September 7th, 2018

Brian Wilson, Assessor
East Baton Rouge Parish
222 St. Louis Street
Baton Rouge, LA 70802

Dear Mr. Wilson,

The purpose of this letter is to provide notice to your office that approximately $408 million in taxable property at four East Baton Rouge Parish facilities appears to have been omitted from the parish's preliminary 2018 assessment rolls.

The properties in question are:

Assessment #2464101 – ExxonMobil Refinery
Assessment #2369338 – ExxonMobil Chemical Plant
Assessment #2369370 – ExxonMobil Plastics Plant
Assessment #1361112 – ExxonMobil Polyolefins Plant

If left uncorrected, this apparent omission of taxable property would result in lost revenue of approximately $5.9 million to East Baton Rouge Parish public bodies, including a loss of $2.7 million to the EBR parish public school system in its current fiscal year and a one-year loss of $3.2 million to other parish taxing bodies, including the sheriff, police department, public works, library system, BREC and others.

We, the signatories to this letter, are taxpayers in East Baton Rouge Parish. As such, we are affected when taxable property goes unreported because we all pay more when others do not pay their share. Most of us are impacted in another way — we are teachers and employees of the East Baton Rouge Parish School System. Our schools, our workplaces — indeed, our very salaries — are funded by dedicated ad valorem millages. When taxable property goes unreported, it erodes the value of those millages, directly impacting the conditions of our employment, the quality of our children's education and our pay.

We are writing formally to request that your office examine the evidence that the current 2018 assessment list contains significant omissions in taxable property at ExxonMobil's four East Baton Rouge Parish facilities and to amend the assessment rolls to restore the apparently omitted property value to the 2018 list for each of the properties in question.

SUMMARY OF APPARENTLY OMITTED PROPERTY AT FOUR FACILITIES

2017 listed value:	**$1.45 billion**
2017 improvements:	**$338.2 million**
2018 estimated roll-on from expiring ITEP exemptions:	**$60.7 million** *(after depreciation)*
2017 one-year depreciation:	**- $47.8 million**
2018 appropriate value:	**$1.8 billion**
2018 current listed value:	**$1.39 billion**
Value of apparent property omission:	**$407.9 million**

A property-by-property breakdown of these calculations is included on page 7.

INCONGRUOUS DECLINES IN VALUE AT EXXONMOBIL'S EAST BATON ROUGE FACILITIES

The 2017 tax rolls for East Baton Rouge Parish listed ExxonMobil's Refinery, Chemical Plant, Plastics Plant and Polyolefins Plant as having a combined taxable value of **$1.45 billion.**

2017 capital improvements appear to have increased the combined property value at the facilities by approximately **$338 million**. One year of depreciation is estimated to have decreased the property value of the facilities by approximately **$48 million**. The expiration of 2007 ITEP exemptions is estimated to have increased the value of the facilities by an additional **$60.7 million**, after accounting for depreciation.

The four ExxonMobil facilities, therefore, would be expected to have experienced a net increase in value of approximately $351 million from 2017 to 2018, from **$1.45 billion in 2017 to approximately $1.8 billion in 2018.**

Instead, the 2018 assessment list shows the combined property value at the four facilities as having experienced a net decline of $56.8 million from 2017 to 2018. That valuation is fully $408 million lower than the amount expected from the changes in taxable property the facilities actually appear to have undergone.

LEGAL BACKGROUND

Louisiana law establishes the framework for how property in our state must be reported and assessed and the steps required by assessors to remedy a circumstance of un-reported or omitted property. State statutes mandate:

1) That all property in the state shall be subject to taxation, unless that property **has been expressly exempted from taxation by law** (RS 47:1951); *(emphasis added, throughout)*
2) That property owners have a **legal obligation to report to the parish assessor, under oath, the complete and accurate value of all their property** within that parish, as that property stands on January 1st of each year (RS 47:1953);
3) That **willful misstatements in the reporting of property shall constitute false swearing** (RS 47:1956), subjecting the property owner to criminal penalties and to an obligatory **financial penalty of 10% of the taxes owed** (RS 47:2330B);
4) That the parish assessor has a **constitutional obligation to list and assess all taxable property** within his or her parish (RS 47:1957A and B);
5) That if an assessor finds or has reason to believe that the list of taxable property furnished by any property owner is incomplete or incorrect, **that assessor has the obligation to add to the list such property, which from the best information they can obtain, has been omitted or incorrectly described** by the person signing the list (RS 47:1957E);
6) That if any assessor intentionally or knowingly or through negligence omits any taxable property from the assessment list, or permits it to be omitted therefrom, **he and his sureties *in solido* shall be liable on his official bond for the full amount of the taxes due on the property so omitted from the list, together with ten percent interest** per annum thereon from the due date of the taxes, ten percent attorney fees on the amount of the judgment recovered against him, and all costs of the suit (RS 47:1957F).

