FINDINGS
OF THE

BARBERS HILL INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES

UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY

TARGA DOWNSTREAM LLC
TEXAS TAXPAYER ID #32035001109
APPLICATION #1264

November 12, 2018

FINDINGS OF THE BARBERS HILL INDEPENDENT SCHOOL DISTRICT BOARD OF TRUSTEES UNDER THE TEXAS ECONOMIC DEVELOPMENT ACT ON THE APPLICATION SUBMITTED BY TARGA DOWNSTREAM LLC

STATE OF TEXAS §
§
COUNTY OF CHAMBERS §

On the 12th day of November, 2018, a public meeting of the Board of Trustees of the Barbers Hill 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 Targa Downstream LLC (Application #1264) 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 attorneys and consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Barbers Hill Independent School District makes the following findings with respect to the Application of Targa Downstream LLC #1264, and the economic impact of that Application:

On May 21, 2018, the Superintendent of Schools of the Barbers Hill Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received an Application from Targa Downstream LLC #1264 for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is posted on the Texas Comptroller's website at:

https://comptroller.texas.gov/data/economy/ch313/barbers-1264-targa.php

The Applicant, Targa Downstream LLC (Taxpayer ID 32035001109) ("Applicant"), consists of entities subject to Chapter 171, Texas Tax Code, and is certified to be in good standing with the Texas Comptroller of Public Accounts. The Board of Trustees acknowledges receipt of the Application, along with the required 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 Chambers County Appraisal District for review pursuant to 34 Texas Administrative Code § 9.1054. The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a determination that the Application was complete was issued on August 15, 2018.

After receipt of the Application, the Texas Comptroller of Public Accounts caused to be conducted an economic impact evaluation on September 14, 2018 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 **Exhibit A**.

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 Barbers Hill Independent School District. A copy of a report prepared by Education Service Center, Region 12 is attached to these findings as **Exhibit B**. The Texas Commissioner of Education has determined that the project will not impact school enrollment.

The Board of Trustees has confirmed that the taxable value of property in the Barbers Hill Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in the 2017 ISD Summary Worksheet posted on the Texas Comptroller's website at:

https://comptroller.texas.gov/data/property-tax/pvs/2017p/0360369021D.php.

After receipt of the Application, the District submitted a proposed form of Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, in the form required by the Comptroller of Public Accounts. The proposed Agreement and letter approving same are attached to these findings as **Exhibit C**.

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

Board Finding Number 1.

The Applicant qualifies for a limitation on appraised value of Qualified Property under Texas Tax Code § 313.024 in the eligibility category of Manufacturing.

Board Finding Number 2.

The Applicant's entire proposed investment in the Barbers Hill Independent School District is $250,000,000—all of which is proposed to be Qualified Investment under Texas Tax Code § 313.021.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least $66,222.20 per year. The review of the Application by the State Comptroller's Office indicates that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs pay more than the minimum weekly wage required for Qualified Jobs under Texas Tax Code § 313.021.

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 $20.8 million on the basis of the 12 new qualifying positions committed to by the Applicant for this project. The project's total investment is $250,000,000, resulting in a relative level of investment per qualifying job of $20,833,333.33.

Board Finding Number 5.

The Applicant has requested a waiver of the job creation requirement under Section 313.25(f-1), Texas Tax Code, and the Board finds such waiver request should be granted. The Board notes that the number of jobs proposed for this project (12 jobs) is consistent with industry standards in the manufacturing industry.

Board Finding Number 6.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region. In support of Finding No. 6, the economic impact evaluation states:

Table 2 depicts this project's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 15 years of annual investment and employment levels.

Table 2—Estimated Statewide Economic Impact of Targa Downstream LLC (modeled)

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	0	0	0	$ 0	$ 35,290,000	$ 35,290,000
2019	500	(500)	0	$ 33,111,100	$ 64,168,900	$ 97,280,000
2020	512	(512)	0	$ 33,905,766	$ 77,454,234	$ 111,360,000
2021	12	(12)	0	$ 794,666	$ 17,295,334	$ 18,090 000
2022	12	(12)	0	$ 794,666	$ 11,465,334	$ 12,260,000
2023	12	(12)	0	$ 794,666	$ 6,765,334	$ 7,560 000
2024	12	(12)	0	$ 794,666	$ 4,995,334	$ 5,790,000
2025	12	(12)	0	$ 794,666	$ 5,225,334	$ 6,020,000
2026	12	(12)	0	$ 794,666	$ 6,475,334	$ 7,270,000
2027	12	(12)	0	$ 794,666	$ 8,215,334	$ 9,010,000
2028	12	(12)	0	$ 794,666	$ 10,095.334	$ 10,890,000
2029	12	(12)	0	$ 794,666	$ 11,845,334	$ 12,640,000
2030	12	(12)	0	$ 794,666	$ 13,395,334	$ 14,190,000
2031	12	(12)	0	$ 794,666	$ 14,205,334	$ 15,000,000
2032	12	(12)	0	$ 794,666	$ 15,005,334	$ 15,800,000

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Chambers County, with all property tax incentives sought being granted using estimated market value from the Application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county and Mont Belvieu. The difference noted in the last line is the difference between Table 3 and Table 4:

Table 4—Estimated Direct Ad Valorem Taxes with All Property Tax Incentives Sought

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		BHISD I&S Tax Levy	BHISD M&O Tax Levy	BHISD M&O and I&S Tax Levies	Chambers County Tax Levy	Mont Belvieu Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	**0.2698**	**1.0600**		**0.4968**	**0.4367**	
2020	$ 62,500,000	$ 62,500,000		$ 168,625	$ 662,500	$ 831,125	$ 310,494	$ 272,944	$ 1,414,563
2021	$ 250,000,000	$ 80,000,000		$ 674,500	$ 848,000	$ 1,522,500	$ 583,728	$ 513,134	$ 2,619,363
2022	$ 245,000,000	$ 80,000,000		$ 661,010	$ 848,000	$ 1,509,010	$ 572,054	$ 502,872	$ 2,583,935
2023	$ 240,000,000	$ 80,000,000		$ 647,520	$ 848,000	$ 1,495,520	$ 560,379	$ 492,609	$ 2,548,508
2024	$ 235,000,000	$ 80,000,000		$ 634,030	$ 848,000	$ 1,482,030	$ 548,705	$ 482,346	$ 2,513,081
2025	$ 230,000,000	$ 80,000,000		$ 620,540	$ 848,000	$ 1,468,540	$ 537,030	$ 472,084	$ 2,477,654
2026	$ 225,000,000	$ 80,000,000		$ 607,050	$ 848,000	$ 1,455,050	$ 525,355	$ 461,821	$ 2.442,226
2027	$ 220,000,000	$ 80,000,000		$ 593,560	$ 848,000	$ 1,441,560	$ 513,681	$ 451,558	$ 2,406,799
2028	$ 215,000,000	$ 80,000,000		$ 580,070	$ 848,000	$ 1,428,070	$ 502,006	$ 441,295	$ 2,371,372
2029	$ 210,000,000	$ 80,000,000		$ 566,580	$ 848,000	$ 1,414,580	$ 490,332	$ 431,033	$ 2,335,945
2030	$ 205,000,000	$ 80,000,000		$ 553,090	$ 848,000	$ 1,401,090	$ 478,657	$ 420,770	$ 2,300,517
2031	$ 200,000,000	$ 200,000,000		$ 539,600	$ 2,120,000	$ 2,659,600	$ 466,983	$ 410,507	$ 3,537,090
2032	$ 195,000,000	$ 195,000,000		$ 526,110	$ 2,067,000	$ 2,593,110	$ 968,741	$ 851,585	$ 4,413,435
2033	$ 190,000,000	$ 190,000,000		$ 512,620	$ 2,014,000	$ 2,526,620	$ 943,901	$ 829,749	$ 4,300,270
2034	$ 185,000,000	$ 185,000,000		$ 499,130	$ 1,961,000	$ 2,460,130	$ 919,062	$ 807,914	$ 4,187,105
2035	$ 180,000,000	$ 180,000,000		$ 485,640	$ 1,908,000	$ 2,393,640	$ 894,222	$ 786,078	$ 4,073,940
			Total	**$ 8,869,675**	**$ 19,212,500**	**$ 28,082,175**	**$ 9,815,328**	**$ 8,628,298**	**$ 46,525,801**
			Diff	**$ 0**	**$ 15,635,000**	**$ 15,635,000**	**$ 6,516,643**	**$ 5,728,543**	**$ 27,880,186**

[1]Tax Rate per $100 Valuation

Table 3 illustrates the estimated tax impact of the Applicant's project on the region if all taxes are assessed.

Table 3—Estimated Direct Ad Valorem Taxes without Property Tax Incentives

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		BHISD I&S Tax Levy	BHISD M&O Tax Levy	BHISD M&O and I&S Tax Levies	Chambers County Tax Levy	Mont Belvieu Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	**0.2698**	**1.0600**		**0.4968**	**0.4367**	
2020	$ 62,500,000	$ 62,500,000		$ 168,625	$ 662,500	$ 831,125	$ 310,494	$ 272,944	$ 1,414,563
2021	$ 250,000,000	$ 250,000,000		$ 674,500	$ 2,650,000	$ 3,324,500	$ 1,241,975	$ 1,091,775	$ 5,658,250
2022	$ 245,000,000	$ 245,000,000		$ 661,010	$ 2,597,000	$ 3,258,010	$ 1,217,136	$ 1,069,940	$ 5,545,085
2023	$ 240,000,000	$ 240,000,000		$ 647,520	$ 2,544,000	$ 3,191,520	$ 1,192,296	$ 1,048,104	$ 5,431,920
2024	$ 235,000,000	$ 235,000,000		$ 634,030	$ 2,491,000	$ 3,125,030	$ 1,167,457	$ 1,026,269	$ 5,318,755
2025	$ 230,000,000	$ 230,000,000		$ 620,540	$ 2,438,000	$ 3,058,540	$ 1,142,617	$ 1,004,433	$ 5,205,590
2026	$ 225,000,000	$ 225,000,000		$ 607,050	$ 2,385,000	$ 2,992,050	$ 1,117,778	$ 982,598	$ 5,092,425
2027	$ 220,000,000	$ 220,000,000		$ 593,560	$ 2,332,000	$ 2,925,560	$ 1,092,938	$ 960,762	$ 4,979,260
2028	$ 215,000,000	$ 215,000,000		$ 580,070	$ 2,279,000	$ 2,859,070	$ 1,068,099	$ 938,927	$ 4,866,095
2029	$ 210,000,000	$ 210,000,000		$ 566,580	$ 2,226,000	$ 2,792,580	$ 1,043,259	$ 917,091	$ 4,752,930
2030	$ 205,000,000	$ 205,000,000		$ 553,090	$ 2,173,000	$ 2,726,090	$ 1,018.420	$ 895,256	$ 4,639,765
2031	$ 200,000,000	$ 200,000,000		$ 539,600	$ 2,120,000	$ 2,659,600	$ 993,580	$ 873,420	$ 4,526,600
2032	$ 195,000,000	$ 195,000,000		$ 526,110	$ 2,067,000	$ 2,593,110	$ 968,741	$ 851,585	$ 4,413,435
2033	$ 190,000,000	$ 190,000,000		$ 512,620	$ 2,014,000	$ 2,526,620	$ 943,901	$ 829,749	$ 4,300,270
2034	$ 185,000,000	$ 185,000,000		$ 499,130	$ 1,961,000	$ 2,460,130	$ 919,062	$ 807,914	$ 4,187,105
2035	$ 180,000,000	$ 180,000,000		$ 485,640	$ 1,908,000	$ 2,393,640	$ 894,222	$ 786,078	$ 4,073,940
			Total	**$ 8,869,675**	**$ 34,847,500**	**$ 43,717,175**	**$ 16,331,971**	**$ 14,356,841**	**$ 74,405,988**

[1]Tax Rate per $100 Valuation

Board Finding Number 7.

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

Board Finding Number 8.

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

Board Finding Number 9.

The Applicant's project is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the Agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the Application. Attachment B of the economic impact study contains a year-by-year analysis as depicted in the following table:

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2018	$ 0	$ 0	$ 0	$ 0
	2019	$ 0	$ 0	$ 0	$ 0
	2020	$ 662,500	$ 662,500	$ 0	$ 0
Limitation Period (10 Years)	2021	$ 848,000	$ 1,510,500	$ 1,802,000	$ 1,802,000
	2022	$ 848,000	$ 2,358,500	$ 1,749,000	$ 3,551,000
	2023	$ 848,000	$ 3,206,500	$ 1,696,000	$ 5,247,000
	2024	$ 848,000	$ 4,054,500	$ 1,643,000	$ 6,890,000
	2025	$ 848,000	$ 4,902,500	$ 1,590,000	$ 8,480,000
	2026	$ 848,000	$ 5,750,500	$ 1,537,000	$ 10,017,000
	2027	$ 848,000	$ 6,598,500	$ 1,484,000	$ 11,501,000
	2028	$ 848,000	$ 7,446,500	$ 1,431,000	$ 12,932,000
	2029	$ 848,000	$ 8,294,500	$ 1,378,000	$ 14,310,000
	2030	$ 848,000	$ 9,142,500	$ 1,325,000	$ 15,635,000
Maintain Viable Presence (5 Years)	2031	$ 2,120,000	$ 11,262,500	$ 0	$ 15,635,000
	2032	$ 2,067,000	$ 13,329,500	$ 0	$ 15,635,000
	2033	$ 2,014,000	$ 15,343,500	$ 0	$ 15,635,000
	2034	$ 1,961,000	$ 17,304,500	$ 0	$ 15,635,000
	2035	$ 1,908,000	$ 19,212,500	$ 0	$ 15,635,000
Additional Years as Required by § 313.026(c)(1) (10 Years)	2036	$ 1,855,000	$ 21,067,500	$ 0	$ 15,635,000
	2037	$ 1,802,000	$ 22,869,500	$ 0	$ 15,635,000
	2038	$ 1,749,000	$ 24,618,500	$ 0	$ 15,635,000
	2039	$ 1,696,000	$ 26,314,500	$ 0	$ 15,635,000
	2040	$ 1,643,000	$ 27,957,500	$ 0	$ 15,635,000
	2041	$ 1,590,000	$ 29,547,500	$ 0	$ 15,635,000
	2042	$ 1,537,000	$ 31,084,500	$ 0	$ 15,635,000
	2043	$ 1,484,000	$ 32,568,500	$ 0	$ 15,635,000
	2044	$ 1,431,000	$ 33,999,500	$ 0	$ 15,635,000
	2045	$ 1,378,000	$ 35,377,500	$ 0	$ 15,635,000

$ 35,377,500	is greater than	**$ 15,635,000**

Analysis Summary Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	**Yes**

Board Finding Number 10.

The limitation on appraised value requested by the Applicant is a determining factor in the Applicant's decision to invest capital and construct the project in this state.

Board Finding Number 11.

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 Findings 10 and 11, **Attachment C** of the economic impact study states:

The Comptroller has determined that the limitation on appraised value is a determining factor in the Applicant's decision to invest capital and construct the project in this state. This is based on information available, including information provided by the Applicant. Specifically, the Comptroller notes the following:

I. Per Targa Downstream LLC in Tab 5 of their Application for a Limitation on Appraised Value:

A. "Targa currently operates over 27,000 miles of pipeline, 40 gas processing plants, 4 G&P crude terminals, 2 fractionation locations, 1 hydrotreater facility, 1 gas treating facility, 18 NGL terminals, 3 petroleum logistics facilities, and 2 storage facilities. There are also transportation assets,

including 700 railcars, 90 tractors, and 20 barges. Locations for these operations included Arizona, Florida, Kansas, Louisiana, Maryland, Mississippi, North Dakota, New Mexico, Oklahoma, Texas, and Washington."

B. "Targa's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Effectively, there will always be infrastructure available to pipe product in and out of anywhere a facility of this type is chosen to sit, regardless of state."

C. "[I]f the property taxes are too great a burden for a project to carry and still meet its targeted return, the capital that would have been allotted to that project will be re-allocated to another project outside of Texas, and with a lesser burden. (Ex. Oklahoma- Manufacturing Exemption, Kansas & North Dakota-No Personal Property Tax, Louisiana- Industrial Tax Exemption)."

D. "This leaves the economic return as the sole determinant of the future of the project. With so many other states offering incentives, the economic return of this fractionator will not be able to compete for capital without this Chapter 313 agreement."

II. Per a March 27, 2018 *Pipeline & Gas* journal article:

A. "Targa Resources Corp. today announced it has entered into long-term fee-based agreements for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. The company also announced an extension of the Grand Prix NGL Pipeline, a new common carrier NGL pipeline currently under construction, into southern Oklahoma."

B. "The Grand Prix extension into Oklahoma will be anchored by significant long-term commitments for both transportation and fractionation services from Targa's existing and future processing plants in the Arkoma area in its South OK system and from third party commitments, including a significant long-term commitment with Valiant for transportation and fractionation."

C. "Once completed, the Grand Prix NGL Pipeline will run from North Texas, where Permian and Oklahoma volumes will be connected to a 30-inch diameter segment, to Mont Belvieu. Initially, it will be able to transport approximately 450,000 bpd, with the ability to expand to 950,000 bpd."

III. A February 6, 2018 *Business and Industry Magazine* article states the following:

A. "Gulf Coast Express Pipeline LLC, a joint venture owned by affiliates of Kinder Morgan, Inc., DCP Midstream, LP and Targa Resources Corp. announced the start of a binding open season for 220,000 dekatherms per day (Dth/d) of firm natural gas transportation service on the Gulf Coast Express Pipeline Project (GCX Project), which will transport natural gas from the Waha, Texas, production area to the market hub near Agua Dulce, Texas, once built."

B. "As previously announced in December 2017, KMI, DCP Midstream and Targa jointly made a final investment decision (FID) to proceed with the GCX Project, with construction activities slated for the first quarter of 2018. The in-service date of October 2019 remains the same, pending the receipt of regulatory approvals."

IV. A July 23, 2015 *The Facts (Clute, TX)* article states that Praxair Inc. "will pay Freeport more than a half-million dollars a year under an industrial agreement it signed with the city." Freeport's "city manager expects the creation of about 15 new jobs once the facility off Highway 332 opens."

V. Targa Resources Grand Prix NGL Pipeline map with project location.

VI. Railroad Commission of Texas Public GIS Viewer map depicting Natural Gas pipelines.

Supporting Information

a) Section 8 of the Application for a Limitation on Appraised Value
b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
c) Additional information provided by the Applicant or located by the Comptroller

Board Finding Number 12.

The Board of Trustees of the Barbers Hill Independent School District hired consultants to review and verify the information in Application #1264. Based upon the consultants' review, the Board has determined that the information provided by the Applicant appears to be true and correct.

Board Finding Number 13.

The Board of Trustees has determined that the Tax Limitation Amount requested by the Applicant is currently $80 Million Dollars ($80,000,000), which is consistent with the minimum values currently set out by Texas Tax Code § 313.027(b).

Board Finding Number 14.

The Applicant (Taxpayer ID 32035001109) 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 15.

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

Board Finding Number 16.

Considering the purpose and effect of the law and the terms of the Agreement, 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 **Exhibit C** is approved and herby authorized to be executed and delivered by and on behalf of the Barbers Hill 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 Barbers Hill Independent School District.

Dated the 12th day of November, 2018.

BARBERS HILL INDEPENDENT SCHOOL DISTRICT

By: _____
Becky Tice
President, Board of Trustees

ATTEST:

By: _____
Cynthia Erwin
Secretary, Board of Trustees

Findings and Order of the Barbers Hill Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Targa Downstream LLC (Tax ID 32035001109) (Application #1264)

EXHIBIT A

Comptroller's Economic Impact Analysis

GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

September 14, 2018

Becky McManus
Assistant Superintendent
Barbers Hill Independent School District
9600 Eagle Drive
Mont Belvieu, Texas 77580

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Barbers Hill Independent School District and Targa Downstream, LLC, Application 1264

Dear Assistant Superintendent McManus:

On August 15, 2018, the Comptroller issued written notice that Targa Downstream, LLC (applicant) submitted a completed application (Application 1264) for a limitation on appraised value under the provisions of Tax Code Chapter 313.[1] This application was originally submitted on May 21, 2018, to the Barbers Hill Independent School District (school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter B; and
2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.

[1] All Statutory references are to the Texas Tax Code, unless otherwise noted.

Sec. 313.024(d)	Applicant has requested a waiver to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application 1264.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter B.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district's maintenance and operations *ad valorem tax* revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period, see Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state, see Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement by December 31, 2018.

Note that any building or improvement existing as of the application review start date of August 15, 2018, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,

Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Targa Downstream, LLC (project) applying to Barbers Hill Independent School District (district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Targa Downstream, LLC.

Applicant	Targa Downstream, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2016-2017 Average Daily Attendance	5,007
County	Chambers
Proposed Total Investment in District	$250,000,000
Proposed Qualified Investment	$250,000,000
Limitation Amount	$80,000,000
Qualifying Time Period (Full Years)	2019-2020
Number of new qualifying jobs committed to by applicant	12*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	$1,273.50
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	$1,273.50
Minimum annual wage committed to by applicant for qualified jobs	$66,222.20
Minimum weekly wage required for non-qualifying jobs	$1,185
Minimum annual wage required for non-qualifying jobs	$61,620
Investment per Qualifying Job	$20,833,333.33
Estimated M&O levy without any limit (15 years)	$34,847,500
Estimated M&O levy with Limitation (15 years)	$19,212,500
Estimated gross M&O tax benefit (15 years)	$15,635,000

** Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).*

Table 2 is the estimated statewide economic impact of Targa Downstream, LLC (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	0	0	0	$0	$35,290,000	$35,290,000
2019	500	(500)	0	$33,111,100	$64,168,900	$97,280,000
2020	512	(512)	0	$33,905,766	$77,454,234	$111,360,000
2021	12	(12)	0	$794,666	$17,295,334	$18,090,000
2022	12	(12)	0	$794,666	$11,465,334	$12,260,000
2023	12	(12)	0	$794,666	$6,765,334	$7,560,000
2024	12	(12)	0	$794,666	$4,995,334	$5,790,000
2025	12	(12)	0	$794,666	$5,225,334	$6,020,000
2026	12	(12)	0	$794,666	$6,475,334	$7,270,000
2027	12	(12)	0	$794,666	$8,215,334	$9,010,000
2028	12	(12)	0	$794,666	$10,095,334	$10,890,000
2029	12	(12)	0	$794,666	$11,845,334	$12,640,000
2030	12	(12)	0	$794,666	$13,395,334	$14,190,000
2031	12	(12)	0	$794,666	$14,205,334	$15,000,000
2032	12	(12)	0	$794,666	$15,005,334	$15,800,000

Source: CPA REMI, Targa Downstream, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Barbers Hill ISD I&S Tax Levy	Barbers Hill ISD M&O Tax Levy	Barbers Hill M&O and I&S Tax Levies	Chambers County Tax Levy	Mont Belvieu Tax Levy	Estimated Total Property Taxes
			Tax Rate*	**0.2698**	**1.0600**		**0.4968**	**0.4367**	
2020	$62,500,000	$62,500,000		$168,625	$662,500	$831,125	$310,494	$272,944	$1,414,563
2021	$250,000,000	$250,000,000		$674,500	$2,650,000	$3,324,500	$1,241,975	$1,091,775	$5,658,250
2022	$245,000,000	$245,000,000		$661,010	$2,597,000	$3,258,010	$1,217,136	$1,069,940	$5,545,085
2023	$240,000,000	$240,000,000		$647,520	$2,544,000	$3,191,520	$1,192,296	$1,048,104	$5,431,920
2024	$235,000,000	$235,000,000		$634,030	$2,491,000	$3,125,030	$1,167,457	$1,026,269	$5,318,755
2025	$230,000,000	$230,000,000		$620,540	$2,438,000	$3,058,540	$1,142,617	$1,004,433	$5,205,590
2026	$225,000,000	$225,000,000		$607,050	$2,385,000	$2,992,050	$1,117,778	$982,598	$5,092,425
2027	$220,000,000	$220,000,000		$593,560	$2,332,000	$2,925,560	$1,092,938	$960,762	$4,979,260
2028	$215,000,000	$215,000,000		$580,070	$2,279,000	$2,859,070	$1,068,099	$938,927	$4,866,095
2029	$210,000,000	$210,000,000		$566,580	$2,226,000	$2,792,580	$1,043,259	$917,091	$4,752,930
2030	$205,000,000	$205,000,000		$553,090	$2,173,000	$2,726,090	$1,018,420	$895,256	$4,639,765
2031	$200,000,000	$200,000,000		$539,600	$2,120,000	$2,659,600	$993,580	$873,420	$4,526,600
2032	$195,000,000	$195,000,000		$526,110	$2,067,000	$2,593,110	$968,741	$851,585	$4,413,435
2033	$190,000,000	$190,000,000		$512,620	$2,014,000	$2,526,620	$943,901	$829,749	$4,300,270
2034	$185,000,000	$185,000,000		$499,130	$1,961,000	$2,460,130	$919,062	$807,914	$4,187,105
2035	$180,000,000	$180,000,000		$485,640	$1,908,000	$2,393,640	$894,222	$786,078	$4,073,940
			Total	**$8,869,675**	**$34,847,500**	**$43,717,175**	**$16,331,971**	**$14,356,841**	**$74,405,988**

Source: CPA, Targa Downstream, LLC
*Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Chambers County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county and Mont Belvieu.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Barbers Hill ISD I&S Tax Levy	Barbers Hill ISD M&O Tax Levy	Barbers Hill M&O and I&S Tax Levies	Chambers County Tax Levy	Mont Belvieu Tax Levy	Estimated Total Property Taxes
			Tax Rate*	**0.2698**	**1.0600**		**0.4968**	**0.4367**	
2020	$62,500,000	$62,500,000		$168,625	$662,500	$831,125	$310,494	$272,944	$1,414,563
2021	$250,000,000	$80,000,000		$674,500	$848,000	$1,522,500	$583,728	$513,134	$2,619,363
2022	$245,000,000	$80,000,000		$661,010	$848,000	$1,509,010	$572,054	$502,872	$2,583,935
2023	$240,000,000	$80,000,000		$647,520	$848,000	$1,495,520	$560,379	$492,609	$2,548,508
2024	$235,000,000	$80,000,000		$634,030	$848,000	$1,482,030	$548,705	$482,346	$2,513,081
2025	$230,000,000	$80,000,000		$620,540	$848,000	$1,468,540	$537,030	$472,084	$2,477,654
2026	$225,000,000	$80,000,000		$607,050	$848,000	$1,455,050	$525,355	$461,821	$2,442,226
2027	$220,000,000	$80,000,000		$593,560	$848,000	$1,441,560	$513,681	$451,558	$2,406,799
2028	$215,000,000	$80,000,000		$580,070	$848,000	$1,428,070	$502,006	$441,295	$2,371,372
2029	$210,000,000	$80,000,000		$566,580	$848,000	$1,414,580	$490,332	$431,033	$2,335,945
2030	$205,000,000	$80,000,000		$553,090	$848,000	$1,401,090	$478,657	$420,770	$2,300,517
2031	$200,000,000	$200,000,000		$539,600	$2,120,000	$2,659,600	$466,983	$410,507	$3,537,090
2032	$195,000,000	$195,000,000		$526,110	$2,067,000	$2,593,110	$968,741	$851,585	$4,413,435
2033	$190,000,000	$190,000,000		$512,620	$2,014,000	$2,526,620	$943,901	$829,749	$4,300,270
2034	$185,000,000	$185,000,000		$499,130	$1,961,000	$2,460,130	$919,062	$807,914	$4,187,105
2035	$180,000,000	$180,000,000		$485,640	$1,908,000	$2,393,640	$894,222	$786,078	$4,073,940
			Total	**$8,869,675**	**$19,212,500**	**$28,082,175**	**$9,815,328**	**$8,628,298**	**$46,525,801**
			Diff	**$0**	**$15,635,000**	**$15,635,000**	**$6,516,643**	**$5,728,543**	**$27,880,186**

Source: CPA, Targa Downstream, LLC
*Tax Rate per $100 Valuation

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.

Attachment B – Tax Revenue before 25th Anniversary of Limitation Start

This represents the Comptroller's determination that Targa Downstream, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2018	$0	$0	$0	$0
	2019	$0	$0	$0	$0
	2020	$662,500	$662,500	$0	$0
Limitation Period (10 Years)	2021	$848,000	$1,510,500	$1,802,000	$1,802,000
	2022	$848,000	$2,358,500	$1,749,000	$3,551,000
	2023	$848,000	$3,206,500	$1,696,000	$5,247,000
	2024	$848,000	$4,054,500	$1,643,000	$6,890,000
	2025	$848,000	$4,902,500	$1,590,000	$8,480,000
	2026	$848,000	$5,750,500	$1,537,000	$10,017,000
	2027	$848,000	$6,598,500	$1,484,000	$11,501,000
	2028	$848,000	$7,446,500	$1,431,000	$12,932,000
	2029	$848,000	$8,294,500	$1,378,000	$14,310,000
	2030	$848,000	$9,142,500	$1,325,000	$15,635,000
Maintain Viable Presence (5 Years)	2031	$2,120,000	$11,262,500	$0	$15,635,000
	2032	$2,067,000	$13,329,500	$0	$15,635,000
	2033	$2,014,000	$15,343,500	$0	$15,635,000
	2034	$1,961,000	$17,304,500	$0	$15,635,000
	2035	$1,908,000	$19,212,500	$0	$15,635,000
Additional Years as Required by 313.026(c)(1) (10 Years)	2036	$1,855,000	$21,067,500	$0	$15,635,000
	2037	$1,802,000	$22,869,500	$0	$15,635,000
	2038	$1,749,000	$24,618,500	$0	$15,635,000
	2039	$1,696,000	$26,314,500	$0	$15,635,000
	2040	$1,643,000	$27,957,500	$0	$15,635,000
	2041	$1,590,000	$29,547,500	$0	$15,635,000
	2042	$1,537,000	$31,084,500	$0	$15,635,000
	2043	$1,484,000	$32,568,500	$0	$15,635,000
	2044	$1,431,000	$33,999,500	$0	$15,635,000
	2045	$1,378,000	$35,377,500	$0	$15,635,000

$35,377,500 is greater than **$15,635,000**

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	Yes

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.
Source: CPA, Targa Downstream, LLC

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.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that "the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state." This represents the basis for the Comptroller's determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller **has determined** that the limitation on appraised value is a determining factor in the Targa Downstream LLC's decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per Targa Downstream LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  - A. "Targa currently operates over 27,000 miles of pipeline, 40 gas processing plants, 4 G&P crude terminals, 2 fractionation locations, 1 hydrotreater facility, 1 gas treating facility, 18 NGL terminals, 3 petroleum logistics facilities, and 2 storage facilities. There are also transportation assets, including 700 railcars, 90 tractors, and 20 barges. Locations for these operations included Arizona, Florida, Kansas, Louisiana, Maryland, Mississippi, North Dakota, New Mexico, Oklahoma, Texas, and Washington."
  - B. "Targa's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Effectively, there will always be infrastructure available to pipe product in and out of anywhere a facility of this type is chosen to sit, regardless of state."
  - C. "[I]f the property taxes are too great a burden for a project to carry and still meet its targeted return, the capital that would have been allotted to that project will be re-allocated to another project outside of Texas, and with a lesser burden. (Ex. Oklahoma-Manufacturing Exemption, Kansas & North Dakota-No Personal Property Tax, Louisiana-Industrial Tax Exemption)"
  - D. "This leaves the economic return as the sole determinant of the future of the project. With so many other states offering incentives, the economic return of this fractionator will not be able to compete for capital without this Chapter 313 agreement."
- Per a March 27, 2018 *Pipeline & Gas Journal* article:
  - A. "Targa Resources Corp. today announced it has entered into long-term fee-based agreements for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. The company also announced an extension of the Grand Prix NGL Pipeline, a new common carrier NGL pipeline currently under construction, into southern Oklahoma."

