District's property wealth per WADA is estimated to be \$326,845, about \$40,000 in excess of the state average but well below the recapture level at the compressed tax rate of \$1.00 per \$100 of taxable value.

The Comptroller's Property Tax Assistance Division announced recently it would be adopting a rule this fall that would implement the use of two values for school districts for its 2011 state property value study. These are the state values that will be used to calculate state aid and recapture in the 2012-13 school year.

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.

Under the property value study conducted by the Comptroller's Office through the 2010 tax year, however, only a single deduction amount was calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. The result of this interpretation is that a "composite" value for a school district with a Chapter 313 agreement is calculated, by averaging the impact of the value reduction across the M&O and I&S tax levies.

Under the Southern Union Gas request for a value limitation, the 2014 state property value used for the 2015-16 school year would be the first year that this change in the value study would be reflected in funding formula calculations for the new Southern Union Gas project. The

Comptroller's anticipated change has been made in the models presented here. This change is beneficial to both the District and the Company.

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 only. 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 2011-12 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$8.7 million over the life of the agreement. In addition, Southern Union Gas would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two 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, if needed. The tax credits are expected to total approximately \$978,000 over the life of the agreement, with no unpaid tax credits anticipated and the District to be reimbursed by the state for the tax credit payments.

The key PBTISD revenue losses are associated with the additional four-cent levy equalized to the Austin yield and expected to total approximately -\$77,108 in the first year the value limitation is in effect under the agreement. The potential net tax benefits are estimated to total \$9.6 million over the life of the agreement. While legislative changes to ASATR funding could increase the hold-harmless amount owed in the 2014-15 school year, there would still be a substantial tax benefit to Southern Union Gas under the value limitation agreement for the remaining years that the limitation is in effect.

Facilities Funding Impact

The Southern Union Gas project remains fully taxable for debt services taxes, with PBTISD currently levying a \$0.227 I&S rate. The value of the Southern Union Gas project is expected to depreciate at a moderate rate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA that is currently well above what is provided for through the state's facilities program. At its peak taxable value, the project adds 12.7 percent to PBTISD's current tax base, which should assist the District in meeting its debt service obligations.

The Southern Union Gas project is not expected to affect PBTISD in terms of enrollment. Continued expansion of the natural gas and industrial gas processing industries 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. Southern Union Gas has indicated there will be 10 positions associated with operations once the facility is completed.

Conclusion

The proposed Southern Union Gas gas processing project enhances the tax base of PBTISD. It reflects continued capital investment in industrial gas manufacturing, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$9.6 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District. The additional taxable value also enhances the tax base of PBTISD in meeting its future debt service obligations.

Table 1 – Base District Information with Southern Union Gas Services, LTD 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
1	2012-13	2,040.00	2,908.46	\$1.0400	\$0.2270	\$953,989,787	\$953,989,787	\$950,642,367	\$950,642,367	\$326,855	\$326,855
2	2013-14	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,057,989,787	\$1,057,989,787	\$950,670,767	\$950,670,767	\$326,865	\$326,865
3	2014-15	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,080,869,787	\$963,961,387	\$1,054,670,767	\$1,054,670,767	\$362,622	\$362,622
4	2015-16	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,077,063,387	\$963,961,387	\$1,077,550,767	\$960,642,367	\$370,489	\$330,293
5	2016-17	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,073,371,179	\$963,961,387	\$1,073,744,367	\$960,642,367	\$369,180	\$330,293
6	2017-18	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,069,789,737	\$963,961,387	\$1,070,052,159	\$960,642,367	\$367,911	\$330,293
7	2018-19	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,066,315,739	\$963,961,387	\$1,066,470,717	\$960,642,367	\$366,679	\$330,293
8	2019-20	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,062,945,960	\$963,961,387	\$1,062,996,719	\$960,642,367	\$365,485	\$330,293
9	2020-21	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,059,677,275	\$963,961,387	\$1,059,626,940	\$960,642,367	\$364,326	\$330,293
10	2021-22	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,056,506,650	\$963,961,387	\$1,056,358,255	\$960,642,367	\$363,203	\$330,293
11	2022-23	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,053,431,144	\$1,053,431,144	\$1,053,187,630	\$960,642,367	\$362,112	\$330,293
12	2023-24	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,050,447,904	\$1,050,447,904	\$1,050,112,124	\$1,050,112,124	\$361,055	\$361,055
13	2024-25	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,047,554,160	\$1,047,554,160	\$1,047,128,884	\$1,047,128,884	\$360,029	\$360,029
14	2025-26	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,044,747,229	\$1,044,747,229	\$1,044,235,140	\$1,044,235,140	\$359,034	\$359,034
15	2026-27	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,042,024,506	\$1,042,024,506	\$1,041,428,209	\$1,041,428,209	\$358,069	\$358,069

