

**FINDINGS OF THE BARBERS HILL
INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
LONE STAR NGL ASSET HOLDINGS II, LLC**



September 23, 2013

**FINDINGS
OF THE
BARBERS HILL INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
LONE STAR NGL ASSET HOLDINGS II, LLC
(APPLICATION #251)**

SEPTEMBER 23, 2013

Board Findings of the Barbers Hill Independent School District

FINDINGS OF THE BARBERS HILL INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
LONE STAR NGL ASSET HOLDINGS II, LLC

STATE OF TEXAS

§

COUNTY OF CHAMBERS

§

On the 23rd day of September, 2013, 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 Lone Star NGL Asset Holdings II, LLC (Lone Star) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Barbers Hill Independent School District makes the following findings with respect to the application of Lone Star, and the economic impact of that application:

On November 26, 2012, 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 Lone Star for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached as **Attachment A**.

The Applicant, Lone Star (Texas Taxpayer Id. 32044534082), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be in good standing with the Texas Comptroller of Public Accounts. See **Attachment B**.

The Board of Trustees has acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy.

Board Findings of the Barbers Hill Independent School District

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 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a favorable recommendation was issued on February 22, 2013. A copy of the Comptroller's letter is attached to the findings as **Attachment C**.

After receipt of the Application, the Texas Comptroller of Public Accounts caused to be conducted an economic impact evaluation pursuant to Texas Tax Code § 313.026 and the Board of Trustees has carefully considered such evaluation. A copy of the economic impact evaluation is attached to these findings as **Attachment D**.

The Board of Trustees also directed that a specific financial analysis be conducted of the impact of the proposed value limitation on the finances of the Barbers Hill Independent School District. A copy of a report prepared by Moak, Casey & Associates, Inc. is attached to these findings as **Attachment E**.

The Board of Trustees has confirmed that the taxable value of property in the Barbers Hill Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in **Attachment F**.

After receipt of the Application, the District entered into negotiations with Lone Star, over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The proposed Agreement is attached to these findings as **Attachment G**.

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

Board Finding Number 1.

There is a strong relationship between the Applicant's industry and the types of qualifying jobs to be created by the Applicant and the long-term economic growth plan of this State as described in the strategic plan for economic development (ED Plan) submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Texas Government Code.

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

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

Board Finding Number 2.

The economic condition of Mont Belvieu, Texas is in need of long-term improvement, based on the state's analysis of Chambers County data.

Based on information provided by the Comptroller's Office that focused on the county level, Chambers County is the 91st largest county in the state in terms of population. Population growth in Chambers County is up; the population of Chambers County grew by 2.5 percent between 2009 and 2010, slightly above the state average of 1.8 percent.

September 2011 employment for Chambers County was up 1.8 percent from September 2010, above the state's 0.9 percent increase in total employment during the same period, based on information provided by the Comptroller's Office. Even with the increase in total employment, however, the unemployment rate in Chambers County was 10.5 percent in September 2011, higher than the state average of 8.5 percent.

Board Findings of the Barbers Hill Independent School District

Chambers County has a higher per capita personal income than the state as a whole. In terms of per capita income, Chambers County's \$45,257 in 2009 ranked 13th among the 254 counties in Texas, while the Texas average was \$38,609 for the same period.

While the population growth and employment growth are generally positive trends, the higher unemployment rate reported in the analysis prepared by the Comptroller's Office indicates the need for long-term economic growth in the area served by Barbers Hill ISD. The local economy in Chambers County will benefit from economic activity like that associated with the Lone Star project. Major capital investments like this project are beneficial to the community on a number of fronts, including direct and indirect employment, expanded opportunities for existing businesses and increased local tax bases.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least \$60,000 per year. The review of the application by the State Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs must pay 110 percent of the regional average manufacturing wage. Lone Star indicates that total employment will be approximately 10 new jobs, eight (8) of which will be qualifying jobs.

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

After construction, the project will create ten new jobs when fully operational. Eight jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Houston-Galveston Area Council of Governments Region, where Chambers County is located was \$53,711 in 2011. The annual average manufacturing wage for 2011-2012 for Chambers County is \$82,732. That same year, the county annual average wage for all industries was \$51,818. In addition to a salary of \$60,000, each qualifying position will receive the following benefits: medical insurance, 401(k), dental insurance, vision insurance, Rx/Pharmacy plan, flexible spending accounts, basic life and AD&D insurance, voluntary dependent life insurance, voluntary long-term disability insurance, supplemental disability insurance,

Board Findings of the Barbers Hill Independent School District

paid vacation, sick and holidays, wellness programs , employee assistance programs, and extended sick leave

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 \$41.67 million on the basis of the goal of eight (8) new qualifying positions for the entire Lone Star project.

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

The project's total investment is \$333.4 million, resulting in a relative level of investment per qualifying job of \$41.67 million.

Board Finding Number 5.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region.

In support of Finding 5, the economic impact evaluation states:

Table 1 depicts Lone Star NGL Asset Holdings II, LLC'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 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Lone Star NGL Asset Holdings II, LLC

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	800	906	1706	\$44,000,000	\$59,000,000	\$103,000,000
2013	110	203	313	\$6,130,000	\$19,870,000	\$26,000,000
2014	10	54	64	\$630,000	\$9,370,000	\$10,000,000
2015	10	34	44	\$630,000	\$7,370,000	\$8,000,000
2016	10	24	34	\$630,000	\$6,370,000	\$7,000,000
2017	10	25	35	\$630,000	\$5,370,000	\$6,000,000
2018	10	21	31	\$630,000	\$5,370,000	\$6,000,000
2019	10	25	35	\$630,000	\$4,370,000	\$5,000,000
2020	10	27	37	\$630,000	\$4,370,000	\$5,000,000
2021	10	33	43	\$630,000	\$4,370,000	\$5,000,000
2022	10	47	57	\$630,000	\$6,370,000	\$7,000,000
2023	10	49	59	\$630,000	\$6,370,000	\$7,000,000
2024	10	47	57	\$630,000	\$6,370,000	\$7,000,000
2025	10	45	55	\$630,000	\$6,370,000	\$7,000,000
2026	10	49	59	\$630,000	\$7,370,000	\$8,000,000
2027	10	51	61	\$630,000	\$7,370,000	\$8,000,000

Source: CPA, REMI, Lone Star NGL Asset Holdings II, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011-2012. Barbers Hill ISD's ad valorem tax base in 2011-2012 was \$3.39 billion. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Barbers Hill ISD's estimated wealth per WADA was \$669,576. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Chambers County, and the City of Mont Belvieu Extra-Territorial Jurisdiction (ETJ) with all property tax incentives sought being granted using estimated market value from Lone Star NGL Asset Holdings II, LLC's application. Lone Star NGL Asset Holdings II, LLC has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and the city's extra-territorial jurisdiction. Table 3 illustrates the estimated tax impact of the Lone Star NGL Asset Holdings II, LLC project on the region if all taxes are assessed.

Board Findings of the Barbers Hill Independent School District

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Barbers Hill ISD I&S Levy	Barbers Hill ISD M&O Levy	Barbers Hill ISD M&O and I&S Tax Levies (Before Credit Credited)	Barbers Hill ISD M&O and I&S Tax Levies (After Credit Credited)	Chambers County Tax Levy	City of Mont Belvieu Extra-Territorial Jurisdiction (ETJ) Tax Levy	Estimated Total Property Taxes
				0.2698	1.0600			0.4968	0.4367	
2014	\$290,400,000	\$290,400,000		\$783,499	\$3,078,240	\$3,861,739	\$3,861,739	\$0	\$0	\$3,861,739
2015	\$308,000,000	\$308,000,000		\$830,984	\$3,264,800	\$4,095,784	\$4,095,784	\$0	\$0	\$4,095,784
2016	\$298,500,000	\$30,000,000		\$805,353	\$318,000	\$1,123,353	\$1,123,353	\$0	\$0	\$1,123,353
2017	\$289,600,000	\$30,000,000		\$781,341	\$318,000	\$1,099,341	\$549,671	\$0	\$0	\$549,671
2018	\$280,900,000	\$30,000,000		\$757,868	\$318,000	\$1,075,868	\$537,934	\$348,871	\$306,680	\$1,193,485
2019	\$272,500,000	\$30,000,000		\$735,205	\$318,000	\$1,053,205	\$526,602	\$541,501	\$476,014	\$1,544,117
2020	\$264,300,000	\$30,000,000		\$713,081	\$318,000	\$1,031,081	\$515,540	\$656,508	\$577,112	\$1,749,161
2021	\$256,400,000	\$30,000,000		\$691,767	\$318,000	\$1,009,767	\$504,883	\$636,885	\$559,862	\$1,701,630
2022	\$248,700,000	\$30,000,000		\$670,993	\$318,000	\$988,993	\$494,497	\$617,758	\$543,049	\$1,655,304
2023	\$241,200,000	\$30,000,000		\$650,758	\$318,000	\$968,758	\$484,379	\$898,693	\$790,008	\$2,173,080
2024	\$234,000,000	\$234,000,000		\$631,332	\$2,480,400	\$3,111,732	\$1,018,198	\$1,162,489	\$1,021,901	\$3,202,588
2025	\$227,000,000	\$227,000,000		\$612,446	\$2,406,200	\$3,018,646	\$3,018,646	\$1,127,713	\$991,332	\$5,137,691
2026	\$220,100,000	\$220,100,000		\$593,830	\$2,333,060	\$2,926,890	\$2,926,890	\$1,093,435	\$961,199	\$4,981,523
2027	\$213,500,000	\$213,500,000		\$576,023	\$2,263,100	\$2,839,123	\$2,839,123	\$1,060,647	\$932,376	\$4,832,146
2028	\$207,100,000	\$207,100,000		\$558,756	\$2,195,260	\$2,754,016	\$2,754,016	\$1,028,852	\$904,426	\$4,687,294
						Total	\$25,251,255	\$9,173,352	\$8,063,959	\$42,488,565

Assumes School Value Limitation and Tax Abatements from Chambers County and City of Mont Belvieu ETJ.

Source: CPA, Lone Star NGL Asset Holdings II, LLC

¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives										
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Barbers Hill ISD I&S Levy	Barbers Hill ISD M&O Levy	Barbers Hill ISD M&O and I&S Tax Levies	Chambers County Tax Levy	City of Mont Belvieu Extra-Territorial Jurisdiction (ETJ) Tax Levy	Estimated Total Property Taxes	
			Tax Rate ¹	0.2698	1.0600		0.4968	0.4367		
2014	\$290,400,000	\$290,400,000		\$783,499	\$3,078,240	\$3,861,739	\$1,442,678	\$1,268,206	\$6,572,623	
2015	\$308,000,000	\$308,000,000		\$830,984	\$3,264,800	\$4,095,784	\$1,530,113	\$1,345,067	\$6,970,964	
2016	\$298,500,000	\$298,500,000		\$805,353	\$3,164,100	\$3,969,453	\$1,482,918	\$1,303,579	\$6,755,951	
2017	\$289,600,000	\$289,600,000		\$781,341	\$3,069,760	\$3,851,101	\$1,438,704	\$1,264,712	\$6,554,517	
2018	\$280,900,000	\$280,900,000		\$757,868	\$2,977,540	\$3,735,408	\$1,395,483	\$1,226,718	\$6,357,610	
2019	\$272,500,000	\$272,500,000		\$735,205	\$2,888,500	\$3,623,705	\$1,353,753	\$1,190,035	\$6,167,493	
2020	\$264,300,000	\$264,300,000		\$713,081	\$2,801,580	\$3,514,661	\$1,313,016	\$1,154,225	\$5,981,902	
2021	\$256,400,000	\$256,400,000		\$691,767	\$2,717,840	\$3,409,607	\$1,273,770	\$1,119,724	\$5,803,101	
2022	\$248,700,000	\$248,700,000		\$670,993	\$2,636,220	\$3,307,213	\$1,235,517	\$1,086,098	\$5,628,827	
2023	\$241,200,000	\$241,200,000		\$650,758	\$2,556,720	\$3,207,478	\$1,198,257	\$1,053,345	\$5,459,080	
2024	\$234,000,000	\$234,000,000		\$631,332	\$2,480,400	\$3,111,732	\$1,162,489	\$1,021,901	\$5,296,122	
2025	\$227,000,000	\$227,000,000		\$612,446	\$2,406,200	\$3,018,646	\$1,127,713	\$991,332	\$5,137,691	
2026	\$220,100,000	\$220,100,000		\$593,830	\$2,333,060	\$2,926,890	\$1,093,435	\$961,199	\$4,981,523	
2027	\$213,500,000	\$213,500,000		\$576,023	\$2,263,100	\$2,839,123	\$1,060,647	\$932,376	\$4,832,146	
2028	\$207,100,000	\$207,100,000		\$558,756	\$2,195,260	\$2,754,016	\$1,028,852	\$904,426	\$4,687,294	
						Total	\$51,226,556	\$19,137,344	\$16,822,943	\$87,186,843

Source: CPA, Lone Star NGL Asset Holdings II, LLC

¹Tax Rate per \$100 Valuation

Board Finding Number 6.

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

In support of this finding, the analysis prepared by Moak, Casey & Associates projects that the project would initially add \$308 million to the tax base for debt service purposes at the peak investment level for the 2015-16 school year. The Lone Star project remains fully taxable for debt services taxes, with Barbers Hill ISD currently levying a \$0.2698 per \$100 I&S rate. While the value of the Lone Star project is expected to depreciate over the life of the agreement and beyond, full access to the additional value will add to the District's tax base and assist it in meeting its debt service needs.

Board Finding Number 7.

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

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the new manufacturing project, given that there will be 10 new full-time jobs when the plant begins operation. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Barbers Hill ISD as stated in **Attachment D**.

Board Finding Number 8.

The ability of the applicant to locate the proposed facility in another state or another region of this state is substantial, as a result of the highly competitive marketplace for economic development.

In support of Finding 8, the economic impact evaluation states:

According to Lone Star NGL Asset Holdings II, LLC's application, "Energy Transfer is a leading midstream energy company whose primary activities include gathering, treating, processing, and transporting natural gas and natural gas liquids to

Board Findings of the Barbers Hill Independent School District

a variety of markets and states. Energy Transfer currently operates over 17,500 miles of pipeline, 3 gas processing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations include Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.”

Energy Transfer’s pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax abilities can make up a substantial ongoing cost of operation.”

Board Finding Number 9.

During the past two years, 19 projects in the Houston-Galveston Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

Board Finding Number 10.

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

Board Finding Number 11.

The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Thirty Million Dollars, which is consistent with the minimum values currently set out by Tax Code, §§ 313.054(a).

According to the Texas Comptroller of Public Accounts’ School and Appraisal Districts’ Property Value Study 2012 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2012 industrial value for Barbers Hill ISD is \$3.68 billion. Barbers Hill ISD is categorized as Subchapter C, which applies only to a school district that has territory in a strategic investment area, as defined under Subchapter O, Chapter 171, Tax Code or in a county: (1) that has a population of less than 50,000 and (2) in which, from 1990 to 2000, according to the federal decennial census, the population: (A) remained the same; (B) decreased; or (C) increased, but at a rate of not

Board Findings of the Barbers Hill Independent School District

more than three percent per annum. Barbers Hill ISD is classified as a "rural" district due to its demographic characteristics. It is classified as a Category I district which can offer a minimum value limitation of \$30 million.

Board Finding Number 12.

The Applicant (Taxpayer Id. 32044534082) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its "good standing" certification as a franchise-tax paying entity.

Board Finding Number 13.

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

In support of this finding, the report of Moak, Casey & Associates, Inc. shows that the District will incur a revenue loss under current law in each year that the value limitation is in effect without the proposed Agreement. However, with this Agreement, the negative consequences of granting the value limitation are offset through the revenue protection provisions agreed to by the Applicant and the District. Revenue protection measures are in place for the duration of the Agreement.

Board Finding Number 14.

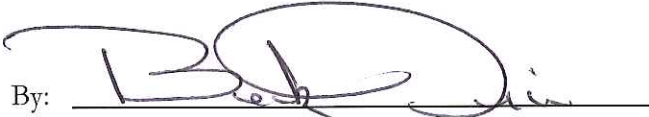
Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

It is therefore ORDERED that the Agreement attached hereto as **Attachment G** is approved and hereby authorized to be executed and delivered by and on behalf of the 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.

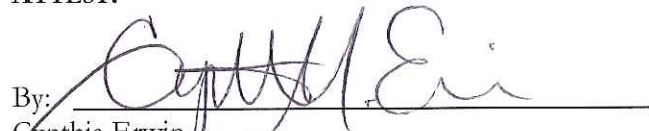
Board Findings of the Barbers Hill Independent School District

Dated the 23rd day of September 2013.

BARBERS HILL INDEPENDENT SCHOOL DISTRICT

By: 
Becky Tice
President, Board of Trustees

ATTEST:

By: 
Cynthia Erwin
Secretary, Board of Trustees



LYNN M. MOAK, PARTNER

DANIEL T. CASEY, PARTNER

September 23, 2013

President and Members
Board of Trustees
Barbers Hill Independent School District
9600 Eagle Drive
Mont Belvieu, Texas 77580

Re: Recommendations and Findings of the firm Concerning Application of Lone Star NGL Asset Holdings II LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes

Dear President Tice and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Barbers Hill Independent School District, with respect to the pending Application of Lone Star NGL Asset Holdings II LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes. Since our engagement on behalf of the District, we have been actively engaged in reviewing the pending Application and verifying its contents. Based upon our review, we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.
4. All applicable school finance implications arising from the contemplated Agreement have been explored.
5. The proposed Agreement contains adequate revenue protection provisions to protect the interests of the District over the course of the Agreement.

As a result of the foregoing it is our recommendation that the Board of Trustees approve the Application of Lone Star NGL Asset Holdings II LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

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

Daniel T. Casey

www.moakcasey.com

Phone 512-485-7878

400 W. 15th Street ★ Suite 1410 ★ Austin, TX 78701-1648

Fax 512-485-7888

O'HANLON, MCCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE

AUSTIN, TEXAS 78701

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KEVIN O'HANLON

CERTIFIED, CIVIL APPELLATE

CERTIFIED, CIVIL TRIAL

LESLIE MCCOLLOM

CERTIFIED, CIVIL APPELLATE

CERTIFIED, LABOR AND EMPLOYMENT

TEXAS BOARD OF LEGAL SPECIALIZATION

JUSTIN DEMERATH

September 23, 2013

President and Members
Of the Board of Trustees
Barbers Hill Independent School District
9600 Eagle Drive
Mont Belvieu, Texas 77580

*Re: Recommendations and Findings of the Firm Concerning Application of Lone Star
NGL Asset Holdings II LLC for Limitation on Appraised Value of Property for
School District Maintenance and Operations Taxes, first qualifying year 2014*

Dear President Tice and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Barbers Hill Independent School District, with respect to the pending Application of Lone Star NGL Asset Holdings II LLC for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, to be effected by an agreement with a first qualifying time year of 2014. Since our engagement on behalf of the District, we have been actively engaged in reviewing the pending Application and verifying its contents. We have also negotiated an Agreement between the District and Lone Star NGL Asset Holdings II LLC Based upon our review we have drawn the following conclusions:

1. All statements of current fact contained in the Application are true and correct.
2. The project proposed in the Application meets all applicable eligibility criteria of Chapter 313 of the Texas Tax Code.
3. The Applicant has the current means and ability to complete the proposed project.