B. "The Grand Prix extension into Oklahoma will be anchored by significant long-term commitments for both transportation and fractionation services from Targa's existing and future processing plants in the Arkoma area in its SouthOK system and from third party commitments, including a significant long-term commitment with Valiant for transportation and fractionation."
C. "Once completed, the Grand Prix NGL Pipeline will run from North Texas, where Permian and Oklahoma volumes will be connected to a 30-inch diameter segment, to Mont Belvieu. Initially, it will be able to transport approximately 450,000 bpd, with the ability to expand to 950,000 bpd."

- A February 6, 2018 *Business and Industry Magazine* article states the following:
  A. "Gulf Coast Express Pipeline LLC, a joint venture owned by affiliates of Kinder Morgan, Inc., DCP Midstream, LP and Targa Resources Corp. announced the start of a binding open season for 220,000 dekatherms per day (Dth/d) of firm natural gas transportation service on the Gulf Coast Express Pipeline Project (GCX Project), which will transport natural gas from the Waha, Texas, production area to the market hub near Agua Dulce, Texas, once built."
  B. "As previously announced in December 2017, KMI, DCP Midstream and Targa jointly made a final investment decision (FID) to proceed with the GCX Project, with construction activities slated for the first quarter of 2018. The in-service date of October 2019 remains the same, pending the receipt of regulatory approvals."
- A July 23, 2015 *The Facts (Clute, TX)* article states that Praxair Inc. "will pay Freeport more than a half-million dollars a year under an industrial agreement it signed with the city." Freeport's "city manager expects the creation of about 15 new jobs once the facility off Highway 332 opens."
- Attached Targa Resources Grand Prix NGL Pipeline map with project location.
- Attached Railroad Commission of Texas Public GIS Viewer map depicting Natural Gas pipelines.

Supporting Information

a) Section 8 of the Application for a Limitation on Appraised Value
b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
c) Additional information provided by the Applicant or located by the Comptroller

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.

Supporting Information

Section 8 of the Application for a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? ☑ Yes ☐ No
2. The property will be used for 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
   - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 ☐ Yes ☑ No
3. Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☑ No
4. Will any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☑ No
5. Will any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☑ No
6. Are you including property that is owned by a person other than the applicant? ☐ Yes ☑ No
7. 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

SECTION 7: Project Description

1. In **Tab 4**, attach 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.
2. Check the project characteristics that apply to the proposed project:
   - ☑ Land has no existing improvements
   - ☐ Land has existing improvements *(complete Section 13)*
   - ☐ Expansion of existing operation on the land *(complete Section 13)*
   - ☐ Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? ☑ Yes ☐ No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? ☐ Yes ☑ No
3. Does the applicant have current business activities at the location where the proposed project will occur? ☐ Yes ☑ No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? ☐ Yes ☑ No
5. Has the applicant received any local or state permits for activities on the proposed project site? ☐ Yes ☑ No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? ☐ Yes ☑ No
7. Is the applicant evaluating other locations not in Texas for the proposed project? ☑ Yes ☐ No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? ☐ Yes ☑ No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? ☐ Yes ☑ No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? ☑ Yes ☐ No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Supporting Information

Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

Limitation is a Determining Factor:

Targa Resources, LP (or "the Company") is a leading midstream energy company whose primary activities include:

- Gathering, treating, processing and transporting natural gas and natural gas liquids to a variety of markets and states
- Storing, fractionating, treating, transporting, and selling NGL's and NGL products, including services to LPG exporters
- Gathering, storing, and terminaling crude oil
- Storing, terminaling, and selling refined petroleum products

Targa currently operates over 27,000 miles of pipeline, 40 gas processing plants, 4 G&P crude terminals, 2 fractionation locations, 1 hydrotreater facility, 1 gas treating facility, 18 NGL terminals, 3 petroleum logistics facilities, and 2 storage facilities. There are also transportation assets, including 700 railcars, 90 tractors, and 20 barges. Locations for these operations included Arizona, Florida, Kansas, Louisiana, Maryland, Mississippi, North Dakota, New Mexico, Oklahoma, Texas, and Washington.

Targa's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Effectively, there will always be infrastructure available to pipe product in and out of anywhere a facility of this type is chosen to sit, regardless of state.

Further, the amount of capital allotted to each project the applicant undertakes is heavily dependent on the economic return said project will generate. With the property tax burden in Texas as high as it is, operating profit is particularly sensitive to the existence of tax incentives. What this means, is that if the property taxes are too great a burden for a project to carry and still meet its targeted return, the capital that would have been allotted to that project will be re-allocated to another project outside of Texas, and with a lesser burden. (Ex. Oklahoma-Manufacturing Exemption, Kansas & North Dakota-No Personal Property Tax, Louisiana-Industrial Tax Exemption)

Economic value is almost entirely dependent on cash flows, and property taxes are often in the top three of the largest expenses that projects like this will encounter. As was mentioned above and illustrated on the following map, Targa has an incredible level of flexibility in choosing sites for its facilities, with potential pipeline systems and tie-ins so abundant that logistics are almost not even considered when evaluating situs. This leaves the economic return as the sole determinant of the future of the project. With so many other states offering incentives, the economic return of this fractionator will not be able to compete for capital without this Chapter 313 agreement.

Supporting Information

Additional information provided by the Applicant or located by the Comptroller

WEBINAR REGISTRATION
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Targa to Expand Grand Prix NGL Pipeline, Delaware Basin Gas Gathering Capacity

3/27/2018

Targa Resources Corp. today announced it has entered into long-term fee-based agreements for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. The company also announced an extension of the Grand Prix NGL Pipeline, a new common carrier NGL pipeline currently under construction, into southern Oklahoma.

Delaware Basin Processing Expansions

Supported by the significant near-term volume growth expected on the dedicated acreage, Targa will construct approximately 220 miles of 12-to-24 inch high pressure rich gas gathering pipelines across the Delaware Basin, the Falcon Plant, a new 250 MMcf/d cryogenic natural gas processing plant that is expected to begin operations in the fourth quarter of 2019, and the Peregrine Plant, a second 250 MMcf/d cryogenic natural gas processing plant that is

expected to begin operations in the second quarter of 2020.

Grand Prix NGL Pipeline Extension into Oklahoma

The Grand Prix extension into Oklahoma will be anchored by significant long-term commitments for both transportation and fractionation services from Targa's existing and future processing plants in the Arkoma area in its SouthOK system and from third party commitments, including a significant long-term commitment with Valiant for transportation and fractionation.

Once completed, the Grand Prix NGL Pipeline will run from North Texas, where Permian and Oklahoma volumes will be connected to a 30-inch diameter segment, to Mont Belvieu. Initially, it will be able to transport approximately 450,000 bpd, with the ability to expand to 950,000 bpd. The capacity on the 24-inch diameter pipeline from the Permian Basin to North Texas will be approximately 300,000 bpd per day, with the ability to expand to 950,000 bpd. The capacity from southern Oklahoma to North Texas will vary based on telescoping pipe size.

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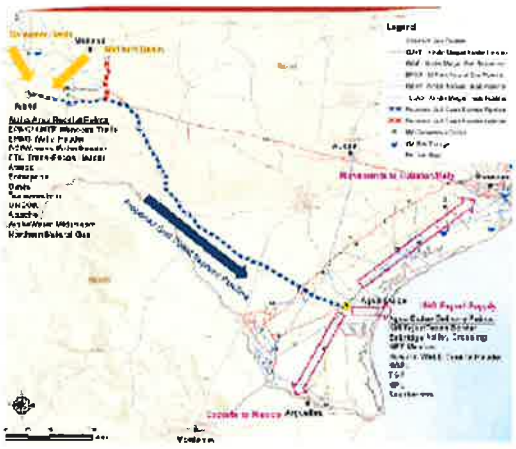
PREMIER INTEGRATED MAINTENANCE PROVIDER WITH EXPERTISE IN SUSTAINING CAPITAL AND TURNAROUNDS

February 6, 2018 9:32 AM

Gulf Coast Express Pipeline opens binding season for remaining capacity

Gulf Coast Express Pipeline LLC, a joint venture owned by affiliates of Kinder Morgan, Inc., DCP Midstream, LP and Targa Resources Corp. announced the start of a binding open season for 220,000 dekatherms per day (Dth/d) of firm natural gas transportation service on the Gulf Coast Express Pipeline Project (GCX Project), which will transport natural gas from the Waha, Texas, production area to the market hub near Agua Dulce, Texas, once built.

Gulf Coast Express Pipeline



Of the 220,000 Dth/d of available capacity, 60,000 Dth/d have been added to the project due to strong market demand. With the added capacity, the GCX Project will have a total design capacity of 1.98 billion cubic feet per day at an estimated cost of $1.75 billion.

As previously announced in December 2017, KMI, DCP Midstream and Targa jointly made a final investment decision (FID) to proceed with the GCX Project, with construction activities slated for the first quarter of 2018. The in-service date of October 2019 remains the same, pending the receipt of regulatory approvals. Following the FID in December, the project has signed with Occidental Energy Marketing, Inc., a subsidiary of Occidental Petroleum Corporation, and Kaiser-Francis Oil Company for transportation service on the system. Additional details on the project, including past press releases and a system map, can be found

at www.kindermorgan.com under the GCX Project web page.

The open season bid period begins on Feb. 5, 2018, and ends at 5 p.m. Central Time on March 1, 2018.

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Pipeline/Transportation Expansions Natural Gas Gulf Coast Express Pipeline Project (GCX Project) Midstream Targa Resources

February 6, 2018 9:32 AM

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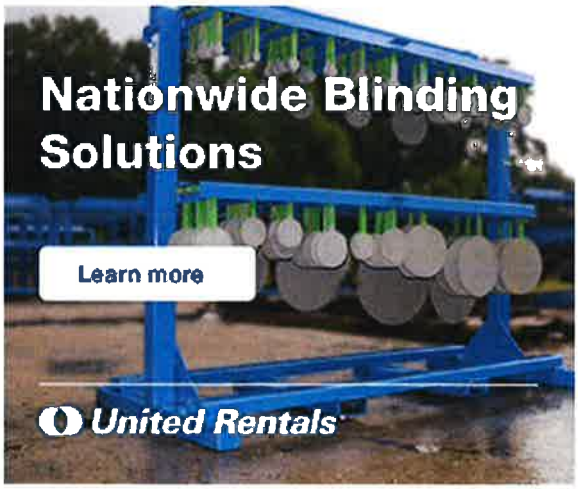
Kinder Morgan, DCP Midstream and Targa Resources announce final investment decision on Gulf Coast Express pipeline project
Dec 21, 2017

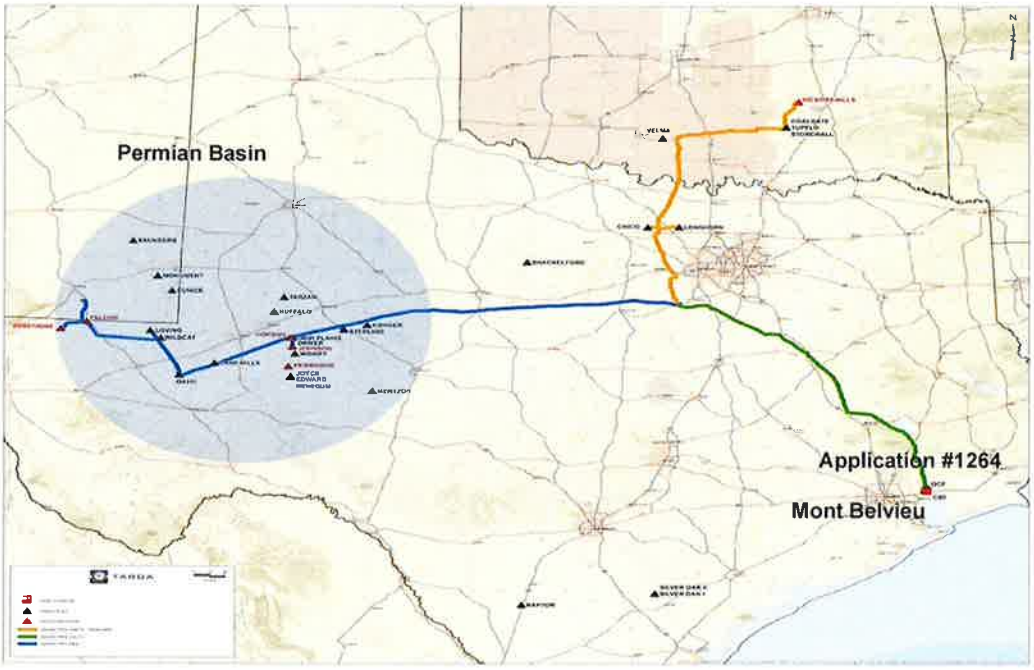


[www.targaresources.com Retrieved 07/27/2018]

Targa's Grand Prix NGL Pipeline Project

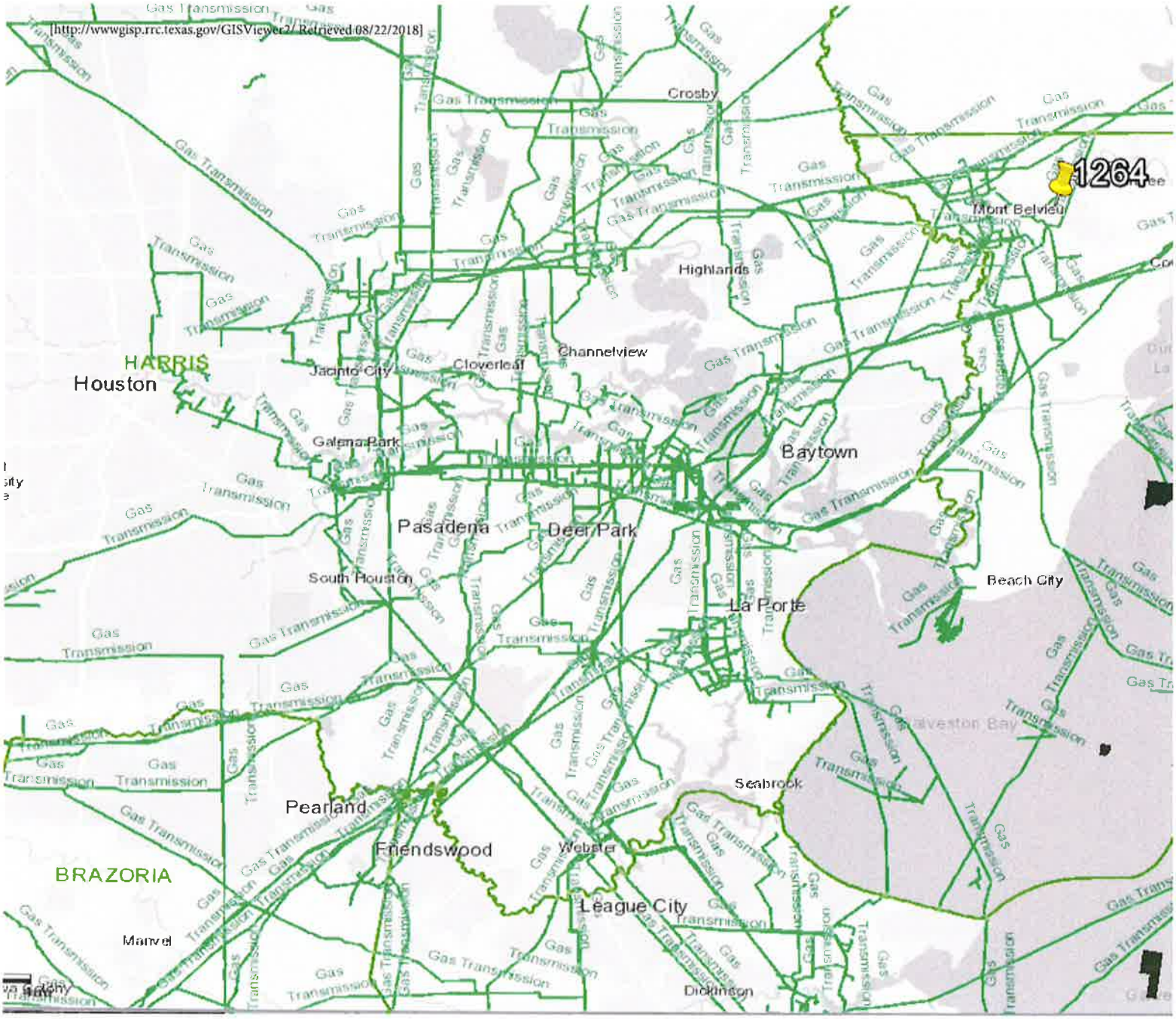
Grand Prix connects growing supply to premier NGL hub at Mont Belvieu

- **Targa has the largest G&P position in the Permian Basin supported by substantial acreage dedications, in addition to its position in Southern Oklahoma and North Texas, which will direct significant NGLs to Grand Prix**
- **Grand Prix will provide increasing fee-based cash flows over the long-term**
  - **Supported by significant long-term transportation and fractionation volume dedications and commitments from Targa's existing and future processing plants in the Permian, North Texas, and SouthOK systems**
  - **Also supported by significant long-term transportation and fractionation volume dedications and commitments from third parties**



- Fully in-service: 2Q 2019
- Grand Prix Mainline Exiting Permian Basin[1]:
  - 24 inch diameter: 300 MBbl/d (expandable to 550 MBbl/d)
- Grand Prix Mainline North Texas to Mont Belvieu[1]:
  - 30 inch diameter: 450 MBbl/d (expandable to 950 MBbl/d)
- Grand Prix Extension into Southern Oklahoma:
  - Capacity varies based on telescoping pipeline
- Capacity expansions above by adding pumps as needed over time, with relatively low additional capital outlay

(1) Grand Prix economics related to volumes flowing on the pipeline from the Permian Basin to Mont Belvieu are included in the Blackstone and DevCo JV arrangements, while economics from volumes in North Texas and southern Oklahoma accrue solely to Targa's benefit


[http://wwwgisp.rrc.texas.gov/GISViewer2/ Retrieved 08/22/2018]
1264
Crosby
Mont Belvieu
Highlands
Channelview
HARRIS
Houston
Jacinto City
Cloverleaf
Galena Park
Baytown
Pasadena
Deer Park
South Houston
La Porte
Beach City
Galveston Bay
Seabrook
Pearland
Friendswood
Webster
BRAZORIA
League City
Manvel
Dickinson
Gas Transmission

Findings and Order of the Barbers Hill Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Targa Downstream LLC (Tax ID 32035001109) (Application #1264)

EXHIBIT B

**Summary of Financial Impact on
Barbers Hill ISD Prepared by
Education Service Center, Region 12**

SUMMARY OF THE FINANCIAL IMPACT OF THE PROPOSED TARGA DOWNSTREAM LLC PROJECT (APPLICATION #1264) ON THE FINANCES OF BARBERS HILL INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED CHAPTER 313 APPRAISED VALUE LIMITATION

PREPARED BY

EDUCATION SERVICE CENTER, REGION 12

AUGUST 27, 2018

Introduction

Targa Downstream LLC ("Targa" or "Company") has submitted an application to the Barbers Hill Independent School District ("BHISD" or "District") requesting a property value limitation on a proposed project, located within the school district boundaries, under Chapter 313 of the Texas Tax Code. The proposed project is a new natural gas liquid ("NGL") Fractionator capable of processing raw natural gas into usable products in Mont Belvieu, TX. The company estimates that the total investment in this project will be $250 million.

Local government entities in Texas, including school districts, rely heavily on the ad valorem property tax to fund operations and building projects. Thus, the property tax burden that Texas imposes on individuals and business entities is higher compared to most other states. Seeking to encourage economic development and to attract large scale capital investment, the 77th Texas Legislature in 2001 enacted House Bill 1200 creating Tax Code Chapter 313, the Texas Economic Development Act. The act as amended by the legislature in 2007, 2009, and 2013 now grants eligibility to companies engaging in manufacturing, advanced clean energy projects, research and development, clean coal projects, renewable electric energy generation, electric power generation using integrated gasification combined cycle technology, nuclear electric power generation and a computer center used primarily in connection to one of the other categories, or a Texas Priority Project. Under the provisions of this law, the Barbers Hill Independent School District may grant a value limitation for maintenance and operation taxes in the amount of $80 million dollars for a period of ten years.

The application calls for the project to be fully taxable for both maintenance and operation (M&O) and interest and sinking (I&S) during the 2019-20 and 2020-21 school years. Beginning with the 2021-22 school year, the value of the project would be limited to $80 million for maintenance and operation (M&O) tax purposes and remain limited through the 2030-31 school year. The full value of the project will be taxable for debt service purposes using the I&S tax rate in all years of the agreement.

Revenue Protection Payment to Barbers Hill ISD -	$1,727,844
Supplemental Payments to Barbers Hill ISD -	$7,480,435
M&O Taxes Paid to Barbers Hill ISD -	$19,212,500
Total Revenue to Barbers Hill ISD -	$28,420,779
Total Tax Savings to Company after all Payments -	$6,426,721

School Finance Mechanics

The Texas system of public school funding is based on the ad valorem property tax. Schools levy a tax rate for maintenance and operation (M&O) and interest and sinking (I&S) against a current year tax roll. State funding is calculated using a prior year value certified by the Comptroller's Property Tax Division (CPTD). Texas school districts are funded by some combination of local ad valorem property taxes and state aid. Most of the money that a school district generates through the funding formulas is generated in Tier 1. Local M&O collections at the compressed tax rate generate Tier I funding. In 2018-19, a school district's Tier I revenue is the greater of the adjusted minimum target revenue amount or the state share of Tier 1 plus local M&O collections at the compressed rate. Beginning with the 2017-18 school year, Additional State Aid for Tax Reduction or ASATR is eliminated. Thus all school districts in the state will be formula funded. The Tier 1 formulas start with a Basic Allotment per student of $5,140. Calculations that use the number of students in average daily attendance, the number of students who participate in special programs, and adjustments for size, sparsity, and location determine a Total Cost of Tier 1. A Local Fund Assignment is determined by multiplying the district's compressed tax rate by the previous year (CPTD) property value. This formula determines the local ad valorem property taxes the district must collect in order to satisfy the district's share of the Tier 1 cost. School districts that are relatively property wealthy per student fund most of the Total Cost of Tier 1 with local property taxes, while school districts that are relatively property poor per student receive most of the Total Cost of Tier 1 from state aid.

Barbers Hill ISD is a relatively property rich district per student and so is generating most of M&O revenue from local ad valorem property taxes. In an attempt to provide some degree of funding equity among school districts, the formulas provide two equalized wealth levels. A district that exceeds the first equalized wealth level of $514,000 per weighted ADA is subject to recapture on taxes collected at the compressed rate. A district that exceeds the second equalized wealth level of $319,500 per weighted ADA is subject to recapture on revenues collected on pennies that exceed six pennies over the compressed rate. BHISD currently has property wealth per weighted ADA in excess of the second equalized wealth level at over $750,000 per weighted ADA. For this reason, BHISD is considered a Chapter 41 or "recapture" district under the current school finance system. Targa is requesting that the value of the fractionation facility project be limited to $80,000,000 in years one through ten of the agreement, corresponding to the 2021-22 school year through the 2030-31 school year. The full value of the project would be subject to interest and sinking (I&S) taxes levied by Barbers Hill ISD in all years of the agreement.

Underlying Assumptions

A forecast of the financial impact that the proposed value limitation will have on BHISD's future revenue is critical information that will be very useful to the district when making the decision to grant the limitation and for the district's long range financial planning process. Analysis for this application covers the 2019-20 through the 2035-36 school years.

The Revenue Protection Clause of the proposed agreement calls for the school district to be held harmless against total state and local maintenance and operation revenue losses as a result of the value limitation agreement. Revenue protection calculations are to be made using whatever property tax laws and school funding formulas are in place at that time in years one through ten of the agreement. This stipulation is a statutory requirement under Section 313.027 of the Tax Code.

The approach used in this report was to predict 17 years of base data including average daily attendance, M&O and I&S tax rates, maintenance and operation (M&O) tax collections and current year (CAD) values and prior year (CPTD) values for each year of the agreement. For the purposes of this analysis, final 2017 CPTD values were used as well as 2018 CAD values from Chambers County CAD. BHISD currently has several other approved Chapter 313 projects. These values have been included in the base data illustrated in **Table 1**.

Table 1 Base District Information with Targa Downstream LLC Project

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value No Limit	CAD Value with Limitation	CPTD No Limit	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
QTP1	2019-20	5,271	6,268	$1.0600	$0.2698	$4,871,920,115	$4,871,920,115	$4,729,537,280	$4,729,537,280	$754,607	$754,607
QTP2	2020-21	5,429	6,456	$1.0600	$0.2698	$5,321,013,313	$5,321,013,313	$4,871,920,115	$4,871,920,115	$754,684	$754,684
L1	2021-22	5,592	6,649	$1.0600	$0.2698	$5,629,543,782	$5,459,543,782	$5,321,013,313	$5,321,013,313	$800,243	$800,243
L2	2022-23	5,760	6,849	$1.0600	$0.2698	$6,262,009,501	$6,097,009,501	$5,629,543,782	$5,459,543,782	$821,985	$797,163
L3	2023-24	5,932	7,054	$1.0600	$0.2698	$6,927,859,520	$6,767,859,520	$6,262,009,501	$6,097,009,501	$887,702	$864,311
L4	2024-25	6,110	7,266	$1.0600	$0.2698	$8,623,612,440	$8,468,612,440	$6,927,859,520	$6,767,859,520	$953,488	$931,467
L5	2025-26	6,294	7,484	$1.0600	$0.2698	$8,828,945,535	$8,678,945,535	$8,623,612,440	$8,468,612,440	$1,152,307	$1,131,595
L6	2026-27	6,483	7,708	$1.0600	$0.2698	$8,693,287,124	$8,548,287,124	$8,828,945,535	$8,678,945,535	$1,145,382	$1,125,923
L7	2027-28	6,677	7,940	$1.0600	$0.2698	$9,401,832,428	$9,261,832,428	$8,693,287,124	$8,548,287,124	$1,094,935	$1,076,672
L8	2028-29	6,877	8,178	$1.0600	$0.2698	$9,529,279,949	$9,394,279,949	$9,401,832,428	$9,261,832,428	$1,149,687	$1,132,567
L9	2029-30	7,084	8,423	$1.0600	$0.2698	$9,345,180,747	$9,215,180,747	$9,529,279,949	$9,394,279,949	$1,131,332	$1,115,304
L10	2030-31	7,296	8,676	$1.0600	$0.2698	$9,397,479,318	$9,272,479,318	$9,345,180,747	$9,215,180,747	$1,077,161	$1,062,176
MVP1	2031-32	7,515	8,936	$1.0600	$0.2698	$9,360,259,903	$9,360,259,903	$9,397,479,318	$9,272,479,318	$1,051,639	$1,037,651
MVP2	2032-33	7,740	9,204	$1.0600	$0.2698	$9,167,453,089	$9,167,453,089	$9,360,259,903	$9,360,259,903	$1,016,965	$1,016,965
MVP3	2033-34	7,973	9,480	$1.0600	$0.2698	$8,991,943,519	$8,991,943,519	$9,167,453,089	$9,167,453,089	$967,007	$967,007
MVP4	2034-35	8,212	9,765	$1.0600	$0.2698	$8,817,637,602	$8,817,637,602	$8,991,943,519	$8,991,943,519	$920,868	$920,868
MVP5	2035-36	8,458	10,058	$1.0600	$0.2698	$8,642,621,358	$8,642,621,358	$8,817,637,602	$8,817,637,602	$876,716	$876,716

To isolate the impact of the value limitation on the District's finances over this 17 year agreement, average daily attendance and maintenance and operation tax rates were held constant at levels that existed in the 2017-18 school year. An ADA of 5,117.350, a WADA of 6,085.171 and an M&O tax rate of $1.06 are used for each year of the forecast. A tax collection rate of 100% is assumed in all of the calculations used in this analysis. The Chambers County CAD certified value for 2018 was used as the 2018 CAD value. This value was used as the basis for subsequent current year (CAD) values in this report. The final 2017 T1, T2, T3 and T4 Comptroller Property Tax Division (CPTD) values, certified to school districts in late July, 2018, were used as a basis for predicting prior year (CPTD) values for each of the agreement years.

On February 1, 2017 the Texas Education Agency issued a notice of a change in practice that will have an impact on the calculation of recapture amounts owed under Chapter 41 of the Texas Education Code. This change is effective for the 2016-17 school year and for future years. The changes have an impact on the way that recapture is calculated for districts that pay recapture and also have approved a local optional homestead exemption (LOHE). Barbers Hill ISD falls into both of these categories and the change in rule has been taken into account for all of the calculations used in this analysis.

The proposed agreement calls for Barbers Hill ISD to be held harmless against total state and local revenue losses that might occur as a result of the value limitation being in effect for any given year of the agreement. In order to predict when and if these revenue losses may occur, two models were developed. One model, illustrated in **Table 2,** incorporates the full value of the project into the state and local funding calculations. The other model, shown in **Table 3,** assumes that only the limited value of the project is available for M&O taxation purposes. In any year of the limitation period where total state and local funding with the full project value exceeds the total state and local funding produced when the limited value is used, a Revenue Protection Payment is indicated for that year. The results of these calculations are illustrated in **Table 4**.

Financial Impact on the School District

Utilizing the assumptions and methodology described above, total maintenance and operation revenue was estimated for each year of the agreement. **Table 4**, which summarizes the difference between the two models, indicates that there will be a total revenue loss of $1.727 million over the course of the agreement. The revenue loss by the district, due to the agreement, is estimated to be mostly in the first year of the value limitation period. Most of the reductions in M&O taxes under this agreement are offset by reductions in recapture costs that the district would owe under current school finance law.