*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 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
1	2012-13	\$9,653,804	\$5,161,915	\$916,627	\$0	\$0	\$385,650	\$321,925	\$0	\$16,439,922
2	2013-14	\$10,673,055	\$5,161,631	\$0	\$0	\$0	\$426,367	\$355,891	\$0	\$16,616,945
3	2014-15	\$10,918,673	\$4,121,579	\$692,094	\$0	\$0	\$436,179	\$285,168	\$0	\$16,453,694
4	2015-16	\$10,881,369	\$3,892,768	\$958,210	\$0	\$0	\$434,689	\$268,930	\$0	\$16,435,965
5	2016-17	\$10,845,183	\$3,930,833	\$956,330	\$0	\$0	\$433,243	\$270,521	\$0	\$16,436,112
6	2017-18	\$10,810,083	\$3,967,757	\$954,506	\$0	\$0	\$431,841	\$272,066	\$0	\$16,436,254
7	2018-19	\$10,776,037	\$4,003,574	\$952,736	\$0	\$0	\$430,481	\$273,566	\$0	\$16,436,394
8	2019-20	\$10,743,011	\$4,038,315	\$951,020	\$0	\$0	\$429,162	\$275,021	\$0	\$16,436,530
9	2020-21	\$10,710,976	\$4,072,015	\$949,355	\$0	\$0	\$427,882	\$276,434	\$0	\$16,436,663
10	2021-22	\$10,679,903	\$4,104,703	\$947,741	\$0	\$0	\$426,641	\$277,805	\$0	\$16,436,793
11	2022-23	\$10,649,761	\$4,136,411	\$946,174	\$0	\$0	\$425,437	\$279,136	\$0	\$16,436,919
12	2023-24	\$10,620,524	\$4,167,168	\$944,654	\$0	\$0	\$424,269	\$280,427	\$0	\$16,437,043
13	2024-25	\$10,592,164	\$4,197,002	\$943,181	\$0	\$0	\$423,136	\$281,681	\$0	\$16,437,163
14	2025-26	\$10,564,655	\$4,225,940	\$941,752	\$0	\$0	\$422,037	\$282,897	\$0	\$16,437,281
15	2026-27	\$10,537,971	\$4,254,011	\$940,365	\$0	\$0	\$420,971	\$284,078	\$0	\$16,437,396

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
1	2012-13	\$9,653,804	\$5,161,915	\$916,627	\$0	\$0	\$385,650	\$321,925	\$0	\$16,439,922
2	2013-14	\$10,673,055	\$5,161,631	\$0	\$0	\$0	\$426,367	\$355,891	\$0	\$16,616,945
3	2014-15	\$9,751,531	\$4,121,579	\$1,859,236	\$0	\$0	\$389,554	\$254,685	\$0	\$16,376,586
4	2015-16	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
5	2016-17	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
6	2017-18	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
7	2018-19	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
8	2019-20	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
9	2020-21	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
10	2021-22	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
11	2022-23	\$10,628,378	\$5,061,910	\$42,058	\$0	\$0	\$424,582	\$346,315	\$0	\$16,503,245
12	2023-24	\$10,599,141	\$4,167,168	\$966,037	\$0	\$0	\$423,415	\$279,863	\$0	\$16,435,624
13	2024-25	\$10,570,781	\$4,197,002	\$964,563	\$0	\$0	\$422,282	\$281,112	\$0	\$16,435,740
14	2025-26	\$10,543,272	\$4,225,940	\$963,135	\$0	\$0	\$421,183	\$282,325	\$0	\$16,435,854
15	2026-27	\$10,516,588	\$4,254,011	\$961,748	\$0	\$0	\$420,117	\$283,501	\$0	\$16,435,965

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
1	2012-13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2014-15	-\$1,167,142	\$0	\$1,167,142	\$0	\$0	-\$46,625	-\$30,483	\$0	-\$77,108
4	2015-16	-\$1,129,838	\$1,169,142	-\$39,304	\$0	\$0	-\$45,135	\$48,814	\$0	\$3,680
5	2016-17	-\$1,093,652	\$1,131,077	-\$37,425	\$0	\$0	-\$43,689	\$47,223	\$0	\$3,533
6	2017-18	-\$1,058,552	\$1,094,153	-\$35,601	\$0	\$0	-\$42,287	\$45,678	\$0	\$3,391
7	2018-19	-\$1,024,506	\$1,058,336	-\$33,830	\$0	\$0	-\$40,927	\$44,178	\$0	\$3,251
8	2019-20	-\$991,480	\$1,023,595	-\$32,115	\$0	\$0	-\$39,608	\$42,723	\$0	\$3,115
9	2020-21	-\$959,445	\$989,895	-\$30,450	\$0	\$0	-\$38,328	\$41,310	\$0	\$2,982
10	2021-22	-\$928,372	\$957,207	-\$28,835	\$0	\$0	-\$37,087	\$39,939	\$0	\$2,852
11	2022-23	-\$21,383	\$925,499	-\$904,116	\$0	\$0	-\$854	\$67,180	\$0	\$66,325
12	2023-24	-\$21,383	\$0	\$21,383	\$0	\$0	-\$854	-\$565	\$0	-\$1,419
13	2024-25	-\$21,383	\$0	\$21,383	\$0	\$0	-\$854	-\$569	\$0	-\$1,423
14	2025-26	-\$21,383	\$0	\$21,383	\$0	\$0	-\$854	-\$573	\$0	-\$1,427
15	2026-27	-\$21,383	\$0	\$21,383	\$0	\$0	-\$854	-\$576	\$0	-\$1,431

Table 5 - Estimated Financial impact of the Southern Union Gas Services, LTD Project Property Value Limitation Request Submitted to PBTISD at \$1.04 M&O Tax Rate