4. All applicable school finance implications arising from the contemplated Agreement have been explored.
5. The proposed Agreement contains adequate legal provisions so as to protect the interests of the District.

As a result of the foregoing conclusions it is our recommendation that the Board of Trustees approve the Application of Lone Star NGL Asset Holdings II LLC for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin O'Hanlon", written over a horizontal line.

Kevin O'Hanlon
For the Firm

Attachment A

Application

O'HANLON, MCCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE
AUSTIN, TEXAS 78701
TELEPHONE: (512) 494-9949
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KEVIN O'HANLON
CERTIFIED, CIVIL APPELLATE
CERTIFIED, CIVIL TRIAL

LESLIE MCCOLLOM
CERTIFIED, CIVIL APPELLATE
CERTIFIED, LABOR AND EMPLOYMENT
TEXAS BOARD OF LEGAL SPECIALIZATION

JUSTIN DEMERATH

November 5, 2012

Local Government Assistance & Economic Analysis
Texas Comptroller of Public Accounts
P.O. Box 13528
Austin, Texas 78711-3528

RE: Application to the Barbers Hill Independent School District from the Lone Star
NGL

To the Local Government Assistance & Economic Analysis Division:

By copy of this letter transmitting the application for review to the Comptroller's Office, the Barbers Hill Independent School District is notifying the Applicant Lone Star NGL of its intent to consider the application for appraised value limitation on qualified property. The Applicant submitted the application to the school district on October 22, 2012. The Board voted to accept the application October 22, 2012. The application was determined completed on November 1, 2012. Please prepare the economic impact report. This Application has a first qualifying year of 2014.

The Applicant has indicated in its application that preliminary site work and evaluation has begun at the Fractionator II site. Also, structural steel has been purchased and is being stored at the project site. The investment in the preexisting property totals \$6.6 million dollars. That value is specifically excluded from the Applicant's application. Further investment will not continue until a determination of a completed application by your office. The Applicant is aware that the determination of a completed application by the Comptroller determines what property may be eligible for a value limitation agreement.

The school district has determined that the wage information included in the application represents the most recent wage data available at the time of the application. The wage the Applicant has committed to paying on this project is well above the required statutory minimums.

Letter to Local Government Assistance & Economic Analysis Division
November 5, 2012
Page 2 of 2

A paper copy of your application will be hand delivered to your office today.

Please feel free to contact me with questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin O'Hanlon", written in a cursive style.

Kevin O'Hanlon
School District Consultant



Application for Appraised Value Limitation on Qualified Property

(Tax Code, Chapter 313, Subchapter B or C)

Form 50-296
(Revised May 2010)

INSTRUCTIONS: This application must be completed and filed with the school district. In order for an application to be processed, the governing body (school board) must elect to consider an application, but — by Comptroller rule — the school board may elect to consider the application only after the school district has received a completed application. Texas Tax Code, Section 313.025 requires that any completed application and any supplemental materials received by the school district must be forwarded within seven days to the Comptroller of Public Accounts.

If the school board elects to consider the application, the school district must:

- notify the Comptroller that the school board has elected to consider the application.

This notice must include:

- the date on which the school district received the application;
- the date the school district determined that the application was complete;
- the date the school board decided to consider the application; and
- a request that the comptroller prepare an economic impact analysis of the application;
- provide a copy of the notice to the appraisal district;
- must complete the sections of the application reserved for the school district and provide information required in the Comptroller rules located at 34 Texas Administrative Code (TAC) Section 9.1054; and
- forward the original completed application to the Comptroller in a three-ring binder with tabs separating each section of the documents, in addition to an electronic copy on CD. See 34 TAC Chapter 9, Subchapter F.

The governing body may, at its discretion, allow the applicant to supplement or amend the application after the filing date, subject to the restrictions in 34 TAC Chapter 9, Subchapter F.

When the Comptroller receives the notice and required information from the school district, the Comptroller will publish all submitted application materials on its Web site. The Comptroller is authorized to treat some application information as confidential and withhold it from publication on the Internet. To do so, however, the information must be segregated and comply with the other requirements set out in the Comptroller rules as explained in the Confidentiality Notice below.

The Comptroller will independently determine whether the application has been completed according to the Comptroller's rules (34 TAC Chapter 9, Subchapter F). If the Comptroller finds the application is not complete, the Comptroller will request additional materials from the school district. When the Comptroller determines that the application is complete, it will send the school district a notice indicating so. The Comptroller will determine the eligibility of the project, make a recommendation to the school board regarding the application and prepare an economic impact evaluation by the 90th day after the Comptroller receives a complete application—as determined by the Comptroller.

The school board must approve or disapprove the application before the 151st day after the application review start date (the date the application is finally determined to be complete), unless an extension is granted. The Comptroller and school district are authorized to request additional information from the applicant that is reasonably necessary to complete the recommendation, economic impact evaluation or consider the application at any time during the application review period.

Please visit the Comptroller's Web site to find out more about the program at <http://www.window.state.tx.us/taxinfo/proptax/hb1200/index.html>. There are links on this Web page to the Chapter 313 statute, rules and forms. Information about minimum limitation values for particular districts and wage standards may also be found at that site.

SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION

Authorized School District Representative

Date application received by district

10/22/2012

First Name

Becky

Last Name

McManus

Title

Assistant Superintendent of Finance

School District Name

Barbers Hill Independent School District

Street Address

9600 Eagle Drive

Mailing Address

P. O. Box 1108

City

Mont Belvieu

State

TX

ZIP

77580-1108

Phone Number

(281) 576-2221

Fax Number

(281) 576-5879

Mobile Number (optional)

E-mail Address

BMcManus@bhisd.net

I authorize the consultant to provide and obtain information related to this application..... ☐ Yes ☐ No

Will consultant be primary contact? ☐ Yes ☐ No



Application for Appraised Value Limitation on Qualified Property

SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

Authorized School District Consultant (If Applicable)

Kevin

O'Hanlon

Title

Consultant

O'Hanlon, McCollom & Demerath

808 West Avenue

Mailing Address

808 West Avenue

City

State

TX

ZIP

Phone Number

Fax Number

Mobile Number (Optional)

E-mail Address

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

Signature

Bridget McMa

Date

10-22-12

Has the district determined this application complete? ☐ Yes ☐

If yes, date determined complete. 11/1/2012

Have you completed the school finance documents required by TAC 9.1054(c)(3)? ☐ Yes ☒

SCHOOL DISTRICT CHECKLIST AND REQUESTED ATTACHMENTS

	Checklist	Page X of 16	Check Completed
1	Date application received by the ISD	1 of 16	X
2	Certification page signed and dated by authorized school district representative	2 of 16	X
3	Date application deemed complete by ISD	2 of 16	X
4	Certification pages signed and dated by applicant or authorized business representative of applicant	4 of 16	X
5	Completed company checklist	12 of 16	X
6	School finance documents described in TAC 9.1054(c)(3) (Due within 20 days of district providing notice	2 of 16	will supplement

APPLICANT INFORMATION - CERTIFICATION OF APPLICATION**Authorized Business Representative (Applicant)**

First Name Gregory	Last Name Maxim	
Title Authorized Business Representative		
Organization Energy Transfer Partners, L.P.		
Street Address 800 E. Sonterra Blvd., Suite 400		
Mailing Address 800 E. Sonterra Blvd., Suite 400		
City San Antonio	State TX	ZIP 78258-3941
Phone Number 210-572-0457	Fax Number (512) 671-5501	
Mobile Number (optional)	Business e-mail Address greg.maxim@duffandphelps.com	

Will a company official other than the authorized business representative be responsible for responding to future information requests? ☒ Yes ☐ No

If yes, please fill out contact information for that person.

First Name Megan	Last Name McKavanagh	
Title Property Tax Manager		
Organization Energy Transfer Partners, L.P.		
Street Address 800 E. Sonterra Blvd., Suite 400		
Mailing Address 800 E. Sonterra Blvd., Suite 400		
City San Antonio	State TX	ZIP 78258-3941
Phone Number 210-572-0457	Fax Number	
Mobile Number (optional)	E-mail Address	

I authorize the consultant to provide and obtain information related to this application.. ☒ Yes ☐ No

Will consultant be primary contact? ☒ Yes ☐ No



Application for Appraised Value Limitation on Qualified Property

APPLICANT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

Authorized Company Consultant (If Applicable)

Greg

Maxim

Title

Director, Specialty Tax

Duff and Phelps

919 Congress Avenue, Suite 1450

Mailing Address

City

Austin

State

TX

ZIP

78701

Phone Number

512-671-5580

Fax Number

(512) 671 - 5501

greg.maxim@duffandphelps.com

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

Signature

Date

19 Oct 2012

GIVEN under my hand and seal of office this 19th day of October, 2012



Notary Public, State of Texas

My commission expires 2/11/14

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code § 37.10.

**FEES AND PAYMENTS**

☒ Enclosed is proof of application fee paid to the school district.

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

Please answer only either A OR B:

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

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

BUSINESS APPLICANT INFORMATION

Legal Name under which application is made

Lone Star NGL Asset Holdings II LLC

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

32044534082

NAICS code

325120

Is the applicant a party to any other Chapter 313 agreements? ☒ Yes ☐ No

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

Lone Star NGL Asset Holding II, LLC has a Chapter 313 agreement with Barbers Hill ISD for Fractionation Plant I

APPLICANT BUSINESS STRUCTURE

Registered to do business in Texas with the Texas Secretary of State? ☒ Yes ☐ No

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

Limited Liability Corporation

1. Is the applicant a combined group, or comprised of members of a combined group, as defined by Texas Tax Code Chapter 171.0001(7)? ☒ Yes ☐ No
If so, please attach documentation of the combined group membership and contact information.

2. Is the applicant current on all tax payments due to the State of Texas? ☒ Yes ☐ No

3. Are all applicant members of the combined group current on all tax payments due to the State of Texas? ☐ NA ☒ Yes ☐ No

If the answer to either question is no, please explain and/or disclose any history of default, delinquencies and/or any material litigation, including litigation involving the State of Texas. (Use attachment if necessary.)

**ELIGIBILITY UNDER TAX CODE CHAPTER 313.024**Are you an entity to which Tax Code, Chapter 171 applies? ☒ Yes ☐ No

The property will be used as an integral part, or as a necessary auxiliary part, in one of the following activities:

- (1) manufacturing ☒ Yes ☐ No
- (2) research and development ☐ Yes ☒ No
- (3) a clean coal project, as defined by Section 5.001, Water Code ☐ Yes ☒ No
- (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code ☐ Yes ☒ No
- (5) renewable energy electric generation ☐ Yes ☒ No
- (6) electric power generation using integrated gasification combined cycle technology ☐ Yes ☒ No
- (7) nuclear electric power generation ☐ Yes ☒ No
- (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) ☐ Yes ☒ No

Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☒ NoWill any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☒ NoWill any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☒ NoAre you including property that is owned by a person other than the applicant? ☐ Yes ☒ NoWill any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? ☐ Yes ☒ No**PROJECT DESCRIPTION**

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

See Attachment

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

See Attachment

PROJECT CHARACTERISTICS (CHECK ALL THAT APPLY)

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

PROJECTED TIMELINE

Begin Construction Dec 2012 Begin Hiring New Employees Jan 2014

Construction Complete Dec 2013 Fully Operational Jan 2014

Purchase Machinery & Equipment Mar 2013

Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)? ☒ Yes ☐ No**Note:** Improvements made before that time may not be considered qualified property.When do you anticipate the new buildings or improvements will be placed in service? Jan 2014

**INVESTMENT**

NOTE: The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as rural, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's Web site at www.window.state.tx.us/taxinfo/proptax/hb1200/values.html.

At the time of application, what is the estimated minimum qualified investment required for this school district? \$30,000,000

What is the amount of appraised value limitation for which you are applying? \$30,000,000

What is your total estimated *qualified* investment? \$277,000,000

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

What is the anticipated date of application approval? May 2013

What is the anticipated date of the beginning of the qualifying time period? May 2013

What is the total estimated investment for this project for the period from the time of application submission to the end of the limitation period? \$333,400,000

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

Attach the following items to this application:

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

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

Except for new equipment described in Tax Code §151.318(q) or (q-1), is the proposed tangible personal property to be placed in service for the first time:

- (1) in or on the new building or other new improvement for which you are applying? ☒ Yes ☐ No
- (2) if not in or on the new building or other new improvement for which you are applying for an appraised value limitation, is the personal property necessary and ancillary to the business conducted in the new building or other new improvement? ☒ Yes ☐ No
- (3) on the same parcel of land as the building for which you are applying for an appraised value limitation? ☒ Yes ☐ No

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

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

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

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

QUALIFIED PROPERTY

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

Attach the following items to this application:

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

Land

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

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

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

Will the project be on leased land? ☐ Yes ☒ No

**ECONOMIC INCENTIVES**

Identify state programs the project will apply for:

State Source

Amount

_____	_____
_____	_____
_____	_____
Total	_____

Will other incentives be offered by local units of government? ☒ Yes ☐ No

Please use the following box for additional details regarding incentives. (Use attachments if necessary.)

Requesting Chapter 312 property tax abatement agreement with Chambers County and Chapter 312 and 380 agreements with the City of Mont Belvieu

THE PROPERTYIdentify county or counties in which the proposed project will be located Chambers CountyCentral Appraisal District (CAD) that will be responsible for appraising the property Chambers County Appraisal DistrictWill this CAD be acting on behalf of another CAD to appraise this property? ☐ Yes ☒ No

List all taxing entities that have jurisdiction for the property and the portion of project within each entity

County: Chambers County - 100% City: City of Mont Belvieu ETJ -100%
(Name and percent of project) (Name and percent of project)

Hospital District: N/A Water District: N/A
(Name and percent of project) (Name and percent of project)

Other (describe): N/A Other (describe): N/A
(Name and percent of project) (Name and percent of project)

Is the project located entirely within this ISD? ☒ Yes ☐ No

If not, please provide additional information on the project scope and size to assist in the economic analysis.

QUALIFIED PROPERTY (CONTINUED)

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

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

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

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

Miscellaneous

Is the proposed project a building or new improvement to an existing facility? ☐ Yes ☒ No

Attach a description of any existing improvements and include existing appraisal district account numbers.

List current market value of existing property at site as of most recent tax year. \$0 2012
(Market Value) (Tax Year)

Is any of the existing property subject to a value limitation agreement under Tax Code 313? ☐ Yes ☒ No

Will all of the property for which you are requesting an appraised value limitation be free of a tax abatement agreement entered into by a school district for the duration of the limitation? ☒ Yes ☐ No

WAGE AND EMPLOYMENT INFORMATION

What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0

The last complete calendar quarter before application review start date is the:

☐ First Quarter ☐ Second Quarter ☒ Third Quarter ☐ Fourth Quarter of 2012
(year)

What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the TWC? 0

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

N/A

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

Do you plan to create at least 25 new jobs (at least 10 new jobs for rural school districts) on the land and in connection with the new building or other improvement? ☒ Yes ☐ No

Do you intend to request that the governing body waive the minimum new job creation requirement, as provided under Tax Code §313.025(f-1)? ☐ Yes ☒ No

If you answered "yes" to the question above, attach evidence documenting that the new job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards. **Note: Even if a minimum new job waiver is provided, 80% of all new jobs must be qualifying jobs pursuant to Texas Tax Code, §313.024(d).**

What is the maximum number of qualifying jobs meeting all criteria of §313.021(3) you are committing to create? 8

If this project creates more than 1,000 new jobs, the minimum required wage for this project is 110% of the average county weekly wage for all jobs as described by 313.021(3)(E)(ii).

If this project creates less than 1,000 new jobs, does this district have territory in a county that meets the demographic characteristics of 313.051(2)? (see table of information showing this district characteristic at <http://www.window.state.tx.us/taxinfo/proptax/hb1200/values.html>)

If yes, the applicant must meet wage standard described in 313.051(b) (110% of the regional average weekly wage for manufacturing)

If no, the applicant shall designate one of the wage standards set out in §§313.021(5)(A) or 313.021(5)(B).

**WAGE AND EMPLOYMENT INFORMATION (CONTINUED)**

For the following three wage calculations please include on an attachment the four most recent quarters of data for each wage calculation. Show the average and the 110% calculation. Include documentation from TWC Web site. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(7).

110% of the county average weekly wage for all jobs (all industries) in the county is \$1,096.15

110% of the county average weekly wage for manufacturing jobs in the county is \$1,750.01

110% of the county average weekly wage for manufacturing jobs in the region is \$1,136.08

Please identify which Tax Code section you are using to estimate the wage standard required for this project:

☐ §313.021(5)(A) or ☐ §313.021(5)(B) or ☐ §313.021(3)(E)(ii), or ☒ §313.051(b)?

What is the estimated minimum required annual wage for each qualifying job based on the qualified property? \$59,076.16

What is the estimated minimum required annual wage you are committing to pay for each of the qualifying jobs you create on the qualified property? \$60,000

Will 80% of all new jobs created by the owner be qualifying jobs as defined by 313.021(3)? ☒ Yes ☐ No

Will each qualifying job require at least 1,600 of work a year? ☒ Yes ☐ No

Will any of the qualifying jobs be jobs transferred from one area of the state to another? ☐ Yes ☒ No

Will any of the qualifying jobs be retained jobs? ☐ Yes ☒ No

Will any of the qualifying jobs be created to replace a previous employee? ☐ Yes ☒ No

Will any required qualifying jobs be filled by employees of contractors? ☐ Yes ☒ No

If yes, what percent? _____

Does the applicant or contractor of the applicant offer to pay at least 80% of the employee's health insurance premium for each qualifying job? ☒ Yes ☐ No

Describe each type of benefits to be offered to qualifying jobholders. (Use attachments as necessary.)

See Attachment

ECONOMIC IMPACT

Is an Economic Impact Analysis attached (If supplied by other than the Comptroller's office)? ☐ Yes ☒ No

Is Schedule A completed and signed for all years and attached? ☒ Yes ☐ No

Is Schedule B completed and signed for all years and attached? ☒ Yes ☐ No

Is Schedule C (Application) completed and signed for all years and attached? ☒ Yes ☐ No

Is Schedule D completed and signed for all years and attached? ☒ Yes ☐ No

Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.