Table 2 "Baseline Revenue Model" - Project Value Added with No Value Limitation

Year of Agreement	School Year	Foundation School Fund	Available School Fund	M&O Rev From Local Taxes (net of recapture and up to compressed rate)	M&O Rev From Local Taxes (up to $.06 above compressed rate; no recapture)	M&O Rev From Local Taxes (net of any recapture)	Recapture at the $514,00 Level	Recapture at the $319,500 Level	Other State Aid	Total General Fund
QTP1	2019-20	$1,621,294	$1,471,238	$37,043,609	$2,923,152	$0	$11,675,592	$0	$0	$43,059,294
QTP2	2020-21	$1,592,331	$1,471,238	$39,289,849	$3,192,608	$0	$13,920,284	$0	$0	$45,546,026
L1	2021-22	$1,275,249	$1,471,238	$38,166,239	$3,377,726	$0	$18,129,199	$0	$0	$44,290,452
L2	2022-23	$1,106,141	$1,471,238	$40,168,412	$3,757,206	$0	$22,451,683	$0	$0	$46,502,997
L3	2023-24	$683,670	$1,471,238	$40,076,332	$4,156,716	$0	$29,202,263	$0	$0	$46,387,956
L4	2024-25	$608,608	$1,471,238	$45,136,659	$5,174,167	$0	$41,099,465	$0	$0	$52,390,673
L5	2025-26	$614,996	$1,471,238	$37,543,180	$5,297,367	$0	$50,746,276	$0	$0	$44,926,781
L6	2026-27	$614,833	$1,471,238	$36,179,165	$5,215,972	$0	$50,753,706	$0	$0	$43,481,208
L7	2027-28	$618,303	$1,471,238	$39,612,638	$5,641,099	$0	$54,405,687	$0	$0	$47,343,278
L8	2028-29	$620,988	$1,471,238	$37,302,938	$5,717,568	$0	$57,989,861	$0	$0	$45,112,733
L9	2029-30	$620,313	$1,471,238	$36,150,486	$5,607,108	$0	$57,301,321	$0	$0	$43,849,146
L10	2030-31	$620,107	$1,471,238	$37,009,982	$5,638,488	$0	$56,964,811	$0	$0	$44,739,814
MVP1	2031-32	$620,043	$1,471,238	$36,677,407	$5,616,156	$0	$56,925,192	$0	$0	$44,384,844
MVP2	2032-33	$618,879	$1,471,238	$36,077,967	$5,500,472	$0	$55,596,564	$0	$0	$43,668,555
MVP3	2033-34	$617,392	$1,471,238	$36,098,973	$5,395,166	$0	$53,820,463	$0	$0	$43,582,769
MVP4	2034-35	$615,959	$1,471,238	$36,062,169	$5,290,583	$0	$52,114,207	$0	$0	$43,439,949
MVP5	2035-36	$614,526	$1,471,238	$36,017,402	$5,185,573	$0	$50,408,811	$0	$0	$43,288,739

Table 3 "Value Limitation Revenue Model" - Project Value Added With Value Limit

Year of Agreement	School Year	Foundation School Fund	Available School Fund	M&O Rev From Local Taxes (net of recapture and up to compressed rate)	M&O Rev From Local Taxes (up to $.06 above compressed rate; no recapture)	M&O Rev From Local Taxes (net of any recapture)	Recapture at the $514,000 Level	Recapture at the $319,500 Level	Other State Aid	Total General Fund
QTP1	2019-20	$1,621,294	$1,471,238	$37,043,609	$2,923,152	$0	$11,675,592	$0	$0	$43,059,294
QTP2	2020-21	$1,592,331	$1,471,238	$39,289,849	$3,192,608	$0	$13,920,284	$0	$0	$45,546,026
L1	2021-22	$1,253,469	$1,471,238	$37,026,560	$3,275,726	$0	$17,568,878	$0	$0	$43,026,993
L2	2022-23	$1,222,554	$1,471,238	$40,291,510	$3,658,206	$0	$20,678,585	$0	$0	$46,643,508
L3	2023-24	$793,971	$1,471,238	$40,176,996	$4,060,716	$0	$27,501,599	$0	$0	$46,502,921
L4	2024-25	$607,256	$1,471,238	$45,340,715	$5,081,167	$0	$39,345,409	$0	$0	$52,500,377
L5	2025-26	$613,744	$1,471,238	$37,554,351	$5,207,367	$0	$49,235,104	$0	$0	$44,846,700
L6	2026-27	$613,629	$1,471,238	$36,165,822	$5,128,972	$0	$49,317,050	$0	$0	$43,379,662
L7	2027-28	$617,122	$1,471,238	$39,659,094	$5,557,099	$0	$52,959,230	$0	$0	$47,304,554
L8	2028-29	$619,862	$1,471,238	$37,307,155	$5,636,568	$0	$56,635,645	$0	$0	$45,034,823
L9	2029-30	$619,233	$1,471,238	$36,138,102	$5,529,108	$0	$56,013,705	$0	$0	$43,757,682
L10	2030-31	$619,064	$1,471,238	$37,011,366	$5,563,488	$0	$55,713,428	$0	$0	$44,665,155
MVP1	2031-32	$619,704	$1,471,238	$37,136,435	$5,616,156	$0	$56,466,164	$0	$0	$44,843,532
MVP2	2032-33	$618,879	$1,471,238	$36,077,967	$5,500,472	$0	$55,596,564	$0	$0	$43,668,555
MVP3	2033-34	$617,392	$1,471,238	$36,098,973	$5,395,166	$0	$53,820,463	$0	$0	$43,582,769
MVP4	2034-35	$615,959	$1,471,238	$36,062,169	$5,290,583	$0	$52,114,207	$0	$0	$43,439,949
MVP5	2035-36	$614,526	$1,471,238	$36,017,402	$5,185,573	$0	$50,408,811	$0	$0	$43,288,739

Table 4 "Baseline Revenue Model" Less "Value Limitation Model"

Year of Agreement	School Year	Foundation School Fund	Available School Fund	M&O Rev From Local Taxes (net of recapture and up to compressed rate)	M&O Rev From Local Taxes (up to $.06 above compressed rate; no recapture)	M&O Rev From Local Taxes (net of any recapture)	Recapture at the $514,000 Level	Recapture at the $319,500 Level	Other State Aid	Total General Fund
QTP1	2019-20	$0	$0	$0	$0	$0	$0	$0	$0	$0
QTP2	2020-21	$0	$0	$0	$0	$0	$0	$0	$0	$0
L1	2021-22	-$21,780	$0	-$1,139,679	-$102,000	$0	-$560,321	$0	$0	-$1,263,459
L2	2022-23	$116,413	$0	$123,098	-$99,000	$0	-$1,773,098	$0	$0	$0
L3	2023-24	$110,301	$0	$100,664	-$96,000	$0	-$1,700,664	$0	$0	$0
L4	2024-25	-$1,352	$0	$204,056	-$93,000	$0	-$1,754,056	$0	$0	$0
L5	2025-26	-$1,252	$0	$11,171	-$90,000	$0	-$1,511,171	$0	$0	-$80,081
L6	2026-27	-$1,204	$0	-$13,343	-$87,000	$0	-$1,436,657	$0	$0	-$101,547
L7	2027-28	-$1,180	$0	$46,457	-$84,000	$0	-$1,446,457	$0	$0	-$38,724
L8	2028-29	-$1,126	$0	$4,217	-$81,000	$0	-$1,354,217	$0	$0	-$77,910
L9	2029-30	-$1,080	$0	-$12,384	-$78,000	$0	-$1,287,616	$0	$0	-$91,464
L10	2030-31	-$1,043	$0	$1,384	-$75,000	$0	-$1,251,384	$0	$0	-$74,659
MVP1	2031-32	-$339	$0	$459,028	$0	$0	-$459,028	$0	$0	$0
MVP2	2032-33	$0	$0	$0	$0	$0	$0	$0	$0	$0
MVP3	2033-34	$0	$0	$0	$0	$0	$0	$0	$0	$0
MVP4	2034-35	$0	$0	$0	$0	$0	$0	$0	$0	$0
MVP5	2035-36	$0	$0	$0	$0	$0	$0	$0	$0	$0

Financial Impact on the Taxpayer

The terms of the proposed agreement call for the maintenance and operation (M&O) value of the project to be limited to $80 million starting in school year 2021-22 and remaining limited through school year 2030-31. The potential gross and net tax savings to Targa are shown in **Table 5.** As stated earlier, an M&O tax rate of $1.06 and a collection rate of 100% is used throughout the calculations in this report. **Table 5** shows gross tax savings due to the limitation of just over $15.6 million over the length of the contract. Net tax savings are estimated to be $13.9 million. To estimate supplemental payments to the school district of $100 per ADA, a growth model of ADA was applied to the base ADA of 5,117, which was the ADA for BHISD through the end of the 2017-18 school year. The growth factor used was 3.0%, which is in line with the last six years of ADA data from TEA as well as demographic studies done by the district.

Facilities Funding Impact on the District

Reports submitted by Targa show the full value of the property being depreciated over time. Even so, the full value of the project will be available to the district for I&S taxes and will enhance the district's ability to service current and future debt obligations. Texas funding laws provide assistance to school districts for debt service purposes in the form of the Instructional Facilities Allotment and the Existing Debt Allotment. The formulas provide a guarantee of $35 per ADA per penny of tax effort. BHISD has property wealth per WADA that exceeds this amount and is thus not eligible for this

state assistance. While the project is expected to provide additional employment opportunities in the area, the impact on student enrollment is predicted to be minimal.

Table 5 Estimated Financial Impact on Barbers Hill ISD from the Targa Downstream LLC Value Limitation Project

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits	School District Benefit $100 per ADA	Company Tax Benefit
QTP1	2019-20	$0	$0	$0	1.0600	$0	$0	$0	$0	$0	$0	$527,087	-$527,087
QTP2	2020-21	$62,500,000	$62,500,000	$0	1.0600	$662,500	$662,500	$0	$0	$0	$0	$542,900	-$542,900
L1	2021-22	$250,000,000	$80,000,000	$170,000,000	1.0600	$2,650,000	$848,000	$1,802,000	$1,802,000	-$1,263,459	$538,541	$559,187	-$20,646
L2	2022-23	$245,000,000	$80,000,000	$165,000,000	1.0600	$2,597,000	$848,000	$1,749,000	$1,749,000	$0	$1,749,000	$575,962	$1,173,038
L3	2023-24	$240,000,000	$80,000,000	$160,000,000	1.0600	$2,544,000	$848,000	$1,696,000	$1,696,000	$0	$1,696,000	$593,241	$1,102,759
L4	2024-25	$235,000,000	$80,000,000	$155,000,000	1.0600	$2,491,000	$848,000	$1,643,000	$1,643,000	$0	$1,643,000	$611,038	$1,031,962
L5	2025-26	$230,000,000	$80,000,000	$150,000,000	1.0600	$2,438,000	$848,000	$1,590,000	$1,590,000	-$80,081	$1,509,919	$629,370	$880,549
L6	2026-27	$225,000,000	$80,000,000	$145,000,000	1.0600	$2,385,000	$848,000	$1,537,000	$1,537,000	-$101,547	$1,435,453	$648,251	$787,203
L7	2027-28	$220,000,000	$80,000,000	$140,000,000	1.0600	$2,332,000	$848,000	$1,484,000	$1,484,000	-$38,724	$1,445,276	$667,698	$777,578
L8	2028-29	$215,000,000	$80,000,000	$135,000,000	1.0600	$2,279,000	$848,000	$1,431,000	$1,431,000	-$77,910	$1,353,090	$687,729	$665,361
L9	2029-30	$210,000,000	$80,000,000	$130,000,000	1.0600	$2,226,000	$848,000	$1,378,000	$1,378,000	-$91,464	$1,286,536	$708,361	$578,175
L10	2030-31	$205,000,000	$80,000,000	$125,000,000	1.0600	$2,173,000	$848,000	$1,325,000	$1,325,000	-$74,659	$1,250,341	$729,612	$520,729
MVP1	2031-32	$200,000,000	$200,000,000	$0	1.0600	$2,120,000	$2,120,000	$0	$0	$0	$0	$0	$0
MVP2	2032-33	$195,000,000	$195,000,000	$0	1.0600	$2,067,000	$2,067,000	$0	$0	$0	$0	$0	$0
MVP3	2033-34	$190,000,000	$190,000,000	$0	1.0600	$2,014,000	$2,014,000	$0	$0	$0	$0	$0	$0
MVP4	2034-35	$185,000,000	$185,000,000	$0	1.0600	$1,961,000	$1,961,000	$0	$0	$0	$0	$0	$0
MVP5	2035-36	$180,000,000	$180,000,000	$0	1.0600	$1,908,000	$1,908,000	$0	$0	$0	$0	$0	$0
TOTALS						**$34,847,500**	**$19,212,500**	**$15,635,000**	**$15,635,000**	**-$1,727,844**	**$13,907,156**	**$7,480,435**	**$6,426,721**

*Note: School District Revenue-Loss estimates are subject to change based on various factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year project appraisal values, and changes in school district tax rates. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

Conclusion

The Targa project proposed in this application will benefit the community, the district, BHISD, and the taxpayer, Targa. The community will receive economic development, the taxpayer will enjoy savings on property taxes and the district will be held harmless from revenue loss due to the provisions of the agreement. The district will also enjoy an increased value available for I&S tax collections dedicated to debt service that can be leveraged to provide first class facilities for faculty and students.

Remember that the Texas Legislature could take action that could potentially change the impact of this agreement on the finances of Barbers Hill ISD and result in estimates that differ significantly from the estimates presented in this analysis. Some of the factors that could significantly change these estimates are legislative or administrative changes by the Texas Legislature, the Texas Education Agency or the Comptroller of Public Accounts. Those changes could contain changes to the school finance formulas, property value appraisals and tax exemptions. Other factors which could change, and will impact the estimates of this agreement, include changes to property values, district tax rates and student enrollment.

Table 5 Estimated Financial Impact on Barbers Hill ISD from the Targa Downstream LLC Value Limitation Project

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits	School District Benefit $100 per ADA	Company Tax Benefit
QTP1	2019-20	$0	$0	$0	1.0600	$0	$0	$0	$0	$0	$0	$527,087	-$527,087
QTP2	2020-21	$62,500,000	$62,500,000	$0	1.0600	$662,500	$662,500	$0	$0	$0	$0	$542,900	-$542,900
L1	2021-22	$250,000,000	$80,000,000	$170,000,000	1.0600	$2,650,000	$848,000	$1,802,000	$1,802,000	-$1,263,459	$538,541	$559,187	-$20,646
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L3	2023-24	$240,000,000	$80,000,000	$160,000,000	1.0600	$2,544,000	$848,000	$1,696,000	$1,696,000	$0	$1,696,000	$593,241	$1,102,759
L4	2024-25	$235,000,000	$80,000,000	$155,000,000	1.0600	$2,491,000	$848,000	$1,643,000	$1,643,000	$0	$1,643,000	$611,038	$1,031,962
L5	2025-26	$230,000,000	$80,000,000	$150,000,000	1.0600	$2,438,000	$848,000	$1,590,000	$1,590,000	-$80,081	$1,509,919	$629,370	$880,549
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MVP1	2031-32	$200,000,000	$200,000,000	$0	1.0600	$2,120,000	$2,120,000	$0	$0	$0	$0	$0	$0
MVP2	2032-33	$195,000,000	$195,000,000	$0	1.0600	$2,067,000	$2,067,000	$0	$0	$0	$0	$0	$0
MVP3	2033-34	$190,000,000	$190,000,000	$0	1.0600	$2,014,000	$2,014,000	$0	$0	$0	$0	$0	$0
MVP4	2034-35	$185,000,000	$185,000,000	$0	1.0600	$1,961,000	$1,961,000	$0	$0	$0	$0	$0	$0
MVP5	2035-36	$180,000,000	$180,000,000	$0	1.0600	$1,908,000	$1,908,000	$0	$0	$0	$0	$0	$0
TOTALS						**$34,847,500**	**$19,212,500**	**$15,635,000**	**$15,635,000**	**-$1,727,844**	**$13,907,156**	**$7,480,435**	**$6,426,721**

*Note: School District Revenue-Loss estimates are subject to change based on various factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year project appraisal values, and changes in school district tax rates. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

EXHIBIT C

Proposed Agreement between Barbers Hill Independent School District and Targa Downstream LLC

GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

November 9, 2018

Becky McManus
Assistant Superintendent of Finance
Barbers Hill Independent School District
P.O. Box 1108
Mont Belvieu, TX 77580-1108

Re: Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Barbers Hill Independent School District and Targa Downstream, LLC, Application 1264

Dear Assistant Superintendent McManus:

This office has been provided with the Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Barbers Hill Independent School District and Targa Downstream, LLC (Agreement). As requested, the Agreement has been reviewed pursuant to 34 TAC 9.1055(e)(1).

Based on our review, this office concludes that the agreement complies with the provisions of Tax Code, Chapter 313 and 34 TAC Chapter 9, Subchapter F.

Should you have any questions, please contact Desiree Caufield with our office. She can be reached by email at desiree.caufield@cpa.texas.gov or by phone at 1-800-531-5441, ext. 6-8597, or at 512-936-8597.

Sincerely,

Will Counihan
Director
Data Analysis & Transparency Division

cc: Sara Leon, Powell & Leon, LLP
John Thompson, Targa Resources LLC
Dorothy Pearson, Targa Resources LLC
Mike Fry, KW Andrews & Company

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

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by and between

BARBERS HILL INDEPENDENT SCHOOL DISTRICT

and

TARGA DOWNSTREAM LLC (TRAIN 8 PROJECT)

(*Texas Taxpayer ID # 32035001109*)

Comptroller Application #1264

Dated

November 12, 2018

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

STATE OF TEXAS §

COUNTY OF CHAMBERS §

THIS AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES, hereinafter referred to as this "Agreement," is executed and delivered by and between the **BARBERS HILL 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 **TARGA DOWNSTREAM LLC, (TRAIN 8 PROJECT)** Texas Taxpayer Identification Number 32035001109 hereinafter referred to as the "Applicant." The Applicant and the District are hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, on May 9, 2018, the Superintendent of Schools of the Barbers Hill Independent School District, acting as agent of the Board of Trustees of the District, received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the TEXAS TAX CODE;

WHEREAS, on May 21, 2018, the Board of Trustees has acknowledged receipt of the Application, and along with the requisite application fee as established pursuant to Section 313.025(a) of the TEXAS TAX CODE and Local District Policy CCG (Local), and agreed to consider the Application;

WHEREAS, on June 11, 2018, the Application was delivered to the Texas Comptroller's Office for review pursuant to Section 313.025 of the TEXAS TAX CODE;

WHEREAS, the District and the Texas Comptroller's Office have determined that the Application is complete and August 15, 2018 is the Application Review Start Date as that term is defined by 34 TEXAS ADMIN. CODE Section 9.1051;

WHEREAS, pursuant to 34 TEXAS ADMIN. CODE Section 9.1054, the Application was delivered to the Chambers County Appraisal District established in Chambers County, Texas (the "Chambers County Appraisal District"), pursuant to Section 6.01 of the TEXAS TAX CODE;

WHEREAS, the Texas Comptroller's Office reviewed the Application pursuant to Section 313.025 of the TEXAS TAX CODE, conducted an economic impact evaluation pursuant to Section 313.026 of the TEXAS TAX CODE, and on September 14, 2018, issued a certificate for limitation on

appraised value of the property described in the Application and provided the certificate to the District;

WHEREAS, the Board of Trustees has reviewed and carefully considered the economic impact evaluation and certificate for limitation on appraised value submitted by the Texas Comptroller's Office pursuant to Section 313.025 of the TEXAS TAX CODE;

WHEREAS, on November 12, 2018, 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;

WHEREAS, on November 12, 2018, the Board of Trustees made factual findings pursuant to Section 313.025(f) of the TEXAS TAX CODE, including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) the Applicant is eligible for the limitation on appraised value of the Applicant's Qualified Property; (iii) the project proposed by the Applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the District's maintenance and operations ad valorem tax revenue lost as a result of the Agreement before the 25th anniversary of the beginning of the limitation period; (iv) the limitation on appraised value is a determining factor in the Applicant's decision to invest capital and construct the project in this State; and (v) this Agreement is in the best interest of the District and the State of Texas;

WHEREAS, on November 12, 2018, pursuant to the provisions of 313.025 (f-1) of the TEXAS TAX CODE, the Board of Trustees waived the job creation requirement set forth in 313.021(2)(A)(iv)(b) of the TEXAS TAX CODE;

WHEREAS, on November 9, 2018, the Texas Comptroller's Office approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes;

WHEREAS, on November 12, 2018, the Board of Trustees approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the Board President and Secretary to execute and deliver such Agreement to the Applicant; and

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

ARTICLE I
DEFINITIONS

Section 1.1 DEFINITIONS. Wherever used in this Agreement, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning. Words or terms defined in 34 TEXAS ADMIN. CODE Section 9.1051 and not defined in this Agreement shall have the meanings provided by 34 TEXAS ADMIN. CODE Section 9.1051.

"*Act*" means the Texas Economic Development Act set forth in Chapter 313 of the TEXAS TAX CODE, as amended.

"*Agreement*" means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented as approved pursuant to Sections 10.2 and 10.3.

"*Applicant*" means Targa Downstream LLC (Texas Taxpayer ID # 32035001109), the entity listed in the Preamble of this Agreement and that is listed as the Applicant on the Application as of the Application Approval Date. The term "Applicant" shall also include the Applicant's assigns and successors-in-interest as approved according to Sections 10.2 and 10.3 of this Agreement.

"*Applicant's Qualified Investment*" means the Qualified Investment of the Applicant during the Qualifying Time Period and as more fully described in **EXHIBIT 3** of this Agreement.

"*Applicant's Qualified Property*" means the Qualified Property of the Applicant to which the value limitation identified in the Agreement will apply and as more fully described in **EXHIBIT 3** of this Agreement.

"*Application*" means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B of the TEXAS TAX CODE) filed with the District by the Applicant on May 21, 2018. 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 an Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

"*Application Approval Date*" means the date that the Application is approved by the Board of Trustees of the District and as further identified in Section 2.3.B of this Agreement.

"*Application Review Start Date*" means the later date of either the date on which the District issues its written notice that the Applicant has submitted a completed Application or the date on which the Comptroller issues its written notice that the Applicant has submitted a completed Application and as further identified in Section 2.3.A of this Agreement.

"*Appraised Value*" shall have the meaning assigned to such term in Section 1.04(8) of the TEXAS TAX CODE.

"*Appraisal District*" means the Chambers County Appraisal District.

"*Board of Trustees*" means the Board of Trustees of the Barbers Hill Independent School District.

"*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 in Chapter 34 TEXAS ADMIN. CODE Chapter 9, Subchapter F, together with any court or administrative decisions interpreting same.

"*County*" means Chambers County, Texas.

"*District*" *or* "*School District*" means the Barbers Hill Independent School District, being a duly authorized and operating school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter B 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 the last date of the final year in which the Applicant is required to Maintain Viable Presence and as further identified in Section 2.3.E of this Agreement.

"*Force Majeure*" means those causes generally recognized under Texas law as constituting impossible conditions. Each Party must inform the other in writing with proof of receipt within sixty (60) business days of the existence of such Force Majeure or otherwise waive this right as a defense.

"*Land*" means the real property described on **EXHIBIT 2**, which is attached hereto and incorporated herein by reference for all purposes.

"*Maintain Viable Presence*" means (i) the operation during the term of this Agreement of the facility or facilities for which the tax limitation is granted; and (ii) the Applicant's maintenance of jobs and wages as required by the Act and as set forth in its Application.

"*Market Value*" shall have the meaning assigned to such term in Section 1.04(7) of the TEXAS TAX CODE.

"*New Qualifying Jobs*" means the total number of jobs to be created by the Applicant after the Application Approval Date in connection with the project that is the subject of its Application that meet the criteria of Qualifying Job as defined in Section 313.021(3) of the TEXAS TAX CODE and the Comptroller's Rules.

"*New Non-Qualifying Jobs*" means the number of Non-Qualifying Jobs, as defined in 34 TEXAS ADMIN. CODE Section 9.1051(14), to be created by the Applicant after the Application Approval Date in connection with the project which is the subject of its Application.

"*Qualified Investment*" has the meaning set forth in Section 313.021(1) of the TEXAS TAX CODE, as interpreted by the Comptroller's Rules.

"*Qualified Property*" has the meaning set forth in Section 313.021(2) of the TEXAS TAX CODE and as interpreted by the Comptroller's Rules and the Texas Attorney General, as these provisions existed on the Application Review Start Date.

"*Qualifying Time Period*" means the period defined in Section 2.3.C, during which the Applicant shall make investment on the Land where the Qualified Property is located in the amount required by the Act, the Comptroller's Rules, and this Agreement.

"*State*" means the State of Texas.

"*Supplemental Payment*" means any payments or transfers of things of value made to the 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 and that is not authorized pursuant to Sections 313.027(f)(1) or (2) of the TEXAS TAX CODE, and specifically includes any payments required pursuant to Article VI of this Agreement.

"*Tax Limitation Amount*" means the maximum amount which may be placed as the Appraised Value on the Applicant's Qualified Property for maintenance and operations tax assessment in each Tax Year of the Tax Limitation Period of this Agreement pursuant to Section 313.027 of the TEXAS TAX CODE.

"*Tax Limitation Period*" means the Tax Years for which the Applicant's Qualified Property is subject to the Tax Limitation Amount and as further identified in Section 2.3.D of this Agreement.

"*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.

Section 1.2 NEGOTIATED DEFINITIONS. Wherever used in Articles IV, V, and VI, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning or otherwise; provided however, if there is a conflict between a term defined in this section and a term defined in the Act, the Comptroller's Rules, or Section 1.1 of Agreement, the conflict shall be resolved by reference to Section 10.9.C.

"Aggregate Limit" means, for any Tax Year during the term of this Agreement, an amount equal to the Net Tax Benefit to the Applicant.

"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 as calculated pursuant to Section 42.005 of the TEXAS EDUCATION CODE, for the school year immediately preceding each year for which the Annual Limit is calculated, rounded to the whole number by $100, or any larger amount in Texas Tax Code §313.027(i), if such limit amount is increased for any future year of this Agreement. The Annual Limit shall first be computed for the first Tax Year (including partial Tax Year) of the Qualifying Time Period. The start of the Qualifying Time Period is set forth in Section 2.3(C)(i), below.

"*Applicable School Finance Law*" means the state laws, agency regulations and/or judicial rulings then controlling the public school finance system for Texas public schools generally and the District specifically at the time the computation, calculation or obligation of either party under this Agreement is performed.

"*Commencement Date*" means January 1, 2019 the start of the Qualifying Time Period.

"Cumulative Payments" means for each year of this Agreement the total of all payments, calculated under Articles IV, V and VI of this Agreement for the current Tax Year which are paid by or owed by Applicant to the District, plus payments paid by Applicant to compensate District for loss of revenue under this Agreement.

"*Lost M&O Revenue*" means the reduction in Maintenance and Operations ad valorem tax revenue to the District caused by, resulting from, or on account of the execution of this Agreement for each year starting in the year of the Application Review Start Date and ending on the Final Termination Date of this Agreement.

"New M&O Revenue" means the total State and local Maintenance and Operations Revenue that District actually received for such school year.

"Net Tax Benefit" means an amount equal to (but not less than zero): (i) 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; *minus*, (ii) an amount equal to the sum of (A) all maintenance and operations ad valorem school taxes actually due from the Applicant 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 Articles IV, V, and VI of this Agreement.

"Original M&O Revenue" means the total State and local Maintenance and Operations Revenue that District would have received for the school year, under the Applicable School Finance Law for such Tax Year, had this Agreement not been entered into by the Parties and the Applicant's Qualified Property been subject to the District's full *ad valorem* maintenance & operations tax at the rate applicable for such tax year. For purposes of this calculation, the Third Party will base its calculations upon actual local taxable values for each applicable year as certified by the County Appraisal District for all other taxable accounts in the District, save and except for the Qualified Property subject to this Agreement, *plus* the total appraised value of the Qualified Property subject to this Agreement which is or would be used for the calculation of the District's tax levy for debt tax purposes. For the calculation of Original M&O Revenue, the taxable value of Applicant's Qualified Property for M&O purposes will not be used.

"Revenue Protection Amount" means the amount calculated pursuant to Section 4.2 of this Agreement.

ARTICLE II
AUTHORITY, PURPOSE AND LIMITATION AMOUNTS

Section 2.1. 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 Section 313.027 of the TEXAS TAX CODE.

Section 2.2. PURPOSE. In consideration of the execution and subsequent performance of the terms and obligations by the Applicant pursuant to this Agreement, identified in Sections 2.5 and 2.6 and as more fully specified in this Agreement, the value of the Applicant's Qualified Property listed and assessed by the County Appraiser for the District's maintenance and operation ad valorem property tax shall be the Tax Limitation Amount as set forth in Section 2.4 of this Agreement during the Tax Limitation Period.

Section 2.3. TERM OF THE AGREEMENT.

A. The Application Review Start Date for this Agreement is August 15, 2018, which will be used to determine the eligibility of the Applicant's Qualified Property and all applicable wage standards.

B. The Application Approval Date for this Agreement is November 12, 2018.

C. The Qualifying Time Period for this Agreement:

i. Starts on January 1, 2019;

ii. Ends on December 31, 2020, the last day of the second complete Tax Year following the Qualifying Time Period start date.

D. The Tax Limitation Period for this Agreement:

i. Starts on January 1, 2021, the first complete Tax Year that begins after the date of the end of the Qualifying Time Period; and

ii. Ends on December 31, 2030, which is the year the Tax Limitation Period starts as identified in Section 2.3.D.i plus 9 years;

E. The Final Termination Date for this Agreement is December 31, 2035, which is the last year of the Tax Limitation Period as defined in Section 2.3.D.ii plus 5 years.

F. This Agreement, and the obligations and responsibilities created by this Agreement, shall be and become effective on the Application Approval Date identified in Section 2.3.B. This Agreement, and the obligations and responsibilities created by this Agreement, terminate on the Final Termination Date identified in Section 2.3.E, unless extended by the express terms of this Agreement.

Section 2.4. TAX LIMITATION. So long as the Applicant makes the Qualified Investment as required by Section 2.5, during the Qualifying Time Period, and unless this Agreement has been terminated as provided herein before such Tax Year, on January 1 of each Tax Year of the Tax Limitation Period, the Appraised Value of the Applicant's Qualified Property 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 Property; or

B. Eighty Million dollars ($80,000,000).

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the Application Approval Date, as set out by Section 313.022(b) of the TEXAS TAX CODE.

Section 2.5. TAX LIMITATION ELIGIBILITY. In order to be eligible and entitled to receive the value limitation identified in Section 2.4 for the Qualified Property identified in Article III, the Applicant shall:

A. have completed the Applicant's Qualified Investment in the amount of $80 million during the Qualifying Time Period;

B. have created and maintained, subject to the provisions of Section 313.0276 of the TEXAS TAX CODE, New Qualifying Jobs as required by the Act; and

C. pay an average weekly wage of at least $1,185 for all New Non-Qualifying Jobs created by the Applicant.

Section 2.6. TAX LIMITATION OBLIGATIONS. In order to receive and maintain the limitation authorized by Section 2.4, Applicant shall:

A. Provide payments to District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV;

B. Provide payments to the District that protect the District from the payment of extraordinary education-related expenses related to the project, as more fully specified in Article V;

C. Provide such Supplemental Payments as more fully specified in Article VI;

D. Create and Maintain Viable Presence on or with the Qualified Property and perform additional obligations as more fully specified in Article VIII of this Agreement; and

E. No additional conditions are identified in the certificate for a limitation on appraised value by the Comptroller for this project.

ARTICLE III
QUALIFIED PROPERTY

Section 3.1. LOCATION WITHIN ENTERPRISE OR REINVESTMENT ZONE. At the time of the Application Approval Date, the Land is within an area designated either as an enterprise zone, pursuant to Chapter 2303 of the TEXAS GOVERNMENT CODE, or a reinvestment zone, pursuant to Chapter 311 or 312 of the TEXAS TAX CODE. The legal description, and information concerning the designation, of such zone is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

Section 3.2. LOCATION OF QUALIFIED PROPERTY AND INVESTMENT. The Land on which the Qualified Property shall be located and on which the Qualified Investment shall be made is described in **EXHIBIT 2**, which is attached hereto and incorporated herein by reference for all purposes. The Parties expressly agree that the boundaries of the Land may not be materially changed from its configuration described in **EXHIBIT 2** unless amended pursuant to the provisions of Section 10.2 of this Agreement.