School Year	Project Value	Estimated Taxable Value	Value Savings	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
2012-13	\$28,400	\$28,400	\$0	\$295	\$295	\$0	\$0	\$0	\$0	\$0
2013-14	\$104,028,400	\$104,028,400	\$0	\$1,081,895	\$1,081,895	\$0	\$0	\$0	\$0	\$0
2014-15	\$126,908,400	\$10,000,000	\$116,908,400	\$1,319,847	\$104,000	\$1,215,847	\$0	\$1,215,847	-\$77,108	\$1,138,740
2015-16	\$123,102,000	\$10,000,000	\$113,102,000	\$1,280,261	\$104,000	\$1,176,261	\$139,699	\$1,315,960	\$0	\$1,315,960
2016-17	\$119,409,792	\$10,000,000	\$109,409,792	\$1,241,862	\$104,000	\$1,137,862	\$139,699	\$1,277,561	\$0	\$1,277,561
2017-18	\$115,828,350	\$10,000,000	\$105,828,350	\$1,204,615	\$104,000	\$1,100,615	\$139,699	\$1,240,314	\$0	\$1,240,314
2018-19	\$112,354,352	\$10,000,000	\$102,354,352	\$1,168,485	\$104,000	\$1,064,485	\$139,699	\$1,204,185	\$0	\$1,204,185
2019-20	\$108,984,573	\$10,000,000	\$98,984,573	\$1,133,440	\$104,000	\$1,029,440	\$139,699	\$1,169,139	\$0	\$1,169,139
2020-21	\$105,715,888	\$10,000,000	\$95,715,888	\$1,099,445	\$104,000	\$995,445	\$139,699	\$1,135,145	\$0	\$1,135,145
2021-22	\$102,545,263	\$10,000,000	\$92,545,263	\$1,066,471	\$104,000	\$962,471	\$139,699	\$1,102,170	\$0	\$1,102,170
2022-23	\$99,469,757	\$99,469,757	\$0	\$1,034,485	\$1,034,485	\$0	\$0	\$0	\$0	\$0
2023-24	\$96,486,517	\$96,486,517	\$0	\$1,003,460	\$1,003,460	\$0	\$0	\$0	\$0	\$0
2024-25	\$93,592,773	\$93,592,773	\$0	\$973,365	\$973,365	\$0	\$0	\$0	\$0	\$0
2025-26	\$90,785,842	\$90,785,842	\$0	\$944,173	\$944,173	\$0	\$0	\$0	\$0	\$0
2026-27	\$88,063,119	\$88,063,119	\$0	\$915,856	\$915,856	\$0	\$0	\$0	\$0	\$0
Totals				\$15,467,956	\$6,785,530	\$8,682,426	\$977,895	\$9,660,321	-\$77,108	\$9,583,213
Tax Credit for Value Over Limit in First 2 Years							Year 1	Year 2	Max Credits	
							\$0	\$977,895	\$977,895	
							Credits Earned		\$977,895	
							Credits Paid		\$977,895	
							Excess Credits Unpaid		\$0	

Attachment F

Taxable Value of Property

DATE: 07/27/2011
 TIME: 10:21:28

COMPTROLLER OF PUBLIC ACCOUNTS - PROPERTY TAX ASSISTANCE DIVISION
 2010 ISD SUMMARY WORKSHEET
 195-901/Fecoco-Barstow-Toyah
 SCHOOL DISTRICT TOTALS

PAGE: 005
 REPT: PTS265
 VRSN: W

CATEGORY	LOCAL TAX ROLL VALUE	2010 WTD MEAN RATIO	2010 PTD VALUE ESTIMATE	2010 VALUE ASSIGNED
A. SINGLE-FAMILY RESIDENCES	91,056,250	.7801	116,717,263	91,056,250
B. MULTIFAMILY RESIDENCES	2,060,170	N/A	2,060,170	2,060,170
C. VACANT LOTS	14,496,890	N/A	14,496,890	14,496,890
D. RURAL REAL (TAXABLE)	35,554,890	1.0119	35,138,332	35,554,890
F1. COMMERCIAL REAL	32,076,730	.5742	55,861,402	32,076,730
F2. INDUSTRIAL REAL	6,361,530	N/A	6,361,530	6,361,530
G. OIL,GAS,MINERALS	633,966,240	1.0108	627,199,274	633,966,240
J. UTILITIES	147,001,200	1.0535	139,540,745	147,001,200
L1. COMMERCIAL PERSONAL	12,363,830	N/A	12,363,830	12,363,830
L2. INDUSTRIAL PERSONAL	38,400,520	N/A	38,400,520	38,400,520
M. MOBILE HOMES	984,500	N/A	984,500	984,500
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	1,014,322,750		1,049,124,456	1,014,322,750
LESS TOTAL DEDUCTIONS	63,680,383		68,040,379	63,680,383
TOTAL TAXABLE VALUE	950,642,367		981,084,077	950,642,367 T2

CATEGORY D DETAIL	LOCAL TAX ROLL	RATIO	PTD VALUE
MARKET VALUE NON-QUALIFIED			
ACRES & FARM/RANCH IMP	25,205,500	.9981	25,252,344
PROD VALUE QUALIFIED ACRES	10,349,390	1.0469	9,885,988
TAXABLE VALUE	35,554,890		35,138,332

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

PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT

and

SOUTHERN UNION GAS SERVICES, LTD
(Texas Taxpayer ID # 17524680836)