If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, please attach a separate schedule showing the amount for each year affected, including an explanation.

CONFIDENTIALITY NOTICE

**Property Tax Limitation Agreement Applications
Texas Government Code Chapter 313
Confidential Information Submitted to the Comptroller**

Generally, an application for property tax value limitation, the information provided therein, and documents submitted in support thereof, are considered public information subject to release under the Texas Public Information Act.

There is an exception, outlined below, by which information will be withheld from disclosure.

The Comptroller's office will withhold information from public release if:

- 1) it describes the specific processes or business activities to be conducted or the specific tangible personal property to be located on real property covered by the application;
- 2) the information has been segregated in the application from other information in the application; and
- 3) the party requesting confidentiality provides the Comptroller's office a list of the documents for which confidentiality is sought and for each document lists the specific reasons, including any relevant legal authority, stating why the material is believed to be confidential.

All applications and parts of applications which are not segregated and marked as confidential as outlined above will be considered public information and will be posted on the internet.

Such information properly identified as confidential will be withheld from public release unless and until the governing body of the school district acts on the application, or we are directed to do so by a ruling from the Attorney General.

Other information in the custody of a school district or the comptroller submitted in connection with the application, including information related to the economic impact of a project or the essential elements of eligibility under Texas Tax Code, Chapter 313, such as

the nature and amount of the projected investment, employment, wages, and benefits, will not be considered confidential business information and will be posted on the internet.

All documents submitted to the Comptroller, as well as all information in the application once the school district acts thereon, are subject to public release unless specific parts of the application or documents submitted with the application are identified as confidential. Any person seeking to limit disclosure of such submitted records is advised to consult with their legal counsel regarding disclosure issues and also to take the appropriate precautions to safeguard copyrighted material, trade secrets, or any other proprietary information. The Comptroller assumes no obligation or responsibility relating to the disclosure or nondisclosure of information submitted by respondents. A person seeking to limit disclosure of information must submit in writing specific detailed reasons, including any relevant legal authority, stating why that person believes the material to be confidential.

The following outlines how the Comptroller's office will handle requests for information submitted under the Texas Public Information Act for application portions and submitted records appropriately identified as confidential.

- This office shall forward the request for records and a copy of the documents at issue to the Texas Attorney General's office for an opinion on whether such information may be withheld from disclosure under the Texas Public Information Act.
- The Comptroller will notify the person who submitted the application/documents when the information is forwarded to the Attorney General's office.
- Please be aware that this Office is obligated to comply with an Attorney General's decision, including release of information ruled public even if it was marked confidential.



COMPANY CHECKLIST AND REQUESTED ATTACHMENTS

	Checklist	Page X of 16	Check Completed
1	Certification pages signed and dated by Authorized Business Representative (applicant)	4 of 16	
2	Proof of Payment of Application Fee (Attachment)	5 of 16	
3	For applicant members, documentation of Combined Group membership under Texas Tax Code 171.0001(7) (if Applicable) (Attachment)	5 of 16	✓
4	Detailed description of the project	6 of 16	✓
5	If project is located in more than one district, name other districts and list percentage in each district (Attachment)	7 of 16	N/A
6	Description of Qualified Investment (Attachment)	8 of 16	✓
7	Map of qualified investment showing location of new buildings or new improvements with vicinity map.	8 of 16	✓
8	Description of Qualified Property (Attachment)	8 of 16	✓
9	Map of qualified property showing location of new buildings or new improvements with vicinity map	8 of 16	✓
10	Description of Land (Attachment)	9 of 16	✓
11	A detailed map showing location of the land with vicinity map.	9 of 16	✓
12	A description of all existing (if any) improvements (Attachment)	9 of 16	✓
13	Request for Waiver of Job Creation Requirement (if applicable) (Attachment)	9 of 16	N/A
14	Calculation of three possible wage requirements with TWC documentation. (Attachment)	10 of 16	✓
15	Description of Benefits	10 of 16	✓
16	Economic Impact (if applicable)	10 of 16	N/A
17	Schedule A completed and signed	13 of 16	✓
18	Schedule B completed and signed	14 of 16	✓
19	Schedule C (Application) completed and signed	15 of 16	✓
20	Schedule D completed and signed	16 of 16	✓
21	Map of Reinvestment Zone (Attachment) (Showing the actual or proposed boundaries and size, Certified to be accurate by either the government entity creating the zone, the local appraisal district, or a licensed surveyor, with vicinity map)*	9 of 16	✓
22	Order, Resolution, or Ordinance Establishing the Zone (Attachment)*	9 of 16	✓
23	Legal Description of Reinvestment Zone (Attachment)*	9 of 16	✓
24	Guidelines and Criteria for Reinvestment Zone(Attachment)*	9 of 16	N/A

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

ATTACHMENT 2

Proof of Payment of Application Fee

Proof of payment of filing fee received by the
Comptroller of Public Accounts per TAC Rule
§9.1054 (b)(5)

*(Page Inserted by Office of Texas Comptroller of Public
Accounts)*

ATTACHMENT 3

Documentation of Combined Group Membership

Amended: Inserted Correct Documentation of Combined Group Membership

ATTACHMENT 3

Documentation of Combined Group Membership



Comptroller
of Public
Accounts
FORM

05-165

(Rev.9-11/3)

■ Tcode 13298

Texas Franchise Tax Extension Affiliate List

■ Reporting entity taxpayer number

1 0 5 0 5 3 2 4 7 3 0

■ Report year

2 0 1 2

Reporting entity taxpayer name

ETC MARKETING, LTD.

LEGAL NAME OF AFFILIATE	AFFILIATE'S TEXAS TAXPAYER NUMBER (If none, enter FEI number)											BLACKEN CIRCLE IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS
1. ENERGY TRANSFER EQUITY, LP	1	3	0	0	1	0	8	8	2	0	5	■ ○
2. ENERGY TRANSFER PARTNERS, LLC	3	2	0	0	9	6	0	2	9	6	5	■ ○
3. ENERGY TRANSFER PARTNERS GP, LP	3	2	0	3	5	9	2	8	9	4	7	■ ○
4. ENERGY TRANSFER PARTNERS, LP	1	7	3	1	4	9	3	9	0	6	1	■ ○
5. HERITAGE HOLDINGS, INC	1	7	3	1	3	4	2	1	4	2	6	■ ●
6. HERITAGE ETC GP, LLC	2	6	2	1	2	4	5	7	2			■ ●
7. THUNDER RIVER VENTURE III, LLC												■ ●
8. LA GRANGE ACQUISITION, LP	1	2	7	0	0	3	0	1	8	4	4	■ ○
9. FIVE DAWACO, LLC	1	7	5	2	6	6	9	6	7	2	3	■ ○
10. ETC CANYON PIPELINE, LLC	8	4	1	5	8	8	9	0	6			■ ●
11. TETC, LLC	3	0	1	1	9	8	7	8	7	0	7	■ ○
12. ETC OASIS GP, LLC	3	2	0	0	8	3	2	8	3	5	6	■ ○
13. ENERGY TRANSFER FUEL, LP	1	2	0	1	0	8	7	9	9	5	0	■ ○
14. ENERGY TRANSFER FUEL GP, LLC	1	2	0	1	0	8	7	9	3	7	2	■ ○
15. HPL HOLDINGS GP, LLC	2	0	2	2	1	8	4	7	5			■ ●
16. ET COMPANY I, LTD	3	2	0	3	6	3	5	5	7	1	0	■ ○
17. CHALKLEY GATHERING COMPANY, LLC	3	2	0	3	6	3	1	7	1	3	2	■ ○
18. WHISKEY BAY GATHERING COMPANY, LLC	1	7	5	2	7	4	9	4	0	1	1	■ ○
19. WHISKEY BAY GAS COMPANY, LTD	3	2	0	3	6	2	9	3	2	4	2	■ ○
20. ETC TIGER PIPELINE, LLC	3	2	0	3	8	2	0	7	1	6	6	■ ○
21. HPL HOUSTON PIPE LINE COMPANY, LLC	1	7	1	0	9	3	5	7	3	3	9	■ ○

Note: To file an extension request for a reporting entity and its affiliates, Form 05-164 (Texas Franchise Tax Extension Request) must be submitted with this affiliate list. The filing of this list by itself does not constitute a properly filed Extension Request.

Do not file this form when requesting a second extension.

Texas Comptroller Official Use Only

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Comptroller
of Public
Accounts
FORM

05-165

(Rev.9-11/3)

■ Tcode 13298

Texas Franchise Tax Extension Affiliate List

■ Reporting entity taxpayer number

■ Report year

Reporting entity taxpayer name

1 0 5 0 5 3 2 4 7 3 0

2 0 1 2

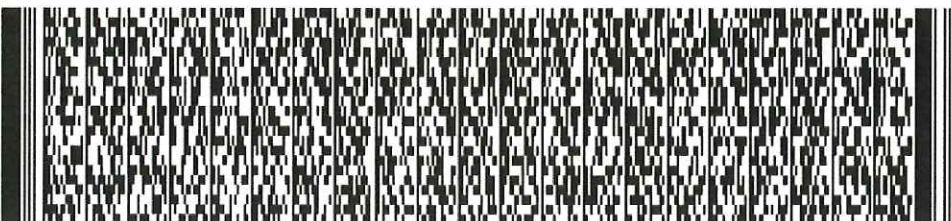
ETC MARKETING, LTD.

LEGAL NAME OF AFFILIATE	AFFILIATE'S TEXAS TAXPAYER NUMBER (If none, enter FEI number)											BLACKEN CIRCLE IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS
22. ENERGY TRANSFER PERU, LLC	1	2	6	2	4	6	2	8	0	0	9	■ ○
23. TEXAS ENERGY TRANSFER COMPANY, LTD	1	7	5	2	7	1	4	7	7	5	9	■ ○
24. ETC TEXAS PIPELINE, LTD	1	0	5	0	5	3	2	4	6	6	4	■ ○
25. ETC KATY PIPELINE, LTD	1	2	0	0	5	8	0	6	6	9	5	■ ○
26. ETC NEW MEXICO PIPELINE, LP	2	0	8	3	4	5	9	5	8			■ ●
27. HPL GP, LLC	3	2	0	0	3	5	7	4	9	1	3	■ ○
28. OASIS PIPE LINE, LP	3	2	0	3	5	6	3	8	4	2	1	■ ○
29. OASIS PIPE LINE COMPANY	1	7	4	1	6	9	7	9	1	1	4	■ ●
30. OASIS PIPE LINE FINANCE COMPANY	1	7	6	0	2	9	0	1	4	2	7	■ ○
31. OASIS PARTNER COMPANY	7	4	2	8	0	5	5	3	7			■ ●
32. OASIS PIPE LINE MANAGEMENT COMPANY	1	7	6	0	5	2	2	7	7	5	4	■ ○
33. OASIS PIPE LINE COMPANY TEXAS, LP	3	2	0	3	6	3	4	4	6	6	4	■ ○
34. HPL STORAGE GP, LLC	3	2	0	1	6	5	5	2	8	1	5	■ ○
35. HPL ASSET HOLDINGS, LP	1	7	3	1	7	2	5	3	6	7	6	■ ○
36. HPL LEASECO, LP	3	2	0	3	5	4	6	8	3	3	2	■ ○
37. HOUSTON PIPE LINE COMPANY, LP	1	5	2	2	3	3	4	4	7	7	9	■ ○
38. LA GP, LLC	3	2	0	0	8	3	2	8	3	9	8	■ ○
39. LG PL, LLC	3	2	0	0	8	3	2	8	3	2	3	■ ○
40. LGM, LLC	3	2	0	0	8	3	2	8	2	7	3	■ ○
41. ENERGY TRANSFER INTERSTATE HOLDINGS, LLC	1	2	0	8	4	5	7	5	0	1	3	■ ○
42. TRANSWESTERN PIPELINE COMPANY, LLC	1	7	4	1	2	9	4	7	9	5	8	■ ○

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Texas Franchise Tax Extension Affiliate List

■ Reporting entity taxpayer number

■ Report year

Reporting entity taxpayer name

1 0 5 0 5 3 2 4 7 3 0

2 0 1 2

ETC MARKETING, LTD.

LEGAL NAME OF AFFILIATE	AFFILIATE'S TEXAS TAXPAYER NUMBER (If none, enter FEI number)											BLACKEN CIRCLE IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS
	1	2	3	4	5	6	7	8	9	0		
43. ETC MIDCONTINENT EXPRESS PIPELINE, LLC	1	2	0	8	4	8	1	5	9	9	7	■ ○
44. ENERGY TRANSFER MEXICANA, LLC	1	2	0	8	7	7	1	1	4	3	3	■ ○
45. ENERGY TRANSFER INTERNATIONAL HOLDINGS, LLC	1	2	6	2	4	6	2	5	1	6	1	■ ○
46. ETC FAYETTEVILLE EXPRESS PIPELINE, LLC	1	2	6	2	8	6	3	3	4	3	5	■ ○
47. ETC NORTHEAST PIPELINE, LLC	2	6	2	8	6	3	3	9	6			■ ●
48. ETC WATER SOLUTIONS, LLC	2	7	1	0	2	3	1	7	2			■ ●
49. ETC INTERSTATE PROCUREMENT COMPANY, LLC	3	2	0	4	0	2	8	5	4	2	4	■ ○
50. ETC INTRASTATE PROCUREMENT COMPANY, LLC	3	2	0	4	0	8	1	6	9	6	2	■ ○
51. ETC COMPRESSION, LLC	3	2	0	4	0	6	6	8	1	1	6	■ ○
52. SEC ENERGY PRODUCTS & SERVICES, LP	1	3	8	3	6	8	5	9	6	4	8	■ ○
53. SEC-EP REALTY, LTD	1	3	2	0	1	6	6	1	8	8	4	■ ○
54. TEXAS ENERGY TRANSFER POWER, LLC	3	2	0	3	9	2	1	9	5	5	8	■ ○
55. ENERGY TRANSFER RETAIL POWER, LLC	3	2	0	3	7	6	4	9	3	5	0	■ ○
56. SEC GENERAL HOLDINGS, LLC	1	3	8	3	6	8	5	9	6	3	0	■ ○
57. ENERGY TRANSFER GROUP, LLC	1	7	5	2	6	1	8	5	4	9	5	■ ○
58. ETC ENERGY TRANSFER LLC	3	2	0	4	2	5	3	9	6	7	9	■ ○
59. ENERGY TRANSFER TECHNOLOGIES, LTD	3	2	0	3	5	7	9	7	2	7	6	■ ○
60. SEC ENERGY REALTY GP, LLC	3	2	0	1	6	6	3	8	8	8	7	■ ○
61. ETC FAYETTEVILLE OPERATING COMPANY, LLC	3	2	0	4	2	6	5	6	4	4	0	■ ○
62. ETC MIDCONTINENT EXPRESS PIPELINE II, LLC	3	2	0	4	1	7	7	7	5	7	7	■ ○
63. ETC NGL TRANSPORT, LLC	3	2	0	4	3	0	5	0	5	4	4	■ ○

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FORM

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Tcode 13298

Texas Franchise Tax Extension Affiliate List

■ Reporting entity taxpayer number

■ Report year

Reporting entity taxpayer name

1 0 5 0 5 3 2 4 7 3 0

2 0 1 2

ETC MARKETING, LTD.

LEGAL NAME OF AFFILIATE	AFFILIATE'S TEXAS TAXPAYER NUMBER (If none, enter FEI number)											BLACKEN CIRCLE IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS
64. ETC GATHERING, LLC	3	2	0	4	2	2	7	5	9	7	7	■ ○
65. REGENCY GP LLC	3	2	0	1	8	7	4	0	4	0	0	■ ○
66. ETE GP ACQUIRER LLC	2	7	2	6	6	3	2	4	8			■ ○
67. ETE SERVICES COMPANY LLC	2	7	3	2	3	0	7	3	2			■ ●
68. ETC LION PIPELINE LLC												■ ●
69. SIGMA ACQUISITION CORP	4	5	4	8	4	4	1	8	2			■ ●
70. REGENCY EMPLOYEES MANAGEMENT HOLDINGS, LLC	2	6	3	8	1	8	7	8	0			■ ●
71. REGENCY EMPLOYEES MANAGEMENT LLC	3	2	0	3	8	4	7	4	8	3	2	■ ○
72. RICH EAGLEFORD MAINLINE, LLC	3	2	0	4	5	7	3	7	8	9	0	■ ○
73. ETC HYDROCARBONS, LLC	3	2	0	4	3	8	2	5	0	0	2	■ ○
74. CITRUS ETP ACQUISITION, LLC												■ ●
75. ETC NGL MARKETING, LLC	3	2	0	4	5	1	7	1	2	2	3	■ ○
76. ENERGY TRANSFER DUTCH HOLDINGS, LLC												■ ●
77. LONE STAR NGL FRACTIONATORS LLC	3	2	0	4	4	5	3	4	0	5	8	■ ○
78. LONE STAR NGL LLC	3	2	0	4	3	8	7	7	1	3	6	■ ○
79. LONE STAR NGL ASSET HOLDINGS LLC	2	0	2	5	7	9	3	1	3			■ ○
80. LONE STAR NGL ASSET HOLDINGS II LLC	3	2	0	4	4	5	3	4	0	8	2	■ ○
81. LONE STAR NGL ASSET GP LLC	3	2	0	4	0	7	0	7	5	7	5	■ ○
82. LONE STAR NGL DEVELOPMENT LP	1	2	0	2	5	7	9	2	2	5	5	■ ○
83. LONE STAR NGL PIPELINE LP	1	2	0	0	4	6	4	2	0	6	7	■ ○
84. LONE STAR NGL PRODUCT SERVICES LLC	3	2	0	4	0	5	0	2	5	5	4	■ ○

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Comptroller
of Public
Accounts
FORM

05-165

(Rev.9-11/3)

■ Tcode 13298

Texas Franchise Tax Extension Affiliate List

■ Reporting entity taxpayer number

1 0 5 0 5 3 2 4 7 3 0

■ Report year

2 0 1 2

Reporting entity taxpayer name

ETC MARKETING, LTD.