The full citations for these statutes and others relevant to the current circumstance are included as Attachment 1.

PRIMARY FACTORS AFFECTING ONE-YEAR CHANGES IN TAXABLE VALUE

At the outset of any tax year, three predominant factors drive the change in taxable value at a manufacturing facility in our state:

> I) the value of capital improvements completed at the facility during the previous year (the property's value in the current year will increase by that amount);
>
> II) the cost of depreciation at the facility over the previous year (the property's value in the current year will decrease by that amount);
>
> III) the value of any previously tax-exempt property that "rolls onto" the taxable rolls due to the expiration of its exemptions (typically, in the case of industrial tax exemption contracts, after ten years).

We will discuss the evidence from publicly available documents for each of these factors for ExxonMobil's Refinery, Chemical Plant, Plastics Plant and Polyolefins Plant.

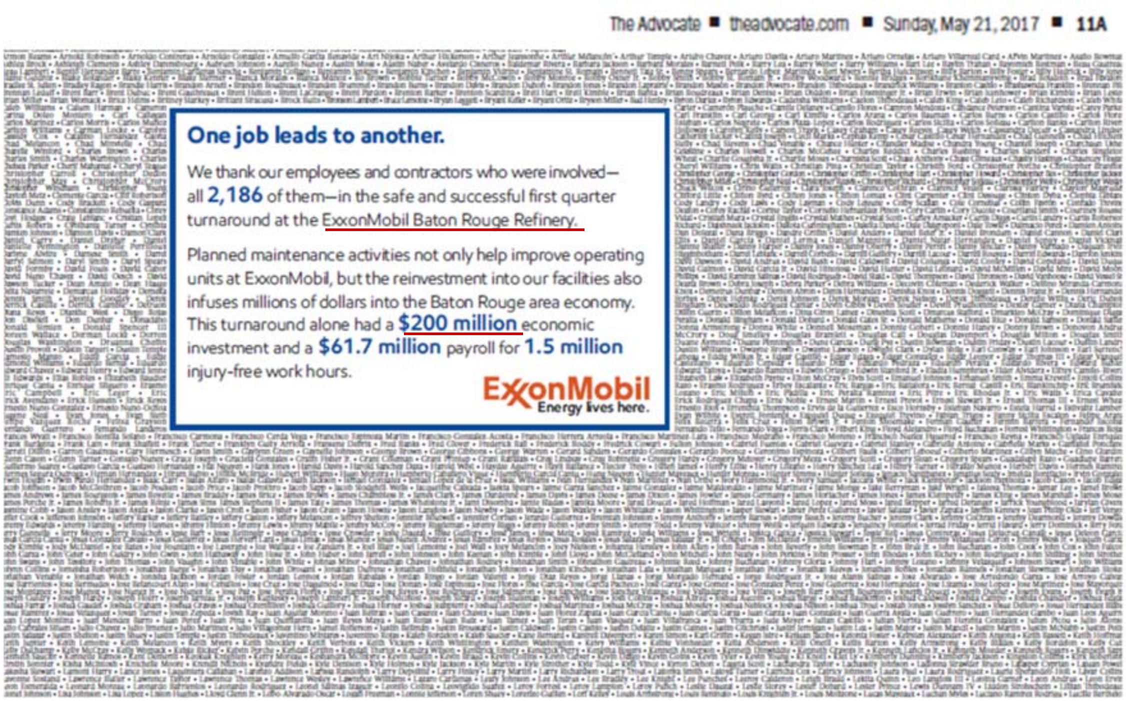
I: VALUE OF 2017 CAPITAL IMPROVEMENTS

ExxonMobil has attested publicly on multiple occasions that it made capital improvements in 2017 at its Refinery, Chemical Plant, Plastics Plant and Polyolefins Plant valued at approximately $338 million .