Dated

December 15, 2011

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

STATE OF TEXAS §

COUNTY OF REEVES §

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 **PECOS-BARSTOW-TOYAH 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 **SOUTHERN UNION GAS SERVICES, LTD**, a Texas limited partnership (Texas Taxpayer Identification Number 17524680836), 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 August 18, 2011, the Superintendent of Schools" of the Pecos-Barstow-Toyah Independent School District (hereinafter referred to as "Superintendent), acting as agent of the Board of Trustees of the District (hereinafter referred to as "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 August 18, 2011, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from Southern Union Gas Services, LTD, and on August 18, 2011, the Superintendent 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); and,

WHEREAS, the Application was delivered to 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 October 17, 2011 as the completed Application date; and,

WHEREAS, pursuant to 34 Texas Administrative Code § 9.1054, the Application was delivered for review to the Reeves County Appraisal District established in Reeves 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 November 8, 2011, the Comptroller, 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 15, 2011 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 prepared pursuant to Texas Tax Code § 313.026 and carefully considered the Comptroller's positive recommendation for the project; and,

WHEREAS, on December 15, 2011, 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 15, 2011, 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, (v) the jobs creation requirement in Texas Tax Code § 313.025(f-1) exceeds the industry standard for the number of employees reasonably necessary for the operation of the Qualified Investment; and,

WHEREAS, on December 15, 2011, 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 §§ 313.022(b) and 313.052, as such Tax Limitation Amount was computed as of the date of this Agreement; and,

WHEREAS, on _____, 2011, the District received written notification, pursuant to 34 Texas Administrative Code § 9.1055(e)(2)(A), that the Comptroller reviewed this Agreement, and reaffirming the recommendation previously made on November 8, 2011 that the Application be approved; and,

WHEREAS, on December 15, 2011, 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 specified in Section 2.6, below, or greater, 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: 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021. 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, 2014, the appraisal date for the third full Tax Year following the Commencement Date.

The period beginning with the Commencement Date of December 15, 2011, and ending on December 31, 2013, is 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 the Tax Limitation Amount 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, 2021. 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, including any earned Tax Credit, to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such 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 Appraised Value Determination	School Year	Tax Year	Summary Description of Provisions
Partial Year (Commencing December 15, 2011)	January 1, 2011	2011-12	2011	Start of Qualifying Time Period beginning with Commencement Date. No limitation on value. First year for computation of Annual Limit.
1	January 1, 2012	2012-13	2012	Qualifying Time Period. No limitation on value. Possible tax credit in future years.
2	January 1, 2013	2013-14	2013	Qualifying Time Period. No limitation on value. Possible tax credit in future years.
3	January 1, 2014	2014-15	2014	\$ 10 million property value limitation.
4	January 1, 2015	2015-16	2015	\$ 10 million property value limitation. Possible tax credit due to Applicant.
5	January 1, 2016	2016-17	2016	\$ 10 million property value limitation. Possible tax credit due to Applicant.
6	January 1, 2017	2017-18	2017	\$ 10 million property value limitation. Possible tax credit due to Applicant.
7	January 1, 2018	2018-19	2018	\$ 10 million property value limitation. Possible tax credit due to Applicant.
8	January 1, 2019	2019-20	2019	\$ 10 million property value limitation. Possible tax credit due to Applicant.
9	January 1, 2020	2020-21	2020	\$ 10 million property value limitation. Possible tax credit

Full Tax Year of Agreement	Date of Appraised Value Determination	School Year	Tax Year	Summary Description of Provisions
				due to Applicant.
10	January 1, 2021	2021-22	2021	\$ 10 million property value limitation. Possible tax credit due to Applicant.
11	January 1, 2022	2022-23	2022	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
12	January 1, 2023	2023-24	2023	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
13	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.

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” of any specified person or entity means any other person or entity which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under direct or indirect common control with such specified person or entity. For purposes of this definition, “control” when used with respect to any person or entity means (i) the ownership, directly or indirectly, or fifty percent (50%) or more of the voting securities of such person or entity, or (ii) the right to direct the management or operations of such person or entity, directly or indirectly, whether through the ownership (directly or indirectly) of securities, by contract or

otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Aggregate Limit” means, for any Tax Year during the term of this Agreement, the cumulative total of the Annual Limit amount for such Tax Year and for all previous Tax Years during the term of this Agreement, less all amounts paid by the Applicant to or on behalf of the District under Article IV.

“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 8.3.

“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 or decreased for any future year of this Agreement. The Annual Limit shall first be computed for tax year 2011, which, by virtue of the Commencement Date is the first year of the Qualifying Time Period under this Agreement.

“Applicant” means Southern Union Gas Services, LTD, *Texas Taxpayer Identification Number 17524680836*, the company listed in the Preamble of this Agreement who, on August 18, 2011, filed the Original Application with the District 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.

“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), Chapter 403, Subchapter M, of the Texas Government Code applicable to the District, and the Constitution and general laws of the State applicable to the independent school districts of the State, including specifically, the applicable rules and regulations of the agencies of the State having jurisdiction over any matters relating to the public school systems and school districts of the State, and judicial decisions construing or interpreting any of the above. The term also includes any amendments or successor statutes that may be adopted in the future that could impact or alter the calculation of 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 August 18, 2011 (the “Original Application”) which has been certified by the Comptroller to constitute a complete final Application as of the date of October 17, 2011. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by the Applicant for the purpose of obtaining this 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 Reeves County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Pecos-Barstow-Toyah Independent School District.