Section 3.3. DESCRIPTION OF QUALIFIED PROPERTY. The Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 4**, which is attached hereto and incorporated herein by reference for all purposes. Property which is not specifically described in **EXHIBIT 4** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Property for purposes of this Agreement, unless by official action the Board of Trustees provides that such

other property is a part of the Applicant's Qualified Property for purposes of this Agreement in compliance with Section 313.027(e) of the TEXAS TAX CODE, the Comptroller's Rules, and Section 10.2 of this Agreement.

Section 3.4. CURRENT INVENTORY OF QUALIFIED PROPERTY. In addition to the requirements of Section 10.2 of this Agreement, if there is a material change in the Qualified Property described in **EXHIBIT 4**, then within 60 days from the date commercial operation begins, the Applicant shall provide to the District, the Comptroller, the Appraisal District or the State Auditor's Office a specific and detailed description of the tangible personal property, buildings, and/or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Land to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such described property on the Land.

Section 3.5. QUALIFYING USE. The Applicant's Qualified Property described in Section 3.3 qualifies for a tax limitation agreement under Section 313.024(b)(1) of the TEXAS TAX CODE as property used for manufacturing.

ARTICLE IV
PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 4.1. INTENT OF THE PARTIES. Subject only to the limitations contained in Section 7.1 of this Agreement, it is the intent of the Parties that the District shall, in accordance with the provisions of Section 313.027(f)(1) of the TEXAS TAX CODE, be compensated by the Applicant for any Lost M&O Revenue in each year of this Agreement for which this Agreement was the producing cause, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to such other payments as set forth in Article V and Article VI in this Agreement. Subject only to the limitations contained in this Agreement, including Section 7.1, **it is the intent of the Parties that the risk of any and all Lost M&O Revenue, for which this Agreement was the producing cause, will be borne solely by Applicant and not by the District.**

The calculation of any Lost M&O Revenue required to be paid by the Applicant under this Article IV shall be made for the first time for the first complete Tax Year following the start of Commercial Operations, and every year thereafter during the term of this Agreement.

Within 60 days from the date Commercial Operations begin, the Applicant shall provide to the District, the Comptroller, and the Appraisal District a verified written report, giving a specific and detailed description of the land, tangible personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such Qualified Property within the boundaries of the land which is subject to the Agreement, if such final description is different than the description provided in the Application or any supplemental application information, or if no substantial changes have been made, a verification of the fact that no substantial changes have been made.

The Parties further agree that the school finance report and projected revenue protection payment amounts produced during the negotiations and approval of this Agreement are:

i. For illustrative purposes only, are not intended to be relied upon, and have not been relied upon by the Parties as a prediction of future consequences to either Party;

ii. Are based upon current Applicable School Finance Law, which is subject to change by statute, by administrative regulation, or by judicial decision at any time; and,

iii. May change in future years to reflect changes in the Applicable School Finance Law.

Section 4.2. CALCULATING THE LOST M&O REVENUE BY THE DISTRICT. Subject only to the provisions of Section 7.1 of this Agreement, the amount to be paid by the Applicant to compensate the District for Lost M&O Revenue for each year starting in the year of the Application Review Start Date and ending on the Final Termination Date shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula: The Lost M&O Revenue owed by the Applicant to the District means the Original M&O Revenue *minus* the New M&O Revenue. In making the calculations required by this Section 4.2:

i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law as that law exists for each year for which the calculation is made.

ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property 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 4.2 of this Agreement, results in a negative number, the negative number will be considered to be zero.

iv. For all calculations made for years during the Tax Limitation Period under Section 4.2 of this Agreement, Subsection *ii* of this subsection will reflect the Tax Limitation Amount for such year.

v. All calculations under this Section 4.2 shall be made by a methodology which isolates the full M&O Revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements, or on account of or otherwise arising out of any other factors not contained in this Agreement.

Section 4.3. CALCULATIONS TO BE MADE BY THIRD PARTY. All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") selected each year by the District, with the consent of the Applicant. In the event the Applicant and the District cannot agree upon a Third Party, the Parties will participate in mediation as provided in Section 9.3

of this Agreement. In addition to the amounts determined pursuant to Section 4.2 above, the Applicant, on an annual basis, shall also indemnify and reimburse the District for any reasonable and necessary costs to the District, including costs under Subsection 8.6(C), below, which are or may be attributable to compliance with State-imposed costs of compliance with the terms of this Agreement.

In the event that the calculations made under this Agreement by the Third Party should become the subject of litigation, the Parties stipulate that the Third Party's participation in any such dispute shall be limited to providing the court or administrative body with jurisdiction over such dispute with an explanation of the methodology used in reaching the Third Party's calculation so as to assist the court or administrative body.

Section 4.4. 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 appraisal roll submitted to the District for each Tax Year 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 4.3. The certified appraisal 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 appraisal roll or any other changes in student counts, tax collections, or other data.

Section 4.5. DELIVERY OF CALCULATIONS. On or before November 1 of each year for which this Agreement is effective, the Third Party shall forward to the Parties a certification containing the calculations required under Articles IV, V, VI, and/or Section 7.1 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 an invoice for fees for services rendered to the Parties, if any fees are being claimed, which fee shall be the sole responsibility of the District, but subject to the provisions of Section 4.6, below. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's calculations, 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 until the Final Termination Date of this Agreement. 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.

Section 4.6. PAYMENT BY APPLICANT. The Applicant shall pay any amount determined by the Third Party to be due and owing to the District under this Agreement on or before January 31 of the year next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Third Party, 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 other reimbursement applications filed with or sent to the State of Texas, for any audits conducted by the State Auditor's Office, 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 fees and expenses under this Section 4.6 that exceeds the necessary and reasonable costs incurred by the District for compliance with this Agreement. In any year in which such compliance is anticipated to exceed an aggregate amount of Fifteen Thousand Dollars ($15,000) per year, the District shall provide the Applicant with prior written notice given by July 31 of the anticipated annual aggregate amount the District anticipates it will incur, and if the Applicant disagrees that such fees are necessary and reasonable, the Parties may resolve such dispute as provided in Section 4.7.

Section 4.7. RESOLUTION OF DISPUTES. Pursuant to Sections 4.3, 4.4 and 4.5 of this Agreement, should the Applicant disagree with the Third Party's certification containing the calculations (the "Certified Calculations"), the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days following the later of (i) receipt of the Certified Calculations, or (ii) the date the Applicant is granted access to the books, records, and other information in accordance with Section 4.5 for purposes of auditing or reviewing the information in connection with the Certified Calculations. Within ten (10) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the Certified Calculations (the "Final Certification of Calculations"). Thereafter, the Applicant may appeal the Final Certification of Calculations to the District's Board of Trustees. Any such appeal by the Applicant of the Final Certification of Calculations may be made, in writing, to the District's Board of Trustees within thirty (30) days of the Applicant's receipt of the Final Certification of Calculations and shall be without limitation of the Applicant's other rights and remedies available hereunder, at law or in equity.

Section 4.8. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT. If at the time the Third Party selected under Section 4.3 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 4.9. STATUTORY CHANGES AFFECTING M&O REVENUE. Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 7.1 of this Agreement, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by 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, Applicant shall make payments to the District, up to the Annual Limitation amount set forth in Section 7.1, that are necessary to offset any negative impact on the District's Maintenance and Operations Revenue, 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.

Section 4.10. CUMULATIVE PAYMENT LIMITATION. Notwithstanding any other provision in this Agreement, in no event shall the Cumulative Payments calculated for a Tax Year of this Agreement during the period from the Tax Year that includes the date on which the Qualifying Time Period commences under this Agreement as provided in Section 2.3.C.i, and ending with the first Tax Year following the end of the Tax Limitation Period, exceed an amount equal to One Hundred Percent (100%) of the amount of 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. For each Tax Year of this Agreement, amounts otherwise due and owing by the Applicant to the District which, by virtue of the application of the payment limitation set forth in this Section 4.10, are not payable to the District for such Tax Year, shall be carried forward from year-to-year into subsequent Tax Years during the term of this Agreement, but shall be subject, in each subsequent Tax Year, to the limit set forth in this Section 4.10. Any of the Cumulative Payments which cannot be paid to the District prior to the end of the first Tax Year following the end of the Tax Limitation Period because such payment would exceed the Applicant's Cumulative Unadjusted Tax Benefit under this Agreement will be deemed to have been cancelled by operation of law, and the Applicant shall have no further obligation with respect thereto.

ARTICLE V
PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES

Section 5.1. EXTRAORDINARY EXPENSES. In addition to the amounts determined pursuant to Section 4.2 of this Agreement above, Applicant on an annual basis shall also indemnify and reimburse District for all non-reimbursed costs, certified by District's external auditor to have been incurred by District for extraordinary education-related expenses related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the project.

ARTICLE VI
SUPPLEMENTAL PAYMENTS

Section 6.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS.

(a) Amounts Exclusive of Article IV and Article V Payments

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Articles IV and V, 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 VI, (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 VI is separate and independent of the obligation of the Applicant to pay the amounts described in Articles IV and V; provided, however, that all payments under Articles IV and V are subject to the limitations contained in Section 7.1, and that all payments under this Article VI are subject to the separate limitations contained in Section 6.2.

(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 VI shall not exceed the limit imposed by the provisions of Texas Tax Code §313.027(i), as such limit is allowed to be increased by the Legislature for any future year of this Agreement.

Section 6.2. SUPPLEMENTAL PAYMENT LIMITATION. Notwithstanding the foregoing:

A. The total of the Supplemental Payments made pursuant to this Article shall not exceed for any calendar year of this Agreement an amount equal to the greater of One Hundred Dollars ($100.00) per student per year in average daily attendance, as defined by Section 42.005 of the TEXAS EDUCATION CODE, or Fifty Thousand Dollars ($50,000.00) per year times the number of years beginning with the first complete or partial year of the Qualifying Time Period identified in Section 2.3.C and ending with the year for which the Supplemental Payment is being calculated minus all Supplemental Payments previously made by the Applicant;

B. Supplemental Payments may only be made during the period starting the first year of the Qualifying Time Period and ending December 31 of the third year following the end of the Tax Limitation Period:

C. The limitation in Section 6.2.A does not apply to amounts described by Section 313.027(f)(1)–(2) of the TEXAS TAX CODE as implemented in Articles IV and V of this Agreement; and

D. For purposes of this Agreement, the calculation of the limit of the annual Supplemental Payment shall be the greater of $50,000 or $100 multiplied by the District's Average Daily Attendance as calculated pursuant to Section 42.005 of the TEXAS

EDUCATION CODE, based upon the District's Average Daily Attendance for the previous school year, or any greater amount that may be then permitted by law.

Section 6.3. CALCULATION OF ANNUAL SUPPLEMENTAL PAYMENTS TO THE DISTRICT AND APPLICATION OF AGGREGATE LIMIT. For each Tax Year during the term of this Agreement beginning the Commencement Date and continuing thereafter through the third full Tax Year following the end of the Tax Limitation Period defined in Section 2.3(D)(ii) (Tax Year 2033), the District, or its successor beneficiary should one be designated under Section 6.5 below, shall not be entitled to receive Supplemental Payments, computed under Sections 6.2 and 6.3 above, that exceeds the Aggregate Limit.

A. If, for any Tax Year during the term of this Agreement the amount of the Applicant's Supplemental Payment Amount, calculated under Section 6.2 above for such Tax Year, which, by virtue of the application of the payment limitation set forth in Section 7.1 below, are not payable to the District for such Tax Year, such sums shall be carried forward from year-to-year into subsequent Tax Years during the term of this Agreement, but shall be subject, in each subsequent Tax Year, to the Payment limit set forth in Section 7.1. Any of the Supplemental Payments which are not paid to the District after the third Tax Year following the end of the Tax Limitation Period because such payment would exceed the payment limitation under this Section will be deemed to have been cancelled by operation of law, and the Applicant shall have no further obligation with respect thereto.

B. Pursuant to Texas Tax Code Section 313.027(i), the parties agree that Supplemental Payments under this Section 6 shall be owed for each year of the period beginning in the first year of the Qualifying Time Period (2019 Tax Year) and ending the third year after the date the Applicant's eligibility for a limitation agreement expires (2033 Tax Year), subject to the limitation under Section 4.10.

For illustrative purposes, the Supplemental Payment schedule is:

Tax Year	Supplemental Payment Owed
2019	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2020	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2021	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2022	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2023	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2024	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2025	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2026	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2027	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2028	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2029	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year
2030	Greater of $50,000 or $100 multiplied by the District's ADA for the previous school year

Section 6.4. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS. All calculations required by this Article VI, 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 4.3.

(a) 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 4.5.

(b) The payment of all amounts due under this Article VI shall be made at the time set forth in Section 4.6.

(c) Any appeal by the Applicant of the calculations made by the Third Party under this Article VI shall be done in the same manner as set forth in Section 4.7, above.

Section 6.5. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY. At any time during this Agreement, the Board of Trustees may, in its sole discretion, direct that all or any portion of the Applicant's payments under this Article VI ("Directed Payments") 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 VI to support the educational mission of the District and its students. Any designation of such foundation or entity to receive Directed Payments 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 10.1 below. 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 10.1.

Any designation of a successor beneficiary under this Section 6.5 shall not alter the limits on Supplemental Payments described in Sections 6.2 and 6.3, above.

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

ARTICLE VII
ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

Section 7.1. ANNUAL LIMITATION. Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year of the Tax Limitation Period beginning after the first Tax Year of the Tax Limitation Period, 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 IV, V, and VI of this Agreement 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 Article IV of this Agreement, 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 IV, V, and VI shall be reduced until such excess is eliminated.

Section 7.2. OPTION TO TERMINATE AGREEMENT. In the event that any payment otherwise due from the Applicant to the District under Article IV, Article V, or Article VI of this Agreement with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 7.1, then the Applicant shall have the option to terminate this Agreement. The Applicant may exercise such

option to terminate this Agreement by notifying the District of its election in writing not later than the July 31 of the year following the Tax Year with respect to which a reduction under Section 7.1 is applicable. Any termination of this Agreement under the foregoing provisions of this Section 7.2 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.

Section 7.3. EFFECT OF OPTIONAL TERMINATION. Upon the exercise of the option to terminate pursuant to Section 7.2, this Agreement shall terminate and be of no further force or effect; provided, however, that:

A. 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; and

B. the provisions of this Agreement regarding payments (including liquidated damages and tax payments), records and dispute resolution shall survive the termination or expiration of this Agreement.

ARTICLE VIII
ADDITIONAL OBLIGATIONS OF APPLICANT

Section 8.1. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE. In order to receive and maintain the limitation authorized by Section 2.4 in addition to the other obligations required by this Agreement, the Applicant shall Maintain Viable Presence in the District commencing at the start of the Tax Limitation Period through the Final Termination Date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure, provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure.

Section 8.2. REPORTS. In order to receive and maintain the limitation authorized by Section 2.4 in addition to the other obligations required by this Agreement, the Applicant shall submit all reports required from time to time by the Comptroller, listed in 34 TEXAS ADMIN. CODE Section 9.1052 and as currently located on the Comptroller's website, including all data elements required by such form to the satisfaction of the Comptroller on the dates indicated on the form or the Comptroller's website and starting on the first such due date after the Application Approval Date.

Section 8.3. COMPTROLLER'S REPORT ON CHAPTER 313 AGREEMENTS. During the term of this Agreement, both Parties shall provide the Comptroller with all information reasonably necessary for the Comptroller to assess performance under this Agreement for the purpose of issuing the Comptroller's report, as required by Section 313.032 of the TEXAS TAX CODE.

Section 8.4. DATA REQUESTS. Upon the written request of the District, the State Auditor's Office, the Appraisal District, or the Comptroller during the term of this Agreement, the Applicant, the District or any other entity on behalf of the District shall provide the requesting party with all information reasonably necessary for the requesting party to determine whether the Applicant is in

compliance with its rights, obligations or responsibilities, including, but not limited to, any employment obligations which may arise under this Agreement.

Section 8.5. SITE VISITS AND RECORD REVIEW. The Applicant shall allow authorized employees of the District, the Comptroller, the Appraisal District, and the State Auditor's Office to have reasonable access to the Applicant's Qualified Property and business records from the Application Review Start Date through the Final Termination Date, 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.

A. 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.

B. 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 proprietary, a trade secret, or is subject to a confidentiality agreement with any third party.

Section 8.6. RIGHT TO AUDIT; SUPPORTING DOCUMENTS; AUTHORITY OF STATE AUDITOR. By executing this Agreement, implementing the authority of, and accepting the benefits provided by Chapter 313 of the TEXAS TAX CODE, the Parties agree that this Agreement and their performance pursuant to its terms are subject to review and audit by the State Auditor as if they are parties to a State contract and subject to the provisions of Section 2262.154 of the TEXAS GOVERNMENT CODE and Section 313.010(a) of the TEXAS TAX CODE. The Parties further agree to comply with the following requirements:

A. The District and the Applicant shall maintain and retain supporting documents adequate to ensure that claims for the Tax Limitation Amount are in accordance with applicable Comptroller and State of Texas requirements. The Applicant and the District shall maintain all such documents and other records relating to this Agreement and the State's property for a period of four (4) years after the latest occurring date of:

i. date of submission of the final payment;
ii. Final Termination Date; or
iii. date of resolution of all disputes or payment.

B. During the time period defined under Section 8.6.A, the District and the Applicant shall make available at reasonable times and upon reasonable notice, and for reasonable periods, all information related to this Agreement; the Applicant's Application; and the Applicant's Qualified Property, Qualified Investment, New Qualifying Jobs, and wages paid for New Non-Qualifying Jobs such as work papers, reports, books, data, files, software, records, calculations, spreadsheets and other supporting documents pertaining to this Agreement, for purposes of inspecting, monitoring, auditing, or evaluating by the Comptroller, State Auditor's Office, State of Texas or their authorized representatives. The Applicant and the District shall cooperate with auditors and other authorized Comptroller and State of Texas representatives and shall provide them with prompt access to all of such property as requested by the Comptroller or the State of Texas. By example and not as an

exclusion to other breaches or failures, the Applicant's or the District's failure to comply with this Section shall constitute a Material Breach of this Agreement.

C. In addition to and without limitation on the other audit provisions of this Agreement, the acceptance of tax benefits or funds by the Applicant or the District or any other entity or person directly under this Agreement acts as acceptance of the authority of the State Auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, the Applicant or the District or other entity that is the subject of an audit or investigation by the State Auditor must provide the State Auditor with access to any information the State Auditor considers relevant to the investigation or audit. The Parties agree that this Agreement shall for its duration be subject to all rules and procedures of the State Auditor acting under the direction of the legislative audit committee.

D. The Applicant shall include the requirements of this Section 8.6 in its subcontract with any entity whose employees or subcontractors are subject to wage requirements under the Act, the Comptroller's Rules, or this Agreement, or any entity whose employees or subcontractors are included in the Applicant's compliance with job creation or wage standard requirement of the Act, the Comptroller's Rules, or this Agreement.

Section 8.7. FALSE STATEMENTS; BREACH OF REPRESENTATIONS. The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application, and any supplements or amendments thereto, without which the Comptroller would not have approved this Agreement and the District would not have executed this Agreement. By signature to this Agreement, the Applicant:

A. represents and warrants that all information, facts, and representations contained in the Application are true and correct to the best of its knowledge;

B. agrees and acknowledges that the Application and all related attachments and schedules are included by reference in this Agreement as if fully set forth herein; and

C. acknowledges that if the Applicant submitted its Application with a false statement, signs this Agreement with a false statement, or submits a report with a false statement, or it is subsequently determined that the Applicant has violated any of the representations, warranties, guarantees, certifications, or affirmations included in the Application or this Agreement, the Applicant shall have materially breached this Agreement and the Agreement shall be invalid and void except for the enforcement of the provisions required by Section 9.2 of this Agreement.

ARTICLE IX
MATERIAL BREACH OR EARLY TERMINATION

Section 9.1. EVENTS CONSTITUTING 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 (each a "Material Breach"):

A. The Application, any Application Supplement, or any Application Amendment on which this Agreement is approved is determined to be inaccurate as to any material representation, information, or fact or is not complete as to any material fact or representation or such application;

B. The Applicant failed to complete Qualified Investment as required by Section 2.5.A. of this Agreement during the Qualifying Time Period;

C. The Applicant failed to create and maintain the number of New Qualifying Jobs required by the Act;

D. The Applicant failed to create and maintain the number of New Qualifying Jobs specified in Schedule C of the Application;

E. The Applicant failed to pay at least the average weekly wage of all jobs in the county in which the jobs are located for all New Non-Qualifying Jobs created by the Applicant;

F. The Applicant failed to provide payments to the District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV of this Agreement;

G. The Applicant failed to provide the payments to the District that protect the District from the payment of extraordinary education-related expenses related to the project to the extent and in the amounts that the Applicant agreed to provide such payments in Article V of this Agreement;

H. The Applicant failed to provide the Supplemental Payments to the extent and in the amounts that the Applicant agreed to provide such Supplemental Payments in Article VI of this Agreement;

I. The Applicant failed to create and Maintain Viable Presence on or with the Qualified Property as more fully specified in Article VIII of this Agreement;

J. The Applicant failed to submit the reports required to be submitted by Section 8.2 to the satisfaction of the Comptroller;

K. The Applicant failed to provide the District or the Comptroller with all information reasonably necessary for the District or the Comptroller to determine whether the Applicant is in compliance with its obligations, including, but not limited to, any employment obligations which may arise under this Agreement;

L. The Applicant failed to allow authorized employees of the District, the Comptroller, the Appraisal District, or the State Auditor's Office to have access to the Applicant's Qualified Property or business records 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 under Sections 8.5 and 8.6;

M. The Applicant failed to comply with a request by the State Auditor's office to review and audit the Applicant's compliance with this Agreement;

N. The Applicant has made any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on Appraised Value made pursuant to Chapter 313 of the TEXAS TAX CODE, in excess of the amounts set forth in Articles IV, V and VI of this Agreement;

O. The Applicant failed to comply with the conditions included in the certificate for limitation issued by the Comptroller.

Section 9.2. DETERMINATION OF BREACH AND TERMINATION OF AGREEMENT.

A. Prior to making a determination that the Applicant has failed to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the breach of this Agreement, and if cure is possible, the cure proposed by the District. After receipt of the notice, the Applicant shall be given ninety (90) days to present any facts or arguments to the

Board of Trustees showing that it is not in breach of its obligations under this Agreement, or that it has cured or undertaken to cure any such breach.

B. If the Board of Trustees is not satisfied with such response or that such 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 breach has occurred and, if so, whether such 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:

i. whether or not a breach of this Agreement has occurred;
ii. whether or not such breach is a Material Breach;
iii. the date such breach occurred, if any;
iv. whether or not any such breach has been cured; and

C. In the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall at that time determine:

i. the amount of recapture taxes under Section 9.4.C (net of all credits under Section 9.4.C);
ii. the amount of any penalty or interest under Section 9.4.E that are owed to the District; and
iii. in the event of a finding of a Material Breach, whether to terminate this Agreement.

D. After making its determination regarding any alleged 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") and provide a copy to the Comptroller.

Section 9.3. DISPUTE RESOLUTION.

A. After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 9.2, the Applicant shall have 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 90 days after the Applicant initiates mediation, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then presiding in Chambers 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.

B. In the event that any mediation is not successful in resolving the dispute or that payment is not received within the time period described for mediation in Section 9.3.A, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in a judicial proceeding in a state district court in Chambers County, 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 contract, agreement or undertaking made by a Party pursuant to this Agreement.

C. If payments become due under this Agreement and are not received before the expiration of the 90 days provided for such payment in Section 9.3.A, and if the Applicant has not contested such payment calculations under the procedures set forth herein, including judicial proceedings, the District shall have the remedies for the collection of the amounts determined under Section 9.4 as are set forth in Chapter 33, Subchapters B and C, of the TEXAS TAX CODE 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 to the attorneys representing the District pursuant to Section 6.30 of the TEXAS TAX CODE and a tax lien shall attach to the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Section 33.07 of the TEXAS TAX CODE to secure payment of such fees.

Section 9.4. 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 7.2 of this Agreement, the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of the notice of breach.

B. In the event that the District determines that the Applicant has failed to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the Applicant shall pay to the District liquidated damages, as calculated by Section 9.4.C, prior to, and the District may terminate the Agreement effective on the later of: (i) the expiration of the 90 days provided for in Section 9.3.A, and (ii) thirty (30) days after any mediation and judicial proceedings initiated pursuant to Sections 9.3.A and 9.3.B are resolved in favor of the District.

C. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem taxes for all of the Tax Years for which a tax limitation was granted pursuant to this Agreement prior to the year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 9.4.E. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Articles IV, V, and VI. 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.

D. In the event that the District determines that the Applicant has committed a Material Breach identified in Section 9.1, after the notice and mediation periods provided by Sections 9.2 and 9.3, then the District may, in addition to the payment of liquidated damages required pursuant to Section 9.4.C, terminate this Agreement.

E. 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 less all credits under Section 9.4.C owed for each Tax Year during the Tax Limitation Period. The District shall calculate penalty or interest for each Tax Year during the Tax Limitation Period 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 9.4.C 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 Section 33.01(a) of the TEXAS TAX CODE, or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(c) of the TEXAS TAX CODE, or its successor statute.

Section 9.5. 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 amounts calculated under Section 9.4. 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 9.5 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 9.6. STATUTORY PENALTY FOR INADEQUATE QUALIFIED INVESTMENT. Pursuant to Section 313.0275 of the TEXAS TAX CODE, in the event that the Applicant fails to make $80 Million of Qualified Investment, in whole or in part, during the Qualifying Time Period, the Applicant is liable to the State for a penalty. The amount of the penalty is the amount determined by: (i) multiplying the maintenance and operations tax rate of the school district for that tax year that the penalty is due by (ii) the amount obtained after subtracting (a) the Tax Limitation Amount identified in Section 2.4.B from (b) the Market Value of the property identified on the Appraisal District's records for the Tax Year the penalty is due. This penalty shall be paid on or before February 1 of the year following the expiration of the Qualifying Time Period and is subject to the delinquent penalty provisions of Section 33.01 of the TEXAS TAX CODE. The Comptroller may grant a waiver of this penalty in the event of Force Majeure which prevents compliance with this provision.

Section 9.7. REMEDY FOR FAILURE TO CREATE AND MAINTAIN REQUIRED NEW QUALIFYING JOBS
Pursuant to Section 313.0276 of the TEXAS TAX CODE, for any full Tax Year that commences after the project has become operational, in the event that it has been determined that the Applicant has failed to meet the job creation or retention requirements defined in Sections 9.1.C, the Applicant shall not be deemed to be in Material Breach of this Agreement until such time as the Comptroller has made a determination to rescind this Agreement under Section 313.0276 of TEXAS TAX CODE, and that determination is final.

Section 9.8. REMEDY FOR FAILURE TO CREATE AND MAINTAIN COMMITTED NEW QUALIFYING JOBS

A. In the event that the Applicant fails to create and maintain the number of New Qualifying Jobs specified in Schedule C of the Application, an event constituting a Material Breach as defined in Section 9.1.D, the Applicant and the District may elect to remedy the Material Breach through a penalty payment.

B. Following the notice and mediation periods provided by Sections 9.2 and 9.3, the District may request the Applicant to make a payment to the State in an amount equal to: (i) multiplying the maintenance and operations tax rate of the school district for that Tax Year that the Material Breach occurs by (ii) the amount obtained after subtracting (a) the Tax Limitation Amount identified in Section 2.4.B from (b) the market value of the property identified on the Appraisal District's records for each tax year the Material Breach occurs.

C. In the event that there is no tax limitation in place for the tax year that the Material Breach occurs, the payment to the State shall be in an amount equal to: (i) multiplying the maintenance and operations tax rate of the School District for each tax year that the Material Breach occurs by (ii) the amount obtained after subtracting (a) the tax limitation amount identified in Section 2.4.B from (b)

the Market Value of the property identified on the Appraisal District's records for the last Tax Year for which the Applicant received a tax limitation.

D. The penalty shall be paid no later than 30 days after the notice of breach and is subject to the delinquent penalty provisions of Section 33.01 of the TEXAS TAX CODE.

ARTICLE X.
MISCELLANEOUS PROVISIONS

Section 10.1. INFORMATION AND NOTICES.

A. 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 or email transmission, with notice 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 or email 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.

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

Ms. Becky McManus (or her successor)
Assistant Superintendent of Schools
Barbers Hill Independent School District
9600 Eagle Drive
P.O. Box 1108
Mont Belivieu, Texas 77580
Phone: (281) 576-2221
Fascimile: (281) 576-5879
Email: bmcmanus@bhisd.net

With a copy to:

Sara Hardner Leon
Powell & Leon, LLP
115 Wild Basin #106
Austin, Texas 78746
Phone: (512) 494-1177
Facsimile: (512) 494-1188
Email: sleon@powell-leon.com

C. Notices to the Applicant shall be addressed to its Authorized Representative as follows:

Targa Resources, LLC
Attn: John Thompson, Vice President of Tax
1000 Louisiana St., Suite 4300

Houston, Texas 77002
Phone: (713) 584-1580
Facsimile: (713) 888-4265
Email: jthompson@targaresources.com

Section 10.2. AMENDMENTS TO APPLICATION AND AGREEMENT; WAIVERS.

A. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties and after completing the requirements of Section 10.2.B. 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.

B. By official action of the District's Board of Trustees, the Application and this Agreement may only be amended according to the following:

i. The Applicant shall submit to the District and the Comptroller:

a. a written request to amend the Application and this Agreement, which shall specify the changes the Applicant requests;

b. any changes to the information that was provided in the Application that was approved by the District and considered by the Comptroller;

c. and any additional information requested by the District or the Comptroller necessary to evaluate the amendment or modification;

ii. The Comptroller shall review the request and any additional information for compliance with the Act and the Comptroller's Rules and provide a revised Comptroller certificate for a limitation within 90 days of receiving the revised Application and, if the request to amend the Application has not been approved by the Comptroller by the end of the 90-day period, the request is denied; and

iii. If the Comptroller has not denied the request, the District's Board of Trustees shall approve or disapprove the request before the expiration of 150 days after the request is filed.

C. Any amendment of the Application and this Agreement adding additional or replacement Qualified Property pursuant to this Section 10.2 of this Agreement shall:

i. require that all property added by amendment be eligible property as defined by Section 313.024 of the TEXAS TAX CODE;

ii. clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and

D. The Application and this Agreement may not be amended to extend the value limitation time period beyond its ten-year statutory term.

E. The Comptroller determination made under Section 313.026(c)(2) of the TEXAS TAX CODE in the original certificate for a limitation satisfies the requirement of the Comptroller to make the same determination for any amendment of the Application and this Agreement, provided that the facts upon which the original determination was made have not changed.

F. The Applicant shall amend the Application and this Agreement to identify the changes in the information that was provided in the Application and was approved by the District and as considered by the Comptroller no earlier than 180 days and no later than 90 days prior to the start of the Qualifying Time Period as identified in Section 2.3.C.i of this Agreement.

i. The Applicant shall comply with written requests from the District or the Comptroller to provide additional information necessary to prepare a Comptroller certificate for a limitation for the conditions prior to the start of the Qualifying Time Period; and

ii. If the Comptroller provides its certificate for a limitation with conditions different from the existing agreement, the District shall hold a meeting and determine whether to amend this Agreement to include the conditions required by the Comptroller or terminate this Agreement; or

iii. If the Comptroller withdraws its certificate for a limitation based on the revised Application, the District shall terminate this Agreement.