In December 2016, ExxonMobil submitted advance notices to the State Board of Commerce and Industry, indicating the company's intent to make capital improvements in 2017 valued at $209 million at its Refinery, valued at $98 million at its Chemical Plant, valued at $22 million at its Plastics Plant and valued at $6.9 million at its Polyolefins Plant. Taken together, ExxonMobil's planned capital investments were projected to add $337 million in new property in 2017.

<u>Attachment 2</u> contains copies of advances notices #20161911, 20161912, 20161913 & 20161914.

On May 21st, 2017, ExxonMobil took out a half-page advertisement in The Advocate to announce the completion of one of these projects. The amount announced in the ad for the investment, $200 million, closely tracks the $209 million figure which had been projected for the Refinery project in the advance notice #20161911.



Advertisement in the Baton Rouge Advocate, May 21, 2017, p 11A.

In May 2017, ExxonMobil released a document called "Baton Rouge Economic Impact Report 2017," which again confirmed the completion, value and timing of the Refinery improvements. The report verifies that the refinery project totaling "~$200 million" was completed and was in operation during the first quarter of 2017 ("1Q2017").

BY THE NUMBERS

Economic Investment: ~$200 million
Total Work Hours: 1.5 million
Safety Success: Zero recordable injuries
Peak Number of Contractors: 1,600
Associated Payroll: $61.7 million

*1Q2017 Refinery turnaround information

"ExxonMobil Baton Rouge Economic Impact Report 2017," May, 2017.

Near the end of the year, on November 27th, 2017, ExxonMobil issued a press release celebrating the capital improvements it made to all its Baton Rouge facilities during 2017, which confirms that the capital additions projected in the advance notices were in fact undertaken and completed at all four facilities. The press release confirms 2017 capital improvements totaling "approximately $340 million" at the company's Plastics Plant, Polyolefins Plant, Refinery and Chemical Plant (closely tracking the investments of $337 million projected in the ITEP advance notices for those facilities).

ExxonMobil

ExxonMobil invests approximately $340 million in capital projects

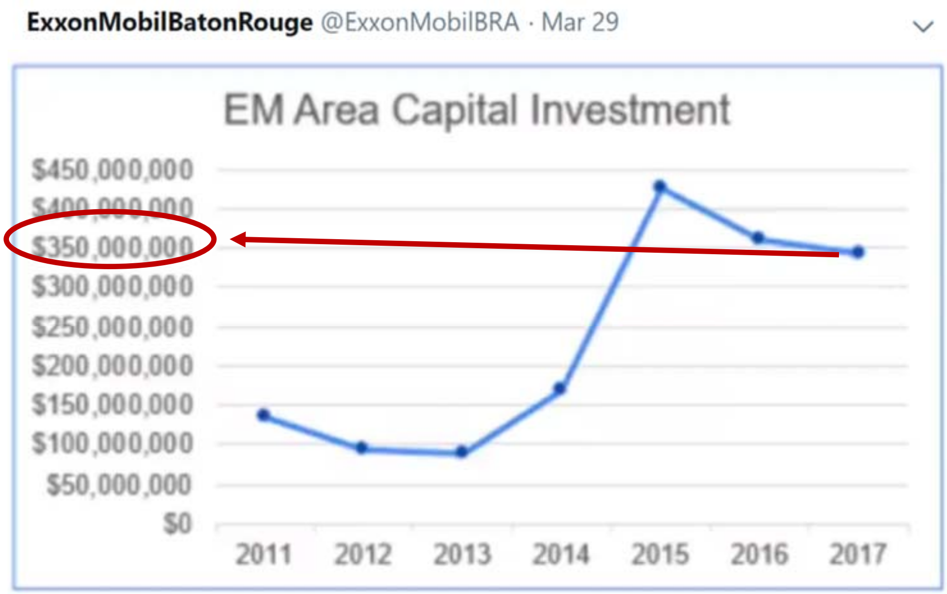
- Capital investment in 2017 expected to generate more than $30.6 million in sales and use tax revenue in East and West Baton Rouge Parishes.
- ExxonMobil sites hired more than 175 new employees in 2017 to support local investment
- Investment provides tax base to sustain nearly 8 percent of property taxes collected in the parish.

BATON ROUGE, Louisiana – ExxonMobil Baton Rouge capital project investments in 2017 totaled approximately $340 million and included projects at all five local facilities. These investments resulted in more than $30.6 million in local sales and use taxes. Projects include competitive upgrades that help position ExxonMobil Baton Rouge to compete in the worldwide marketplace, and do not include investments to meet regulatory requirements.