LEGAL NAME OF AFFILIATE	AFFILIATE'S TEXAS TAXPAYER NUMBER (If none, enter FEI number)	BLACKEN CIRCLE IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS
85. LONE STAR HATTIESBURG LLC	2 0 0 7 8 4 0 2 2	■ <input checked="" type="radio"/>
86. LONE STAR NGL MONT BELVIEU GP LLC	3 2 0 1 0 2 8 7 4 7 5	■ <input type="radio"/>
87. LONE STAR NGL MONT BELVIEU LP	1 5 5 0 8 1 5 1 3 1 1	■ <input type="radio"/>
88. LONE STAR NGL HASTINGS LLC	3 2 0 2 8 0 4 2 9 8 7	■ <input type="radio"/>
89. LONE STAR NGL REFINERY SERVICES LLC	3 2 0 2 7 4 8 9 6 8 4	■ <input type="radio"/>
90. LONE STAR NGL SEA ROBIN LLC	2 0 0 1 1 8 4 2 2	■ <input checked="" type="radio"/>
91. ETE NEWCO 10, LLC	4 5 2 7 0 5 7 0 7	■ <input checked="" type="radio"/>
92. ETE NEWCO 1, LLC	4 5 2 7 0 5 1 1 0	■ <input checked="" type="radio"/>
93. ETE NEWCO 2, LLC	4 5 2 7 0 5 1 8 4	■ <input checked="" type="radio"/>
94. ETE NEWCO 3, LLC	4 5 2 7 0 5 2 5 3	■ <input checked="" type="radio"/>
95. ETE NEWCO 4, LLC	4 5 2 7 0 5 3 2 3	■ <input checked="" type="radio"/>
96. ETE NEWCO 5, LLC	4 5 2 7 0 5 3 8 2	■ <input checked="" type="radio"/>
97. ETE NEWCO 6, LLC	4 5 2 7 0 5 4 8 5	■ <input checked="" type="radio"/>
98. ETE NEWCO 7, LLC	4 5 2 7 0 5 5 5 8	■ <input checked="" type="radio"/>
99. ETE NEWCO 8, LLC	4 5 2 7 0 5 6 0 6	■ <input checked="" type="radio"/>
100. ETE NEWCO 9, LLC	4 5 2 7 0 5 6 6 7	■ <input checked="" type="radio"/>
101		■ <input type="radio"/>
102		■ <input type="radio"/>
103		■ <input type="radio"/>
104		■ <input type="radio"/>
105		■ <input type="radio"/>

Note: To file an extension request for a reporting entity and its affiliates, Form 05-164 (Texas Franchise Tax Extension Request) must be submitted with this affiliate list. The filing of this list by itself does not constitute a properly filed Extension Request.

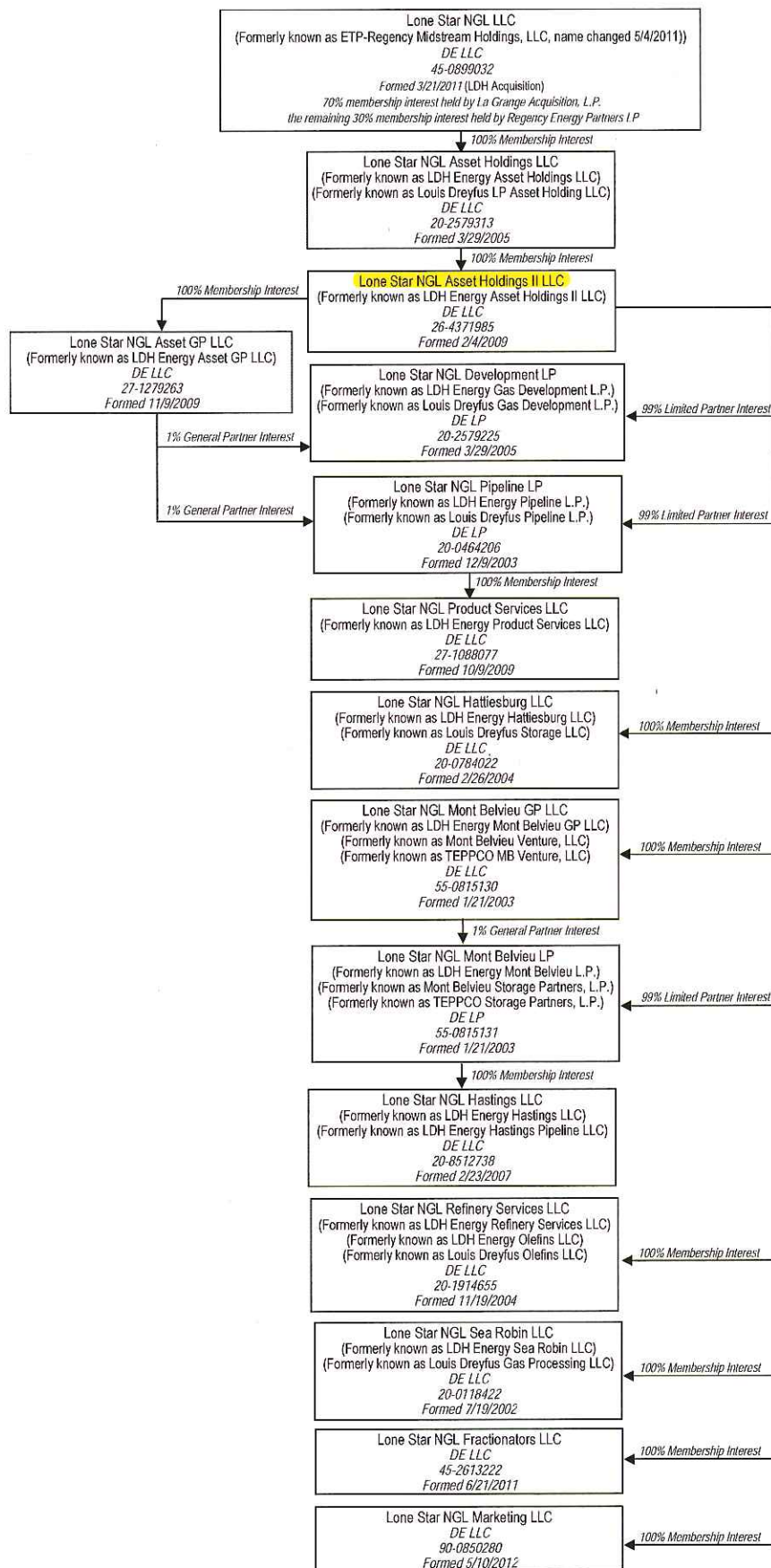
Do not file this form when requesting a second extension.

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Lone Star NGL LLC Structure





TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

October 12, 2012

CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS
COUNTY OF TRAVIS

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, DO HEREBY CERTIFY that according to the records of this office

LONE STAR NGL ASSET HOLDINGS II LLC

is, as of this date, in good standing with this office having no franchise tax reports or payments due at this time. This certificate is valid through the date that the next franchise tax report will be due November 15, 2012.

This certificate does not make a representation as to the status of the entity's registration, if any, with the Texas Secretary of State.

This certificate is valid for the purpose of conversion when the converted entity is subject to franchise tax as required by law. This certificate is not valid for any other filing with the Texas Secretary of State.

GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 12th day of
October 2012 A.D.

A handwritten signature of Susan Combs in black ink, written in a cursive style.

Susan Combs
Texas Comptroller

Taxpayer number: 32044534082
File number: 0801444310

Form 05-304 (Rev. 12-07/17)

ATTACHMENT 4

Detailed Description of Project

Energy Transfer's subsidiary, Lone Star NGL Asset Holdings, is currently constructing a manufacturing NGL fractionation unit (Fractionation Plant I) at Mont Belvieu and is now proposing to build a second NGL fractionation unit (Fractionation Plant II). Fractionation Plant I will enter operation in early January 2013 and has a Limitation of Value agreement in place with Barbers Hill ISD. The 2nd facility will be constructed within the reinvestment zone that was put in place for Fractionation Plant I.

Fractionation Plant II

Fractionation Plant II will have a production capacity of 100,000 barrels per day of natural gas liquids. The plant will produce industrial gases including ethane, propane, butane, n-butane and natural gasoline (C5+) products from incoming Y-Grade natural gas liquids (NGL's).

The manufacturing process consists of first pre-treating the incoming NGL's with feed filters, coalescers and amine contactors to remove any impurities such as particulates, sulfides and carbon dioxide. Any residual moisture is removed from the treated NGL's by dehydrators. The NGL's are then heated under pressure and fed into the De-Ethanizer Unit where it is separated into an overhead gas phase and an NGL phase. Ethane in the overhead gas phase is further purified and sent to product storage. The remaining NGL's are then heated under pressure and fed into the De-Propanizer Unit where it is separated into an overhead gas phase and an NGL phase. Propane in the overhead gas phase is further purified and sent to product storage.

The remaining NGL's are then heated under pressure and fed into the De-Butanizer Unit where it is separated into an overhead gas phase of mixed Butanes and natural gasolines. The mixed Butane in the overhead gas phase is sent to the Butane Splitter (De-IsoButanizer) where it is separated into n-Butane and Iso-Butane. Natural gasolines are sent off-site for sale via pipeline.

Fractionation Plant II will include the following main processing units and utility systems which are classified as "Qualified Investment"

- Towers
- Pre-treatment Systems
- De-Ethanizer Unit
- De-Propanizer Unit
- De-Butanizer Unit
- Butane Splitter (De-Isobutanizer)
- All appurtenant components
- Additional storage facilities for Y-grade liquids and other components

Some preliminary site work has been completed and structural steel for the project is already being stored at the site (listed in Attachment 12). The \$6,600,000 cost of the improvements and material will not be included as Qualified Investment or Qualified Property.

Ability to Relocate

Energy Transfer 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. Energy Transfer currently operates over 17,500 miles of pipeline, 3 gas processing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations included Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

Energy Transfer's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation.

ATTACHMENT 6

Description of Qualified Investment

Fractionation Plant II will include the following main processing units and utility systems which are classified as "Qualified Investment"

- Towers
- Pre-treatment Systems
- De-Ethanizer Unit
- De-Propanizer Unit
- De-Butanizer Unit
- Butane Splitter (De-Isobutanizer)
- All appurtenant components
- Additional storage facilities for Y-grade liquids and other components

Some preliminary site work has been completed and structural steel for the project is already being stored at the site (listed in Attachment 12). The \$6,600,000 cost of the improvements and material will not be included as Qualified Investment or Qualified Property.

ATTACHMENT 7

Map of Qualified Investment

FM 1941

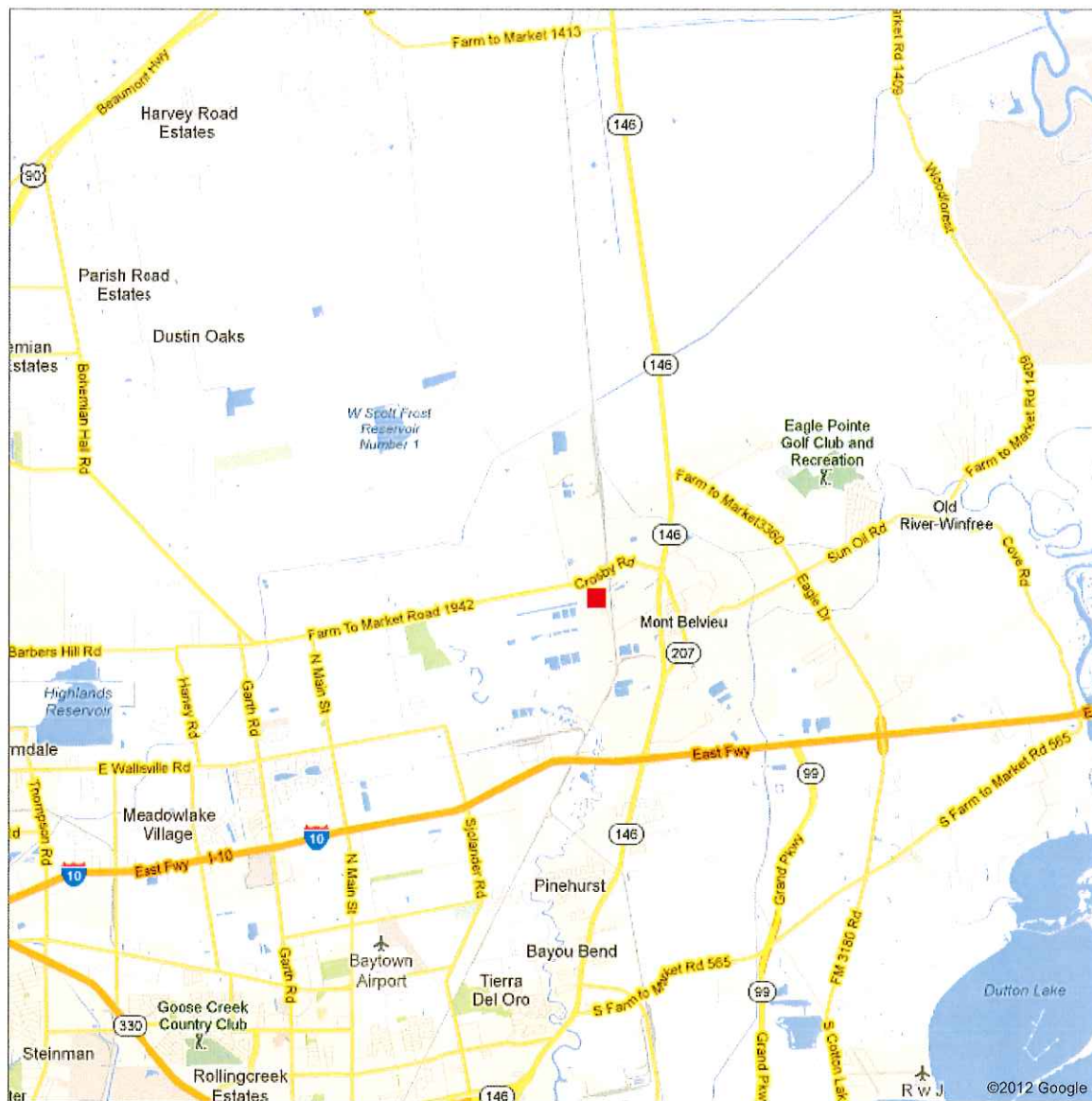
Mont Belvieu, TX

■ Proposed Site

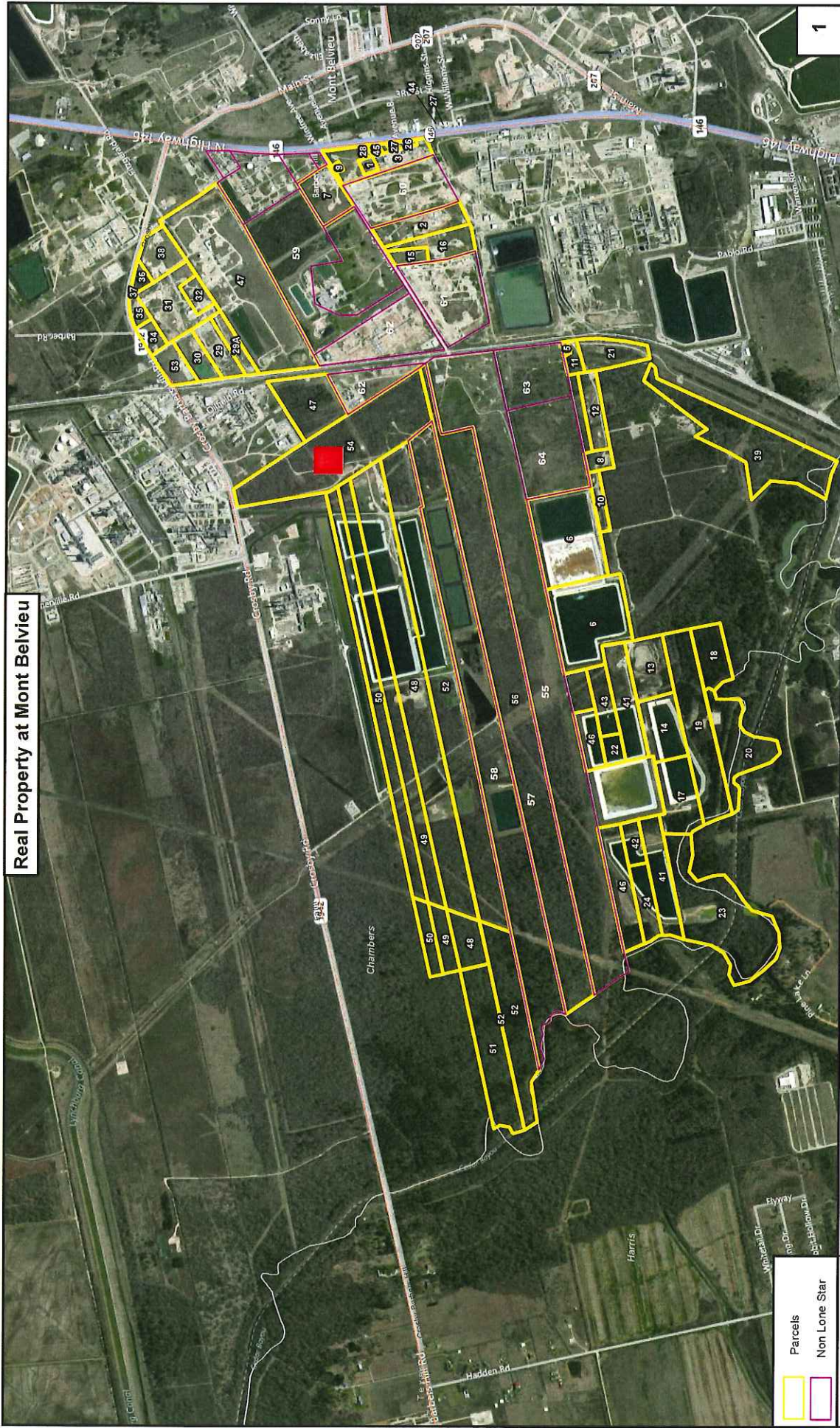


FM 1462
Mont Beliveu, TX

■ Proposed Site



Real Property at Mont Belvieu



- Parcels
- Non Lone Star

Lone Star NGL
Mont Belvieu L.P.