Section 10.3. ASSIGNMENT.

A. Any assignment of any rights, benefits, obligations, or interests of the Parties in this Agreement, other than a collateral assignment purely for the benefit of creditors of the project, is considered an amendment to the Agreement and such Party may only assign such rights, benefits, obligations, or interests of this Agreement after complying with the provisions of Section 10.2 regarding amendments to the Agreement. Other than a collateral assignment to a creditor, this Agreement may only be assigned to an entity that is eligible to apply for and execute an agreement for limitation on appraised value pursuant to the provisions of Chapter 313 of the TEXAS TAX CODE and the Comptroller's Rules.

B. 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.

C. In the event of an assignment to a creditor, the Applicant must notify the District and the Comptroller in writing no later than 30 days after the assignment. This Agreement shall be binding on the assignee.

Section 10.4. 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 10.5. 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 a state district court in Chambers County.

Section 10.6. 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 10.7. SEVERABILITY. If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal, or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision,

or condition cannot be so reformed, then such term, provision, or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality, and enforceability of the remaining terms, provisions, and conditions contained herein (and any other application such term, provision, or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of the Parties as closely as possible so that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 10.7, 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 10.8. PAYMENT OF EXPENSES. Except as otherwise expressly provided in this Agreement, or as covered by the application fee, each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement.

Section 10.9. INTERPRETATION.

A. 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.

B. 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.

C. The provisions of the Act and the Comptroller's Rules are incorporated by reference as if fully set forth in this Agreement. In the event of a conflict, the conflict will be resolved by reference to the following order of precedence:

i. The Act;

ii. The Comptroller's Rules as they exist at the time the Agreement is executed, except as allowed in the definition of Qualified Property in Section 1.1; and

iii. This Agreement and its Attachments including the Application as incorporated by reference.

Section 10.10. 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 10.11. PUBLICATION OF DOCUMENTS. The Parties acknowledge that the District is required to publish the Application and its required schedules, or any amendment thereto; all economic analyses

of the proposed project submitted to the District; and the approved and executed copy of this Agreement or any amendment thereto, as follows:

A. Within seven (7) days of receipt of such 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 does not require the publication of information that is confidential under Section 313.028 of the TEXAS TAX CODE.

Section 10.12. CONTROL; OWNERSHIP; LEGAL PROCEEDINGS. The Applicant shall immediately notify the District in writing of any actual or anticipated change in the control or ownership of the Applicant and of any legal or administrative investigations or proceedings initiated against the Applicant related to the project regardless of the jurisdiction from which such proceedings originate.

Section 10.13. DUTY TO DISCLOSE. If circumstances change or additional information is obtained regarding any of the representations and warranties made by the Applicant in the Application or this Agreement, or any other disclosure requirements, subsequent to the date of this Agreement, the Applicant's duty to disclose continues throughout the term of this Agreement.

Section 10.14. CONFLICTS OF INTEREST.

A. The District represents that, after diligent inquiry, each local public official or local government officer, as those terms are defined in Chapters 171 and 176 of the TEXAS LOCAL GOVERNMENT CODE, has disclosed any conflicts of interest in obtaining or performing this Agreement and related activities, appropriately recused from any decisions relating to this Agreement when a disclosure has been made, and the performance of this Agreement will not create any appearance of impropriety. The District represents that it, the District's local public officials or local government officer, as those terms are defined in Chapters 171 and 176 of the TEXAS LOCAL GOVERNMENT CODE, have not given, nor intend to give, at any time hereafter, any future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant, employee, or representative of the other Party or the State of Texas in connection with this Agreement.

B. The Applicant represents that, after diligent inquiry, each of its agents, as defined in Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE, involved in the representation of the Applicant with the District has complied with the provisions of Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE. The Applicant represents that it and its agents, as defined in Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE, have not given, nor intend to give, at any time hereafter, any future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant, employee, or representative of the other Party or the State of Texas in connection with this Agreement.

C. The District and the Applicant each separately agree to notify the other Party and the Comptroller immediately upon learning of any conflicts of interest.

Section 10.15. PROVISIONS SURVIVING EXPIRATION OR TERMINATION. Notwithstanding the expiration or termination (by agreement, breach, or operation of time) of this Agreement, the provisions of this Agreement regarding payments (including liquidated damages and tax payments), reports, records, and dispute resolution of the Agreement shall survive the termination or expiration dates of this Agreement until the following occurs:

A. all payments, including liquidated damage and tax payments, have been made;

B. all reports have been submitted;

C. all records have been maintained in accordance with Section 8.6.A; and

D. all disputes in controversy have been resolved.

Section 10.16. FACSIMILE OR ELECTRONIC DELIVERY.

A. This Agreement may be duly executed and delivered in person, by mail, or by facsimile or other electronic format (including portable document format (pdf) transmitted by e-mail). The executing Party must promptly deliver a complete, executed original or counterpart of this Agreement to the other executing Parties. This Agreement shall be binding on and enforceable against the executing Party whether or not it delivers such original or counterpart.

B. Delivery is deemed complete as follows:

i. When delivered if delivered personally or sent by express courier service;

ii. Three (3) business days after the date of mailing if sent by registered or certified U.S. mail, postage prepaid, with return receipt requested;

iii. When transmitted if sent by facsimile, provided a confirmation of transmission is produced by the sending machine; or

iv. When the recipient, by an e-mail sent to the e-mail address for the executing Parties acknowledges having received that e-mail (an automatic "read receipt" does not constitute acknowledgment of an e-mail for delivery purposes).

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 12th day of November, 2018.

TARGA RESOURCES, LLC

By: _____
JOHN THOMPSON
VICE PRESIDENT OF TAX

BARBERS HILL INDEPENDENT SCHOOL DISTRICT

By: _____
BECKY TICE, PRESIDENT
BOARD OF TRUSTEES

ATTEST:

_____
CYNTHIA ERWIN, SECRETARY
BOARD OF TRUSTEES

EXHIBIT 1

RESOLUTION OF THE BOARD OF TRUSTEES OF THE BARBERS HILL INDEPENDENT SCHOOL DISTRICT

A RESOLUTION DESIGNATING A CERTAIN AREA AS A REINVESTMENT ZONE IN CONNECTION WITH ECONOMIC DEVELOPMENT AGREEMENTS UNDER CHAPTER 313 OF THE TEXAS TAX CODE, SUCH REINVESTMENT ZONE LOCATED WITHIN THE GEOGRAPHIC BOUNDARIES OF THE BARBERS HILL INDEPENDENT SCHOOL DISTRICT, CHAMBERS COUNTY, TEXAS, TO BE KNOWN AS THE "TARGA DOWNSTREAM REINVESTMENT ZONE 2018"; ESTABLISHING THE BOUNDARIES THEREOF IN CONNECTION WITH CERTAIN APPLICATIONS FOR VALUE LIMITATION AGREEMENT FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES UNDER CHAPTER 313 OF THE TEXAS TAX CODE SUBMITTED BY TARGA DOWNSTREAM LLC (TAXPAYER I.D. 32035001109), COMPTROLLER'S APPLICATION NOs. 1263, 1264 and 1265:

WHEREAS, the Property Redevelopment and Tax Abatement Act, as amended (TEXAS TAX CODE §312.001 et seq.) permits a school district to designate a reinvestment zone if that designation is reasonably likely to contribute to the expansion of primary employment in the reinvestment zone, or attract major investment in the reinvestment zone that would be a benefit to property in the reinvestment zone and to the school district and contribute to the economic development of the region of the state in which the school district is located; and,

WHEREAS, the Barbers Hill Independent School District (the "District") desires to promote the development of primary employment and to attract major investment in the District and contribute to the economic development of the region in which the District is located; and,

WHEREAS, a public hearing is required by Chapter 312 of the TEXAS TAX CODE prior to approval of a reinvestment zone; and,

WHEREAS, the District caused to be published in a newspaper of general circulation in Chambers County, Texas timely notice of a public hearing regarding the possible designation of the area described in the attached **Exhibit A** as a reinvestment zone, for the purpose of authorizing certain *Agreements for Value Limitation on Appraised Value of Qualified Property for School District Maintenance and Operations Taxes*, as authorized by Chapter 313 of the TEXAS TAX CODE; and,

WHEREAS, on November 12, 2018, the District's Board of Trustees (the "Board") held a hearing, such date being at least seven (7) days after the date of publication of the notice of such public hearing and the delivery of written notice to all political subdivisions and taxing authorities having jurisdiction over the property proposed to be designated as the reinvestment zone, described in the attached **Exhibits A and B**; and,

WHEREAS, at such public hearing, all interested members of the public were given an opportunity to appear and speak for or against the designation of the reinvestment zone and whether all or part of the territory described should be included in the proposed reinvestment zone, and approval

of certain *Agreements for Value Limitation on Appraised Value of Qualified Property for School District Maintenance and Operations Taxes*, as authorized by Chapter 313 of the TEXAS TAX CODE with Targa Downstream LLC (Texas Taxpayer I.D. No. 32035001109); and,

WHEREAS, the District wishes to designate a reinvestment zone within the boundaries of the school district in Chambers County, Texas to be known as the "Targa Downstream Reinvestment Zone 2018," as shown on the attached **Exhibit B**.

NOW THEREFORE, BE IT RESOLVED BY THE BARBERS HILL INDEPENDENT SCHOOL DISTRICT:

SECTION 1. That the facts and recitations contained in the preamble of this Resolution are hereby found and declared to be true and correct and are incorporated into this Resolution as findings of fact.

SECTION 2. That the Board, after conducting such hearing and having heard such evidence and testimony, has made the following findings and determinations based on the evidence and testimony presented to it:

(a) That the public hearing on the adoption of the "Targa Downstream Reinvestment Zone 2018," (the "Reinvestment Zone") has been properly called, held, and conducted, and that notices of such hearing have been published as required by law and mailed to the respective presiding officers of the governing bodies of all taxing units overlapping the territory inside the proposed reinvestment zone;

(b) That the boundaries of the "Targa Downstream Reinvestment Zone 2018" be and, by the adoption of this Resolution, are declared and certified to be, the area as described in the description attached hereto as **Exhibit A**;

(c) That creation of the boundaries as described in **Exhibit A** will result in economic benefits to the District and to land included in the Reinvestment Zone, and that the improvements sought are feasible and practical; and,

(d) That the "Targa Downstream Reinvestment Zone 2018" described in Exhibit A meets the criteria for the creation of a reinvestment zone as set forth in TEXAS TAX CODE §312.0025 of the Property Redevelopment and Tax Abatement Act, as amended, in that it is reasonably likely that the designation will contribute to the retention or expansion of primary employment, and/or will attract major investment in the Reinvestment Zone that will be a benefit to the property to be included in the Reinvestment Zone and would contribute to the economic development of the District.

SECTION 3. That pursuant to the Property Redevelopment and Tax Abatement Act, as amended, the District hereby designates a reinvestment zone under the provisions of TEXAS TAX CODE § 312.0025, encompassing the area described by the descriptions in Exhibit A, and such

reinvestment zone is hereby designated and shall hereafter be referred to as the "Targa Downstream Reinvestment Zone 2018."

SECTION 4. That the "Targa Downstream Reinvestment Zone 2018" shall take effect upon adoption of this Resolution by the Board and shall remain designated as a commercial- industrial reinvestment zone for a period of five (5) years from such date of such designation.

SECTION 5. That it is hereby found, determined, and declared that a sufficient notice of the date, hour, place, and subject of the meeting of the Board, at which this Resolution was adopted, was posted at a place convenient and readily accessible at all times, as required by the Texas Open Meetings Act, TEXAS GOVERNMENT CODE, Chapter 551, as amended; and that a public hearing was held prior to the designation of such reinvestment zone, and that proper notice of the hearing was published in newspapers of general circulation in the Barbers Hill Independent School District, Chambers County, Texas; and that, furthermore, such notice was in fact delivered to the presiding officer of any affected taxing entity as prescribed by the Property Redevelopment and Tax Abatement Act.

PASSED, APPROVED, AND ADOPTED on this 12th day of November, 2018.

BARBERS HILL INDEPENDENT SCHOOL DISTRICT

By: _____
Becky Tice, President
Board of Trustees

ATTEST:

By: _____
Cynthia Erwin, Secretary
Board of Trustees

EXHIBIT A
LEGAL DESCRIPTION OF THE
"TARGA DOWNSTREAM REINVESTMENT ZONE 2018"

DESCRIPTION OF A 32.278-ACRE (1,406,031 SQ. FT.) TRACT SITUATED IN THE WILLIAM BLOODGOOD LEAGUE, A-4 , CHAMBERS COUNTY, TEXAS

Being a 32.278-acre (1,406,031 square foot) tract of land situated in the William Bloodgood League, A-4, Chambers County, Texas and being all of the residue of a called 17.086-acre tract as conveyed to SAK Investments, L.L.C. by deed recorded under County Clerk's File No. 99 406 550 of the Official Public Records of Chambers County, Texas, all of a called 11.117-acre tract as conveyed to SAK Investments, L.L.C. by deed recorded under County Clerk's File No. 99 404 110 of the Official Public Records of Chambers County, Texas and all of a called 4.22-acre tract as conveyed to SAK Investments, L.L.C. by deed recorded under County Clerk's File No. 99 409 252 of the Official Public Records or Chambers County, Texas. Said 32.278-acre tract being more particularly described by metes and bounds as follows: (The Basis of Bearings arc based on the Texas State Plane Coordinate System, South Central Zone 4204 (NAD 83). The coordinates stated hereon are grid.

BEGINNING at a 5/8-inch iron rod found (having coordinates of N = 13,872,040.98, E = 3,269,126.36) at the southeast corner of the residue of said called 17.086-acre tract, being the northeast corner of a called 7.00-acre tract conveyed to Barry Irwin Goldfarb by deed recorded under County Clerk's File No. 96 287 827 of the Official Public Records or Chambers County, Texas and being located in the west right-of-way line or State Highway 146 (120 feet wide);

THENCE South 77°56'05" West with the south line of the residue of said 17.086-acre tract, with the north line of said 7.00-acre tract and with the south line of said tract herein described, at a distance of 761.16 feet pass the 11orthwest corner of said 7.00-acre tract and the northeast corner of a 31.456-acre tract conveyed to Targa Downstream LLC, by deed recorded under County Clerk's File No. 2012, Volume 1335. Page 532 of the Official Public Records of Chambers County, Texas, passing a 5/8-inch iron rod with a cap stamped "WEISSER ENG HOUSTON, TX" set for reference at a Ji stance of 4,158.84 feet and continuing for a total distance of 4,258.84 feet to the southwest corner or said tract herein described, located at the centerline of Cedar Bayou;

THENCE North 54°50'00" West with the centerline of said Cedar Bayou and with the southwest line of said tract herein described, a distance of 57.09 feet to an angle point, located in the southeast line of the Southern Pacific Railroad Company right or way as conveyed by deed in Volume 233, Page 332 or the Deed Records of Chambers County, Texas;

THENCE North 15°54' 46" East with the southeast railroad right of way line and with the northwest line of the residue of said 17.086 acres and with the northwest line of said tract herein described, passing a 5/8-inch iron rod with a cap stamped "WEISSER ENG HOUSTON, TX" set for reference at a distance of 100.00 feet, at a distance of 164.92 feet pass the northwest corner of the residue of said 17.086 acres and the southwest corner of the called 11.117-acre tract and continuing for a total distance of 374.29 feet to a 5/8-inch iron rod with a cap stamped "WEISSER ENG HOUSTON, TX" set for the northwest corner of said tract herein described, located in the south line of a called 57.00-acre tract conveyed to Targa Downstream, L.L.C. (formerly Warren Petroleum

Corporation) by deed recorded in Volume 437, Page 532 of the Deed Records of Chambers County, Texas, from which a 5/8 inch iron rod 1bund bears South 77°57'47" West, a distance of 1.28 feet;

THENCE North 77°57'47" East with a north line of said called 11.117-acre tract and with the north line of said tract herein described, a distance of 3,334.59 feet to a 2-inch iron pipe found for an angle point, located in the south right of way line of Warren Road, being the northeast corner of said 11.117-acre tract and the northwest corner of said 4.22-acre tract;

THENCE North 77°52'30" East with a north line of said called 4.22-acre tract, with the south right of way line of said Warren Road and with a north line of said tract herein described, a distance of 243.19 feet (called 243.48 feet) to a 5/8-inch iron rod with a cap stamped "WEISSER ENG HOUSTON, TX" set for a northeast corner or said tract herein described, being the northwest corner of a called 1.476-acre tract conveyed to Regency of Texas, lnc. by deed recorded under County Clerk's File No. 00 476 732 of the Official Public Records of Chambers County, Texas;

THENCE South 02°35'22" East with an east line of said 4.22-acre tract, with the east line of said 1.476-acre tract and with an east line of said tract herein described, a distance of 187.84 feet to a 5/8-inch iron rod with a cap stamped "WEISSER ENG HOUSTON, TX" set for the southwest corner of said 1.476-acre tract and the northwest corner of a called 1.492-acre tract conveyed to Regency of Texas, Inc. by deed recorded under County Clerk's File No. 00 476 728 of the Official Public Records of Chambers County, Texas;

THENCE South 02°33'10" East with an east line of the residue of said 17.086-acre tract, with the east line of said 1.492-acre tract and with an east line of said tract herein described, a distance of 119.38 feet to a 5/8-inch iron rod with a cap stamped "WEISSER ENG HOUSTON, TX" set for the southwest corner of said 1.492-acre tract and an interior corner of said tract herein described;

THENCE North 77°09'39" East with a north line of the residue of said 17.086-acre tract, with a south line of said 1.492-acre tract and with a north line of said tract herein described, a distance of 312.61 feet to a 5/8-inch iron rod with a cap stamped "WEISSER ENG HOUSTON, TX" set for a southeast corner of said 1.492-acre tract and an interior corner of said tract herein described;

THENCE North 06°39'28" East with a west line of the residue of said 17.086-acre tract, with an east line of said 1.492-acre tract and with an east line or said tract herein described, a distance of 28.70 feet to a 5/8-inch iron rod with a cap stamped "WEISSER ENG HOUSTON, TX" set for an interior corner of said 1.492-acre tract and a northwest corner of said tract herein described;

THENCE North 77°57'47" East with a north line of the residue of said 17.086-acre tract, with a south line of said 1.492-acre tract and with a north line of said tract herein described, a distance of 319.69 feet to a 1/2-inch iron rod found for the southeast corner of said 1.492-acre tract and the northeast corner of said tract herein described, located in the west right of way line of said State Highway 146;

THENCE South 13°04'27" West with an east line of the residue of said 17.086-acre tract, with the west right of way line of said State Highway 146 and with an east line of said tract herein described, a distance of 109.66 feet to the **POINT OF BEGINNING** and containing
32.278 acres (1,140,031 square feet) of land.

DESCRIPTION OF A 31.456-ACRE (1,370,212 SQ. FT.) TRACT OF LAND SITUATED IN THE WILLIAM BLOODGOOD SURVEY, A-4, CHAMBERS COUNTY, TEXAS

Being a 31.456-acre (1,370,212 square foot) tract of land situated in the William Bloodgood Survey, A-4, Chambers County, Texas. Said 31.456-acre tract being out of the residue of a called 36.280-acre tract of land conveyed to Michael Sidney Lansford and Bennie L. Lansford, as recorded in Volume 1099, Page 83 of the Chambers County Deed Records and being more particularly described by metes and bounds as follows: (Basis of bearings being the Texas State Plane Coordinate System, South Central Zone-4204, NAD1983)

COMMENCING at a 5/8-inch iron rod found in the west right-of-way line of Highway No. 146 for the northeast corner of a called 7.00-acre tract of land conveyed to Barry Irwin Goldfarb, as recorded in Chambers County Clerk's File No. 96287827 of the Official Public Records of Chambers County, Texas.

THENCE South 77° 56' 05" West, with a north line of said 7.00-acre tract and the south line of a called 17.086-acre tract of land conveyed to Sak Investments, L.L.C., as recorded in Chambers County Clerk's File No. 99406550 of the Official Public Records of Chambers County, Texas a distance of 761.16 feet to a 5/8-inch iron rod with cap (stamped "WEISSER ENG., HOUSTON, TX.") set, for the POINT OF BEGINNING, for the northwest corner of said 7.00-acre tract, for the northeast comer of said residue of a 36.280-acre tract and for the northwest corner of said tract herein described; Said point of beginning having a Texas State Plane Surface Coordinate of X = 3,268,702.50, Y = 1,3873,241.38

THENCE South 12° 05' 18" East, with a west line of said 7.00-acre tract, with an east line of said residue of said 36,280-acre tract and with an east line of said tract herein described, a distance of 170.00 feet to a 5/8-inch iron rod with cap stamped ("WEISSER ENG., HOUSTON, TX.") set for an angle point of said tract herein described;

THENCE South 77° 54' 42" West, with a north line of said 7.00-acre tract, with a south line of said residue of a 36.280-acre tract and with a south line of said tract herein described, a distance of 80.00 feet to a 5/8-inch iron rod with cap stamped ("WEISSER ENG., HOUSTON, TX.") set for an interior angle of said tract herein described;

THENCE South 12° 05' 18" East, with a west line of said 7.00-acre tract, with an east line of said residue of a 36.280-acre tract and with an east line of said tract herein described, a distance of 260.72 feet to a 5/8-inch iron rod with cap stamped ("WEISSER ENG., HOUSTON, TX.") set in the northwest right of- way line of Cedar Hills Drive (70' wide), as recorded in Plat File No. 88-B of the Plat Records of Chambers County, Texas for the southwest comer of said 7.00-acre tract, for the southeast corner of said residue of a 36.280-acre tract and for the southeast comer of said tract herein described;

THENCE South 77° 54' 42" West, with the north right-of-way line of said Cedar Hills Drive, with a south line of said residue of a 36.280-acre tract and with a south line of said tract herein described, at a distance of 117.34 feet passing a l/2-inch iron rod found for the northeast corner of Cedar Hills Estates, Section One as recorded in Plat File No. 88-B of the Plat Records of Chambers County, Texas, continuing with the northwest line of said Cedar Hills Estates, Section One and with the northwest line of Cedar Hills Estates, Section Two as recorded in Plat File No. 88-B of the Plat Records of Chambers County, Texas, for a total distance of 2147.99 feet to a 5/8-inch iron rod, inside a 2" iron pipe, found for an angle point of said tract herein described;

THENCE North 12° 27' 35" West, with an east line of said Cedar Hills Estates, Section Two, with a west line of said residue of a 36.280-acre tract and with a west line of said tract herein described, a distance of 9.81 feet to a 5/8-inch iron rod with cap stamped ("WEISSER ENG., HOUSTON, TX.") set for an interior angle of said tract herein described;

THENCE South 77° 54' 42" West, with the north line of said Cedar Hills Estates, Section Two, with a south line of said residue of a 36.280-acre tract and with a southeast line of said tract herein described, at a distance of 236.55 feet passing a point for the intersection of the southeast line of said residue of a 36.280-acre tract and the southwest line of an HL&P easement, continuing for a total distance of 617.14 feet to a point on the easterly high bank of Cedar Bayou.

THENCE North 16° 02' 18" West, with a northeasterly high bank of said Cedar Bayou, with a southwest line of said residue of a 36.280-acre tract and with a southwest line of said tract herein described, a distance of 53.20 feet to a point for an interior angle of said tract herein described;

THENCE South 85° 21' 42" West, with a south line of said residue of a 36.280-acre tract and with a south line of said tract herein described, a distance of 360.00 feet to a point in the centerline of said Cedar Bayou for an angle point of said tract herein described;

THENCE North 51° 07' 09" West, with a southwest line of said residue of a 36.280-acre tract and with a southwest line of said tract herein described, a distance of 160.23 feet to a point in the centerline of said Cedar Bayou for an angle point of said tract herein described;

THENCE North 56° 02' 15" West, with a southwest line of said residue of a 36.280-acre tract and with a southwest line of said tract herein described, a distance of 275.14 feet to a point in the centerline of said Cedar Bayou and in the southeast line of said 17.086-acre tract for the northwest corner of said tract herein described;

THENCE North 77° 56' 05" East, with the south line of said 17.086-acre tract, a north line of said residue of a called 36.280-acre tract and a north line of said tract herein described, at a distance of 713.20 feet passing a 5/8-inch iron rod with cap stamped ("H.L.&P. Co. Houston") found in the intersection of the north line of said residue of a 36.280-acre tract and the southwest line of said HL&P Easement, continuing for a total distance of 3497.68 feet to the POINT OF BEGINNING and containing 31.456 acres (1,370,212 square feet) of land.

METES AND BOUNDS DESCRIPTION OF PROPERTY LOCATED AT 9528 WARREN ROAD, MONT BELVIEU, TEXAS.

BEING 607,540.5 SQUARE FEET (13.9472 ACRES) TRACT OF LAND IN THE WILLIAM BLOODGOOD LEAGUE, ABSTRACT NO. 4, CHAMBERS COUNTY, TEXAS AND PORTION OF IT BEING PART OF THAT 31 .1 ACRE TRACT CONVEYED BY THE HEIRS OF L.A. BARROW TO EMERY E. BARROW, BY DEED DATED SEPTEMBER 9, 1911, RECORDED IN VOLUME 1, PAGE 634 OF THE DEED RECORDS OF CHAMBERS COUNTY, TEXAS, SAID 13.9485 ACRE TRACT IS BEING DESCRIBED FURTHER BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1 /2 INCH IRON ROD FOUND ON THE NORTHERLY RIGHT-OF-WAY LINE OF WARREN ROAD (60' R.O.W) MARKING THE SOUTHWESTERLY CORNER OF THE SAID 31.1 ACRE TRACT DESCRIBED ABOVE;

THENCE SOUTH 78° 00' 17" WEST, ALONG THE NORTHERLY RIGHT-OF-WAY LINE OF SAID WARREN ROAD, A DISTANCE OF 154.80 FEET TO A 5/8 INCH IRON ROD FOR THE SOUTHWESTERLY CORNER OF THE HEREIN DESCRIBED 13.9472 ACRE TRACT, AND THE SOUTHEASTERLY CORNER OF WARREN PETROLEUM SUBDIVISION AS RECORDED IN VOLUME A, PAGE 46 OF THE MAP RECORDS OF CHAMBERS COUNTY, TEXAS.

THENCE NORTH 11° 53' 46" WEST, A DISTANCE OF 785.79 FEET ALONG THE EASTERLY LINE OF SAID WARREN PETROLEUM SUBDIVISION TO A 5/8 INCH IRON ROD FOR THE NORTHWESTERLY CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE NORTH 78° 12' 00" EAST, A DISTANCE OF 154.17 FEET TO A ½ INCH IRON ROD ON THE WESTERLY LINE OF SAID 31.1 ACRE TRACT FOR A CORNER;

THENCE NORTH 87° 01' 50" EAST, A DISTANCE OF 735.05 FEET TO A ½ IRON ROD FOR THE NORTHEASTERLY CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE SOUTH 01° 17' 51" EAST, A DISTANCE OF 681.29 FEET TO A ½ INCH IRON ROD ON THE NORTHERLY RIGHT-OF-WAY LINE OF SAID WARREN ROAD FOR THE SOUTHEASTERLY CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE SOUTH 77° 57' 23" WEST ALONG THE NORTHERLY RIGHT-OF-WAY LINE OF SAID WARREN ROAD, A DISTANCE OF 600.51 FEET TO THE POINT OF BEGINNING AND CONTAINING 607,540.5 SQUARE FEET (13.9472 ACRE) TRACT OF LAND.

TRACT 1

FIELD NOTES of a 3.3180 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron Chemical Company to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 36 of the Official Public Records of Chambers County, Texas. Said 3.3180 acres being that same tract of land designated as Tract 1 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 3.3180 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found for the Northwest corner of that certain 32.50 acre tract of land conveyed by Gulf Oil Corporation to Chevron Chemical Company by Deed dated July 1, 1985 and recorded in Volume 598 at Page 30 of the Deed Records of Chambers County, Texas and an interior corner of the residue of a 36.46 acre tract conveyed by Paul T. Williams, et al, to Diamond Shamrock Corporation by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=749,278.46 and X=3,294,064.06.

THENCE: North 77°32'30" East along the North line of this tract, the North line of said 32.50 acres and the Easternmost South line of said residue tract for a distance of 1295.97 feet to a ½ inch iron rod found for an angle point in said line.

THENCE: North 77°59'47" East along the North line of this tract, the North line of said 32.50 acres and the Easternmost South line of said residue tract for a distance of 180.09 feet to a ½ inch iron rod found for the Westernmost corner of that certain 52.797 acres Tract 4 surveyed this date and the Northeast corner of this tract.

THENCE: South 46°21'06" East along the East line of this tract, the East line of said 32.50 acres and an exterior West line of said Tract 4 surveyed this date for a distance of 112.27 feet to a ½ inch iron rod found for the Southeast corner of this tract.

THENCE: South 77°32'30" West along the South line of this tract, over and across said 32.50 acres, for a distance of 1582.48 feet to a ½ inch iron rod found in the Southernmost

East line of the heretofore mentioned residue tract and the West line of said 32.50 acres for the Southwest corner of this tract.

THENCE: North 12°23'13" East along the West line of this tract, the West line of said 32.50 acres and the Southernmost East line of said residue tract for a distance of 104.28 feet to the PLACE OF BEGINNING and containing within these boundaries 3.3180 acres of land.

TRACT 2

FIELD NOTES of a 3.619 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 3.619 acres being that same tract of land designated as Tract 2 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 3.619 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod set for the Easternmost Southeast corner of that certain 93.5479 acre tract of land conveyed by Lubrizol Corporation to Diamond Shamrock Chemicals Company by Deed dated July 18, 1984 and recorded in Volume 590 at Page 491 of the Deed Records of Chambers County, Texas, the Southwest corner of that certain tract of land awarded to Lula Barber and recorded in Volume 4 at Page 77 of the Probate Minutes of Chambers County, Texas, and the Northwest corner of that certain 27.727 acre Tract 3 surveyed this date. Said point being the Northeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=750,817.66 and X=3,295,132.99.

THENCE: South 12°30'08" East along the East line of this tract and the West line of said Tract 3 surveyed this date for a distance of 1172.19 feet to ½ iron rod in concrete found in the North line of a residue tract of 36.46 acres conveyed by Paul T. Williams, et al, to Diamond Shamrock Corporation by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County. Said point being the Southwest corner of said Tract 3 surveyed this date and the Southeast corner of this tract.

THENCE: South 77°09'21" West along the South line of this tract and the North line of said residue tract for a distance of 81.32 feet to an aluminum disk stamped "65K-9" found for an angle point in said line.

THENCE: South 77°32'39" West along the South line of this tract and the North line of said residue tract for a distance of 52.84 feet to a ½ inch iron rod found for the Southeast corner of that certain tract of land (Item 1) conveyed by Paul Williams, et al, to Diamond Shamrock by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas. Said point being the Southwest corner of this tract.

THENCE: North 12°36'52" West along the West line of this tract, the East line of said

Item 1 conveyed to Diamond Shamrock and the Southernmost East line of said 93.5479 acres, for a distance of 1170.15 feet to a 5/8 inch iron rod found for an interior corner of said 93.5479 acres and the Northwest corner of this tract.