Some of these competitive project investments include:

- Plastics Plant project to improve plant water quality by installing a new unit to process plant water
- Polyolefins Plant project to create facilities to produce products for high-density polyethylene injection molding market
- Competitive Refinery project to increase capacity for diverse, raw materials
- Chemical Plant control system modernization upgrade with state-of-the-art computer technology

Finally, on March 29th, 2018, the Twitter account "ExxonMobilBatonRouge" released a video that included a graphic of the company's "Area Capital Investment" for each year from 2011 to 2017. For 2017, the graphic indicates that capital investments of just below $350 million had been made in 2017 for the Baton Rouge area. (This $350 million total likely includes an investment of approximately $6.5 million at ExxonMobil's West Baton Rouge facility, putting the company's 2017 capital improvements in East Baton Rouge, proper, once again around or just above $340 million in new property.)



Screen shot of a video released by the Twitter account ExxonMobilBatonRouge on March 29th, 2018.

In summary, ExxonMobil has attested to the value and timing of its 2017 capital improvements on several occasions, including in official submissions to the state, in publicly released reports and in multiple statements to traditional and social media. The public record of these submissions and statements is clear and consistent. It indicates that ExxonMobil made capital improvements of approximately $338 million in 2017, which were completed and in operation at each of its four facilities by January 1, 2018 .

A records search of public documents from Louisiana Economic Development has confirmed that ExxonMobil did not receive approval for industrial tax exemptions for any of its projects completed in 2017.

The property value added through those improvements, therefore, is taxable and, under statute, must be listed accordingly on the 2018 tax rolls accordingly.

II: DEPRECIATION

The combined listed value on the 2017 property tax rolls for ExxonMobil's East Baton Rouge Parish facilities was $1.45 billion. How much value can be expected to have been lost to depreciation for the purposes of the 2018 tax year?

In its 2017 SEC filings, ExxonMobil has indicated that its investments are depreciated on either a 25- or 20-year life schedule:

Investments in refinery, chemical process, and lubes basestock manufacturing equipment are generally depreciated on a straight-line basis over a 25-year life. Service station buildings and fixed improvements generally are depreciated over a 20-year life.

ExxonMobil Corporation, "2017 Financial Statements and Supplement Information"

ExxonMobil's local affiliate, ExxonMobil Baton Rouge, indicated that the company relied upon a 20-year depreciation figure in a video released on Twitter in March of 2018.

Screen shot of a video released by the Twitter account ExxonMobilBatonRouge on March 29th, 2018.

We will use the assumption of a 20-year average useful life for estimating depreciation, as the estimate made by local ExxonMobil officials.

According to the Louisiana Tax Commission's Depreciation Table 2503.D, a capital improvement with a 20-year useful life loses 3.29% of its value, on average, over one year. The expected loss in value from 2017 to 2018 at the four properties in question, therefore, is estimated to be approximately **$48 million (2017 listed value of $1.45 billion x 3.29%).**

III: INCREASE IN TAXABLE PROPERTY FROM EXPIRING ITEP EXEMPTIONS

In addition to the approximate increase in value of $338 million from 2017 capital improvements and the decrease of approximately $48 million due to one year of depreciation, the 2018 taxable value of ExxonMobil's Refinery, Chemical Plant, Plastics Plant and Polyolefins Plant should also reflect an increase in taxable value from the expiration of industrial tax exemptions issued for 2007 capital investments.

ExxonMobil received approval for four industrial tax exemptions for capital investments made to each of its four East Baton Rouge Parish facilities in 2007, exempting a total of $87.9 million in property value in year 1 of the exemption. These exemption contracts expired on December 31, 2017. The remaining property value from ExxonMobil's 2007 capital improvements, after accounting for depreciation, should be reflected in the 2018 ad valorem tax rolls.

According to the Louisiana Tax Commission's Depreciation Table 2503.D, a capital improvement with a 20-year useful life would, in its 11th year, retain 69% of the value of the original improvement.