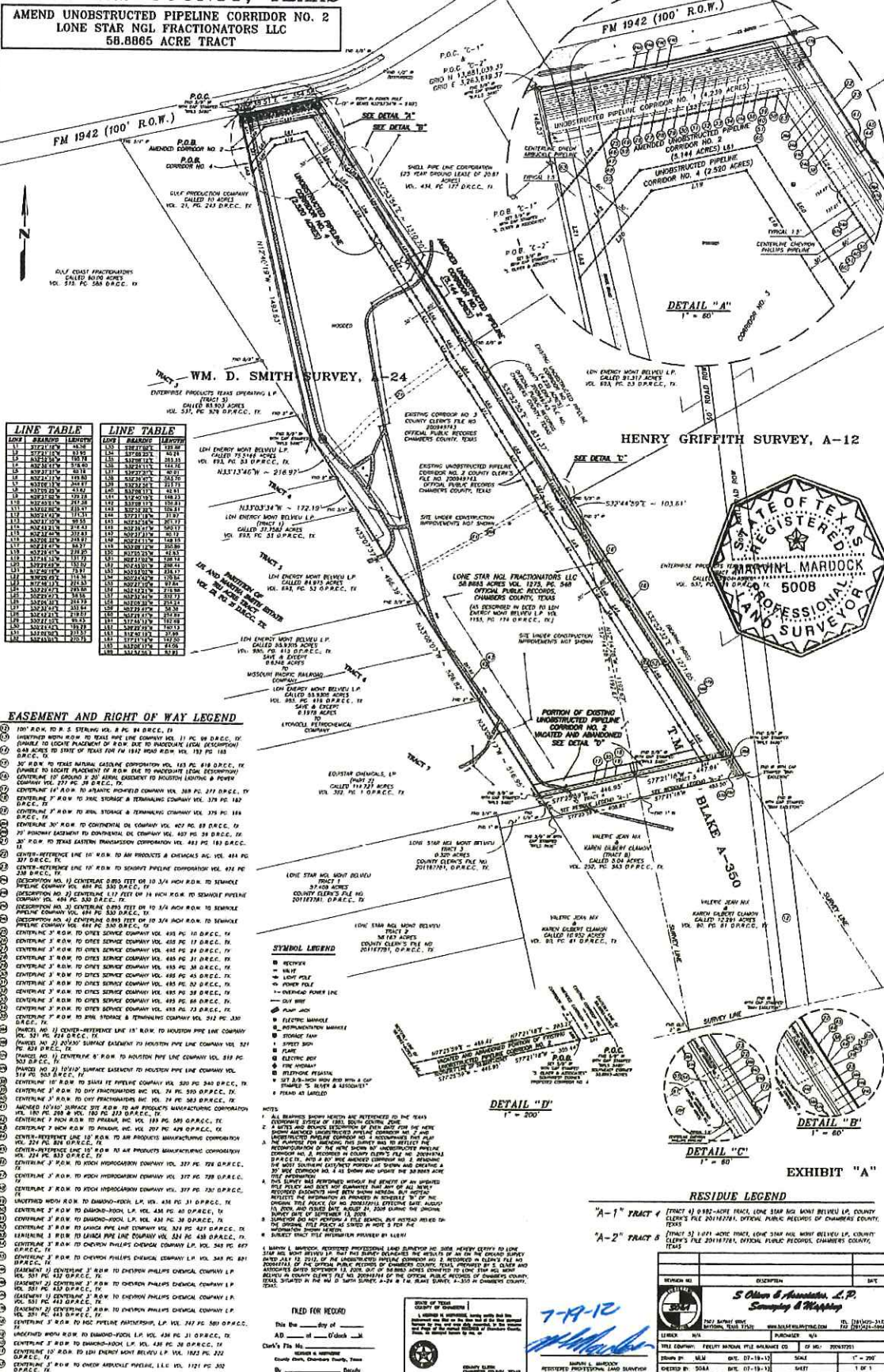
1 inch = 1,367 feet



Distances/Areas in this map are computer generated and should not be used for authoritative definition of legal boundary, or property file.

Sep 09 2011

AMEND UNOBSTRUCTED PIPELINE CORRIDOR NO. 2
LONE STAR NGL FRACTIONATORS LLC
58.8865 ACRE TRACT



ATTACHMENT 8

Description of Qualified Property

Fractionation Plant II will include the following main processing units and utility systems which are classified as "Qualified Investment"

- Towers
- Pre-treatment Systems
- De-Ethanizer Unit
- De-Propanizer Unit
- De-Butanizer Unit
- Butane Splitter (De-Isobutanizer)
- All appurtenant components
- Additional storage facilities for Y-grade liquids and other components

Some preliminary site work has been completed and structural steel for the project is already being stored at the site (listed in Attachment 12). The \$6,600,000 cost of the improvements and material will not be included as Qualified Investment or Qualified Property.

ATTACHMENT 9

Map of Qualified Property

See Attachment 7

ATTACHMENT 10

Description of Land

LGH Tract	Chambers PID #	Chambers CAD Legal
1	16241	12 TR 67-1 H GRIFFITH
2	16242	12 TR 86-1 H GRIFFITH
3	16241	12 TR 67-1 H GRIFFITH
4	N/A	N/A
5	20620	4 TR 6A-0 WM BLOODGOOD
6A	20620	4 TR 6A-0 WM BLOODGOOD
6B	29968	4 TR 6A-0-1 WM BLOODGOOOD
7	16241	12 TR 67-1 H GRIFFITH
8	20620	4 TR 6A-0 WM BLOODGOOD
9	16241	12 TR 67-1 H GRIFFITH
10	20620	4 TR 6A-0 WM BLOODGOOD
11	20620	4 TR 6A-0 WM BLOODGOOD
12	20620	4 TR 6A-0 WM BLOODGOOD
13	29968	4 TR 6A-0-1 WM BLOODGOOOD
14	29968	4 TR 6A-0-1 WM BLOODGOOOD
15	16242	12 TR 86-1 H GRIFFITH
16	16242	12 TR 86-1 H GRIFFITH
17	29968	4 TR 6A-0-1 WM BLOODGOOOD
18	29968	4 TR 6A-0-1 WM BLOODGOOOD
19	29968	4 TR 6A-0-1 WM BLOODGOOOD
20	29968	4 TR 6A-0-1 WM BLOODGOOOD
21	20620	4 TR 6A-0 WM BLOODGOOD
22	29968	4 TR 6A-0-1 WM BLOODGOOOD
23	40368	4 TR 69B-0-1 WM BLOODGOOD
24	29968	4 TR 6A-0-1 WM BLOODGOOOD
25	N/A	N/A
26	35521	12 TR 103-2-1 H GRIFFITH
27	35520	12 TR 103-1-1 H GRIFFITH
28	16241	12 TR 67-1 H GRIFFITH
29	16240	12 TR 12-0 H GRIFFITH
30	16240	12 TR 12-0 H GRIFFITH
31	16240	12 TR 12-0 H GRIFFITH
32	16240	12 TR 12-0 H GRIFFITH
33	16240	12 TR 12-0 H GRIFFITH
34	16240	12 TR 12-0 H GRIFFITH
35	16240	12 TR 12-0 H GRIFFITH
36		
	49011	12 TR 12-0-1 H GRIFFITH
	49012	12 TR 12-0-2 H GRIFFITH
37	N/A	N/A
38	16240	12 TR 12-0 H GRIFFITH
39	40885	4 TR 56-0-2 WM BLOODGOOD
40	N/A	N/A
41	29968	4 TR 6A-0-1 WM BLOODGOOOD
42	29968	4 TR 6A-0-1 WM BLOODGOOOD
43	29968	4 TR 6A-0-1 WM BLOODGOOOD

44	16241	12 TR 67-1 H GRIFFITH	
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46A	31391	4 TR 9-0-2 WM BLOODGOOD	
46B	31390	4 TR 9-0-1 WM BLOODGOOD	
47	3101	12 TR 74-5 H GRIFFITH	
48	3100	24 7-1 W D SMITH	
49	3099	24 6-1 W D SMITH	
50			
	3098	24 6-0 W D SMITH	
	22676	24 6-2 W D SMITH	part of 48-50
51	24544	24 8-1 W D SMITH	Part of 52
52			
	22668	24 8-5 WM D SMITH	
	20522	24 8-2 W D SMITH	
	24545	24 8-4 W D SMITH	
	24544	24 8-1 W D SMITH	
53	49400	12 TR 12-0-6 H GRIFFITH	
54	49351	24 1-2-4 W D SMITH	

Non LGH Parcels

55	9831	24 11-1 WM D SMITH
56	50539	24 1-5-1 WM D SMITH
57	50538	24 1-3-1 W D SMITH
58	508	24 9-2 W D SMITH
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62	19145	12 TR 78-0 H GRIFFITH
63	5084	4 TR 4-0 WM BLOODGOOD
64	1863	4 TR 5-0 WM BLOODGOOD

ATTACHMENT 11

Detailed Map Showing Location of the Land with Vicinity Map

See Attachment 7

ATTACHMENT 12

Description of All Existing Improvements

Preliminary site work has been completed including site clearance, leveling and access road improvements. Additionally some structural steel is stored on site for use in construction of pilings and foundations. The cost of current improvements and material on site is \$6,600,000.

Working with the Chambers County Appraisal District, separate appraisal accounts for the pre-application period costs and the post-application period costs of the processing plant will be set up. The value of the pre-application portion cost of the facility, which will not be part of the limitation of value agreement, will be tracked in future years as a percentage of the total project value.

Calculations of wages information---Based on Most Recent Data Available

110% of County Average Weekly Wage for all Jobs

Year	Period	Wages
2011	3Q	955
2011	4Q	1,023
2012	1Q	1,016
2012	2Q	992

Average= \$996.50 average weekly salary
 X 1.1 (110%)
\$1,096.15 110% of County Average Weekly Wage for all Jobs

110% of County Average Weekly Wage for manufacturing Jobs

Year	Period	Wages
2011	3Q	1,502
2011	4Q	1,737
2012	1Q	1,492
2012	2Q	1,633

Average = \$1591 average weekly salary
 X 1.1 (110%)
\$1,750.01 110% of County Average Weekly Wage for Manufacturing Jobs

**110 % of County Average Weekly Wage for Manufacturing Jobs in Region
 (Houston-Galveston)**

\$25.82 per hour
 X 40 hr per week
 \$ 1033 average weekly salary
 X 1.10 (110%)
\$1,136.08
 X 52 weeks
\$59,076.16 110% of County Average Weekly Wage for all Jobs in Region

Quarterly Employment and Wages (QCEW)

[Back](#)

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2011	1st Qtr	Chambers County	Private	00	0	10	Total, All Industries	\$953
2011	2nd Qtr	Chambers County	Private	00	0	10	Total, All Industries	\$921
2011	3rd Qtr	Chambers County	Private	00	0	10	Total, All Industries	\$955
2011	4th Qtr	Chambers County	Private	00	0	10	Total, All Industries	\$1,023
2012	1st Qtr	Chambers County	Private	00	0	10	Total, All Industries	\$1,016
2012	2nd Qtr	Chambers County	Private	00	0	10	Total, All Industries	\$980
2012	2nd Qtr	Chambers County	Private	31	2	31-33	Manufacturing	\$1,633
2012	1st Qtr	Chambers County	Private	31	2	31-33	Manufacturing	\$1,492
2011	4th Qtr	Chambers County	Private	31	2	31-33	Manufacturing	\$1,737
2011	3rd Qtr	Chambers County	Private	31	2	31-33	Manufacturing	\$1,502
2011	2nd Qtr	Chambers County	Private	31	2	31-33	Manufacturing	\$1,537
2011	1st Qtr	Chambers County	Private	31	2	31-33	Manufacturing	\$1,473

2011 Manufacturing Wages by Council of Government Region
Wages for All Occupations

COG	Wages	
	Hourly	Annual
Texas	\$22.89	\$47,610
1. Panhandle Regional Planning Commission	\$19.32	\$40,196
2. South Plains Association of Governments	\$16.45	\$34,210
3. NORTEX Regional Planning Commission	\$18.14	\$37,733
4. North Central Texas Council of Governments	\$24.03	\$49,986
5. Ark-Tex Council of Governments	\$16.52	\$34,366
6. East Texas Council of Governments	\$18.27	\$37,995
7. West Central Texas Council of Governments	\$17.76	\$36,949
8. Rio Grande Council of Governments	\$15.69	\$32,635
9. Permian Basin Regional Planning Commission	\$21.32	\$44,349
10. Concho Valley Council of Governments	\$15.92	\$33,123
11. Heart of Texas Council of Governments	\$18.82	\$39,150
12. Capital Area Council of Governments	\$26.46	\$55,047
13. Brazos Valley Council of Governments	\$15.71	\$33,718
14. Deep East Texas Council of Governments	\$15.48	\$32,207
15. South East Texas Regional Planning Commission	\$28.23	\$58,724
16. Houston-Galveston Area Council	\$25.82	\$53,711
17. Golden Crescent Regional Planning Commission	\$20.38	\$42,391
18. Alamo Area Council of Governments	\$18.00	\$37,439
19. South Texas Development Council	\$13.85	\$28,806
20. Coastal Bend Council of Governments	\$22.35	\$46,489
21. Lower Rio Grande Valley Development Council	\$15.08	\$31,365
22. Texoma Council of Governments	\$20.76	\$43,190
23. Central Texas Council of Governments	\$16.17	\$33,642
24. Middle Rio Grande Development Council	\$13.65	\$28,382

Source: Texas Occupational Employment and Wages

Data published: July 2012

Data published annually, next update will be summer 2013

Note: Data is not supported by the Bureau of Labor Statistics (BLS).

Wage data is produced from Texas OES data, and is not to be compared to BLS estimates.

Data intended for TAC 313 purposes only.

Houston - Galveston Area Council

Annual: \$53,711 x 110% = \$59,082

Weekly: \$53,711 / 52 = \$1,032.90 x 110% = \$1,136.19

ATTACHMENT 15

Description of Benefits

Energy Transfer offers its employees the following benefits:

- 401K plan
- Medical Insurance
- Dental Insurance
- Vision Insurance
- RX/Pharmacy Plan
- Flexible Spending Accounts
- Basic Life and AD&D Insurance
- Voluntary Dependant Life Insurance
- Voluntary Long-Term Disability Insurance
- Supplemental Disability Insurance
- Paid Vacation, Sick, and Holidays
- Wellness Programs
- Employee Assistance Programs
- Extended Sick Leave

ATTACHMENT 17 - 20

Schedules A - D

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

		School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)	2012-2013	2012	\$ 6,600,000	\$ -		\$ -	\$ 6,600,000
		2013-2014	2013	\$ 56,400,000	\$ -		\$ -	\$ 56,400,000
		2013-2014	2013	\$ 249,300,000	\$ -	\$ 249,300,000	\$ -	\$ 249,300,000
		2014-2015	2014	\$ 27,700,000	\$ -	\$ 27,700,000	\$ -	\$ 27,700,000
		2015-2016	2015	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	2016-2017	2016					
		2017-2018	2017					
		2018-2019	2018					
		2019-2020	2019					
		2020-2021	2020					
		2021-2022	2021					
		2022-2023	2022					
		2023-2024	2023					
		2024-2025	2024					
		2025-2026	2025					
Credit Settle-Up Period	Continue to Maintain Viable Presence	2026-2027	2026					
		2027-2028	2027					
		2028-2029	2028					
	Post- Settle-Up Period							
	Post- Settle-Up Period							

DATE _____

Schedule B (Rev. May 2010): Estimated Market And Taxable Value

Form 50-296

Applicant Name Lone Star NGL Asset Holdings II, LLC
 ISD Name Barbers Hill ISD

								Qualified Property			Reductions from Market Value	Estimated Taxable Value	
								Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in improvement"		Final taxable value for I&S - after all reductions	Final taxable value for M&O--after all reductions
		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY									
		pre- year 1	2013-2014	2013				-	-	-	-	-	-
	Complete tax years of qualifying time period	1	2014-2015	2014				-	-	305,700,000	15,300,000	290,400,000	290,400,000
		2	2015-2016	2015				-	-	324,200,000	16,200,000	308,000,000	308,000,000
		3	2016-2017	2016				-	-	314,200,000	15,700,000	298,500,000	30,000,000
		4	2017-2018	2017				-	-	304,800,000	15,200,000	289,600,000	30,000,000
		5	2018-2019	2018				-	-	295,700,000	14,800,000	280,900,000	30,000,000
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	6	2019-2020	2019				-	-	286,800,000	14,300,000	272,500,000	30,000,000
		7	2020-2021	2020				-	-	278,200,000	13,900,000	264,300,000	30,000,000
		8	2021-2022	2021				-	-	269,900,000	13,500,000	256,400,000	30,000,000
		9	2022-2023	2022				-	-	261,800,000	13,100,000	248,700,000	30,000,000
		10	2023-2024	2023				-	-	253,900,000	12,700,000	241,200,000	30,000,000
		11	2024-2025	2024				-	-	246,300,000	12,300,000	234,000,000	234,000,000
		12	2025-2026	2025				-	-	238,900,000	11,900,000	227,000,000	227,000,000
		13	2026-2027	2026				-	-	231,700,000	11,600,000	220,100,000	220,100,000
		14	2027-2028	2027				-	-	224,700,000	11,200,000	213,500,000	213,500,000
		15	2028-2029	2028				-	-	218,000,000	10,900,000	207,100,000	207,100,000
	Credit Settle-Up Period	Continue to Maintain Viable Presence											
	Post- Settle-Up Period												
	Post- Settle-Up Period												

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

19 Oct 2012

DATE

Schedule C- Application: Employment Information

Applicant Name Lone Star NGL Asset Holdings II, LLC
ISD Name Barbers Hill ISD

Form 50-295

	Year pre-year 1	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period	1	2013-2014	2013	55,000	800 FTE			
		2	2014-2015	2014	55,000	100 FTE	10	8	70,000
		3	2015-2016	2015			10	8	70,000
		4	2016-2017	2016			10	8	70,000
		5	2017-2018	2017			10	8	70,000
		6	2018-2019	2018			10	8	70,000
Credit Settle-Up Period	Value Limitation Period	7	2019-2020	2019			10	8	70,000
		8	2020-2021	2020			10	8	70,000
		9	2021-2022	2021			10	8	70,000
		10	2022-2023	2022			10	8	70,000
		11	2023-2024	2023			10	8	70,000
		12	2024-2025	2024			10	8	70,000
Post-Settle-Up Period	Continue to Maintain Viable Presence	13	2025-2026	2025			10	8	70,000
		14	2026-2027	2026			10	8	70,000
		15	2027-2028	2027			10	8	70,000
Post-Settle-Up Period			2028-2029	2028			10	8	70,000

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

190526.2

DATE

Form 50-296

*For planning, construction and operation of the facility.