“Commencement Date” December 15, 2011, the date on which this Agreement was approved by the Board of Trustees.

“Completed Application Date” means October 17, 2011, the date upon which the Comptroller determined to be the date of its receipt of a completed Application for Appraised Value Limitation on Qualified Property (Texas Tax Code, Chapter 313, Subchapter B or C), Comptroller Form 50-296, from the Applicant.

“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 of the Texas Administrative Code, Chapter 9, Subchapter F, together with any court or administrative decisions interpreting same.

“County” means Reeves County, Texas.

“Determination of Breach and Notice of Contract Termination” shall have the meaning assigned to such term in Section 7.8 of this Agreement

“District” or “School District” means the Pecos-Barstow-Toyah 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, 2024. However, any financial obligation accruing to any Party under this agreement prior to the Final Termination date shall 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), labor shortages or unavailability, 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 feedstock, raw materials, equipment, parts or material, or inability of the Applicant to ship, or failure of carriers to transport to or from the Applicant's facilities, products (finished or otherwise), feedstock, raw materials, equipment, parts or material; or (e) any other cause (except financial), whether similar or dissimilar, over which the Applicant has no reasonable control and which forbids or prevents performance.

"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 this Agreement.

"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 Tax Benefit" means an amount (but not less than zero) equal to: (i) the sum of (A) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for all Tax Years during the term of this Agreement if this Agreement had not been entered into by the Parties; plus (B) any tax credits received by the Applicant under this Agreement; minus, (ii) an amount equal to the sum of (A) all maintenance and operations ad valorem school taxes actually due to the District or any other governmental entity, including the State of Texas, for all Tax Years during the term of this Agreement, plus (B) any and all payments due to the District under Article III of this Agreement.

"New Jobs" means the total number of "new jobs," defined by 34 Texas Administrative Code § 9.1051(14)(C), which the Applicant will create in connection with 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. In accordance with the requirements of Texas Tax Code § 313.024(d), eighty percent (80%) of all New Jobs created by Applicant 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, and 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 described in the Application and in the description of the Applicant's Qualified Investment and the Applicant's Qualified Property as set forth in Section 2.3, below 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, and 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 (i.e., December 15, 2011) and ends on December 31, 2013.

"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 an application, the evaluation or consideration of an application, or the agreement or implementation of an agreement for limitation of appraised value pursuant to Texas Tax Code, Chapter 313. The term includes, but is not limited to, any application requesting a limitation on

appraised value and any amendments or supplements, any economic impact evaluation made in connection with an application, any agreement between the Applicant and the school district and any subsequent amendments or assignments, any school district written finding or report filed with the Comptroller as required under this subchapter, 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 the Applicant’s 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 imposed on the Applicant under such provisions, including the timely filing of a completed application under Texas Tax Code § 313.103 and the duly adopted administrative rules relating thereto.

“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 § 313.027. That is, for each of the eight (8) Tax Years 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021, 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) Ten Million Dollars (\$10,000,000.00).

The Tax Limitation Amount 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, as applicable.

“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, Texas Tax Code, which are set forth at Title 19 – Part 2, Texas Administrative Code (including, but not limited to, § 61.1019), 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 Qualified Property upon which the Applicant's Qualified Investment will be located (the "Applicant's Qualified Property") 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 land described in **EXHIBIT 2** (the "Land") qualifies as Qualified Property, and the Parties expressly agree that the boundaries of the Land may not be materially changed from its 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 (the "Applicant's Qualified Investment"). The Applicant's 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. The Applicant's 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) is first placed in service after October 17, 2011, 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 the Applicant's 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 such property to this Agreement, which request shall include a specific description of the additional property to which the Applicant requests that the Tax Limitation Amount 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 that is necessary to re-evaluate the economic impact analysis for the new or changed conditions.

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 Applicant's Qualified Property located on the Land described in **EXHIBIT 2**; or upon a reasonable request by 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 Applicant's Qualified Property to which the Tax Limitation Amount applies, including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property which is subject to this 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 manufacturing facility.

Section 2.6. LIMITATION ON APPRAISED VALUE

So long as the Applicant makes a Qualified Investment in the amount Ten Million Dollars (\$10,000,000.00), 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 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021, 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) Ten Million Dollars (\$10,000,000.00).

This Tax Limitation Amount 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 § 313.023.

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 solely 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 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 the 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 Applicant's Qualified Property and/or the Applicant's Qualified Investment been subject to the ad valorem maintenance and operations tax.
- 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 such 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 relating to the definition of "New M&O Revenue" will reflect the Tax Limitation Amount for such year.
- v. All calculations made under this Section 3.2 shall be made by a methodology which isolates only the revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements or 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 Applicant's Qualified Investment 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 Applicant's Qualified Investment; and

- (c) any other loss of the District's revenues which directly result from, or are reasonably attributable to, any payment made by the Applicant to or on behalf any third party beneficiary of this Agreement.

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 for payments under this Agreement shall be initially based upon the valuations placed upon the 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, Article IV, and/or 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 the 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 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. For no Tax Year during the term of this Agreement shall the Applicant be responsible for the payment of an aggregate amount of fees and expenses under this Section 3.7 and Section 3.6 which exceeds 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 receipt of 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. Any appeal by the Applicant of the final determination of the Third Party may be made, in writing, to the Pecos-Barstow-Toyah Independent School District Board of Trustees within thirty (30) days of the final determination of certification containing the calculations.

Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT

If, at the time the Third Party selected under Section 3.4 makes its calculations under this Agreement, the Applicant has appealed any matter relating to the valuations placed by the Appraisal District on the Applicant's Qualified Property, and/or the Applicant's Qualified Property and such appeal remains unresolved, the Third Party shall base its calculations upon the values placed upon the Applicant's Qualified Property and/or the Applicant's Qualified Property by the Appraisal District.

If as a result of an 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 the new Taxable Value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years using the new Taxable Value. In the event the new calculations result in a change in any amount paid or payable by the Applicant under this Agreement, the Party from whom the adjustment is payable shall remit such amounts to the other 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, 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

SUPPLEMENTAL PAYMENTS

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 "Supplemental Payments"). 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, Texas Tax Code, unless it is explicitly set forth in this Agreement. It is the express intent of the Parties that the Applicant's obligation to make Supplemental Payments under this Article IV is 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 the limitations contained in Section 5.1, and that all payments under this 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), as such limit now

exists and as the limit may be increased by the Legislature for any future year of this Agreement.

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

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," which is hereby defined as Forty percent (40%) of the Net Tax Benefit; or,
- (b) the Aggregate Limit.

Section 4.3. ANNUAL CALCULATION OF STIPULATED SUPPLEMENTAL PAYMENT AMOUNT

The Parties agree that for each Tax Year during the term of this Agreement, beginning with the third full Tax Year (Tax Year 2014), the Applicant's 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;

Multiplied by,

The number 0.40;

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 Applicant's Stipulated Supplemental Payment Amount calculation to reflect such changes in the data.

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

For each Tax Year during the term of this Agreement, beginning with Tax Year three (Tax Year 2014) and continuing thereafter through Tax Year thirteen (Tax Year 2024), 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 Aggregate Limit.

If, for any Tax Year during the term of this Agreement, the amount of the Applicant's Stipulated Supplemental Payment Amount calculated under sections 4.2 and 4.3, above, for such Tax Year, exceeds the Aggregate Limit for such Tax Year, the difference between the Applicant's Stipulated Supplemental Payment Amount so calculated and the Aggregate Limit for such Tax Year, shall be carried forward from year-to-year into subsequent Tax Years during the term of this Agreement, and to the extent not limited by the Aggregate Limit in any subsequent Tax Year during the term of this Agreement, shall be paid to the District.

Any of the Applicant's Stipulated Supplemental Payment Amounts which cannot be paid to the District prior to the end of year thirteen (Tax Year 2024) because such payment would exceed the Aggregate Limit will be deemed to have been cancelled by operation of law, and the Applicant shall have no further obligation with respect thereto.

Section 4.5. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS

- (a) All calculations required by this Article IV, including but not limited to: (i) the calculation of the Applicant's Stipulated Supplemental Payment Amount; (ii) the determination of both the Annual Limit and the Aggregate Limit; (iii) the effect, if any, of the 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 of the Applicant's Stipulated Supplemental Payment Amounts unpaid by the Applicant due to the Aggregate Limit in previous years, 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 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 payments under this Article IV be made to the District's educational foundation, or to a similar entity. Such foundation or entity may only use such funds received under this Article IV to support the educational mission of the District and its students. Any designation of such a foundation or entity must be made by recorded vote of the Board of Trustees at a properly posted public meeting of the Board of Trustees. Any such designation will become effective after such public vote and the delivery of notice of said vote to the Applicant in conformance with the provisions of Section 8.1. Such designation may be rescinded by the Board of Trustees, by Board action, at any time, and any such rescission will become effective after delivery of notice of such action to the Applicant in conformance with the provisions of Section 8.1.

Any designation of a successor beneficiary under this Section 4.6 shall not alter the Aggregate Limit on Supplemental Payments described in Section 4.4, above.

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 after the 2014 Tax Year, 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 Tax Year, 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 Sections 3.4 and 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 Article IV 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 July 31 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. In addition to the foregoing, in the event the Applicant determines that it will not commence or complete construction of the Applicant's Qualified Investment, the Applicant shall have the option, during the Qualifying Time Period, to terminate this Agreement by notifying the District in writing of its exercise of such option. Any termination of this Agreement under the immediately preceding sentence shall be effective immediately prior to the beginning of the Tax Year immediately following the Tax Year during which such notification is delivered to the District. Upon any termination this Agreement under this Section 5.2, 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 the Comptroller's Rules, provided that the Applicant complies with the requirements under such provisions, including the filing of a completed application under Section 313.103 of the Texas Tax Code and the Comptroller's 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 the Comptroller's Rules, including, but not limited to, such obligations set forth in Section 313.104 of the Texas Tax Code, and the Comptroller's Rules and/or the Texas Education Agency's 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 or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property. 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

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. The obligation to make all such required filings shall be a material obligation under this Agreement.

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 this Agreement;
- (b) it will Maintain Viable Presence in the District through the Final Termination Date of this Agreement; provided, however, that notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of this Agreement, and shall not be subject to any liability for failure to Maintain Viable Presence, to the extent such failure is caused by Force Majeure, provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure; and,
- (c) it will meet the applicable minimum eligibility requirements under Texas Tax Code, Chapter 313, throughout the period from and including the Tax Year 2014 through and including the last Tax Year during the term of this Agreement with respect to which the Applicant receives the benefit of a Tax Credit.