ExxonMobil's 2007 ITEP-exempt capital improvements of $87.9 million, therefore, would be expected to return to the taxable rolls in their 11th year at 69% of their original value, which would be $60.7 million. This "roll-on" value is broken down for each facility here:

<u>ExxonMobil Refinery (ITEP #070116-ITE):</u>
2007 ITEP-approved investments: $29.9 million
Amount expected to roll on in 2018: $20.6 million *(based on 20-year depreciation table)*

<u>ExxonMobil Chemical Plant (ITEP #062401-ITE):</u>
2007 ITEP-approved investments: $49.7 million
Amount expected to roll on in 2018: $34.3 million *(based on 20-year depreciation table)*

<u>ExxonMobil Plastics Plant (ITEP #062402-ITE):</u>
2007 ITEP-approved investments: $5.8 million (application # 062402-ITE)
Amount expected to roll on in 2018: $4.1 million *(based on 20-year depreciation table)*

<u>ExxonMobil Polyolefins Plant (ITEP #062403-ITE):</u>
2007 ITEP-approved investments: $2.5 million
Amount expected to roll on in 2018: $1.7 million *(based on 20-year depreciation table)*

TOTAL 2007 ITEP-approved investments: $87.9 million
TOTAL amount expected to roll on from expiring 2007 ITEP exemptions: $60.7 million

The expected 2018 taxable value of Exxon Mobil's four East Baton Rouge facilities is arrived at by combining the value impacts of the three prior-year changes we have just described:

I) adding approximately **$338 million** to taxable value from 2017 capital improvements,

II) reducing taxable value by approximately **$48 million** from one year of depreciation; and

III) adding approximately **$61 million** to taxable value from previously tax-exempt property "rolling onto" the taxable rolls.

The tables below summarize these calculations for each ExxonMobil facility, to compare the appropriate 2018 taxable value to the taxable value currently listed for 2018. The difference between the two indicates the value of the property that appears to have been omitted from the preliminary 2018 tax rolls:

EBR PARISH EXXONMOBIL FACILITIES COMBINED

2017 listed value:	**$1.45 billion**
2017 improvements:	**$338.2 million**
2018 roll-on from expiring ITEP exemptions:	**$60.7 million** *(after depreciation)*
2017 depreciation allowance:	**- $47.8 million**
2018 appropriate value:	**$1.8 billion**
2018 current listed value:	**$1.39 billion**
Combined value of apparent property omission:	**$407.9 million**

ExxonMobil Refinery (assessment #2464101)

2017 listed value:	**$710.9 million**
2017 improvements:	**$209 million**
2018 roll-on from expiring ITEP exemptions:	**$20.6 million** *(after depreciation)*
2017 depreciation allowance:	**- $23.4 million**
2018 appropriate value:	**$917.4 million**
2018 current listed value:	**$687.2 million**
Value of apparent property omission:	**$230.1 million**

ExxonMobil Chemical Plant (assessment #2369338)

2017 listed value:	**$519.8 million**
2017 improvements:	**$98.4 million**
2018 roll-on from expiring ITEP exemptions:	**$34.3 million** *(after depreciation)*
2017 depreciation allowance:	**- $17.1 million**
2018 appropriate value:	**$635.3 million**
2018 current listed assessment:	**$510.9 million**
Value of apparent property omission:	**$124.4 million**

ExxonMobil Plastics Plant (assessment #2369370)

2017 listed value:	**$129.7 million**
2017 improvements:	**$23.8 million**
2018 roll-on from expiring ITEP exemptions:	**$4.1 million** *(after depreciation)*
2017 depreciation allowance:	**- $4.3 million**
2018 appropriate assessment:	**$153.2 million**
2018 current assessment:	**$116.8 million**
Value of apparent property omission:	**$36.4 million**

ExxonMobil Polyolefins (assessment #1361112)

2017 listed value:	**$91 million**
2017 improvements:	**$6.9 million**
2018 roll-on from expiring ITEP exemptions:	**$1.7 million** *(after depreciation)*
2017 depreciation allowance:	**- $3 million**
2018 appropriate value:	**$96.6 million**
2018 current assessment:	**$79.7 million**
Value of apparent property omission:	**$16.9 million**

We are not in a position to conjecture why this property value appears to have been omitted on the 2018 rolls.

The capital additions may not have been reported on the property owner's LAT 5 form, due to some hope or expectation that the property might be exempted in the future (despite no provision under the law for selectively failing to disclose property for that reason). The property may have been included inappropriately on the company's LAT 5A form for similar reasons, despite the company not having received an exemption for that property. Or the omission could be due to some other cause.

Whatever its cause, the exclusion of the property value appears both manifest and without justification.

The omitted property value should be restored to the 2018 property tax rolls, including legally mandated fees or penalties deemed appropriate based on the circumstances of the omissions.

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