DATE _____

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

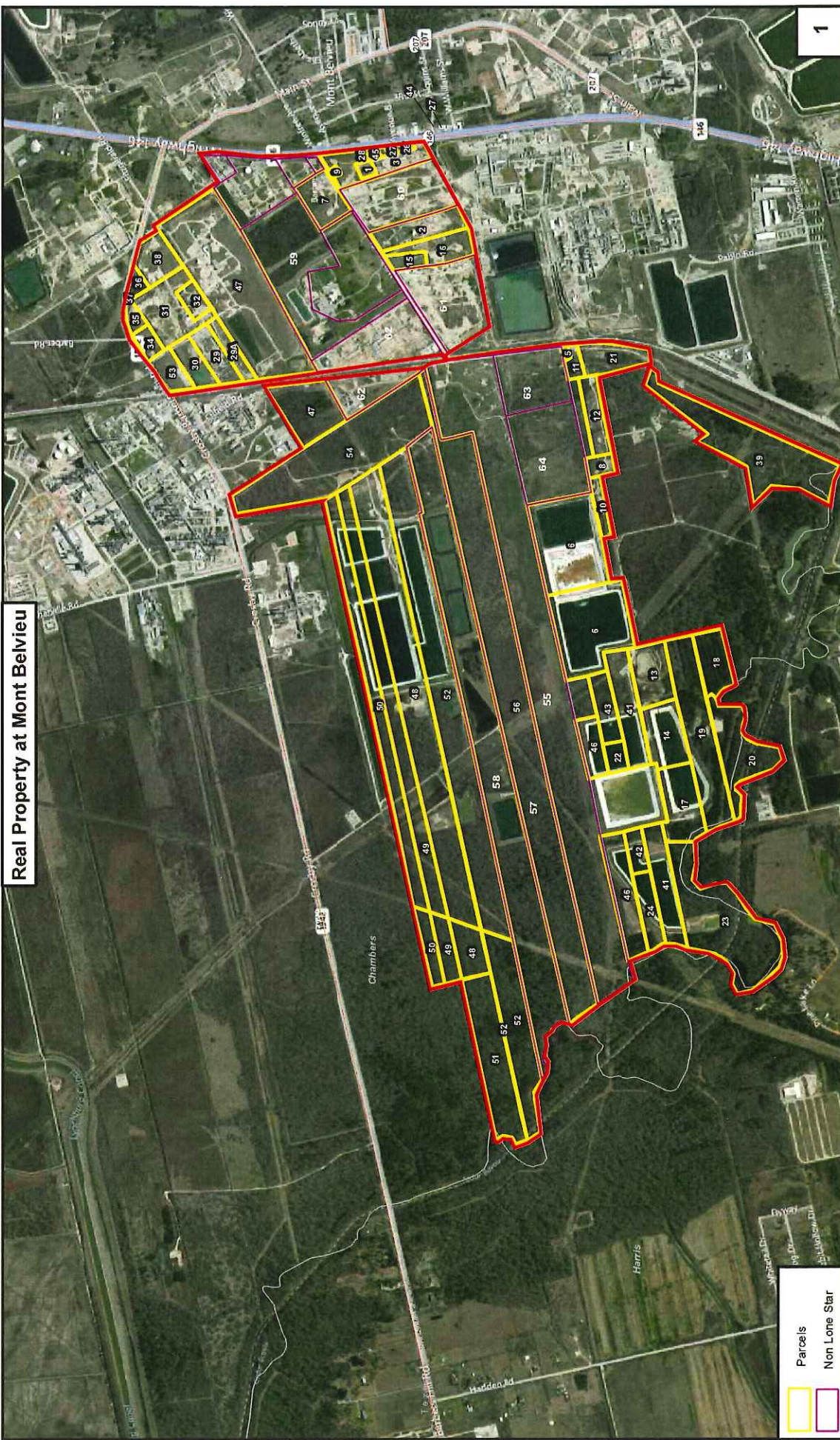
ATTACHMENT 21

Map of Reinvestment Zone

Amended: Inserted Map of Reinvestment Zone Showing Boundaries

ATTACHMENT 21

Map of Reinvestment Zone



Real Property at Mont Belvieu

- Parcels
- Non Lone Star

**Lone Star NGL
Mont Belvieu L.P.**

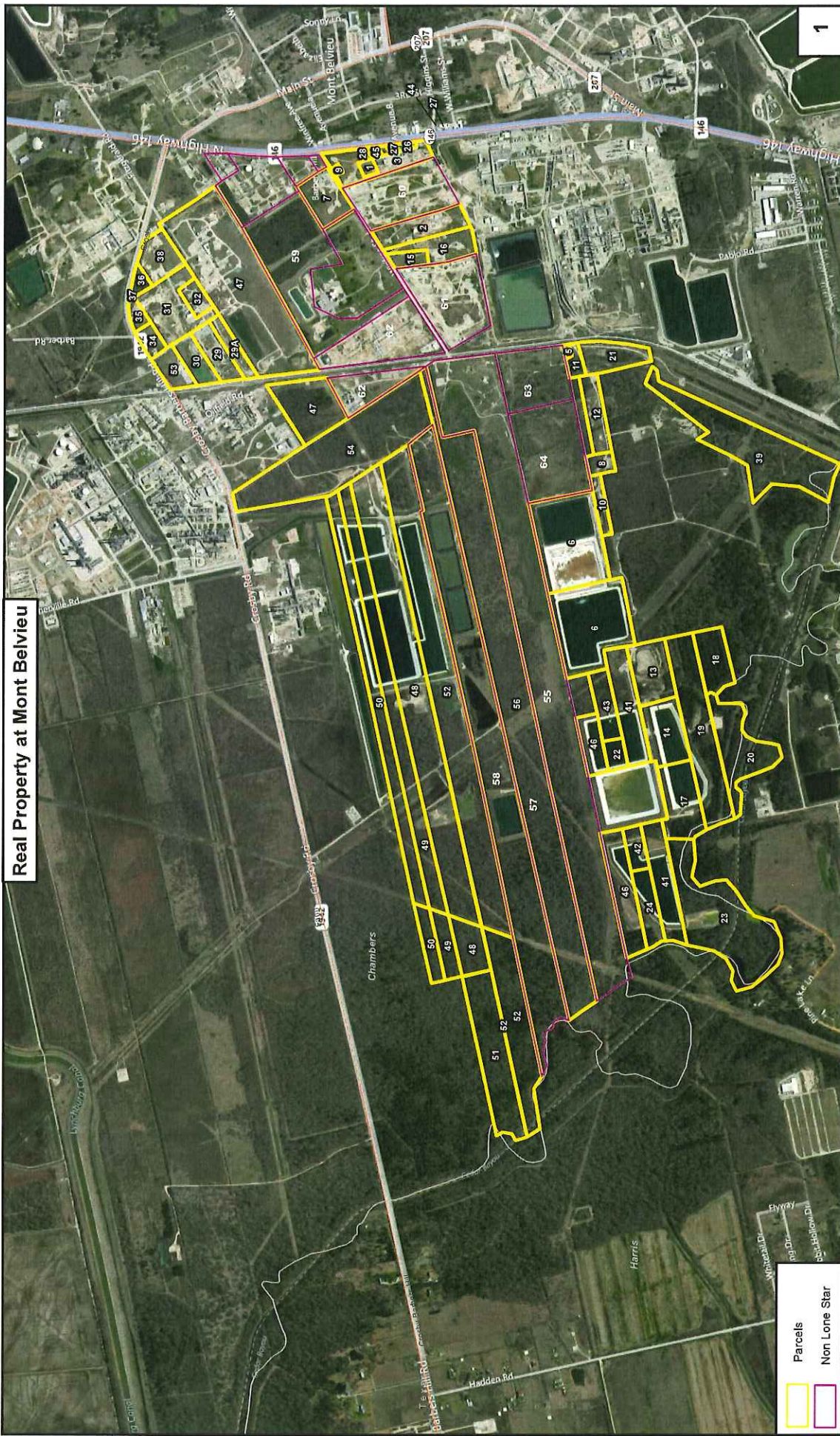
1 inch = 1,367 feet



Reinvestment Zone boundary

Disclaimer: Aerials in this map were generated by a computer program and should not be used for legal purposes. The map is not a legal survey. Date: Sep 09 2011

Real Property at Mont Belvieu



- Parcels
- Non Lone Star

Lone Star NGL
Mont Belvieu L.P.

1 inch = 1,367 feet



Distances/Acreages in this map are approximate and should not be used for authoritative definition of legal boundaries or property lines. Sep 09 2011



1

ATTACHMENT 22

Order, Resolution, or Ordinance Establishing the Zone

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

A RESOLUTION DESIGNATING A CERTAIN AREA AS A REINVESTMENT ZONE FOR TEXAS TAX CODE CHAPTER 313 APPRAISED VALUE LIMITATION IN THE BARBERS HILL INDEPENDENT SCHOOL DISTRICT, IN PORTIONS OF CHAMBERS COUNTY TEXAS, TO BE KNOWN AS *THE LONE STAR NGL REINVESTMENT ZONE*; ESTABLISHING THE BOUNDARIES THEREOF; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Board of Trustees of the Barbers Hill Independent School District desires to promote the development or redevelopment of a certain contiguous geographic area within its jurisdiction by the creation of a reinvestment zone as authorized by the Property Redevelopment and Tax Abatement Act, as amended (V.T.C.A. Texas Tax Code § 312.0025), for the purpose of authorizing an *Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes*, as authorized by Chapter 313 of the Texas Tax Code; and,

WHEREAS, on _____, 2011, a hearing before the Board of Trustees of the Barbers Hill Independent School District was held, 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 the respective presiding officers of each taxing entity which includes within its boundaries real property that is to be included in the proposed reinvestment zone; and,

WHEREAS, the Board of Trustees of the Barbers Hill Independent School District at such public hearing invited any interested person to appear and speak for or against the creation of the reinvestment zone, and whether all or part of the territory described should be included in the proposed reinvestment zone; and,

WHEREAS, the proponents of the reinvestment zone offered evidence, both oral and documentary, in favor of all of the foregoing matters relating to the creation of the reinvestment zone and opponents, if any, of the reinvestment zone appeared to contest the creation of the reinvestment zone.

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF 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.

SECTION 2. That the Board of Trustees of the Barbers Hill Independent School District, 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 Lone Star NGL 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; and,
- (b) That the boundaries of *The Lone Star NGL Reinvestment Zone* be and, by the adoption of this Resolution, is declared and certified to be, the area as described in the description attached hereto as "**EXHIBIT A**"; and,
- (c) That the map attached hereto as "**EXHIBIT B**" is declared to be and, by the adoption of this Resolution is certified to accurately depict and show the boundaries of *The Lone Star NGL Reinvestment Zone* which is normatively described in **EXHIBIT A**; and further certifies that the property described in **EXHIBIT A** is inside the boundaries shown on **EXHIBIT B**; and,
- (d) That creation of *The Lone Star NGL Reinvestment Zone* with boundaries as described in **EXHIBIT A** and **EXHIBIT B** will result in benefits to the Barbers Hill Independent School District and to land included in the zone, and that the improvements sought are feasible and practical; and,
- (e) *The Lone Star NGL Reinvestment Zone* described in **EXHIBIT A** and **EXHIBIT B** meets the criteria set forth in Texas Tax Code §312.0025 for the creation of a reinvestment zone as set forth in 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 investment in the zone that will be a benefit to the property, and would contribute to economic development within the Barbers Hill Independent School District.

SECTION 3. That pursuant to the Property Redevelopment and Tax Abatement Act, as amended, the Barbers Hill Independent School District, hereby creates a reinvestment zone under the provisions of Tex. Tax Code § 312.0025, encompassing the area described by the descriptions in **EXHIBIT A** and **EXHIBIT B**, and such reinvestment zone is hereby designated and shall hereafter be referred to as *The Lone Star NGL Reinvestment Zone*.

SECTION 4. That *The Lone Star NGL Reinvestment Zone* shall take effect upon adoption by the Board of Trustees and shall remain designated as a commercial-industrial reinvestment zone for a period of five (5) years from such date of such designation.

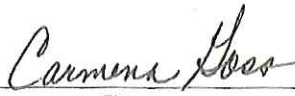
SECTION 5. That if any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this

Resolution.


SECTION 6. That it is hereby found, determined and declared that a sufficient notice of the date, hour, place and subject of the meeting of the Barbers Hill Independent School District Board of Trustees, at which this Resolution was adopted, was posted at a place convenient and readily accessible at all times, as required by the Texas Open Government 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 Chambers County of the State of Texas, and furthermore, such notice was, in fact, delivered to the presiding officer of any effected taxing entity as prescribed by the Property Redevelopment and Tax Abatement Act.

PASSED, APPROVED AND ADOPTED on this _____ day of December, 2011.

**BARBERS HILL INDEPENDENT SCHOOL
DISTRICT**

By: 
CARMENA GOSS
President
Board of Trustees

ATTEST:


BENNY MAY
Secretary
Board of Trustees

ATTACHMENT 23

Legal Description of Reinvestment Zone

LGH Tract	Chambers PID #	Chambers CAD Legal
1	16241	12 TR 67-1 H GRIFFITH
2	16242	12 TR 86-1 H GRIFFITH
3	16241	12 TR 67-1 H GRIFFITH
4	N/A	N/A
5	20620	4 TR 6A-0 WM BLOODGOOD
6A	20620	4 TR 6A-0 WM BLOODGOOD
6B	29968	4 TR 6A-0-1 WM BLOODGOOOD
7	16241	12 TR 67-1 H GRIFFITH
8	20620	4 TR 6A-0 WM BLOODGOOD
9	16241	12 TR 67-1 H GRIFFITH
10	20620	4 TR 6A-0 WM BLOODGOOD
11	20620	4 TR 6A-0 WM BLOODGOOD
12	20620	4 TR 6A-0 WM BLOODGOOD
13	29968	4 TR 6A-0-1 WM BLOODGOOOD
14	29968	4 TR 6A-0-1 WM BLOODGOOOD
15	16242	12 TR 86-1 H GRIFFITH
16	16242	12 TR 86-1 H GRIFFITH
17	29968	4 TR 6A-0-1 WM BLOODGOOOD
18	29968	4 TR 6A-0-1 WM BLOODGOOOD
19	29968	4 TR 6A-0-1 WM BLOODGOOOD
20	29968	4 TR 6A-0-1 WM BLOODGOOOD
21	20620	4 TR 6A-0 WM BLOODGOOD
22	29968	4 TR 6A-0-1 WM BLOODGOOOD
23	40368	4 TR 69B-0-1 WM BLOODGOOD
24	29968	4 TR 6A-0-1 WM BLOODGOOOD
25	N/A	N/A
26	35521	12 TR 103-2-1 H GRIFFITH
27	35520	12 TR 103-1-1 H GRIFFITH
28	16241	12 TR 67-1 H GRIFFITH
29	16240	12 TR 12-0 H GRIFFITH
30	16240	12 TR 12-0 H GRIFFITH
31	16240	12 TR 12-0 H GRIFFITH
32	16240	12 TR 12-0 H GRIFFITH
33	16240	12 TR 12-0 H GRIFFITH
34	16240	12 TR 12-0 H GRIFFITH
35	16240	12 TR 12-0 H GRIFFITH
36		
	49011	12 TR 12-0-1 H GRIFFITH
	49012	12 TR 12-0-2 H GRIFFITH
37	N/A	N/A
38	16240	12 TR 12-0 H GRIFFITH
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52			
	22668	24 8-5 WM D SMITH	
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	24545	24 8-4 W D SMITH	
	24544	24 8-1 W D SMITH	
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Non LGH Parcels

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62	19145	12 TR 78-0 H GRIFFITH
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64	1863	4 TR 5-0 WM BLOODGOOD

Amended: Inserted Guidelines and Criteria for Reinvestment Zone

ATTACHMENT 24

Guidelines and Criteria for Reinvestment Zone

ORDINANCE NO. 2011-006

AN ORDINANCE PROVIDING FOR ELIGIBILITY TO PARTICIPATE IN TAX ABATEMENT, MAKING CERTAIN FINDINGS OF FACT, AND ADOPTING GUIDELINES AND CRITERIA FOR TAX ABATEMENT AGREEMENTS FOR THE CITY OF MONT BELVIEU IN ACCORDANCE WITH CHAPTER 312 OF THE TEXAS TAX CODE.

WHEREAS, pursuant to Chapter 312 of the Texas Tax Code, the City must elect to become eligible to participate in tax abatement;

WHEREAS, pursuant to Chapter 312 of the Texas Tax Code, certain tax abatement guidelines and criteria are necessary prior to the creation of a reinvestment zone or prior to entering into a tax abatement agreement;

WHEREAS, the prior tax abatement guidelines and criteria established by the City of Mont Belvieu expired on February 23, 2011;

WHEREAS, the City Council of the City of Mont Belvieu finds and determines that the guidelines and criteria as hereinafter set out are in the best interest of the City of Mont Belvieu to encourage certain types of development to the exclusion of others;

WHEREAS, the City Council of the City of Mont Belvieu reaffirms its absolute discretion to approve and/or reject any applicant for tax abatement, whether or not an application meets the criteria and/or guidelines as herein stated; and

WHEREAS, the City Council of the City of Mont Belvieu finds and determines that it should consider application for tax abatement and enter into tax abatement agreements which provide for tax abatements under criteria established by other taxing entities without city participation;

**NOW, THEREFORE,
BE IT ORDAINED BY THE CITY COUNCIL
OF THE CITY OF MONT BELVIEU, TEXAS:**

That pursuant to the provisions of Section 312.002(a) of the Texas Tax Code, the City of Mont Belvieu does hereby elect to become eligible to participate in tax abatement and hereby adopts the following tax abatement guidelines and criteria pursuant to 312.002(d):

Section 1.

The property subject to the abatement must be located within the city limits of the City of Mont Belvieu, Texas. Eligible business shall include any business duly authorized to operate in the State of Texas.

Section 2.

Eligible activities for which a tax abatement may be granted shall include the lesser of either the additional assessed value over the base year value or actual investment resulting from construction of acquisition of fixed assets.

Section 3.

The standard abatement formula that may be permitted in any abatement agreement shall be:

- 1.) Abatement shall not exceed five (5) years, beginning on January 1st after the signing of the tax abatement agreement.
- 2.) Years one (1), two (2), and three (3) will be one hundred percent (100%) abatement.
- 3.) Year four (4) will be at seventy five percent (75%) abatement.
- 4.) Year five (5) will be at fifty percent (50%) abatement.
- 5.) Year six (6) the abatement expires and all taxes are paid.

Section 4.

The City Council reserves the right to offer different terms in furtherance of the public interest. Conditions which justify non-standard terms and percentages of abatement include projects over \$10,000,000 million dollars of value, over twenty (20) new proposed jobs created or public infrastructure contributions.


Section 5.

The City may consider an application for abatement when entering into a tax abatement agreement which provides for no abatement to be granted by the City, but which provides for an abatement to be granted by other taxing entities to the extent of the limitations provided under their guidelines and criteria.

Section 6.

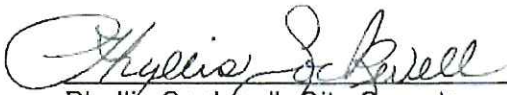
In the event that one or more of the provisions contained in this Ordinance shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability of this Ordinance shall be construed as if such invalid, illegal or unenforceable provision has never been contained herein, but shall not affect the remaining provisions of this Ordinance, which shall remain in full force and effect.