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 that the Applicant or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, 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. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV.

(b) Notwithstanding Section 7.4(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of this 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 maintenance and operations taxes for all of the Tax Years for which the Tax Limitation Amount was allowed pursuant to this Agreement that are prior to the Tax 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. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV. 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 breach 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. Notwithstanding the foregoing, penalties shall only be due to the extent it is determined that the breach of this Agreement by the Applicant was willful and without a good faith, reasonable belief by the Applicant that its action or omission constituting such breach was in compliance with this Agreement.

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) Applicant is determined to have failed to meet its obligations to have made accurate material representations of fact in the 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 create and maintain at least the number of New Jobs it committed to create and maintain as set forth on Schedule C, Column C of its Application.

- (e) Applicant fails to create and maintain at least the number of New Jobs it committed to create and maintain as set forth on Schedule C, Column E of its Application.
- (f) Applicant fails to create and maintain at least Eighty Percent (80%) of all such New Jobs as Qualifying Jobs.
- (g) 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 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 are not barred by this provision.
- (h) Applicant fails to comply in any material respect with any other term of this Agreement, or the Applicant fails to meet its obligations under the applicable Comptroller's Rules and the Act.

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 any Material Breaches of this Agreement described in Sections 7.6(d) and 7.6(e) or 7.6(f), above, without the termination of the remaining term of this Agreement. In order to cure any such non-compliance with Sections 7.6(d) and 7.6(e) or 7.6(f) for any such Tax Year, 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).

Section 7.8. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT

Prior to making a determination under Section 7.4 or Section 7.6 that the Applicant is in Material Breach of this Agreement, such as making a material misrepresentation in the Application, failing to Maintain Viable Presence in the District as required by Section 7.3 of this Agreement, or failing to make any payment required under this Agreement when due, or that the Applicant has otherwise committed a material breach of this Agreement (a "Material Breach"), the District shall provide the Applicant with a written notice of the facts which it believes have caused the Material Breach, 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 a Material Breach has not occurred and/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 has occurred, the date such Material Breach occurred, if any, and whether or not any such Material Breach has been cured. Except as otherwise provided in Section 7.7, in the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall also terminate this 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 Breach and Notice of Contract Termination 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 residing in Reeves 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 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 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 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; 7.9, 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 as follows:

Clarke Boyd, Superintendent
Pecos-Barstow-Toyah Independent School District
1302 South Park St.
Pecos, TX 79772
Fax: (432) 447-2690
Phone: (432) 447-7201
Email: boydc@pbtisd.esc18.net

or at such other address or to such other facsimile 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 as follows:

Kerry Albright
Property Tax Supervisor
Southern Union Gas Services, LTD
P.O. Box 4967
Houston, TX 77210-4967
Fax: (713) 989-1152
Phone: (713) 9892711
Email: kerry.albright@sug.com

With a copy to:

SOUTHERN UNION GAS SERVICES, LTD
6 Desta Drive, #4100
Midland, Texas 79705
ATTN: Plant Operations

With a copy to:

SOUTHERN UNION GAS SERVICES, LTD
c/o CT Corporation
350 North St. Paul St.
Dallas, Texas 75201

With a copy to:

Timothy E. Young
Ikard Wynne LLP
2801 Via Fortuna, Suite 501
Austin, Texas 78746

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 Board of Trustees.
- (b) The obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the Final Termination Date.
- (c) In the event that the Applicant fails to make a Qualified Investment in the amount of Ten Million Dollars (\$10,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2013.

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 or Qualified Investment 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 or replacement property. Any amendment of this Agreement adding additional or replacement Qualified Property or Qualified Investment 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 (8) 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, 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 contract 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 Reeves 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 a mutually 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, (i) 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, and (ii) in the event of a dispute between the Parties in connection with this Agreement, the prevailing Party in the resolution of any such dispute, whether by litigation or otherwise, shall be entitled to full recovery of all attorneys' fees (including a reasonable hourly fee for in-house legal counsel), costs and expenses incurred in connection therewith, including costs of court, from the non-prevailing Party.

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 that all material representations, information and facts contained in the Application 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, this 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 all Substantive Documents, including 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 the adoption, submission, or approval of any Substantive Document, the District shall submit a copy to the Comptroller for publication on the Comptroller's Internet website.
- b. The District shall provide on its website a link to the location of those documents posted on the Comptroller's website.
- c. This Section 8.14 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 ___ day of _____ 2011.