THENCE: North 76°29'43" East along the North line of this tract and the Easternmost North line of said 93.5479 acres for a distance of 135.01 feet to the PLACE OF BEGINNING and containing within these boundaries 3.619 acres of land.

TRACT 3

FIELD NOTES of a 27.727 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 27.727 acres being that same tract of land designated as Tract 3 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 27.727 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a 2-1/2 inch iron pipe found in the South line of that certain tract of land described in Deed from S. S. Hindman to Texas Eastern Transmission Corporation (as to an undivided 3 acre interest) dated March 10, 1960 and recorded in Volume 219 at Page 586 of the Deed Records of Chambers County, Texas and the Northwest corner of that certain 52.797 acre Tract 4 surveyed this date. Said point being the Northeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,049.78 and X=3,296,242.79.

THENCE: South 12°24'41" East along the East line of this tract and the West line of said Tract 4 surveyed this date for a distance of 634.89 feet to a ¾ inch iron pipe in concrete found for an angle point in said line.

THENCE: South 27°29'19" West along the East line of this tract and the West line of said Tract 4 surveyed this date for a distance of 692.21 feet to a ½ inch iron rod in concrete found for the Northeast corner of that certain residue tract of 36.46 acres conveyed by Paul T. Williams, et al, to Diamond Shamrock Corporation by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas. Said point being the Southeast corner of this tract.

THENCE: South 78°03'12" West along the South line of this tract and the North line of said residue tract for a distance of 688.00 feet to a ½ inch iron rod in concrete found for the Southeast corner of that certain 3.619 acre Tract 2 surveyed this date and the Southwest corner of this tract.

THENCE: North 12°30'08" West along the West line of this tract and the East line of said Tract 2 surveyed this date for a distance of 1172.19 feet to a ½ inch iron rod set for the Northeast corner of said Tract 2 surveyed this date, the Easternmost Southeast corner of that certain 93.5479 acres conveyed by Lubrizol Corporation to Diamond Shamrock Chemicals Company by Deed dated July 18, 1984 and recorded in Volume 590 at Page

491 of the Deed Records of Chambers County, Texas and the Southwest corner of that certain tract of land awarded to Lula Barber and recorded in Volume 4 at Page 77 of the Probate Minutes of Chambers County, Texas. Said point being the Northwest corner of this tract.

THENCE: North 78°11'13" East along the North line of this tract, the South line of said Lula Barber tract and the South line of said Texas Eastern Transmission Corporation tract for a distance of 1133.92 feet to the PLACE OF BEGINNING and containing within these boundaries 27.727 acres of land.

TRACT 4

AN UNDIVIDED 33 1/3% INTEREST IN AND TO:

FIELD NOTES of a 52.797 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 52.797 acres being that same tract of land designated as Tract 4 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 52.797 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a 2-1/2 inch iron pipe found in the South line of that certain tract of land described in Deed from S. S. Hindman to Texas Eastern Transmission Corporation (as to an undivided 3 acre interest) dated March 10, 1960 and recorded in Volume 219 at Page 586 of the Deed Records of Chambers County, Texas and the Northeast corner of that certain 27.727 acre Tract 3 surveyed this date. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,049.78 and X=3,296,242.79.

THENCE: North 77°46'15" East along the North line of this tract and the South line of said Texas Eastern Transmission Corporation tract for a distance of 118.56 feet to a 1 inch iron pipe in concrete found for the Southeast corner of said Texas Eastern Transmission Corporation tract and the Southwest corner of that certain 15.012 acre Tract 5 surveyed this date and an angle point in this line.

THENCE: North 77°49'51" East along the North line of this tract and the South line of said Tract 5 surveyed this date for a distance of 1253.74 feet to a ¾ inch iron pipe in concrete found in the West line of that certain tract of land conveyed by Nellie Lintelman, Guardian of the Estate of Zadie Fisher, NCM, to Texas Eastern Transmission Corporation by Deed dated March 20, 1962 and recorded in Volume 236 at Page 76 of the Deed Records of Chambers County, Texas. Said point being the Southeast corner of said Tract 5 surveyed this date and the Northeast corner of this tract.

THENCE: South 12°35'05" East along the Northernmost East line of this tract and the West line of said Texas Eastern Transmission Corporation tract last above mentioned for a distance of 196.86 feet to a ½ inch iron rod found in the West line of that certain 25.28 acres (First Tract) conveyed to Exxon Pipeline Corporation in Partition Deed dated July 22, 1971 and recorded in Volume 326 at Page 646 of the Deed Records of Chambers

County, Texas and the East line of that certain 30.15 acre tract of land conveyed by Paul T. Williams, et al, to Diamond Shamrock by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas. Said point being the Southernmost Northeast corner of this tract.

THENCE: North 73°11'49" West along an interior line of this tract and the North line of said 30.15 acres for a distance of 24.39 feet to a ½ inch iron rod found for an interior corner of this tract and an exterior corner of said 30.15 acres.

THENCE: South 24°53'10" West along an exterior East line of this tract and an exterior West line of said 30.15 acres for a distance of 87.78 feet to a 5/ 8 inch iron rod in concrete found for an exterior corner of this tract and an interior corner of said 30.15 acres.

THENCE: South 77°12'30" West along the Northernmost South line of this tract and the Westernmost North line of said 30.15 acres for a distance of 252.70 feet to a ¾ inch iron rod in concrete found for an interior corner of this tract and the Westernmost Northwest corner of said 30.15 acres.

THENCE: South 24°53'10" West along the East line of this tract and the West line of said 30.15 acres for a distance of 3099.88 feet to a point in the centerline of the new channel of Cedar Bayou for the Southeast corner of this tract.

THENCE: Along and with the meanders of the centerline of said channel and the South line of this tract as follows:

North 58°03'00" West for a distance of 167.44 feet.
North 88°36'00" West for a distance of 38.62 feet.
North 68°18'00" West for a distance of 235.15 feet.
North 76°06'00" West for a distance of 123.72 feet.
North 89°57'00" West for a distance of 60.78 feet.
North 78°14'00" West for a distance of 6.88 feet to a point in the center of said channel for the Southeast corner of that certain 32.50 acre tract of land conveyed by Gulf Oil Corporation to Chevron Chemical Company by Deed dated July 1, 1985 and recorded in Volume 598 at Page 31 of the Deed Records of Chambers County, Texas. Said point being the Southwest corner of this tract.

THENCE: North 27°54'51" East along the Southernmost West line of this tract and the East line of said 32.50 acres for a distance of 482.16 feet to an orange fence corner post found for an angle point in said line.

THENCE: North 07°56'22" East along the Southernmost West line of this tract and the East line of said 32.50 acres for a distance of 545.90 feet to a 5/8 inch iron rod found for an angle point in said line.

THENCE: North 46°21'06" West along the Southernmost West line of this tract and the

East line of said 32.50 acres and at 198.41 feet pass a ½ inch iron rod found for the Southeast corner of that certain 3.3180 acre Tract 1 surveyed this date, in all, a total distance of 310.68 feet to a ½ inch iron rod found in the South line of that certain residue of a tract of 36.46 acres conveyed by Paul T. Williams, et al, to Diamond Shamrock Corporation by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas at the Northeast corner of said Tract 1 surveyed this date. Said point being the Westernmost corner of this tract.

THENCE: North 77°59'27" East along the Westernmost North line of this tract and the South line of said 36.46 acres for a distance of 505.41 feet to an aluminum disk stamped "65K-14" found for the Southeast corner of said 36.46 acres and an interior corner of this tract.

THENCE: North 27°29'20" East along the Northernmost West line of this tract and at 129.83 feet pass a ½ inch iron rod in concrete found for the Northeast corner of said 36.46 acres and the Southeast corner of that certain 27.727 acre Tract 3 surveyed this date, in all, a total distance of 822.04 feet found a ¾ inch iron pipe in concrete for an angle point in said line.

THENCE: North 12°24'41" West along the Northernmost West line of this tract and the East line of said Tract 3 surveyed this date for a distance of 634.89 feet to the PLACE OF BEGINNING and containing within these boundaries 52.797 acres of land.

TRACT 5

FIELD NOTES of a 15.012 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 15.012 acres being that same tract of land designated as Tract 5 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 15.012 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ¾ inch iron pipe in concrete found in the West line of that certain tract of land conveyed by Nellie Lintelman, Guardian of the Estate of Zadie Fisher, NCM, to Texas Eastern Transmission Corporation by Deed dated March 20, 1962 and recorded in Volume 236 at Page 76 of the Deed Records of Chambers County, Texas at the Northeast corner of that certain 52.797 acre Tract 4 surveyed this date. Said point being the Southeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=752,054.92 and X=3,297,423.75.

THENCE: South 77°49'51" West along the South line of this tract and the North line of said Tract 4 surveyed this date for a distance of 1253.74 feet to a 1 inch iron pipe in concrete found for the Southwest corner of this tract and the Southeast corner of that certain tract of land described in Deed from S. S. Hindman to Texas Eastern Transmission Corporation (as to an undivided 3 acre interest) dated March 10, 1960 and recorded in Volume 219 at Page 586 of the Deed Records of Chambers County, Texas.

THENCE: North 12°33'54" West along the West line of this tract and the East line of Texas Eastern Transmission Corporation tract for a distance of 521.69 feet to a ¾ inch iron pipe in concrete found for the Southwest corner of that certain 5 acre tract of land conveyed by H. E. Fisher to Walter Keeble by Deed dated December 14, 1921 and recorded in Volume 27 at Page 640 of the Deed Records of Chambers County, Texas. Said point being the Northwest corner of this tract.
THENCE: North 77°50'15" East along the North line of this tract and the South line of said 5 acres for a distance of 1253.56 feet to a ¾ inch iron pipe in concrete (leaning) found in the West line of said Texas Eastern Transmission Corporation tract first mentioned above. Said point being the Southeast corner of said 5 acres and the Northeast corner of this tract.

THENCE: South 12°35'05" East along the East line of this tract and the West line of said Texas Eastern Transmission Corporation tract for a distance of 521.55 feet to the PLACE OF BEGINNING and containing within these boundaries 15.012 acres of land.

TRACT 6

FIELD NOTES of a 0.998 of an acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 0.998 of an acre being that same tract of land designated as Tract 6 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 0.998 of an acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod set in the West line of that certain tract of land conveyed by Nellie Lintelman, Guardian of the Estate of Zadie Fisher, NCM, to Texas Eastern Transmission Corporation by Deed dated March 20, 1962 and recorded in Volume 236 at Page 76 of the Deed Records of Chambers County, Texas at the Easternmost Northeast corner of that certain 5 acre tract of land conveyed by H. E. Fisher to Walter Keeble by Deed dated December 14, 1921 and recorded in Volume 27 at Page 640 of the Deed Records of Chambers County, Texas. Said point being the Southeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=752,054.92 and X=3,297,423.75.

THENCE: South 77°50'15" West along the South line of this tract and the Easternmost North line of said 5 acres for a distance of 626.40 feet to a ½ inch iron rod in concrete found for the Southwest corner of this tract and an interior corner of said 5 acres.

THENCE: North 12°58'42" West along the West line of this tract and the Northernmost East line of said 5 acres for a distance of 69.38 feet to a ½ inch iron rod in concrete found in the South line of that certain 8 acre tract of land conveyed by Fleda M. Schilling to Texas Eastern Transmission Corporation by Deed dated May 11, 1960 and recorded in Volume 221 at Page 437 of the Deed Records of Chambers County, Texas. Said point being the Northernmost Northeast corner of said 5 acres and the Northwest corner of this tract.

THENCE: North 77°50'15" East along the North line of this tract and the South line of said 8 acres for a distance of 626.40 feet to a ½ inch iron rod found in the West line of the first above mentioned Texas Eastern Transmission Corporation tract for the Southeast corner of said 8 acres and the Northeast corner of this tract.

THENCE: South 12°58'42" East along the East line of this tract and the West line of said Texas Eastern Transmission Corporation tract for a distance of 69.38 feet to the PLACE OF BEGINNING and containing within these boundaries 0.998 of an acre of land.

TRACT 7

FIELD NOTES of a 56.965 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 56.965 acres being that same tract of land designated as Tract 7 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 56.965 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found in the East right-of-way line of the Dayton-Goose Creek Railroad (100 feet wide right-of-way) at the Southwest corner of that certain tract of land conveyed by Paul T. Williams, et al, to Diamond Shamrock by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=749,217.48 and X=3,297,043.66.

THENCE: North 77°17'24" East along the North line of this tract, the South line of the above mentioned Diamond Shamrock tract and the South line of that certain 12.32 acres (Item 4) described in Deed from Paul T. Williams, et al, to Diamond Shamrock dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas, for a distance of 2085.00 feet to a ½ inch iron rod, with cap, set in the Northernmost West line of that certain residue of a 9.4 acre tract of land conveyed to A. A. Davidson, et al, and recorded in Volume 25 at Page 113 and Volume 32 at Page10 of the Deed Records of Chambers County, Texas. Said point being the Northeast corner of this tract.

THENCE: South 11°18'37" East along the East line of this tract, the Northernmost West line of said 9.4 acre tract, the West line of that certain 0.2733 of an acre Tract 8 surveyed this date, the West line of that certain 2.6043 acre Tract 30 surveyed this date, and the West line of the Warren Petroleum Subdivision as recorded in Volume "A" at Page 46 of the Map Records of Chambers County, Texas and Volume 2 at Page 107 of the Map Records of Chambers County, Texas for a distance of 1020.27 feet to a 2 inch iron pipe (leaning) found in the North line of a tract described in Partition Deed dated April 3, 1950 between O. Z. Smith, et al, recorded in Volume 120 at Page 632 of the Deed Records of Chambers County, Texas for the Southwest corner of said Tract 30, the Southwest corner of Lot 1 of said Warren Petroleum Subdivision and the Southeast corner of this tract.

THENCE: South 77°45'39" West along the South line of this tract and the North line of said Partition tract for a distance of 2827.65 feet to a ½ inch iron rod in concrete found in the East right-of-way line of said Dayton-Goose Creek Railroad for the Southwest corner of this tract.

THENCE: North 24°53'10" East along the West line of this tract and the East right-of-way line of said Dayton-Goose Creek Railroad for a distance of 1257.97 feet to the PLACE OF BEGINNING and containing within these boundaries 56.965 acres of land.

TRACT 8

FIELD NOTES of a 0.2733 of an acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 0.2733 of an acre being that same tract of land designated as Tract 8 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 0.2733 of an acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod in concrete found for the Westernmost Southwest corner of that certain residue of a 9.4 acre tract of land conveyed to A. A. Davidson, et al, by Deeds recorded in Volume 25 at Page 113 and Volume 32 at Page 10 of the Deed Records of Chambers County, Texas, in the East line of that certain 56.965 acre Tract 7 surveyed this date. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=749,568.24 and X=3,299,098.95.

THENCE: North 77°58'10" East along the North line of this tract and the Westernmost South line of said 9.4 acre tract for a distance of 170.05 feet to a ½ inch iron rod in concrete found for the Northeast corner of this tract and an interior corner of said 9.4 acres.

THENCE: South 11°18'37" East along the East line of this tract and the Southernmost West line of said 9.4 acre tract for a distance of 70.00 feet to a ½ inch iron rod in concrete found in the North line of Pablo Street (60 feet wide right-of-way) as shown on Plat of Warren Petroleum Subdivision recorded in Volume "A" at Page 46 of the Map Records of Chambers County, Texas, for the Southeast corner of this tract and the Southernmost Southwest corner of said 9.4 acres.

THENCE: South 77°58'10" West along the South line of this tract and the North line of said Warren Petroleum Subdivision and the North line of that certain 2.6043 acre Tract 30 surveyed this date for a distance of 170.05 feet to a ¾ inch iron rod in concrete found in the East line of said Tract 7 for the Southwest corner of this tract and the Northwest corner of said Tract 30 surveyed this date.

THENCE: North 11°18'37" West along the West line of this tract and the East line of said Tract 7 surveyed this date for a distance of 70.00 feet to the PLACE OF BEGINNING and containing within these boundaries 0.2733 of an acre of land.

TRACT 10

FIELD NOTES of a 0.3821 of an acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 0.3821 of an acre being that same tract of land designated as Tract 10 on plat of record in Volume "A" at Page 127 of the Map Records of Chambers County, Texas. This 0.3821 of an acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at an iron bar in concrete found in the West line of a residue of 10.84 acres described in Deed dated December 2, 1901 and recorded in Volume "N" at Page 504 of the Deed Records of Chambers County, Texas at the Northeast corner of that certain 1.1842 acre (called 1.18 acres) surveyed this date and described in Correction Deed by and between Chevron U.S.A. Inc., Dynegy Holdings, Inc. and Dynegy Midstream Services, Limited Partnership signed on March 7, 2002 and effective August 31, 1996, and recorded in Volume 548 at Page 412 of the Official Public Records of Chambers County, Texas. Said point being the Southeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=753,057.84 and X=3,301,402.49.

THENCE: South 58°35'04" West along the South line of this tract and the North line of said 1.1842 acres for a distance of 83.59 feet to a ½ inch iron pipe in concrete found in the East right-of-way line of State Highway 146 (120 feet wide right-of-way) for the Northwest corner of said 1.1842 acres and the Southwest corner of this tract.

THENCE: North 07°19'24" West along the West line of this tract and the East right-of-way line of said State Highway 146 for a distance of 436.19 feet to an iron pipe in concrete found for the Northernmost corner of this tract, in the West line of said 10.84 acres.

THENCE: South 18°04'08" East along the East line of this tract and the West line of said 10.84 acres for a distance of 409.25 feet to the PLACE OF BEGINNING and containing within these boundaries 0.3821 of an acre of land.

TRACT 12

FIELD NOTES of a 3.245 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 3.245 acres being that same tract of land designated as Tract 12 on plat of record in Volume "A" at Page 127 of the Map Records of Chambers County, Texas. This 3.245 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found in the intersection of the East right-of-way line of State Highway 146 (120 feet wide right-of-way) and the South right-of-way line of F. M. Loop No. 207 (80 feet wide right-of-way). Said point being the Northernmost Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,246.41 and X=3,301,404.00.

THENCE: North 32°57'00" East along the North line of this tract and the South right-of-way line of said F. M. Loop No. 207 for a distance of 305.59 feet to a ½ inch iron rod in concrete found for the Northernmost Northeast corner of this tract and the Northwest corner of that certain 0.399 of an acre tract (Lot 5) excepted in Deed dated December 18, 1959 and recorded in Volume 236 at Page 534 of the Deed Records of Chambers County, Texas.

THENCE: South 53°39'37" East along the Northernmost East line of this tract and the West line of said 0.399 of an acre Lot 5 for a distance of 160.91 feet to a ½ inch iron rod found in the North line of that certain 8.60 acre tract of land conveyed by Gulf Oil Corporation to Diamond Alkali Company by Deed dated February 3, 1959 and recorded in Volume 212 at Page 345 of the Deed Records of Chambers County, Texas for the Southwest corner of said 0.399 of an acre Lot 5. Said point being the Easternmost Northeast corner of this tract.

THENCE: South 49°18'16" West along the Easternmost South line of this tract and the North line of said 8.60 acres for a distance of 352.20 feet to an iron rod found for the Northwest corner of said 8.60 acres and an interior corner of this tract.

THENCE: South 16°55'40" East along the Southernmost East line of this tract and the West line of said 8.60 acres for a distance of 559.08 feet to an iron rod found for the Southwest corner of said 8.60 acres and an exterior corner of that certain 47.6187 acres (Tract 3) conveyed by Gulf Oil Corporation to Diamond Shamrock Corporation and

recorded in Volume 437 at Page 632 of the Deed Records of Chambers County, Texas, and an angle point in said line.

THENCE: South 15°57'15" East along the Southernmost East line of this tract and an exterior line of said 47.6187 acres for a distance of 56.92 feet to an iron pipe found for the Southeast corner of this tract and an interior corner of said 47.6187 acres.

THENCE: South 57°51'02" West along the Westernmost South line of this tract and an exterior North line of said 47.6187 acres for a distance of 212.23 feet to an iron rod found for the Southeast corner of that certain 0.371 of an acre conveyed by Martin W. Bransford to J. R. Oliver by Deed dated February 15, 1977 and recorded in Volume 393 at Page 741 of the Deed Records of Chambers County, Texas and the Southwest corner of this tract.

THENCE: North 17°17'33" West along the Southernmost West line of this tract and the East line of said 0.371 of an acre tract for a distance of 319.03 feet to a ½ inch iron rod found in the East right-of-way line of said State Highway 146 for the Northernmost corner of said 0.371 of an acre tract and the Southernmost Northwest corner of this tract. Said point being in a curve to the left along said right-of-way line, concave Westerly.

THENCE: Along and around said curve to the left, in a Northerly direction, along the Southernmost West line of this tract and the East right-of-way line of said State Highway 146, said curve having a radius of 5789.42 feet, a central angle of 04°39'55" and a chord bearing and distance of North 08°12'42" East 471.27 feet, for an arc length of 471.40 feet to the PLACE OF BEGINNING and containing within these boundaries 3.245 acres of land.

TRACT 13

FIELD NOTES of a 1.0104 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 1.0104 acres being that same tract of land designated as Tract 13 on plat of record in Volume "B" at Page 127 of the Map Records of Chambers County, Texas. This 1.0104 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found in the South line of the W. D. Smith Survey, Abstract 24 and the North line of the William Bloodgood League, Abstract 4, Chambers County, Texas, and the South line of that certain 121.5 acre tract of land (Tract 1) conveyed by Lonnie Earl Williams and Dorothy Louise Williams to Valerie Jean Nix and Karen Gilbert Clamon by Deed dated March 6, 1993 and recorded in Volume 201 at Page 225 of the Official Public Records of Chambers County, Texas at the Northeast corner of that certain 14.000 acre tract of land (Tract 2) conveyed by Chevron U.S.A. Inc. to TE Products Pipeline Company by Deed dated November 30, 1995 and recorded in Volume 282 at Page 766 of the Official Public Records of Chambers County, Texas. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,887.59 and X=3,290,162.11.

THENCE: North 77°07'35" East along the North line of this tract, the North line of said Bloodgood League, the South line of said Smith Survey and the South line of said 121.5 acres for a distance of 132.12 feet to a ½ inch iron rod found for the Northwest corner of that certain 14.000 acre Tract 14 surveyed this date. Said point being the Northeast corner of this tract.

THENCE: South 12°41'43" East along the East line of this tract and the West line of said Tract 14 for a distance of 333.14 feet to a ½ inch iron rod found for the Northwest corner of that certain 15.5465 acre Tract 15 surveyed this date, the Southwest corner of said Tract 14 and the Southeast corner of this tract.

THENCE: South 77°07'33" West along the South line of this tract and the North line of said 8.1752 acres for a distance of 132.12 feet to a ½ inch iron rod found for the Southwest corner of this tract and the Southeast corner of the heretofore mentioned 14.000 acre tract.

THENCE: North 12°41'43" West along the West line of this tract and the East line of said 14.000 acres for a distance of 333.14 feet to the PLACE OF BEGINNING and containing within these boundaries 1.0104 acres of land.

TRACT 14

FIELD NOTES of a 7.000 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 7.000 acres being that same tract of land designated as Tract 14 on plat of record in Volume "B" at Page 127 of the Map Records of Chambers County, Texas. This 7.000 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found in the South line of the W. D. Smith Survey, Abstract 24 and the North line of the William Bloodgood League, Abstract 4, Chambers County, Texas and the South line of that certain 121.5 acres (Tract 1) conveyed by Lonnie Earl Williams and Dorothy Louise Williams to Valerie Jean Nix and Karen Gilbert Clamon by Deed dated March 6, 1993 and recorded in Volume 201 at Page 225 of the Official Public Records of Chambers County, Texas at the Northeast corner of that certain 1.0104 acre Tract 13 surveyed this date. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,917.03 and X=3,290,290.90.

THENCE: North 77°07'35" East along the North line of this tract, the North line of said Bloodgood League, the South line of said Smith Survey and the South line of said 121.5 acres for a distance of 915.31 feet to a ½ inch iron rod found for the Northwest corner of that certain Tract 1 conveyed by Chevron U.S.A. Inc. to TE Products Pipeline Company by Deed dated November 30, 1995 and recorded in Volume 282 at Page 766 of the Official Public Records of Chambers County, Texas. Said point being the Northeast corner of this tract.

THENCE: South 12°41'43" East along the East line of this tract and the West line of said TE Products Pipeline Company Tract 1 for a distance of 333.13 feet to a ½ inch iron rod found in the North line of that certain 8.164 acre tract conveyed by Sunray Dx Oil Co., et al, to Texas Eastern Transmission Corp. by Deed dated July 12, 1962 and recorded in Volume 237 at Page 481 of the Deed Records of Chambers County, Texas. Said point being the Southwest corner of said TE Products Pipeline Company Tract 1, the Northeast corner of that certain 15.5465 acre Tract 16 surveyed this date and the Southeast corner of this tract.

THENCE: South 77°07'33" West along the South line of this tract, the North line of said

8.164 acres, the North line of that certain 8.1752 acres conveyed by First City Bank of Dallas to Texas Eastern Transmission Corp. by Deed dated May 18, 1988 and recorded in Volume 51 at Page 71 of the Official Public Records of Chambers County, Texas, and the North line of said Tract 15 for a distance of 915.31 feet to a ½ inch iron rod found for the Southwest corner of this tract, the Northwest corner of said Tract 15 and the Southeast corner of said Tract 13.

THENCE: North 12°41'43" West along the West line of this tract and the East line of said Tract 13 surveyed this date for a distance of 333.14 feet to the PLACE OF BEGINNING and containing within these boundaries 7.000 acres of land.

TRACT 15

FIELD NOTES of a 15.5465 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 15.5465 acres being that same tract of land designated as Tract 15 on plat of record in Volume "B" at Page 127 of the Map Records of Chambers County, Texas. This 15.5465 acre tract of land is more particularly described by the following metes and bounds, towit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found for the Southwest corner of that certain tract of land conveyed by Chevron U.S.A. Inc. to TE Products Pipeline Company (Tract 1) by Deed dated November 30, 1995 and recorded in Volume 282 at Page 766 of the Official Public Records of Chambers County, Texas and the Southeast corner of that certain 7.000 acre Tract 14 surveyed this date. Said point being in the North line of that certain 8.164 acre tract conveyed by Sunray Dx Oil Co., et al, to Texas Eastern Transmission Corp. by Deed dated July 12, 1962 and recorded in Volume 237 at Page 481 of the Deed Records of Chambers County, Texas and being the Northeast corner and POINT OF BEGINNING of this tract. Said point having a State Plane Coordinate value of Y=751,592.07 and X=3,290,364.10.

THENCE: South 12°41'43" East along the East line of this tract for a distance of 739.87 feet to a ½ inch iron rod found for the Southeast corner of this tract.

THENCE: South 77°07'35" West along the South line of this tract for a distance of 915.31 feet to a ½ inch iron rod found for the Southwest corner of this tract.

THENCE: North 12°41'43" West along the West line of this tract for a distance of 739.86 feet to a ½ inch iron rod found in the North line of that certain 8.1752 acre tract of land conveyed by First City Bank of Dallas to Texas Eastern Transmission Corp. by Deed dated May 18, 1988 and recorded in Volume 51 at Page 71 of the Official Public Records of Chambers County, Texas for the Southwest corner of said Tract 14 surveyed this date. Said point being the Southeast corner of that certain 1.0104 acre Tract 13 surveyed this date and the Northwest corner of this tract.

THENCE: North 77°07'33" East along the North line of this tract, the South line of said Tract 14, the North line of said 8.1752 acres and the North line of said 8.164 acres for a distance of 915.31 feet to the PLACE OF BEGINNING and containing within these boundaries 15.5465acres of land.

TRACT 16

FIELD NOTES of a 6.97 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 6.97 acres being that same tract of land designated as Tract 16 on plat of record in Volume "B" at Page 127 of the Map Records of Chambers County, Texas. This 6.97 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found in the East line of that certain 13.897 acre tract of land conveyed by Mrs. Valliere S. Collier to Texas Eastern Transmission Corporation by Deed dated July 12, 1960 and recorded in Volume 224 at Page 516 of the Deed Records of Chambers County, Texas and the Southernmost West line of that certain 32.191 acre tract of land described in said Deed from Collier to Texas Eastern Transmission Corporation. Said point being the Westernmost Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,381.81 and X=3,293,225.92.

THENCE: North 78°16'22" East along the Westernmost North line of this tract and the Easternmost South line of said 32.191 acres for a distance of 1029.66 feet to a ¾ inch iron pipe found for the Southeast corner of said 32.191 acres and an interior corner of this tract.

THENCE: North 12°14'31" West along the Northernmost West line of this tract and the East line of said 32.191 acres for a distance of 191.45 feet to a ¾ inch iron pipe found for the Southwest corner of that certain 33 acre tract of land awarded to Irene Barber by Decree recorded in Volume "C" at Page 225 of the Probate Minutes of Chambers County, Texas. Said point being the Northernmost Northwest corner of this tract.

THENCE: North 77°43'57" East along the Easternmost North line of this tract and the South line of said 33 acres for a distance of 707.88 feet to an iron rod found for the Northwest corner of that certain 3.567 acre tract of land conveyed by O. E. Barber, Guardian of the Estate of Zadie Fisher, NCM, to Texas Eastern Corporation by Deed dated January 10, 1960 and recorded in Volume 222 at Page 254 of the Deed Records of Chambers County, Texas and the Northeast corner of this tract.

THENCE: South 12°34'55" East along the East line of this tract and the West line of said 3.567 acres and the West line of that certain 3.57 acre tract conveyed to Jenira Pruett

Estate by award of Special Commissioners in Estate of W. D. Fisher, Dec'd, Cause #272 of the Probate Court of Chambers County, Texas and recorded in Volume 4 at Page 77 of the Probate Minutes of the Chambers County, Texas, for a distance of 293.20 feet to a ½ inch iron rod found for the Southeast corner of this tract and the Northeast corner of that certain 93.5479 acre tract of land conveyed by Lubrizol Corporation to Diamond Shamrock Chemicals Company by Deed dated July 18, 1984 and recorded in Volume 590 at Page 491 of the Deed Records of Chambers County, Texas.

THENCE: South 78°16'22" West along the South line of this tract and the North line of said 93.5479 acres for a distance of 1745.90 feet to a ½ inch iron rod found in the East line of the heretofore mentioned 13.897 acre tract for the Southwest corner of this tract.

THENCE: North 08°16'21" West along the Southernmost West line of this tract and the East line of said 13.897 acres for a distance of 95.23 feet to the PLACE OF BEGINNING and containing within these boundaries 6.97 acres of land.

TRACT 30

FIELD NOTES of a 2.6043 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 2.6043 acres being odd numbered Lots 1-27 of the Warren Petroleum Subdivision as recorded in Volume "A" at Page 46 of the Map Records of Chambers County, Texas and Volume 2 at Page 107 of the Map Records of Chambers County, Texas and being that same tract of land designated as Tract 30 on plat of record in Volume "B" at Page 128 of the Map Records of Chambers County, Texas. This 2.6043 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a 2 inch iron pipe (leaning) found in the North line of that certain tract of land Partitioned between O. Z. Smith, et al, dated April 3, 1950 and recorded in Volume 120 at Page 632 of the Deed Records of Chambers County, Texas at the Southeast corner of that certain 56.965 acre Tract 7 surveyed this date. Said point being the Southwest corner of said Lot 1 and being the Southwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=748,675.81 and X=3,299,277.45.