PASS AND APPROVED on this the 16th day of May, 2011.



Nick Dixon, Mayor

ATTEST:



Phyllis Sockwell, City Secretary

Attachment B

Certificate of Account Status



Franchise Tax Account Status

As of: 09/13/2013 09:13:16 AM

This Page is Not Sufficient for Filings with the Secretary of State

LONE STAR NGL ASSET HOLDINGS II LLC	
Texas Taxpayer Number	32044534082
Mailing Address	211 E 7TH ST STE 620 AUSTIN, TX 78701-3218
Right to Transact Business in Texas	ACTIVE
State of Formation	DE
Effective SOS Registration Date	06/24/2011
Texas SOS File Number	0801444310
Registered Agent Name	CORPORATION SERVICE COMPANY D/B/A CSC-LAWYERS INCO
Registered Office Street Address	211 E. 7TH STREET SUITE 620 AUSTIN, TX 78701

Attachment C

State Comptroller's Recommendation

S U S A N
C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



February 22, 2013

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

Dear Assistant Superintendent McManus:

On November 26, 2012, the Comptroller received the completed application for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on October 22, 2012 to the Barbers Hill Independent School District (Barbers Hill ISD) by Lone Star NGL Asset Holdings II, LLC. This letter presents the results of the comptroller's review of the application:

- 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 C; and
- 2) under Section 313.025(d), to make a recommendation to the governing body of the school district as to whether the application should be approved or disapproved using the criteria set out by Section 313.026.

Barbers Hill ISD is currently classified as a rural school district in Category 1 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$277 million) is consistent with the proposed appraised value limitation sought (\$30 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement. Lone Star NGL Asset Holdings II, LLC is proposing the construction of a manufacturing facility in Chambers County. Lone Star NGL Asset Holdings II, LLC is an active franchise taxpayer in good standing, as required by Tax Code Section 313.024(a).

As required by Section 313.024(h), the Comptroller has determined that the property, as described by the application, meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

After reviewing the application using the criteria listed in Section 313.026, and the information provided by Lone Star NGL Asset Holdings II, LLC, the Comptroller's recommendation is that Lone Star NGL Asset Holdings II, LLC's application under Tax Code Chapter 313 be approved.

Our review of the application assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. The school district is responsible for verifying that all requirements of the statute have been fulfilled. Additionally, Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and state. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria.

Note that any new building or other improvement existing as of the application review start date of November 26, 2012, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application that has been submitted and reviewed by the Comptroller. The recommendation may not be used by the ISD to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

1. The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district must approve and execute a limitation agreement that has been reviewed by this office within a year from the date of this letter; and
4. Section 313.025 requires the district to provide to the Comptroller a copy of the signed limitation agreement within 7 days after execution.

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

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

Applicant	Lone Star NGL Asset Holdings II, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2011-12 Enrollment in School District	4,420
County	Chambers
Total Investment in District	\$333,400,000
Qualified Investment	\$277,000,000
Limitation Amount	\$30,000,000
Number of total jobs committed to by applicant	10
Number of qualifying jobs committed to by applicant	8
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,154
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$1,033
Minimum Annual Wage committed to by applicant for qualified jobs	\$60,000
Investment per Qualifying Job	\$41,675,000
Estimated 15 year M&O levy without any limit or credit:	\$40,833,320
Estimated gross 15 year M&O tax benefit	\$25,975,301
Estimated 15 year M&O tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$19,957,315
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$5,707,040
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$20,876,005
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	48.9%
Percentage of tax benefit due to the limitation	78.0%
Percentage of tax benefit due to the credit.	22.0%

This presents the Comptroller's economic impact evaluation of Lone Star NGL Asset Holdings II, LLC (the project) applying to Barbers Hill Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
 - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
 - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

Wages, salaries and benefits [313.026(6-8)]

After construction, the project will create ten new jobs when fully operational. Eight jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Houston-Galveston Area Council of Governments Region, where Chambers County is located was \$53,711 in 2011. The annual average manufacturing wage for 2011-2012 for Chambers County is \$82,732. That same year, the county annual average wage for all industries was \$51,818. In addition to a salary of \$60,000, each qualifying position will receive the following benefits: medical insurance, 401(k), dental insurance, vision insurance, Rx/Pharmacy plan, flexible spending accounts, basic life and AD&D insurance, voluntary dependent life insurance, voluntary long-term disability insurance, supplemental disability insurance, paid vacation, sick and holidays, wellness programs, employee assistance programs, and extended sick leave. The project's total investment is \$333.4 million, resulting in a relative level of investment per qualifying job of \$41.7 million.

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

According to Lone Star NGL Asset Holdings II, LLC's application, "Energy Transfer 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. Energy Transfer currently operates over 17,500 miles of pipeline, 3 gas processing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations include Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana."

Energy Transfer's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax abilities can make up a substantial ongoing cost of operation."

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

During the past two years, 19 projects in the Houston-Galveston Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]

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

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

Table 1 depicts Lone Star NGL Asset Holdings II, LLC'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 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Lone Star NGL Asset Holdings II, LLC

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	800	906	1706	\$44,000,000	\$59,000,000	\$103,000,000
2013	110	203	313	\$6,130,000	\$19,870,000	\$26,000,000
2014	10	54	64	\$630,000	\$9,370,000	\$10,000,000
2015	10	34	44	\$630,000	\$7,370,000	\$8,000,000
2016	10	24	34	\$630,000	\$6,370,000	\$7,000,000
2017	10	25	35	\$630,000	\$5,370,000	\$6,000,000
2018	10	21	31	\$630,000	\$5,370,000	\$6,000,000
2019	10	25	35	\$630,000	\$4,370,000	\$5,000,000
2020	10	27	37	\$630,000	\$4,370,000	\$5,000,000
2021	10	33	43	\$630,000	\$4,370,000	\$5,000,000
2022	10	47	57	\$630,000	\$6,370,000	\$7,000,000
2023	10	49	59	\$630,000	\$6,370,000	\$7,000,000
2024	10	47	57	\$630,000	\$6,370,000	\$7,000,000
2025	10	45	55	\$630,000	\$6,370,000	\$7,000,000
2026	10	49	59	\$630,000	\$7,370,000	\$8,000,000
2027	10	51	61	\$630,000	\$7,370,000	\$8,000,000

Source: CPA, REMI, Lone Star NGL Asset Holdings II, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011-2012. Barbers Hill ISD's ad valorem tax base in 2011-2012 was \$3.39 billion. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Barbers Hill ISD's estimated wealth per WADA was \$669,576. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Chambers County, and the City of Mont Belvieu Extra-Territorial Jurisdiction (ETJ) with all property tax incentives sought being granted using estimated market value from Lone Star NGL Asset Holdings II, LLC's application. Lone Star NGL Asset Holdings II, LLC has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and the city's extra-territorial jurisdiction. Table 3 illustrates the estimated tax impact of the Lone Star NGL Asset Holdings II, LLC project on the region if all taxes are assessed.

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Barbers Hill ISD I&S Levy	Barbers Hill ISD M&O Levy	Barbers Hill ISD M&O and I&S Tax Levies (Before Credit Credited)	Barbers Hill ISD M&O and I&S Tax Levies (After Credit Credited)	Chambers County Tax Levy	City of Mont Belvieu Extra-Territorial Jurisdiction (ETJ) Tax Levy	Estimated Total Property Taxes
				0.2698	1.0600			0.4968	0.4367	
2014	\$290,400,000	\$290,400,000		\$783,499	\$3,078,240	\$3,861,739	\$3,861,739	\$0	\$0	\$3,861,739
2015	\$308,000,000	\$308,000,000		\$830,984	\$3,264,800	\$4,095,784	\$4,095,784	\$0	\$0	\$4,095,784
2016	\$298,500,000	\$30,000,000		\$805,353	\$318,000	\$1,123,353	\$1,123,353	\$0	\$0	\$1,123,353
2017	\$289,600,000	\$30,000,000		\$781,341	\$318,000	\$1,099,341	\$549,671	\$0	\$0	\$549,671
2018	\$280,900,000	\$30,000,000		\$757,868	\$318,000	\$1,075,868	\$537,934	\$348,871	\$306,680	\$1,193,485
2019	\$272,500,000	\$30,000,000		\$735,205	\$318,000	\$1,053,205	\$526,602	\$541,501	\$476,014	\$1,544,117
2020	\$264,300,000	\$30,000,000		\$713,081	\$318,000	\$1,031,081	\$515,540	\$656,508	\$577,112	\$1,749,161
2021	\$256,400,000	\$30,000,000		\$691,767	\$318,000	\$1,009,767	\$504,883	\$636,885	\$559,862	\$1,701,630
2022	\$248,700,000	\$30,000,000		\$670,993	\$318,000	\$988,993	\$494,497	\$617,758	\$543,049	\$1,655,304
2023	\$241,200,000	\$30,000,000		\$650,758	\$318,000	\$968,758	\$484,379	\$898,693	\$790,008	\$2,173,080
2024	\$234,000,000	\$234,000,000		\$631,332	\$2,480,400	\$3,111,732	\$1,018,198	\$1,162,489	\$1,021,901	\$3,202,588
2025	\$227,000,000	\$227,000,000		\$612,446	\$2,406,200	\$3,018,646	\$3,018,646	\$1,127,713	\$991,332	\$5,137,691
2026	\$220,100,000	\$220,100,000		\$593,830	\$2,333,060	\$2,926,890	\$2,926,890	\$1,093,435	\$961,199	\$4,981,523
2027	\$213,500,000	\$213,500,000		\$576,023	\$2,263,100	\$2,839,123	\$2,839,123	\$1,060,647	\$932,376	\$4,832,146
2028	\$207,100,000	\$207,100,000		\$558,756	\$2,195,260	\$2,754,016	\$2,754,016	\$1,028,852	\$904,426	\$4,687,294
						Total	\$25,251,255	\$9,173,352	\$8,063,959	\$42,488,565

Assumes School Value Limitation and Tax Abatements from Chambers County and City of Mont Belvieu ETJ.

Source: CPA, Lone Star NGL Asset Holdings II, LLC

¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Barbers Hill ISD I&S Levy	Barbers Hill ISD M&O Levy		Barbers Hill ISD M&O and I&S Tax Levies	Chambers County Tax Levy	City of Mont Belvieu Extra-Territorial Jurisdiction (ETJ) Tax Levy	Estimated Total Property Taxes
			Tax Rate ¹	0.2698	1.0600	X		0.4968	0.4367	
2014	\$290,400,000	\$290,400,000		\$783,499	\$3,078,240		\$3,861,739	\$1,442,678	\$1,268,206	\$6,572,623
2015	\$308,000,000	\$308,000,000		\$830,984	\$3,264,800		\$4,095,784	\$1,530,113	\$1,345,067	\$6,970,964
2016	\$298,500,000	\$298,500,000		\$805,353	\$3,164,100		\$3,969,453	\$1,482,918	\$1,303,579	\$6,755,951
2017	\$289,600,000	\$289,600,000		\$781,341	\$3,069,760		\$3,851,101	\$1,438,704	\$1,264,712	\$6,554,517
2018	\$280,900,000	\$280,900,000		\$757,868	\$2,977,540		\$3,735,408	\$1,395,483	\$1,226,718	\$6,357,610
2019	\$272,500,000	\$272,500,000		\$735,205	\$2,888,500		\$3,623,705	\$1,353,753	\$1,190,035	\$6,167,493
2020	\$264,300,000	\$264,300,000		\$713,081	\$2,801,580		\$3,514,661	\$1,313,016	\$1,154,225	\$5,981,902
2021	\$256,400,000	\$256,400,000		\$691,767	\$2,717,840		\$3,409,607	\$1,273,770	\$1,119,724	\$5,803,101
2022	\$248,700,000	\$248,700,000		\$670,993	\$2,636,220		\$3,307,213	\$1,235,517	\$1,086,098	\$5,628,827
2023	\$241,200,000	\$241,200,000		\$650,758	\$2,556,720		\$3,207,478	\$1,198,257	\$1,053,345	\$5,459,080
2024	\$234,000,000	\$234,000,000		\$631,332	\$2,480,400		\$3,111,732	\$1,162,489	\$1,021,901	\$5,296,122
2025	\$227,000,000	\$227,000,000		\$612,446	\$2,406,200		\$3,018,646	\$1,127,713	\$991,332	\$5,137,691
2026	\$220,100,000	\$220,100,000		\$593,830	\$2,333,060		\$2,926,890	\$1,093,435	\$961,199	\$4,981,523
2027	\$213,500,000	\$213,500,000		\$576,023	\$2,263,100		\$2,839,123	\$1,060,647	\$932,376	\$4,832,146
2028	\$207,100,000	\$207,100,000		\$558,756	\$2,195,260	\$2,754,016	\$1,028,852	\$904,426	\$4,687,294	
						Total	\$51,226,556	\$19,137,344	\$16,822,943	\$87,186,843

Source: CPA, Lone Star NGL Asset Holdings II, LLC

¹Tax Rate per \$100 Valuation



TEXAS EDUCATION AGENCY

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

February 19, 2013

Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Lone Star NGL Asset Holdings II project on the number and size of school facilities in Barbers Hill Independent School District (BHISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the BHISD superintendent, Dr. Greg Poole, the TEA has found that the Lone Star NGL Asset Holdings II project would not have a significant impact on the number or size of school facilities in BHISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Al McKenzie", with a long horizontal flourish extending to the right.

Al McKenzie, Manager
Foundation School Program Support

AM/bd



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

February 19, 2013

Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency (TEA) has analyzed the revenue gains that would be realized by the proposed Lone Star NGL Asset Holdings II project for the Barbers Hill Independent School District (BHISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe the firm's assumptions regarding the potential revenue gain are valid, and its estimates of the impact of the Lone Star NGL Asset Holdings II project on BHISD are correct.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Al McKenzie", with a long, horizontal flourish extending to the right.

Al McKenzie, Manager
Foundation School Program Support

AM/bd

Chambers County

Population

- Total county population in 2010 for Chambers County: 32,332 , up 2.5 percent from 2009. State population increased 1.8 percent in the same time period.
- Chambers County was the state's 91th largest county in population in 2010 and the 25 th fastest growing county from 2009 to 2010.
- Chambers County's population in 2009 was 68.9 percent Anglo (above the state average of 46.7 percent), 10.5 percent African-American (below the state average of 11.3 percent) and 18.4 percent Hispanic (below the state average of 36.9 percent).
- 2009 population of the largest cities and places in Chambers County:

Mont Belvieu:	2,913	Anahuac:	2,081
Beach City:	2,058	Old River-Winfree:	1,812
Cove:	307		

Economy and Income

Employment

- September 2011 total employment in Chambers County: 14,359 , up 1.8 percent from September 2010. State total employment increased 0.9 percent during the same period.
(October 2011 employment data will be available November 18, 2011).
- September 2011 Chambers County unemployment rate: 10.5 percent, up from 9.4 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

(Note: County and state unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission city unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates).

Income

- Chambers County's ranking in per capita personal income in 2009: 13th with an average per capita income of \$45,257, down 1.5 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

- Agricultural cash values in Chambers County averaged \$22.26 million annually from 2007 to 2010. County total agricultural values in 2010 were up 44.2 percent from 2009. Major agriculture related commodities in Chambers County during 2010 included:

- Aquaculture	- Rice	- Hunting	- Hay	- Other Beef
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- 2011 oil and gas production in Chambers County: 758,413.0 barrels of oil and 3.6 million Mcf of gas. In September 2011, there were 182 producing oil wells and 62 producing gas wells.

Taxes

Sales Tax - Taxable Sales

(County and city taxable sales data for 1st quarter 2011 is currently targeted for release in mid-September 2011).

Quarterly (September 2010 through December 2010)

- Taxable sales in Chambers County during the fourth quarter 2010: \$53.17 million, up 18.5 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Mont Belvieu:	\$21.65 million, up 88.2 percent from the same quarter in 2009.
Anahuac:	\$2.21 million, up 1.5 percent from the same quarter in 2009.
Old River-Winfree:	\$0.00
Cove:	\$1.05 million, up 24.0 percent from the same quarter in 2009.

Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)

- Taxable sales in Chambers County through the fourth quarter of 2010: \$192.70 million, down 1.9 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Mont Belvieu:	\$64.92 million, up 14.8 percent from the same period in 2009.
Anahuac:	\$8.73 million, down 5.0 percent from the same period in 2009.
Old River-Winfree:	\$0.00
Cove:	\$3.77 million, up 5.7 percent from the same period in 2009.

Annual (2010)

- Taxable sales in Chambers County during 2010: \$192.70 million, down 1.9 percent from 2009.
- Chambers County sent an estimated \$12.04 million (or 0.07 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.

■ Taxable sales during 2010 in the city of:

Mont Belvieu:	\$64.92 million, up 14.8 percent from 2009.
Anahuac:	\$8.73 million, down 5.0 percent from 2009.
Old River-Winfree:	\$0.00
Cove:	\$3.77 million, up 5.7 percent from 2009.

Sales Tax – Local Sales Tax Allocations

(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)

Monthly

- Statewide payments based on the sales activity month of August 2011: \$506.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Chambers County based on the sales activity month of August 2011: \$251,094.84, down 9.6 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Mont Belvieu:	\$237,085.85, down 10.2 percent from August 2010.
Anahuac:	\$5,641.51, down 26.2 percent from August 2010.
Old River-Winfree*:	\$4,805.15, up 184.3 percent from August 2010.
Cove:	\$3,562.33, down 17.8 percent from August 2010.

Fiscal Year

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Chambers County based on sales activity months from September 2010 through August 2011: \$3.65 million, up 68.9 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Mont Belvieu:	\$3.47 million, up 73.2 percent from fiscal 2010.
Anahuac:	\$87,555.03, down 15.7 percent from fiscal 2010.
Old River-Winfree*:	\$49,878.98, up 149.7 percent from fiscal 2010.
Cove:	\$46,617.53, up 27.9 percent from fiscal 2010.

January 2011 through August 2011 (Sales Activity Year-To-Date)

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Chambers County based on sales activity months through August 2011: \$2.81 million, up 89.1 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Mont Belvieu:	\$2.69 million, up 93.5 percent from the same period in 2010.
Anahuac:	\$53,193.97, down 8.5 percent from the same period in 2010.
Old River-Winfree*:	\$37,220.66, up 185.7 percent from the same period in 2010.
Cove:	\$28,490.84, up 19.7 percent from the same period in 2010.

12 months ending in August 2011

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Chambers County based on sales activity in the 12 months ending in August 2011: \$3.65 million, up 68.9 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Mont Belvieu:	\$3.47 million, up 73.2 percent from the previous 12-month period.
Anahuac:	\$87,555.03, down 15.7 percent from the previous 12-month period.
Old River-Winfree*:	\$49,878.98, up 149.7 percent from the previous 12-month period.
Cove:	\$46,617.53, up 27.9 percent from the previous 12-month period.