SOUTHERN UNION GAS SERVICES, LTD,
a Texas limited partnership

BY: Robert A. Milan
AUTHORIZED REPRESENTATIVE

NAME: ROBERT A. MILAN

TITLE: VICE PRESIDENT

PECOS-BARSTOW-TOYAH INDEPENDENT
SCHOOL DISTRICT

BY: Bill Oglesby
BILL OGLESBY
PRESIDENT
BOARD OF TRUSTEES

BY: Randy J. Graham
RANDY GRAHAM
SECRETARY
BOARD OF TRUSTEES

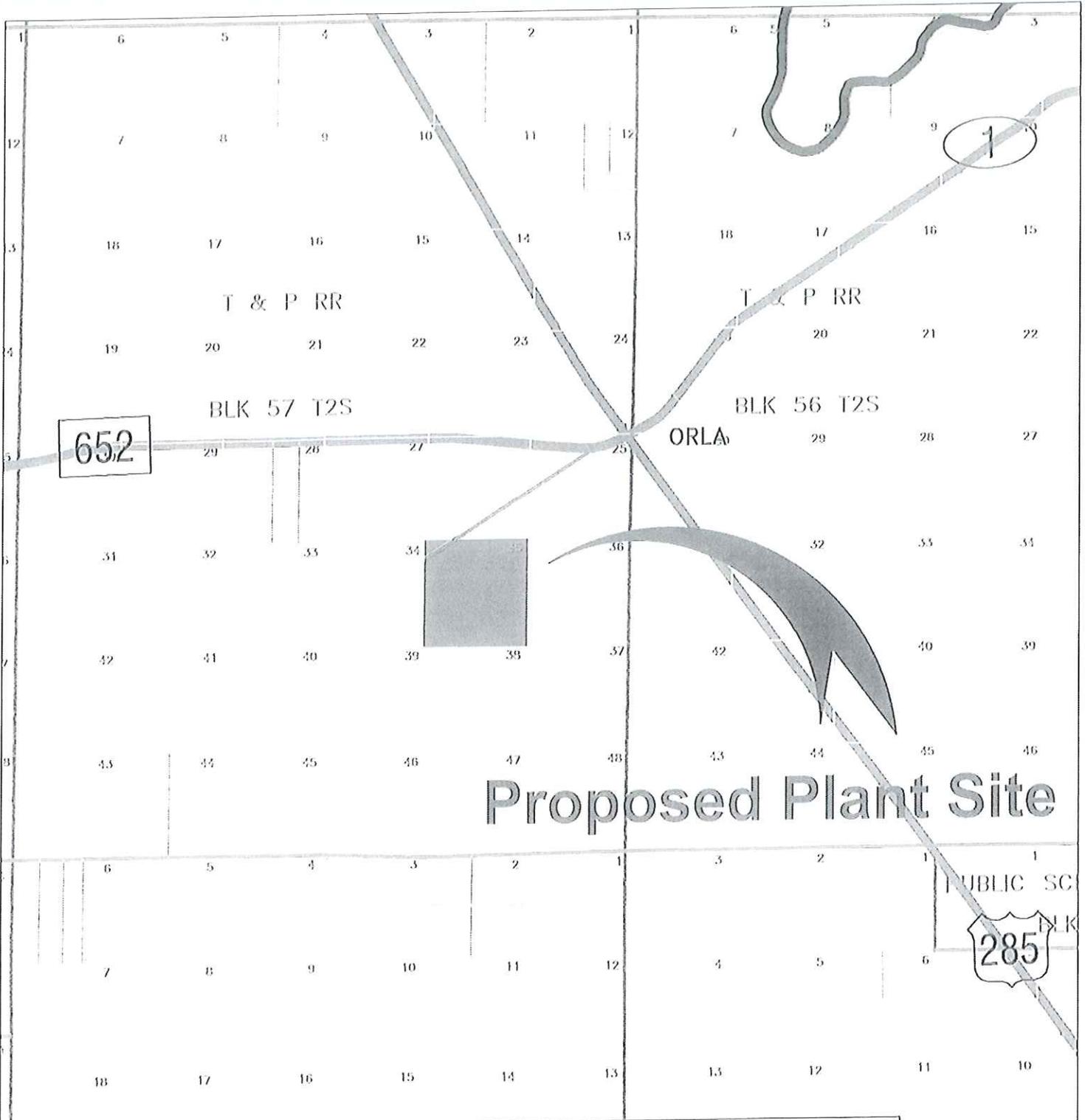
EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

The *Red Bluff Reinvestment Zone* was originally created on September 12, 2011 by action of the Pecos-Barstow-Toyah Independent School District Board of Trustees. A map of the *Red Bluff Reinvestment Zone* is attached as the last pages of this **EXHIBIT 1**.

As a result of the action of the Board of Trustees of the Pecos-Barstow-Toyah Independent School District, the *Red Bluff Reinvestment Zone* includes real property within Reeves County, Texas, more specifically one section totaling 640 acres in Reeves County, Texas:

Section 35, Blk 57, T&P RR Survey, Reeves County Texas



Proposed Plant Site

PROPOSED RED BLUFF GAS PROCESSING PLANT
 ■ Reinvestment Zone
 Plant Site Legal Description:
 Section 35, T2S, Block 57, T&P RR Survey

PUBLIC SC
 285
 16 17
 T & P RR
 21 20
 56 T3S

EXHIBIT 2

LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property owned by the Applicant and located within the boundaries of both the Pecos-Barstow-Toyah Independent School District and the *Red Bluff Reinvestment Zone* will be included in and subject to this Agreement. Specifically, all Qualified Property of the Applicant located in the following sections of land is included, to wit:

One section totaling 640 acres in Reeves County, Texas:

Section 35, Blk 57, T&P RR Survey, Reeves County Texas

EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

Red Bluff Gas Processing Plant consists of the following main processing units and utility systems which are classified as the "Qualified Investment":

- Inlet Facilities
- Dehydration
- Regeneration
- Amine treater and thermal oxidizer
- NGL Recovery Train
- NGL Product Delivery Facilities
- Residue Recompression & Cooling
- Waste Heat Recovery
- Heat Medium
- Fuel Gas
- Methanol Injection
- Drains & Flare
- Instrument & Utility Air
- Potable and Utility Water