THENCE: North 11°18'37" West along the West line of this tract, the West line of said odd numbered Lots 1-27 and the East line of said tract 7 surveyed this date for a distance of 840.20 feet to a ¾ inch iron rod in concrete found for the Northwest corner of said Lot 27, the Southwest corner of that certain 0.2733 of an acre Tract 8 surveyed this date and the Northwest corner of this tract.

THENCE: North 77°58'10" East along the North line of this tract, the North line of said Lot 27 and the South line of said Tract 8 surveyed this date for a distance of 135.05 feet to a ¾ iron rod in concrete found for the Northwest corner of Pablo Street (60 feet wide right-of-way), the Northeast corner of said Lot 27 and the Northeast corner of this tract.

THENCE: South 11°18'40" East along the East line of this tract, the West right-of-way line of said Pablo Street and the East line of said odd numbered Lots 1-27 for a distance of 839.93 feet to a point at the Southeast corner of said Lot 1 and the intersection of the West right-of-way line of Pablo Street with the South line of Warren Road (60 feet wide right-of-way) for the Southeast corner of this tract in the North line of the heretofore mentioned Partition tract.

THENCE: South 77°51'18" West along the South line of this tract, the South line of said Lot 27 and the North line of said Partition tract for a distance of 135.05 feet to the PLACE OF BEGINNING and containing within these boundaries 2.6043 acres of land.

TRACT 31

FIELD NOTES of a 2.3387 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 2.3387 acres being even numbered Lots 2-26 of the Warren Petroleum Subdivision as recorded in Volume "A" at Page 46 of the Map Records of Chambers County, Texas and Volume 2 at Page 107 of the Map Records of Chambers County, Texas and being that same tract of land designated as Tract 31 on plat of record in Volume "B" at Page 128 of the Map Records of Chambers County, Texas. This 2.3387 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod in concrete found at the Southeast corner of that certain residue of 9.4 acres conveyed to A. A. Davidson, et al, by Deeds recorded in Volume 25 at Page 113 and Volume 32 at Page 10 of the Deed Records of Chambers County, Texas, in the West line of that certain 4.5 acre tract of land conveyed by Mills Bennett Estate to The Texas Company by Deed dated July 18, 1921 and recorded in Volume 14 at Page 613 of the Deed Records of Chambers County, Texas. Said point being the Northeast corner of said Lot 26 and being the Northeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=749,566.66 and X=3,299,427.28.

THENCE: South 11°52'57" East along the East line of this tract, the East line of said even numbered Lots 2-26 and the West line of said 4.5 acres for a distance of 780.9 feet to a ½ inch iron rod found in the North right-of-way line of Warren Road (60 feet wide right-of-way) for the Southeast corner of this tract, the Southwest corner of said 4.5 acres and the Southeast corner of said Lot 2.

THENCE: South 78°22'42" West along the South line of this tract, the South line of said Lot 2 and the North right-of-way line of Warren Road for a distance of 134.43 feet to a ½ inch iron rod found for the Southwest corner of this tract, the Southwest corner of said Lot 2 and the Southeast corner of Pablo Street (60 feet wide right-of-way).

THENCE: North 11°18'40" West along the West line of this tract, the West line of said even numbered Lots 2-26 and the East right-of-way line of said Pablo Street for a distance of 780.00 feet to a ¾ inch iron rod in concrete found in the Easternmost South line of said 9.4 acres at the Northeast corner of said Pablo Street, the Northwest corner of said Lot 26 and the Northwest corner of this tract.

THENCE: North 77°58'10" East along the North line of this tract, the North line of said Lot 26 and the Easternmost South line of said 9.4 acres for a distance of 126.64 feet to the PLACE OF BEGINNING and containing within these boundaries 2.3387 acres of land.

EXHIBIT B

SURVEY MAP OF THE "TARGA DOWNSTREAM REINVESTMENT ZONE 2018"

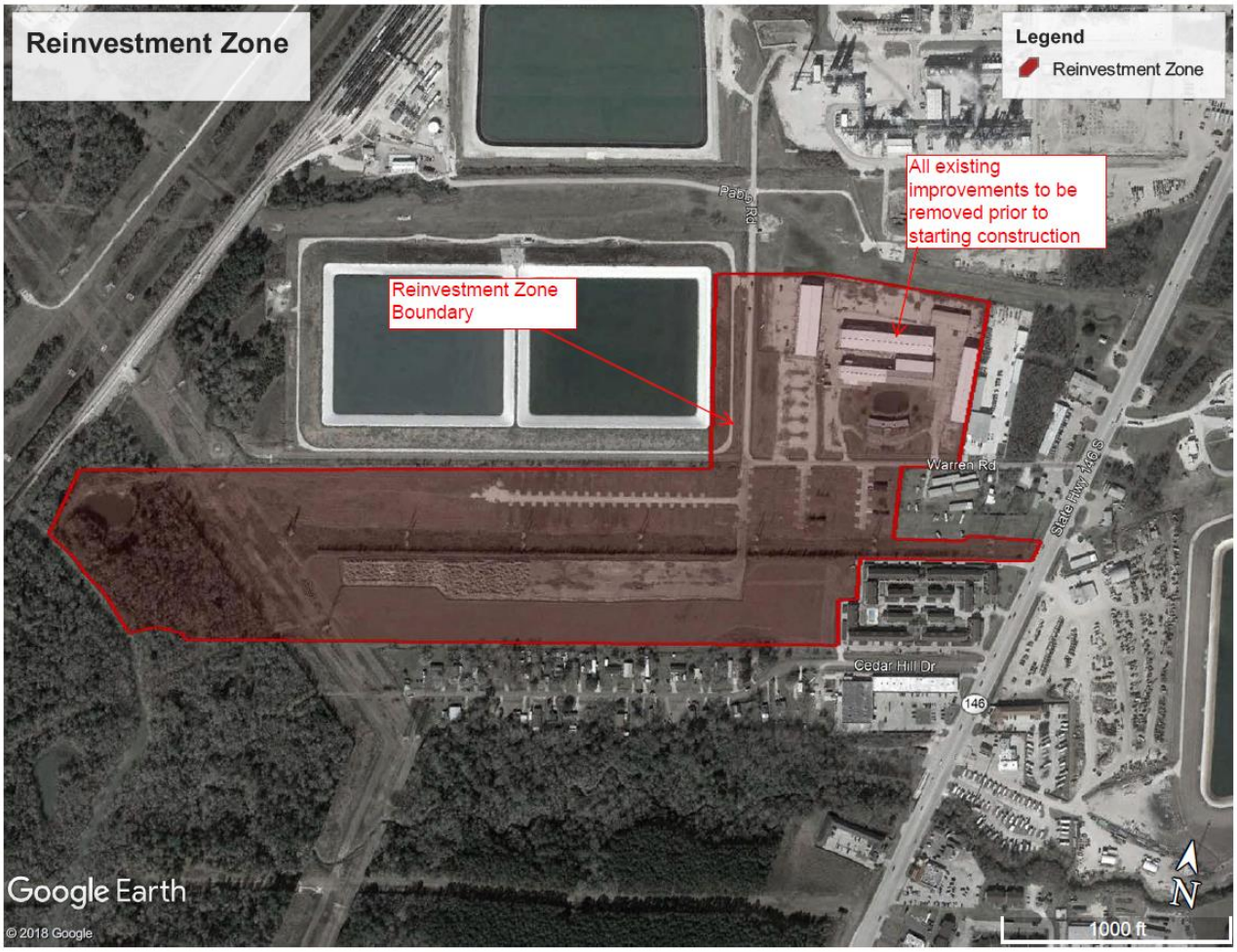


EXHIBIT 2

DESCRIPTION AND LOCATION OF LAND

METES AND BOUNDS DESCRIPTION OF PROPERTY LOCATED AT 9528 WARREN ROAD, MONT BELVIEU, TEXAS.

BEING 607,540.5 SQUARE FEET (13.9472 ACRES) TRACT OF LAND IN THE WILLIAM BLOODGOOD LEAGUE, ABSTRACT NO. 4, CHAMBERS COUNTY, TEXAS AND PORTION OF IT BEING PART OF THAT 31 .1 ACRE TRACT CONVEYED BY THE HEIRS OF L.A. BARROW TO EMERY E. BARROW, BY DEED DATED SEPTEMBER 9, 1911, RECORDED IN VOLUME 1, PAGE 634 OF THE DEED RECORDS OF CHAMBERS COUNTY, TEXAS, SAID 13.9485 ACRE TRACT IS BEING DESCRIBED FURTHER BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1 /2 INCH IRON ROD FOUND ON THE NORTHERLY RIGHT-OF-WAY LINE OF WARREN ROAD (60' R.O.W) MARKING THE SOUTHWESTERLY CORNER OF THE SAID 31.1 ACRE TRACT DESCRIBED ABOVE;

THENCE SOUTH 78º 00' 17" WEST, ALONG THE NORTHERLY RIGHT-OF-WAY LINE OF SAID WARREN ROAD, A DISTANCE OF 154.80 FEET TO A 5/8 INCH IRON ROD FOR THE SOUTHWESTERLY CORNER OF THE HEREIN DESCRIBED 13.9472 ACRE TRACT, AND THE SOUTHEASTERLY CORNER OF WARREN PETROLEUM SUBDIVISION AS RECORDED IN VOLUME A, PAGE 46 OF THE MAP RECORDS OF CHAMBERS COUNTY, TEXAS.

THENCE NORTH 11º 53' 46" WEST, A DISTANCE OF 785.79 FEET ALONG THE EASTERLY LINE OF SAID WARREN PETROLEUM SUBDIVISION TO A 5/8 INCH IRON ROD FOR THE NORTHWESTERLY CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE NORTH 78º 12' 00" EAST, A DISTANCE OF 154.17 FEET TO A ½ INCH IRON ROD ON THE WESTERLY LINE OF SAID 31.1 ACRE TRACT FOR A CORNER;

THENCE NORTH 87º 01' 50" EAST, A DISTANCE OF 735.05 FEET TO A ½ IRON ROD FOR THE NORTHEASTERLY CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE SOUTH 01º 17' 51" EAST, A DISTANCE OF 681.29 FEET TO A ½ INCH IRON ROD ON THE NORTHERLY RIGHT-OF-WAY LINE OF SAID WARREN ROAD FOR THE SOUTHEASTERLY CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE SOUTH 77º 57' 23" WEST ALONG THE NORTHERLY RIGHT-OF-WAY LINE OF SAID WARREN ROAD, A DISTANCE OF 600.51 FEET TO THE POINT OF BEGINNING AND CONTAINING 607,540.5 SQUARE FEET (13.9472 ACRE) TRACT OF LAND.

TRACT 1

FIELD NOTES of a 3.3180 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron Chemical Company to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 36 of the Official Public Records of Chambers County, Texas. Said 3.3180 acres being that same tract of land designated as Tract 1 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 3.3180 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found for the Northwest corner of that certain 32.50 acre tract of land conveyed by Gulf Oil Corporation to Chevron Chemical Company by Deed dated July 1, 1985 and recorded in Volume 598 at Page 30 of the Deed Records of Chambers County, Texas and an interior corner of the residue of a 36.46 acre tract conveyed by Paul T. Williams, et al, to Diamond Shamrock Corporation by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=749,278.46 and X=3,294,064.06.

THENCE: North 77°32'30" East along the North line of this tract, the North line of said 32.50 acres and the Easternmost South line of said residue tract for a distance of 1295.97 feet to a ½ inch iron rod found for an angle point in said line.

THENCE: North 77°59'47" East along the North line of this tract, the North line of said 32.50 acres and the Easternmost South line of said residue tract for a distance of 180.09 feet to a ½ inch iron rod found for the Westernmost corner of that certain 52.797 acres Tract 4 surveyed this date and the Northeast corner of this tract.

THENCE: South 46°21'06" East along the East line of this tract, the East line of said 32.50 acres and an exterior West line of said Tract 4 surveyed this date for a distance of 112.27 feet to a ½ inch iron rod found for the Southeast corner of this tract.

THENCE: South 77°32'30" West along the South line of this tract, over and across said 32.50 acres, for a distance of 1582.48 feet to a ½ inch iron rod found in the Southernmost

East line of the heretofore mentioned residue tract and the West line of said 32.50 acres for the Southwest corner of this tract.

THENCE: North 12°23'13" East along the West line of this tract, the West line of said 32.50 acres and the Southernmost East line of said residue tract for a distance of 104.28 feet to the PLACE OF BEGINNING and containing within these boundaries 3.3180 acres of land.

TRACT 2

FIELD NOTES of a 3.619 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 3.619 acres being that same tract of land designated as Tract 2 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 3.619 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod set for the Easternmost Southeast corner of that certain 93.5479 acre tract of land conveyed by Lubrizol Corporation to Diamond Shamrock Chemicals Company by Deed dated July 18, 1984 and recorded in Volume 590 at Page 491 of the Deed Records of Chambers County, Texas, the Southwest corner of that certain tract of land awarded to Lula Barber and recorded in Volume 4 at Page 77 of the Probate Minutes of Chambers County, Texas, and the Northwest corner of that certain 27.727 acre Tract 3 surveyed this date. Said point being the Northeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=750,817.66 and X=3,295,132.99.

THENCE: South 12°30'08" East along the East line of this tract and the West line of said Tract 3 surveyed this date for a distance of 1172.19 feet to ½ iron rod in concrete found in the North line of a residue tract of 36.46 acres conveyed by Paul T. Williams, et al, to Diamond Shamrock Corporation by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County. Said point being the Southwest corner of said Tract 3 surveyed this date and the Southeast corner of this tract.

THENCE: South 77°09'21" West along the South line of this tract and the North line of said residue tract for a distance of 81.32 feet to an aluminum disk stamped "65K-9" found for an angle point in said line.

THENCE: South 77°32'39" West along the South line of this tract and the North line of said residue tract for a distance of 52.84 feet to a ½ inch iron rod found for the Southeast corner of that certain tract of land (Item 1) conveyed by Paul Williams, et al, to Diamond Shamrock by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas. Said point being the Southwest corner of this tract.

THENCE: North 12°36'52" West along the West line of this tract, the East line of said

Item 1 conveyed to Diamond Shamrock and the Southernmost East line of said 93.5479 acres, for a distance of 1170.15 feet to a 5/8 inch iron rod found for an interior corner of said 93.5479 acres and the Northwest corner of this tract.

THENCE: North 76°29'43" East along the North line of this tract and the Easternmost North line of said 93.5479 acres for a distance of 135.01 feet to the PLACE OF BEGINNING and containing within these boundaries 3.619 acres of land.

TRACT 3

FIELD NOTES of a 27.727 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 27.727 acres being that same tract of land designated as Tract 3 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 27.727 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a 2-1/2 inch iron pipe found in the South line of that certain tract of land described in Deed from S. S. Hindman to Texas Eastern Transmission Corporation (as to an undivided 3 acre interest) dated March 10, 1960 and recorded in Volume 219 at Page 586 of the Deed Records of Chambers County, Texas and the Northwest corner of that certain 52.797 acre Tract 4 surveyed this date. Said point being the Northeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,049.78 and X=3,296,242.79.

THENCE: South 12°24'41" East along the East line of this tract and the West line of said Tract 4 surveyed this date for a distance of 634.89 feet to a ¾ inch iron pipe in concrete found for an angle point in said line.

THENCE: South 27°29'19" West along the East line of this tract and the West line of said Tract 4 surveyed this date for a distance of 692.21 feet to a ½ inch iron rod in concrete found for the Northeast corner of that certain residue tract of 36.46 acres conveyed by Paul T. Williams, et al, to Diamond Shamrock Corporation by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas. Said point being the Southeast corner of this tract.

THENCE: South 78°03'12" West along the South line of this tract and the North line of said residue tract for a distance of 688.00 feet to a ½ inch iron rod in concrete found for the Southeast corner of that certain 3.619 acre Tract 2 surveyed this date and the Southwest corner of this tract.

THENCE: North 12°30'08" West along the West line of this tract and the East line of said Tract 2 surveyed this date for a distance of 1172.19 feet to a ½ inch iron rod set for the Northeast corner of said Tract 2 surveyed this date, the Easternmost Southeast corner of that certain 93.5479 acres conveyed by Lubrizol Corporation to Diamond Shamrock Chemicals Company by Deed dated July 18, 1984 and recorded in Volume 590 at Page

491 of the Deed Records of Chambers County, Texas and the Southwest corner of that certain tract of land awarded to Lula Barber and recorded in Volume 4 at Page 77 of the Probate Minutes of Chambers County, Texas. Said point being the Northwest corner of this tract.

THENCE: North 78°11'13" East along the North line of this tract, the South line of said Lula Barber tract and the South line of said Texas Eastern Transmission Corporation tract for a distance of 1133.92 feet to the PLACE OF BEGINNING and containing within these boundaries 27.727 acres of land.

TRACT 4

AN UNDIVIDED 33 1/3% INTEREST IN AND TO:

FIELD NOTES of a 52.797 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 52.797 acres being that same tract of land designated as Tract 4 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 52.797 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a 2-1/2 inch iron pipe found in the South line of that certain tract of land described in Deed from S. S. Hindman to Texas Eastern Transmission Corporation (as to an undivided 3 acre interest) dated March 10, 1960 and recorded in Volume 219 at Page 586 of the Deed Records of Chambers County, Texas and the Northeast corner of that certain 27.727 acre Tract 3 surveyed this date. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,049.78 and X=3,296,242.79.

THENCE: North 77°46'15" East along the North line of this tract and the South line of said Texas Eastern Transmission Corporation tract for a distance of 118.56 feet to a 1 inch iron pipe in concrete found for the Southeast corner of said Texas Eastern Transmission Corporation tract and the Southwest corner of that certain 15.012 acre Tract 5 surveyed this date and an angle point in this line.

THENCE: North 77°49'51" East along the North line of this tract and the South line of said Tract 5 surveyed this date for a distance of 1253.74 feet to a ¾ inch iron pipe in concrete found in the West line of that certain tract of land conveyed by Nellie Lintelman, Guardian of the Estate of Zadie Fisher, NCM, to Texas Eastern Transmission Corporation by Deed dated March 20, 1962 and recorded in Volume 236 at Page 76 of the Deed Records of Chambers County, Texas. Said point being the Southeast corner of said Tract 5 surveyed this date and the Northeast corner of this tract.

THENCE: South 12°35'05" East along the Northernmost East line of this tract and the West line of said Texas Eastern Transmission Corporation tract last above mentioned for a distance of 196.86 feet to a ½ inch iron rod found in the West line of that certain 25.28 acres (First Tract) conveyed to Exxon Pipeline Corporation in Partition Deed dated July 22, 1971 and recorded in Volume 326 at Page 646 of the Deed Records of Chambers

County, Texas and the East line of that certain 30.15 acre tract of land conveyed by Paul T. Williams, et al, to Diamond Shamrock by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas. Said point being the Southernmost Northeast corner of this tract.

THENCE: North 73°11'49" West along an interior line of this tract and the North line of said 30.15 acres for a distance of 24.39 feet to a ½ inch iron rod found for an interior corner of this tract and an exterior corner of said 30.15 acres.

THENCE: South 24°53'10" West along an exterior East line of this tract and an exterior West line of said 30.15 acres for a distance of 87.78 feet to a 5/ 8 inch iron rod in concrete found for an exterior corner of this tract and an interior corner of said 30.15 acres.

THENCE: South 77°12'30" West along the Northernmost South line of this tract and the Westernmost North line of said 30.15 acres for a distance of 252.70 feet to a ¾ inch iron rod in concrete found for an interior corner of this tract and the Westernmost Northwest corner of said 30.15 acres.

THENCE: South 24°53'10" West along the East line of this tract and the West line of said 30.15 acres for a distance of 3099.88 feet to a point in the centerline of the new channel of Cedar Bayou for the Southeast corner of this tract.

THENCE: Along and with the meanders of the centerline of said channel and the South line of this tract as follows:

North 58°03'00" West for a distance of 167.44 feet.
North 88°36'00" West for a distance of 38.62 feet.
North 68°18'00" West for a distance of 235.15 feet.
North 76°06'00" West for a distance of 123.72 feet.
North 89°57'00" West for a distance of 60.78 feet.
North 78°14'00" West for a distance of 6.88 feet to a point in the center of said channel for the Southeast corner of that certain 32.50 acre tract of land conveyed by Gulf Oil Corporation to Chevron Chemical Company by Deed dated July 1, 1985 and recorded in Volume 598 at Page 31 of the Deed Records of Chambers County, Texas. Said point being the Southwest corner of this tract.

THENCE: North 27°54'51" East along the Southernmost West line of this tract and the East line of said 32.50 acres for a distance of 482.16 feet to an orange fence corner post found for an angle point in said line.

THENCE: North 07°56'22" East along the Southernmost West line of this tract and the East line of said 32.50 acres for a distance of 545.90 feet to a 5/8 inch iron rod found for an angle point in said line.

THENCE: North 46°21'06" West along the Southernmost West line of this tract and the

East line of said 32.50 acres and at 198.41 feet pass a ½ inch iron rod found for the Southeast corner of that certain 3.3180 acre Tract 1 surveyed this date, in all, a total distance of 310.68 feet to a ½ inch iron rod found in the South line of that certain residue of a tract of 36.46 acres conveyed by Paul T. Williams, et al, to Diamond Shamrock Corporation by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas at the Northeast corner of said Tract 1 surveyed this date. Said point being the Westernmost corner of this tract.

THENCE: North 77°59'27" East along the Westernmost North line of this tract and the South line of said 36.46 acres for a distance of 505.41 feet to an aluminum disk stamped "65K-14" found for the Southeast corner of said 36.46 acres and an interior corner of this tract.

THENCE: North 27°29'20" East along the Northernmost West line of this tract and at 129.83 feet pass a ½ inch iron rod in concrete found for the Northeast corner of said 36.46 acres and the Southeast corner of that certain 27.727 acre Tract 3 surveyed this date, in all, a total distance of 822.04 feet found a ¾ inch iron pipe in concrete for an angle point in said line.

THENCE: North 12°24'41" West along the Northernmost West line of this tract and the East line of said Tract 3 surveyed this date for a distance of 634.89 feet to the PLACE OF BEGINNING and containing within these boundaries 52.797 acres of land.

TRACT 5

FIELD NOTES of a 15.012 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 15.012 acres being that same tract of land designated as Tract 5 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 15.012 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ¾ inch iron pipe in concrete found in the West line of that certain tract of land conveyed by Nellie Lintelman, Guardian of the Estate of Zadie Fisher, NCM, to Texas Eastern Transmission Corporation by Deed dated March 20, 1962 and recorded in Volume 236 at Page 76 of the Deed Records of Chambers County, Texas at the Northeast corner of that certain 52.797 acre Tract 4 surveyed this date. Said point being the Southeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=752,054.92 and X=3,297,423.75.

THENCE: South 77°49'51" West along the South line of this tract and the North line of said Tract 4 surveyed this date for a distance of 1253.74 feet to a 1 inch iron pipe in concrete found for the Southwest corner of this tract and the Southeast corner of that certain tract of land described in Deed from S. S. Hindman to Texas Eastern Transmission Corporation (as to an undivided 3 acre interest) dated March 10, 1960 and recorded in Volume 219 at Page 586 of the Deed Records of Chambers County, Texas.

THENCE: North 12°33'54" West along the West line of this tract and the East line of Texas Eastern Transmission Corporation tract for a distance of 521.69 feet to a ¾ inch iron pipe in concrete found for the Southwest corner of that certain 5 acre tract of land conveyed by H. E. Fisher to Walter Keeble by Deed dated December 14, 1921 and recorded in Volume 27 at Page 640 of the Deed Records of Chambers County, Texas. Said point being the Northwest corner of this tract.
THENCE: North 77°50'15" East along the North line of this tract and the South line of said 5 acres for a distance of 1253.56 feet to a ¾ inch iron pipe in concrete (leaning) found in the West line of said Texas Eastern Transmission Corporation tract first mentioned above. Said point being the Southeast corner of said 5 acres and the Northeast corner of this tract.

THENCE: South 12°35'05" East along the East line of this tract and the West line of said Texas Eastern Transmission Corporation tract for a distance of 521.55 feet to the PLACE OF BEGINNING and containing within these boundaries 15.012 acres of land.

TRACT 6

FIELD NOTES of a 0.998 of an acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 0.998 of an acre being that same tract of land designated as Tract 6 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 0.998 of an acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod set in the West line of that certain tract of land conveyed by Nellie Lintelman, Guardian of the Estate of Zadie Fisher, NCM, to Texas Eastern Transmission Corporation by Deed dated March 20, 1962 and recorded in Volume 236 at Page 76 of the Deed Records of Chambers County, Texas at the Easternmost Northeast corner of that certain 5 acre tract of land conveyed by H. E. Fisher to Walter Keeble by Deed dated December 14, 1921 and recorded in Volume 27 at Page 640 of the Deed Records of Chambers County, Texas. Said point being the Southeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=752,054.92 and X=3,297,423.75.

THENCE: South 77°50'15" West along the South line of this tract and the Easternmost North line of said 5 acres for a distance of 626.40 feet to a ½ inch iron rod in concrete found for the Southwest corner of this tract and an interior corner of said 5 acres.

THENCE: North 12°58'42" West along the West line of this tract and the Northernmost East line of said 5 acres for a distance of 69.38 feet to a ½ inch iron rod in concrete found in the South line of that certain 8 acre tract of land conveyed by Fleda M. Schilling to Texas Eastern Transmission Corporation by Deed dated May 11, 1960 and recorded in Volume 221 at Page 437 of the Deed Records of Chambers County, Texas. Said point being the Northernmost Northeast corner of said 5 acres and the Northwest corner of this tract.

THENCE: North 77°50'15" East along the North line of this tract and the South line of said 8 acres for a distance of 626.40 feet to a ½ inch iron rod found in the West line of the first above mentioned Texas Eastern Transmission Corporation tract for the Southeast corner of said 8 acres and the Northeast corner of this tract.

THENCE: South 12°58'42" East along the East line of this tract and the West line of said Texas Eastern Transmission Corporation tract for a distance of 69.38 feet to the PLACE OF BEGINNING and containing within these boundaries 0.998 of an acre of land.

TRACT 7

FIELD NOTES of a 56.965 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 56.965 acres being that same tract of land designated as Tract 7 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 56.965 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found in the East right-of-way line of the Dayton-Goose Creek Railroad (100 feet wide right-of-way) at the Southwest corner of that certain tract of land conveyed by Paul T. Williams, et al, to Diamond Shamrock by Deed dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=749,217.48 and X=3,297,043.66.

THENCE: North 77°17'24" East along the North line of this tract, the South line of the above mentioned Diamond Shamrock tract and the South line of that certain 12.32 acres (Item 4) described in Deed from Paul T. Williams, et al, to Diamond Shamrock dated August 18, 1977 and recorded in Volume 403 at Page 257 of the Deed Records of Chambers County, Texas, for a distance of 2085.00 feet to a ½ inch iron rod, with cap, set in the Northernmost West line of that certain residue of a 9.4 acre tract of land conveyed to A. A. Davidson, et al, and recorded in Volume 25 at Page 113 and Volume 32 at Page10 of the Deed Records of Chambers County, Texas. Said point being the Northeast corner of this tract.

THENCE: South 11°18'37" East along the East line of this tract, the Northernmost West line of said 9.4 acre tract, the West line of that certain 0.2733 of an acre Tract 8 surveyed this date, the West line of that certain 2.6043 acre Tract 30 surveyed this date, and the West line of the Warren Petroleum Subdivision as recorded in Volume "A" at Page 46 of the Map Records of Chambers County, Texas and Volume 2 at Page 107 of the Map Records of Chambers County, Texas for a distance of 1020.27 feet to a 2 inch iron pipe (leaning) found in the North line of a tract described in Partition Deed dated April 3, 1950 between O. Z. Smith, et al, recorded in Volume 120 at Page 632 of the Deed Records of Chambers County, Texas for the Southwest corner of said Tract 30, the Southwest corner of Lot 1 of said Warren Petroleum Subdivision and the Southeast corner of this tract.

THENCE: South 77°45'39" West along the South line of this tract and the North line of said Partition tract for a distance of 2827.65 feet to a ½ inch iron rod in concrete found in the East right-of-way line of said Dayton-Goose Creek Railroad for the Southwest corner of this tract.

THENCE: North 24°53'10" East along the West line of this tract and the East right-of-way line of said Dayton-Goose Creek Railroad for a distance of 1257.97 feet to the PLACE OF BEGINNING and containing within these boundaries 56.965 acres of land.

TRACT 8

FIELD NOTES of a 0.2733 of an acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 0.2733 of an acre being that same tract of land designated as Tract 8 on plat of record in Volume "B" at Page 126 of the Map Records of Chambers County, Texas. This 0.2733 of an acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod in concrete found for the Westernmost Southwest corner of that certain residue of a 9.4 acre tract of land conveyed to A. A. Davidson, et al, by Deeds recorded in Volume 25 at Page 113 and Volume 32 at Page 10 of the Deed Records of Chambers County, Texas, in the East line of that certain 56.965 acre Tract 7 surveyed this date. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=749,568.24 and X=3,299,098.95.

THENCE: North 77°58'10" East along the North line of this tract and the Westernmost South line of said 9.4 acre tract for a distance of 170.05 feet to a ½ inch iron rod in concrete found for the Northeast corner of this tract and an interior corner of said 9.4 acres.

THENCE: South 11°18'37" East along the East line of this tract and the Southernmost West line of said 9.4 acre tract for a distance of 70.00 feet to a ½ inch iron rod in concrete found in the North line of Pablo Street (60 feet wide right-of-way) as shown on Plat of Warren Petroleum Subdivision recorded in Volume "A" at Page 46 of the Map Records of Chambers County, Texas, for the Southeast corner of this tract and the Southernmost Southwest corner of said 9.4 acres.

THENCE: South 77°58'10" West along the South line of this tract and the North line of said Warren Petroleum Subdivision and the North line of that certain 2.6043 acre Tract 30 surveyed this date for a distance of 170.05 feet to a ¾ inch iron rod in concrete found in the East line of said Tract 7 for the Southwest corner of this tract and the Northwest corner of said Tract 30 surveyed this date.

THENCE: North 11°18'37" West along the West line of this tract and the East line of said Tract 7 surveyed this date for a distance of 70.00 feet to the PLACE OF BEGINNING and containing within these boundaries 0.2733 of an acre of land.

TRACT 10

FIELD NOTES of a 0.3821 of an acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 0.3821 of an acre being that same tract of land designated as Tract 10 on plat of record in Volume "A" at Page 127 of the Map Records of Chambers County, Texas. This 0.3821 of an acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at an iron bar in concrete found in the West line of a residue of 10.84 acres described in Deed dated December 2, 1901 and recorded in Volume "N" at Page 504 of the Deed Records of Chambers County, Texas at the Northeast corner of that certain 1.1842 acre (called 1.18 acres) surveyed this date and described in Correction Deed by and between Chevron U.S.A. Inc., Dynegy Holdings, Inc. and Dynegy Midstream Services, Limited Partnership signed on March 7, 2002 and effective August 31, 1996, and recorded in Volume 548 at Page 412 of the Official Public Records of Chambers County, Texas. Said point being the Southeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=753,057.84 and X=3,301,402.49.

THENCE: South 58°35'04" West along the South line of this tract and the North line of said 1.1842 acres for a distance of 83.59 feet to a ½ inch iron pipe in concrete found in the East right-of-way line of State Highway 146 (120 feet wide right-of-way) for the Northwest corner of said 1.1842 acres and the Southwest corner of this tract.

THENCE: North 07°19'24" West along the West line of this tract and the East right-of-way line of said State Highway 146 for a distance of 436.19 feet to an iron pipe in concrete found for the Northernmost corner of this tract, in the West line of said 10.84 acres.

THENCE: South 18°04'08" East along the East line of this tract and the West line of said 10.84 acres for a distance of 409.25 feet to the PLACE OF BEGINNING and containing within these boundaries 0.3821 of an acre of land.

TRACT 12

FIELD NOTES of a 3.245 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 3.245 acres being that same tract of land designated as Tract 12 on plat of record in Volume "A" at Page 127 of the Map Records of Chambers County, Texas. This 3.245 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found in the intersection of the East right-of-way line of State Highway 146 (120 feet wide right-of-way) and the South right-of-way line of F. M. Loop No. 207 (80 feet wide right-of-way). Said point being the Northernmost Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,246.41 and X=3,301,404.00.

THENCE: North 32°57'00" East along the North line of this tract and the South right-of-way line of said F. M. Loop No. 207 for a distance of 305.59 feet to a ½ inch iron rod in concrete found for the Northernmost Northeast corner of this tract and the Northwest corner of that certain 0.399 of an acre tract (Lot 5) excepted in Deed dated December 18, 1959 and recorded in Volume 236 at Page 534 of the Deed Records of Chambers County, Texas.

THENCE: South 53°39'37" East along the Northernmost East line of this tract and the West line of said 0.399 of an acre Lot 5 for a distance of 160.91 feet to a ½ inch iron rod found in the North line of that certain 8.60 acre tract of land conveyed by Gulf Oil Corporation to Diamond Alkali Company by Deed dated February 3, 1959 and recorded in Volume 212 at Page 345 of the Deed Records of Chambers County, Texas for the Southwest corner of said 0.399 of an acre Lot 5. Said point being the Easternmost Northeast corner of this tract.

THENCE: South 49°18'16" West along the Easternmost South line of this tract and the North line of said 8.60 acres for a distance of 352.20 feet to an iron rod found for the Northwest corner of said 8.60 acres and an interior corner of this tract.

THENCE: South 16°55'40" East along the Southernmost East line of this tract and the West line of said 8.60 acres for a distance of 559.08 feet to an iron rod found for the Southwest corner of said 8.60 acres and an exterior corner of that certain 47.6187 acres (Tract 3) conveyed by Gulf Oil Corporation to Diamond Shamrock Corporation and

recorded in Volume 437 at Page 632 of the Deed Records of Chambers County, Texas, and an angle point in said line.

THENCE: South 15°57'15" East along the Southernmost East line of this tract and an exterior line of said 47.6187 acres for a distance of 56.92 feet to an iron pipe found for the Southeast corner of this tract and an interior corner of said 47.6187 acres.

THENCE: South 57°51'02" West along the Westernmost South line of this tract and an exterior North line of said 47.6187 acres for a distance of 212.23 feet to an iron rod found for the Southeast corner of that certain 0.371 of an acre conveyed by Martin W. Bransford to J. R. Oliver by Deed dated February 15, 1977 and recorded in Volume 393 at Page 741 of the Deed Records of Chambers County, Texas and the Southwest corner of this tract.

THENCE: North 17°17'33" West along the Southernmost West line of this tract and the East line of said 0.371 of an acre tract for a distance of 319.03 feet to a ½ inch iron rod found in the East right-of-way line of said State Highway 146 for the Northernmost corner of said 0.371 of an acre tract and the Southernmost Northwest corner of this tract. Said point being in a curve to the left along said right-of-way line, concave Westerly.

THENCE: Along and around said curve to the left, in a Northerly direction, along the Southernmost West line of this tract and the East right-of-way line of said State Highway 146, said curve having a radius of 5789.42 feet, a central angle of 04°39'55" and a chord bearing and distance of North 08°12'42" East 471.27 feet, for an arc length of 471.40 feet to the PLACE OF BEGINNING and containing within these boundaries 3.245 acres of land.

TRACT 13

FIELD NOTES of a 1.0104 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 1.0104 acres being that same tract of land designated as Tract 13 on plat of record in Volume "B" at Page 127 of the Map Records of Chambers County, Texas. This 1.0104 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found in the South line of the W. D. Smith Survey, Abstract 24 and the North line of the William Bloodgood League, Abstract 4, Chambers County, Texas, and the South line of that certain 121.5 acre tract of land (Tract 1) conveyed by Lonnie Earl Williams and Dorothy Louise Williams to Valerie Jean Nix and Karen Gilbert Clamon by Deed dated March 6, 1993 and recorded in Volume 201 at Page 225 of the Official Public Records of Chambers County, Texas at the Northeast corner of that certain 14.000 acre tract of land (Tract 2) conveyed by Chevron U.S.A. Inc. to TE Products Pipeline Company by Deed dated November 30, 1995 and recorded in Volume 282 at Page 766 of the Official Public Records of Chambers County, Texas. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,887.59 and X=3,290,162.11.

THENCE: North 77°07'35" East along the North line of this tract, the North line of said Bloodgood League, the South line of said Smith Survey and the South line of said 121.5 acres for a distance of 132.12 feet to a ½ inch iron rod found for the Northwest corner of that certain 14.000 acre Tract 14 surveyed this date. Said point being the Northeast corner of this tract.

THENCE: South 12°41'43" East along the East line of this tract and the West line of said Tract 14 for a distance of 333.14 feet to a ½ inch iron rod found for the Northwest corner of that certain 15.5465 acre Tract 15 surveyed this date, the Southwest corner of said Tract 14 and the Southeast corner of this tract.

THENCE: South 77°07'33" West along the South line of this tract and the North line of said 8.1752 acres for a distance of 132.12 feet to a ½ inch iron rod found for the Southwest corner of this tract and the Southeast corner of the heretofore mentioned 14.000 acre tract.

THENCE: North 12°41'43" West along the West line of this tract and the East line of said 14.000 acres for a distance of 333.14 feet to the PLACE OF BEGINNING and containing within these boundaries 1.0104 acres of land.

TRACT 14

FIELD NOTES of a 7.000 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 7.000 acres being that same tract of land designated as Tract 14 on plat of record in Volume "B" at Page 127 of the Map Records of Chambers County, Texas. This 7.000 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found in the South line of the W. D. Smith Survey, Abstract 24 and the North line of the William Bloodgood League, Abstract 4, Chambers County, Texas and the South line of that certain 121.5 acres (Tract 1) conveyed by Lonnie Earl Williams and Dorothy Louise Williams to Valerie Jean Nix and Karen Gilbert Clamon by Deed dated March 6, 1993 and recorded in Volume 201 at Page 225 of the Official Public Records of Chambers County, Texas at the Northeast corner of that certain 1.0104 acre Tract 13 surveyed this date. Said point being the Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,917.03 and X=3,290,290.90.

THENCE: North 77°07'35" East along the North line of this tract, the North line of said Bloodgood League, the South line of said Smith Survey and the South line of said 121.5 acres for a distance of 915.31 feet to a ½ inch iron rod found for the Northwest corner of that certain Tract 1 conveyed by Chevron U.S.A. Inc. to TE Products Pipeline Company by Deed dated November 30, 1995 and recorded in Volume 282 at Page 766 of the Official Public Records of Chambers County, Texas. Said point being the Northeast corner of this tract.

THENCE: South 12°41'43" East along the East line of this tract and the West line of said TE Products Pipeline Company Tract 1 for a distance of 333.13 feet to a ½ inch iron rod found in the North line of that certain 8.164 acre tract conveyed by Sunray Dx Oil Co., et al, to Texas Eastern Transmission Corp. by Deed dated July 12, 1962 and recorded in Volume 237 at Page 481 of the Deed Records of Chambers County, Texas. Said point being the Southwest corner of said TE Products Pipeline Company Tract 1, the Northeast corner of that certain 15.5465 acre Tract 16 surveyed this date and the Southeast corner of this tract.

THENCE: South 77°07'33" West along the South line of this tract, the North line of said

8.164 acres, the North line of that certain 8.1752 acres conveyed by First City Bank of Dallas to Texas Eastern Transmission Corp. by Deed dated May 18, 1988 and recorded in Volume 51 at Page 71 of the Official Public Records of Chambers County, Texas, and the North line of said Tract 15 for a distance of 915.31 feet to a ½ inch iron rod found for the Southwest corner of this tract, the Northwest corner of said Tract 15 and the Southeast corner of said Tract 13.

THENCE: North 12°41'43" West along the West line of this tract and the East line of said Tract 13 surveyed this date for a distance of 333.14 feet to the PLACE OF BEGINNING and containing within these boundaries 7.000 acres of land.

TRACT 15

FIELD NOTES of a 15.5465 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 15.5465 acres being that same tract of land designated as Tract 15 on plat of record in Volume "B" at Page 127 of the Map Records of Chambers County, Texas. This 15.5465 acre tract of land is more particularly described by the following metes and bounds, towit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found for the Southwest corner of that certain tract of land conveyed by Chevron U.S.A. Inc. to TE Products Pipeline Company (Tract 1) by Deed dated November 30, 1995 and recorded in Volume 282 at Page 766 of the Official Public Records of Chambers County, Texas and the Southeast corner of that certain 7.000 acre Tract 14 surveyed this date. Said point being in the North line of that certain 8.164 acre tract conveyed by Sunray Dx Oil Co., et al, to Texas Eastern Transmission Corp. by Deed dated July 12, 1962 and recorded in Volume 237 at Page 481 of the Deed Records of Chambers County, Texas and being the Northeast corner and POINT OF BEGINNING of this tract. Said point having a State Plane Coordinate value of Y=751,592.07 and X=3,290,364.10.

THENCE: South 12°41'43" East along the East line of this tract for a distance of 739.87 feet to a ½ inch iron rod found for the Southeast corner of this tract.

THENCE: South 77°07'35" West along the South line of this tract for a distance of 915.31 feet to a ½ inch iron rod found for the Southwest corner of this tract.

THENCE: North 12°41'43" West along the West line of this tract for a distance of 739.86 feet to a ½ inch iron rod found in the North line of that certain 8.1752 acre tract of land conveyed by First City Bank of Dallas to Texas Eastern Transmission Corp. by Deed dated May 18, 1988 and recorded in Volume 51 at Page 71 of the Official Public Records of Chambers County, Texas for the Southwest corner of said Tract 14 surveyed this date. Said point being the Southeast corner of that certain 1.0104 acre Tract 13 surveyed this date and the Northwest corner of this tract.

THENCE: North 77°07'33" East along the North line of this tract, the South line of said Tract 14, the North line of said 8.1752 acres and the North line of said 8.164 acres for a distance of 915.31 feet to the PLACE OF BEGINNING and containing within these boundaries 15.5465acres of land.

TRACT 16

FIELD NOTES of a 6.97 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 6.97 acres being that same tract of land designated as Tract 16 on plat of record in Volume "B" at Page 127 of the Map Records of Chambers County, Texas. This 6.97 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod found in the East line of that certain 13.897 acre tract of land conveyed by Mrs. Valliere S. Collier to Texas Eastern Transmission Corporation by Deed dated July 12, 1960 and recorded in Volume 224 at Page 516 of the Deed Records of Chambers County, Texas and the Southernmost West line of that certain 32.191 acre tract of land described in said Deed from Collier to Texas Eastern Transmission Corporation. Said point being the Westernmost Northwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=751,381.81 and X=3,293,225.92.

THENCE: North 78°16'22" East along the Westernmost North line of this tract and the Easternmost South line of said 32.191 acres for a distance of 1029.66 feet to a ¾ inch iron pipe found for the Southeast corner of said 32.191 acres and an interior corner of this tract.

THENCE: North 12°14'31" West along the Northernmost West line of this tract and the East line of said 32.191 acres for a distance of 191.45 feet to a ¾ inch iron pipe found for the Southwest corner of that certain 33 acre tract of land awarded to Irene Barber by Decree recorded in Volume "C" at Page 225 of the Probate Minutes of Chambers County, Texas. Said point being the Northernmost Northwest corner of this tract.

THENCE: North 77°43'57" East along the Easternmost North line of this tract and the South line of said 33 acres for a distance of 707.88 feet to an iron rod found for the Northwest corner of that certain 3.567 acre tract of land conveyed by O. E. Barber, Guardian of the Estate of Zadie Fisher, NCM, to Texas Eastern Corporation by Deed dated January 10, 1960 and recorded in Volume 222 at Page 254 of the Deed Records of Chambers County, Texas and the Northeast corner of this tract.

THENCE: South 12°34'55" East along the East line of this tract and the West line of said 3.567 acres and the West line of that certain 3.57 acre tract conveyed to Jenira Pruett

Estate by award of Special Commissioners in Estate of W. D. Fisher, Dec'd, Cause #272 of the Probate Court of Chambers County, Texas and recorded in Volume 4 at Page 77 of the Probate Minutes of the Chambers County, Texas, for a distance of 293.20 feet to a ½ inch iron rod found for the Southeast corner of this tract and the Northeast corner of that certain 93.5479 acre tract of land conveyed by Lubrizol Corporation to Diamond Shamrock Chemicals Company by Deed dated July 18, 1984 and recorded in Volume 590 at Page 491 of the Deed Records of Chambers County, Texas.

THENCE: South 78°16'22" West along the South line of this tract and the North line of said 93.5479 acres for a distance of 1745.90 feet to a ½ inch iron rod found in the East line of the heretofore mentioned 13.897 acre tract for the Southwest corner of this tract.

THENCE: North 08°16'21" West along the Southernmost West line of this tract and the East line of said 13.897 acres for a distance of 95.23 feet to the PLACE OF BEGINNING and containing within these boundaries 6.97 acres of land.

TRACT 30

FIELD NOTES of a 2.6043 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 2.6043 acres being odd numbered Lots 1-27 of the Warren Petroleum Subdivision as recorded in Volume "A" at Page 46 of the Map Records of Chambers County, Texas and Volume 2 at Page 107 of the Map Records of Chambers County, Texas and being that same tract of land designated as Tract 30 on plat of record in Volume "B" at Page 128 of the Map Records of Chambers County, Texas. This 2.6043 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a 2 inch iron pipe (leaning) found in the North line of that certain tract of land Partitioned between O. Z. Smith, et al, dated April 3, 1950 and recorded in Volume 120 at Page 632 of the Deed Records of Chambers County, Texas at the Southeast corner of that certain 56.965 acre Tract 7 surveyed this date. Said point being the Southwest corner of said Lot 1 and being the Southwest corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=748,675.81 and X=3,299,277.45.

THENCE: North 11°18'37" West along the West line of this tract, the West line of said odd numbered Lots 1-27 and the East line of said tract 7 surveyed this date for a distance of 840.20 feet to a ¾ inch iron rod in concrete found for the Northwest corner of said Lot 27, the Southwest corner of that certain 0.2733 of an acre Tract 8 surveyed this date and the Northwest corner of this tract.

THENCE: North 77°58'10" East along the North line of this tract, the North line of said Lot 27 and the South line of said Tract 8 surveyed this date for a distance of 135.05 feet to a ¾ iron rod in concrete found for the Northwest corner of Pablo Street (60 feet wide right-of-way), the Northeast corner of said Lot 27 and the Northeast corner of this tract.

THENCE: South 11°18'40" East along the East line of this tract, the West right-of-way line of said Pablo Street and the East line of said odd numbered Lots 1-27 for a distance of 839.93 feet to a point at the Southeast corner of said Lot 1 and the intersection of the West right-of-way line of Pablo Street with the South line of Warren Road (60 feet wide right-of-way) for the Southeast corner of this tract in the North line of the heretofore mentioned Partition tract.

THENCE: South 77°51'18" West along the South line of this tract, the South line of said Lot 27 and the North line of said Partition tract for a distance of 135.05 feet to the PLACE OF BEGINNING and containing within these boundaries 2.6043 acres of land.

TRACT 31

FIELD NOTES of a 2.3387 acre tract of land situated in the William Bloodgood League, Abstract 4, Chambers County, Texas and being a part of that same land described in Exhibit "A" to Deed from Chevron U.S.A. Inc. to Midstream Combination Corp. dated effective August 31, 1996 and recorded in Volume 308 at Page 85 of the Official Public Records of Chambers County, Texas. Said 2.3387 acres being even numbered Lots 2-26 of the Warren Petroleum Subdivision as recorded in Volume "A" at Page 46 of the Map Records of Chambers County, Texas and Volume 2 at Page 107 of the Map Records of Chambers County, Texas and being that same tract of land designated as Tract 31 on plat of record in Volume "B" at Page 128 of the Map Records of Chambers County, Texas. This 2.3387 acre tract of land is more particularly described by the following metes and bounds, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 DATUM. ALL DISTANCES ARE ACTUAL DISTANCES.

BEGINNING at a ½ inch iron rod in concrete found at the Southeast corner of that certain residue of 9.4 acres conveyed to A. A. Davidson, et al, by Deeds recorded in Volume 25 at Page 113 and Volume 32 at Page 10 of the Deed Records of Chambers County, Texas, in the West line of that certain 4.5 acre tract of land conveyed by Mills Bennett Estate to The Texas Company by Deed dated July 18, 1921 and recorded in Volume 14 at Page 613 of the Deed Records of Chambers County, Texas. Said point being the Northeast corner of said Lot 26 and being the Northeast corner and POINT OF BEGINNING of this tract and having a State Plane Coordinate value of Y=749,566.66 and X=3,299,427.28.

THENCE: South 11°52'57" East along the East line of this tract, the East line of said even numbered Lots 2-26 and the West line of said 4.5 acres for a distance of 780.9 feet to a ½ inch iron rod found in the North right-of-way line of Warren Road (60 feet wide right-of-way) for the Southeast corner of this tract, the Southwest corner of said 4.5 acres and the Southeast corner of said Lot 2.

THENCE: South 78°22'42" West along the South line of this tract, the South line of said Lot 2 and the North right-of-way line of Warren Road for a distance of 134.43 feet to a ½ inch iron rod found for the Southwest corner of this tract, the Southwest corner of said Lot 2 and the Southeast corner of Pablo Street (60 feet wide right-of-way).

THENCE: North 11°18'40" West along the West line of this tract, the West line of said even numbered Lots 2-26 and the East right-of-way line of said Pablo Street for a distance of 780.00 feet to a ¾ inch iron rod in concrete found in the Easternmost South line of said 9.4 acres at the Northeast corner of said Pablo Street, the Northwest corner of said Lot 26 and the Northwest corner of this tract.

THENCE: North 77°58'10" East along the North line of this tract, the North line of said Lot 26 and the Easternmost South line of said 9.4 acres for a distance of 126.64 feet to the PLACE OF BEGINNING and containing within these boundaries 2.3387 acres of land.

EXHIBIT 3

APPLICANT'S QUALIFIED INVESTMENT

Proposed Project Description
Targa Downstream LLC proposes to build a new 100,000bbl/day NGL Fractionator in Mont Belvieu, Texas.

NGL Fractionation
NGL fractionation is the process of manufacturing raw NGL mix produced by natural gas processing plants into discrete NGL purity components (i.e., ethane, propane, normal butane, iso-butane, and natural gasoline).

Fractionation Process
The fractionation process is accomplished by applying heat and pressure to the mixture of raw NGL hydrocarbons and separating each discrete product at the different boiling points for each NGL component of the mixture. The raw NGL mixture is passed through a specific series of distillation towers: deethanizer, depropanizer, debutanizer, and deisobutanizer. The name of each of these towers corresponds to the NGL component that is separated in that tower. The raw NGL mixture first passes through the deethanizer, where its temperature is increased to the point where ethane (the lightest component) boils off the top of the tower as a gas and is condensed into a purity liquid that is routed to storage. The heavier components in the mixture at the bottom of the tower (i.e., propane, butane, isobutane, and natural gasoline) are routed to the second tower (depropanizer), where the process is repeated and the net lightest component (propane) is separated. This process is repeated until the mixture of liquids has been separated into its purity components. This facility will also be built with the necessary equipment to produce International Grade Propane.

Demand for NGLs
Sources of U.S. NGL demand include petrochemical consumption, gasoline blending, heating and fuel, and exports. Demand is driven primarily by the petrochemical industry, which accounts for 40-50% of total consumption. The U.S. petrochemical industry uses NGL products as feedstock (i.e. raw material) to produce ethylene, propylene, and butadiene (also known as olefins).

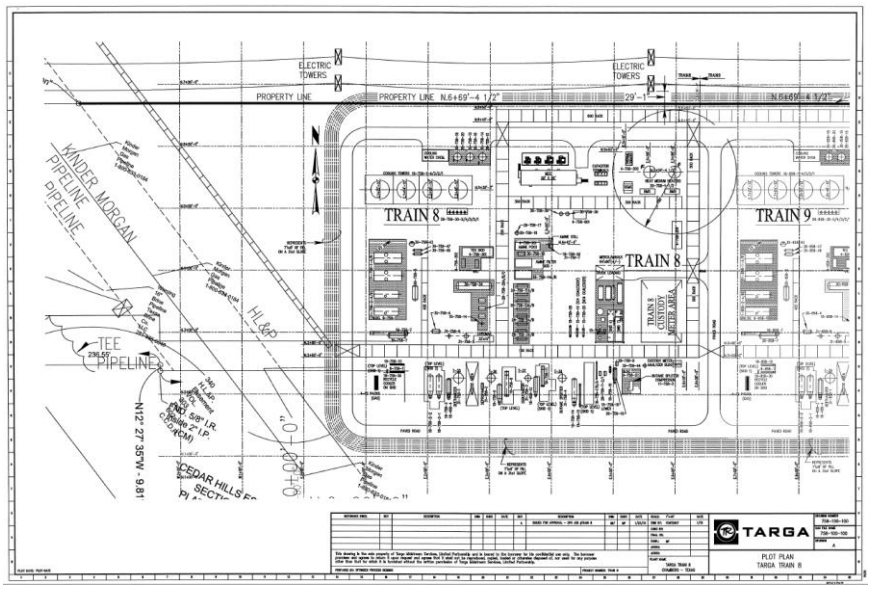
The following factors influence demand for each individual NGL component:

- **Ethane.** Essentially all of the ethane extracted from natural gas is consumed by the petrochemical industry as a feedstock for ethylene production. (Ethylene is a building block for polyethylene, which is the most popular plastic in the world.)
- **Propane.** Approximately 25-30% of propane is used as a feedstock by the petrochemical industry to produce ethylene and propylene. (Like ethylene, propylene is an important building block used in the manufacture of plastics.) The bulk of the remaining demand for propane is primarily as a heating fuel in the residential and commercial markets.
- **Normal butane.** Normal butane is used as a petrochemical feedstock for the production of ethylene and butadiene (used to make synthetic rubber), as a blendstock for motor gasoline, and as a feedstock to create isobutene.
- **Isobutane.** Isobutane has the same molecular formula as normal butane, but a different structural formula (i.e., atoms are rearranged). Isobutane is used in refinery alkylation to enhance the octane content of motor gasoline.
- **Natural gasoline.** Natural gasoline is used primarily as a blendstock.

<u>List of Improvements</u>

Plant Components

- DeEthanizer
- DePropanizer
- Debutanizer
- Towers
- Heat Medium
- Gasoline Treater
- Compression Equipment



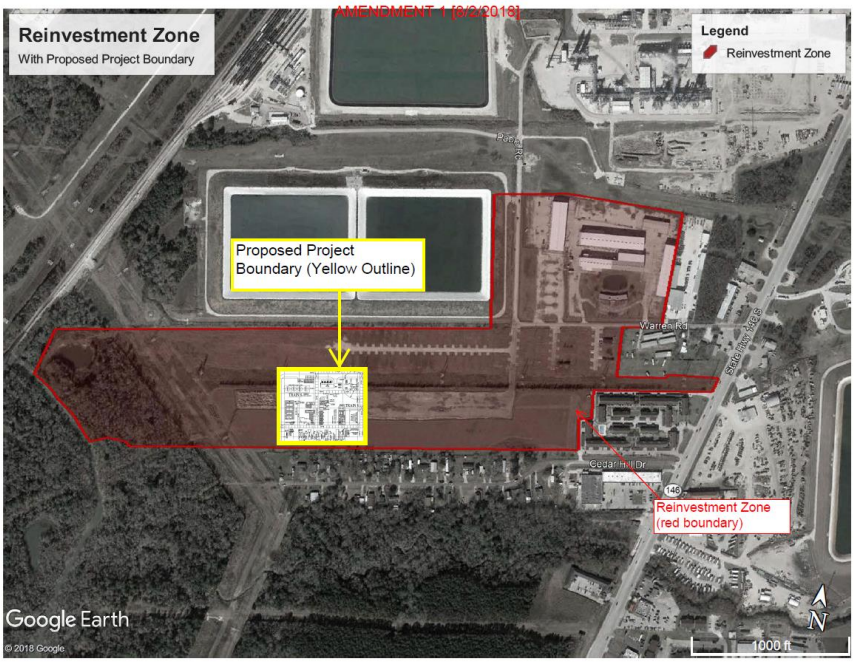


EXHIBIT 4

DESCRIPTION AND LOCATION OF QUALIFIED PROPERTY

Proposed Project Description
Targa Downstream LLC proposes to build a new 100,000bbl/day NGL Fractionator in Mont Belvieu, Texas.

NGL Fractionation
NGL fractionation is the process of manufacturing raw NGL mix produced by natural gas processing plants into discrete NGL purity components (i.e., ethane, propane, normal butane, iso-butane, and natural gasoline).

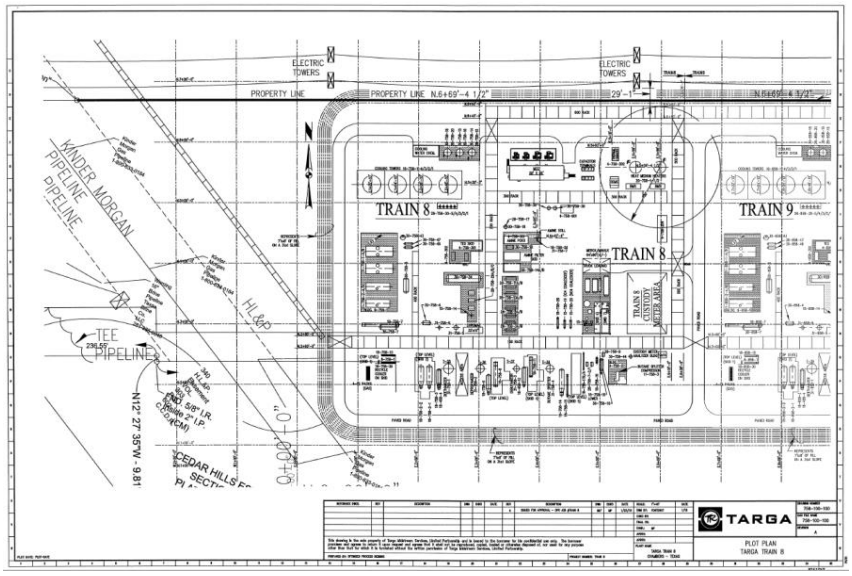
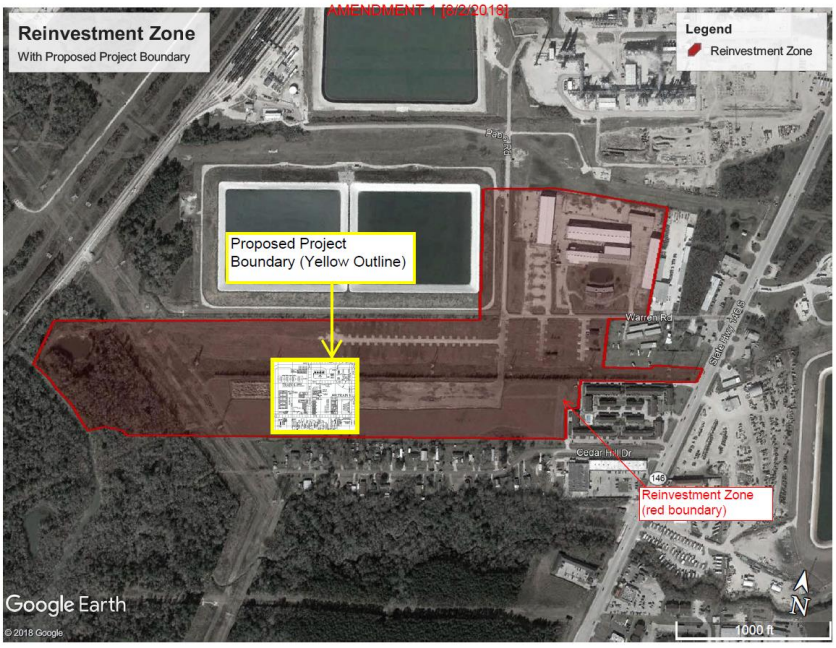
Fractionation Process
The fractionation process is accomplished by applying heat and pressure to the mixture of raw NGL hydrocarbons and separating each discrete product at the different boiling points for each NGL component of the mixture. The raw NGL mixture is passed through a specific series of distillation towers: deethanizer, depropanizer, debutanizer, and deisobutanizer. The name of each of these towers corresponds to the NGL component that is separated in that tower. The raw NGL mixture first passes through the deethanizer, where its temperature is increased to the point where ethane (the lightest component) boils off the top of the tower as a gas and is condensed into a purity liquid that is routed to storage. The heavier components in the mixture at the bottom of the tower (i.e., propane, butane, isobutane, and natural gasoline) are routed to the second tower (depropanizer), where the process is repeated and the net lightest component (propane) is separated. This process is repeated until the mixture of liquids has been separated into its purity components. This facility will also be built with the necessary equipment to produce International Grade Propane.

Demand for NGLs
Sources of U.S. NGL demand include petrochemical consumption, gasoline blending, heating and fuel, and exports. Demand is driven primarily by the petrochemical industry, which accounts for 40-50% of total consumption. The U.S. petrochemical industry uses NGL products as feedstock (i.e. raw material) to produce ethylene, propylene, and butadiene (also known as olefins).

The following factors influence demand for each individual NGL component:

- **Ethane.** Essentially all of the ethane extracted from natural gas is consumed by the petrochemical industry as a feedstock for ethylene production. (Ethylene is a building block for polyethylene, which is the most popular plastic in the world.)
- **Propane.** Approximately 25-30% of propane is used as a feedstock by the petrochemical industry to produce ethylene and propylene. (Like ethylene, propylene is an important building block used in the manufacture of plastics.) The bulk of the remaining demand for propane is primarily as a heating fuel in the residential and commercial markets.
- **Normal butane.** Normal butane is used as a petrochemical feedstock for the production of ethylene and butadiene (used to make synthetic rubber), as a blendstock for motor gasoline, and as a feedstock to create isobutene.
- **Isobutane.** Isobutane has the same molecular formula as normal butane, but a different structural formula (i.e., atoms are rearranged). Isobutane is used in refinery alkylation to enhance the octane content of motor gasoline.
- **Natural gasoline.** Natural gasoline is used primarily as a blendstock.

<u>List of Improvements</u>

Plant Components

- DeEthanizer
- DePropanizer
- Debutanizer
- Towers
- Heat Medium
- Gasoline Treater
- Compression Equipment