■ **City Calendar Year-To-Date (RJ 2011)**

- Payment to the cities from January 2011 through October 2011:

Mont Belvieu:	\$3.08 million, up 82.7 percent from the same period in 2010.
Anahuac:	\$87,392.60, down 15.2 percent from the same period in 2010.
Old River-Winfree*:	\$44,170.61, up 170.2 percent from the same period in 2010.
Cove:	\$34,087.81, up 16.4 percent from the same period in 2010.

Annual (2010)

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Chambers County based on sales activity months in 2010: \$2.33 million, up 8.0 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Mont Belvieu:	\$2.17 million, up 11.7 percent from 2009.
Anahuac:	\$92,526.01, down 38.1 percent from 2009.
Old River-Winfree*:	\$25,685.64, up 20.4 percent from 2009.
Cove:	\$41,933.79, down 3.1 percent from 2009.

*On 10/1/2010, the city of Old River-Winfree's local sales tax rate increased by 0.00 from 1.500 percent to 1.500 percent.

Property Tax

- As of January 2009, property values in Chambers County: \$6.94 billion, down 6.3 percent from January 2008 values. The property tax base per person in Chambers County is \$220,680, above the statewide average of \$85,809. About 2.0 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Chambers County's ranking in state expenditures by county in fiscal year 2010: 87th. State expenditures in the county for FY2010: \$129.70 million, up 0.2 percent from FY2009.
- In Chambers County, 8 state agencies provide a total of 47 jobs and \$470,459.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):

• Department of Public Safety	• Department of Transportation
• Parks & Wildlife Department	• AgriLife Extension Service
• Health & Human Services Commission	

Higher Education

- Community colleges in Chambers County fall 2010 enrollment:
 - None.
- Chambers County is in the service area of the following:
 - Galveston College with a fall 2010 enrollment of 2,318. Counties in the service area include:
 - Chambers County
 - Galveston County
 - Jefferson County
 - Lee College with a fall 2010 enrollment of 6,719. Counties in the service area include:
 - Chambers County
 - Hardin County
 - Harris County
 - Liberty County
 - San Jacinto Community College with a fall 2010 enrollment of 32,105. Counties in the service area include:
 - Chambers County
 - Harris County
- Institutions of higher education in Chambers County fall 2010 enrollment:
 - None.

School Districts

- Chambers County had 3 school districts with 17 schools and 6,678 students in the 2009-10 school year.
(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)
 - Anahuac ISD had 1,286 students in the 2009-10 school year. The average teacher salary was \$44,844. The percentage of students meeting the 2010 TAKS passing standard for all tests was 82 percent.
 - Barbers Hill ISD had 4,096 students in the 2009-10 school year. The average teacher salary was \$55,305. The percentage of students meeting the 2010 TAKS passing standard for all tests was 90 percent.
 - East Chambers ISD had 1,296 students in the 2009-10 school year. The average teacher salary was \$45,678. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.

Attachment E

Summary of Financial Impact

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED LONE
STAR NGL ASSET HOLDINGS II, LLC PROJECT ON THE
FINANCES OF THE BARBERS HILL ISD INDEPENDENT SCHOOL
DISTRICT UNDER A REQUESTED CHAPTER 313 PROPERTY
VALUE LIMITATION**

January 9, 2013

Final Report

PREPARED BY



Estimated Impact of the Proposed Lone Star NGL Asset Holdings II, LLC Project on the Finances of the Barbers Hill ISD Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Lone Star NGL Asset Holdings II, LLC (Lone Star II) has requested that the Barbers Hill ISD Independent School District (BHISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to BHISD on 4/12/04, Lone Star II proposes to invest \$333.4 million to construct a new fractionation plant in BHISD.

The Lone Star II project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

Under the provisions of Chapter 313, BHISD may offer a minimum value limitation of \$30 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2014-15 and 2015-16 school years, unless the District and the Company agree to an extension of the start of the two-year qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2014-15 and 2015-16 school years. Beginning in the 2016-17 school year, the project would go on the local tax roll at 30 million and remain at that level of taxable value for eight years for maintenance and operations taxes.

The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with BHISD currently levying a \$0.2698 I&S tax rate. The full value of the investment is expected to reach \$308 million in the 2016-17 school year, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

In the case of the Lone Star II project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. BHISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$160,966), with it increasing in the out years to \$1.9 million in the 2021-22 school year, for a total of \$6.0 million over the eight years the limitation is in effect.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$20 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

School Finance Mechanics

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct its property value study and now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

The third year is often problematical financially for a school district that approves a Chapter 313 value limitation. The implementation of the value limitation often results in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant under the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study, although other factors can come into play such as the impact of the value limitation on the enrichment tax effort for a relatively property-wealthy school district like BHISD.

Under the HB 1 system adopted in 2006, most school districts received additional state aid for tax reduction (ASATR) that was used to maintain their target revenue amounts established at the revenue levels under old law for the 2005-06 or 2006-07 school years, whichever was highest. In terms of new Chapter 313 property value limitation agreements, adjustments to ASATR funding often moderated the impact of the reduced M&O collections as a result of the limitation, in contrast with the earlier formula-driven finance system.

House Bill 3646 as enacted in 2009 created more "formula" school districts that were less dependent on ASATR state aid than had been the case previously. The formula reductions enacted under Senate Bill 1 (SB 1) as approved in the First Called Session in 2011 are designed to make \$4 billion in reductions to the existing school funding formulas for the 2011-12 and 2012-13 school years. For the 2011-12 school year, across-the-board reductions were made that reduced each district's WADA count and resulted in an estimated 815 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 209 districts operating directly on the state formulas.

For the 2012-13 school year, the SB 1 changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula. As a result of these changes, the number of ASATR districts fell to 421, with 603 formula districts.

For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the General Appropriations Act. The recent legislative session also saw the adoption of a statement of legislative intent to no longer fund target revenue (through ASATR) by the 2017-18 school year. It is likely that ASATR state funding will be reduced in future years and eliminated by the 2017-18 school year, based on current state policy.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Lone Star II project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f)(1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The general approach used here is to provide for modest enrollment increases and relatively static base property values in order to isolate the effects of the value limitation under the school finance system. The current SB 1 reductions are reflected in the underlying models. With regard to ASATR funding, the 92.35 percent reduction enacted for the 2012-13 school year is maintained through the 2016-17 school year. The projected taxable values of the Lone Star NGL Asset Holdings II, LLC project are factored into the base model used here, which also incorporates estimates for previously-approved Chapter 313 agreements. The impact of the limitation value for the proposed Lone Star II project is isolated separately and the focus of this analysis.

Student enrollment counts begin with an estimated 4,537 in ADA for the 2013-14 school year. The District's local tax base reached \$3.01 billion for the 2012 tax year and is maintained for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.06 per \$100 is used throughout this analysis. BHISD has estimated state property wealth per weighted ADA or WADA of approximately \$624,105 for the 2011-12 school year. The enrollment and property value assumptions for the 15 years that are the subject of this analysis are summarized in Table 1.

School Finance Impact

School finance models were prepared for BHISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2012-13 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding beyond the projected level for that school year. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Lone Star II facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A second model is developed which adds the Lone Star II value but imposes the proposed property value limitation effective in the third year, which in this case is the 2016-17 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). A summary of the differences between these models is shown in Table 4.

Under these assumptions, BHISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$160,966), with the loss increasing in the out years to \$1.9 million by the 2021-22 school year. The revenue reduction results from the mechanics of the up to six cents beyond the compressed M&O tax rate equalized to the Austin yield or not subject to recapture, which reflect the one-year lag in value associated with the property value study.

As noted previously, no attempt was made to forecast further reductions in ASATR funding beyond the 92.35 percent adjustment adopted for the 2012-13 school year, although it is assumed that ASATR will be eliminated beginning in the 2017-18 school year, based on the 2011 statement of legislative intent.

One risk factor under the estimates presented here relates to the implementation of the value limitation in the 2016-17 school year. The formula loss of \$160,966 cited above between the base and the limitation models is based on an assumption of Barbers Hill ISD in M&O tax savings of \$2.8 million for Lone Star II when the \$30 million limitation is implemented. Under the estimates presented here and as highlighted in Table 4, an increase in ASATR funding of \$2.1 million offsets much of the reduction in M&O taxes in the first year the value limitation is in effect.

In general, the ASATR offset poses little financial risk to the school district as a result of the adoption of the value limitation agreement. But a significant reduction of ASATR funding prior to the assumed 2017-18 school year elimination of these funds could reduce the residual tax savings in the first year that the \$30 million value limitation takes effect.

The Comptroller's state property value study influences these calculations, as noted previously. At the school-district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect. The Comptroller's Property Tax Assistance Division makes two value determinations for school districts granting Chapter 313 agreements, consistent with local practice. A consolidated single state property value had been provided prior to the 2011 state property value study.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.06 per \$100 of taxable value M&O rate is assumed in 2012-13 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$20.3 million over the life of the agreement. In addition, Lone Star II would be eligible for a tax credit for M&O taxes paid on value in excess of the value limitation in each of the first two qualifying years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$5.7 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key BHISD revenue losses are expected to total approximately \$6.1 million over the course of the agreement. The total potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to total \$20 million over the life of the agreement. While legislative changes to ASATR funding could increase the hold-harmless amount owed in the initial year of the agreement, there would still be a substantial tax benefit to Lone Star II under the value limitation agreement for the remaining years that the limitation is in effect.

Facilities Funding Impact

The Lone Star II project remains fully taxable for debt services taxes, with BHISD currently levying a \$0.2698 I&S rate. The value of the Lone Star II project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value is expected to assist BHISD in meeting its debt service needs. Given the relatively small number of full-time employees associated with the project, little impact on what has been a growing school district enrollment or the facilities in the District are expected as a result of the Lone Star II project.

Conclusion

The proposed Lone Star II fractionation plant project enhances the tax base of BHISD. It reflects continued capital investment in keeping with the goals of Chapter 313 of the Tax Code.

Under the assumptions outlined above, the potential tax savings for the applicant under a Chapter 313 agreement could reach an estimated \$20 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of BHISD in meeting its future debt service obligations.

Table 1 – Base District Information with Lone Star NGL Asset Holdings II, LLC Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
Pre-Year 1	2013-14	4,537.08	5,272.27	\$1.0600	\$0.2698	\$3,537,659,969	\$3,537,659,969	\$3,427,725,436	\$3,427,725,436	\$650,142	\$650,142
1	2014-15	4,718.56	5,451.16	\$1.0600	\$0.2698	\$4,401,524,969	\$4,401,524,969	\$3,671,670,207	\$3,671,670,207	\$673,558	\$673,558
2	2015-16	4,907.30	5,741.88	\$1.0600	\$0.2698	\$3,991,064,969	\$3,991,064,969	\$4,535,535,207	\$4,535,535,207	\$789,904	\$789,904
3	2016-17	5,103.60	5,944.07	\$1.0600	\$0.2698	\$3,611,564,969	\$3,343,064,969	\$4,125,075,207	\$4,125,075,207	\$693,981	\$693,981
4	2017-18	5,307.74	6,154.45	\$1.0600	\$0.2698	\$3,602,664,969	\$3,343,064,969	\$3,745,575,207	\$3,477,075,207	\$608,597	\$564,970
5	2018-19	5,520.05	6,400.61	\$1.0600	\$0.2698	\$3,593,964,969	\$3,343,064,969	\$3,736,675,207	\$3,477,075,207	\$583,800	\$543,242
6	2019-20	5,740.85	6,656.61	\$1.0600	\$0.2698	\$3,585,564,969	\$3,343,064,969	\$3,727,975,207	\$3,477,075,207	\$560,041	\$522,349
7	2020-21	5,970.49	6,922.86	\$1.0600	\$0.2698	\$3,732,814,665	\$3,498,514,665	\$3,719,575,207	\$3,477,075,207	\$537,289	\$502,260
8	2021-22	6,209.31	7,199.75	\$1.0600	\$0.2698	\$3,870,849,107	\$3,644,449,107	\$3,866,824,903	\$3,632,524,903	\$537,077	\$504,535
9	2022-23	6,457.68	7,487.73	\$1.0600	\$0.2698	\$4,415,838,863	\$4,197,138,863	\$4,004,859,345	\$3,778,459,345	\$534,857	\$504,620
10	2023-24	6,715.99	7,787.22	\$1.0600	\$0.2698	\$5,642,234,609	\$5,431,034,609	\$4,549,849,101	\$4,331,149,101	\$584,271	\$556,187
11	2024-25	6,984.63	8,098.69	\$1.0600	\$0.2698	\$5,763,873,813	\$5,763,873,813	\$5,776,244,847	\$5,565,044,847	\$713,232	\$687,154
12	2025-26	7,264.01	8,422.62	\$1.0600	\$0.2698	\$5,651,455,689	\$5,651,455,689	\$5,897,884,051	\$5,897,884,051	\$700,244	\$700,244
13	2026-27	7,554.57	8,759.50	\$1.0600	\$0.2698	\$5,597,032,418	\$5,597,032,418	\$5,785,465,927	\$5,785,465,927	\$660,479	\$660,479
14	2027-28	7,856.75	9,109.87	\$1.0600	\$0.2698	\$5,442,021,933	\$5,442,021,933	\$5,731,042,656	\$5,731,042,656	\$629,103	\$629,103
15	2028-29	8,171.02	9,474.24	\$1.0600	\$0.2698	\$5,299,855,549	\$5,299,855,549	\$5,576,032,171	\$5,576,032,171	\$588,546	\$588,546

*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

Table 2– “Baseline Revenue Model”--Project Value Added with No Value Limitation

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$35,771,350	\$1,413,820	\$3,869,246	\$0	-\$6,018,619	\$2,144,385	\$0	\$0	\$37,180,181
1	2014-15	\$44,237,650	\$1,457,006	\$0	\$0	-\$8,653,491	\$2,651,915	\$0	\$0	\$39,693,080
2	2015-16	\$40,214,941	\$1,668,756	\$8,811,944	\$0	-\$12,544,031	\$2,410,765	\$0	\$0	\$40,562,375
3	2016-17	\$36,549,358	\$2,079,019	\$9,278,501	\$0	-\$8,413,737	\$2,191,024	\$0	\$0	\$41,684,164
4	2017-18	\$36,460,353	\$1,804,927	\$0	\$0	-\$4,358,971	\$2,185,689	\$0	\$0	\$36,091,998
5	2018-19	\$36,373,349	\$2,248,666	\$0	\$0	-\$3,440,283	\$2,180,473	\$59,385	\$0	\$37,421,590
6	2019-20	\$36,289,345	\$1,952,209	\$0	\$0	-\$1,725,706	\$2,175,437	\$154,053	\$0	\$38,845,337
7	2020-21	\$37,730,824	\$2,432,158	\$0	\$0	-\$774,698	\$2,261,850	\$262,735	\$0	\$41,912,869
8	2021-22	\$39,082,049	\$2,111,509	\$0	\$0	-\$350,514	\$2,342,852	\$273,174	\$0	\$43,459,070
9	2022-23	\$44,421,676	\$2,630,621	\$0	\$0	-\$724,314	\$2,662,946	\$322,843	\$0	\$49,313,773
10	2023-24	\$56,439,455	\$2,283,809	\$0	\$0	-\$4,796,229	\$3,383,376	\$89,343	\$0	\$57,399,754
11	2024-25	\$57,589,336	\$2,845,280	\$0	\$0	-\$14,386,839	\$3,452,308	\$0	\$0	\$49,500,086
12	2025-26	\$56,487,584	\$2,959,092	\$0	\$0	-\$13,377,978	\$3,386,261	\$0	\$0	\$49,454,959
13	2026-27	\$55,954,209	\$3,077,456	\$0	\$0	-\$10,849,146	\$3,354,287	\$0	\$0	\$51,536,805
14	2027-28	\$54,435,030	\$3,200,554	\$0	\$0	-\$8,501,843	\$3,263,217	\$0	\$0	\$52,396,958
15	2028-29	\$53,041,730	\$3,328,576	\$0	\$0	-\$5,382,782	\$3,179,693	\$60,258	\$0	\$54,227,475

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

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$35,771,350	\$1,413,820	\$3,869,246	\$0	-\$6,018,619	\$2,144,385	\$0	\$0	\$37,180,181
1	2014-15	\$44,237,650	\$1,457,006	\$0	\$0	-\$8,653,491	\$2,651,915	\$0	\$0	\$39,693,080
2	2015-16	\$40,214,941	\$1,668,756	\$8,811,944	\$0	-\$12,544,031	\$2,410,765	\$0	\$0	\$40,562,375
3	2016-17	\$33,864,223	\$2,079,019	\$11,345,512	\$0	-\$7,795,614	\$2,030,059	\$0	\$0	\$41,523,199
4	2017-18	\$33,864,223	\$1,804,927	\$0	\$0	-\$1,876,979	\$2,030,059	\$124,794	\$0	\$35,947,024
5	2018-19	\$33,864,223	\$2,248,666	\$0	\$0	-\$1,040,196	\$2,030,059	\$210,981	\$0	\$37,313,733
6	2019-20	\$33,864,223	\$1,952,209	\$0	\$0	\$0	\$2,030,059	\$300,617	\$0	\$38,147,108
7	2020-21	\$35,387,707	\$2,432,158	\$0	\$0	\$0	\$2,121,387	\$411,555	\$0	\$40,352,807
8	2021-22	\$36,817,936	\$2,111,509	\$0	\$0	\$0	\$2,207,125	\$416,309	\$0	\$41,552,879
9	2022-23	\$42,234,566	\$2,630,621	\$0	\$0	\$0	\$2,531,836	\$477,044	\$0	\$47,874,067
10	2023-24	\$54,327,349	\$2,283,809	\$0	\$0	-\$2,243,783	\$3,256,762	\$254,791	\$0	\$57,878,928
11	2024-25	\$57,589,336	\$2,845,280	\$0	\$0	-\$12,856,532	\$3,452,308	\$0	\$0	\$51,030,393
12	2025-26	\$56,487,584	\$2,959,092	\$0	\$0	-\$13,377,978	\$3,386,261	\$0	\$0	\$49,454,959
13	2026-27	\$55,954,209	\$3,077,456	\$0	\$0	-\$10,849,146	\$3,354,287	\$0	\$0	\$51,536,805
14	2027-28	\$54,435,030	\$3,200,554	\$0	\$0	-\$8,501,843	\$3,263,217	\$0	\$0	\$52,396,958
15	2028-29	\$53,041,730	\$3,328,576	\$0	\$0	-\$5,382,782	\$3,179,693	\$60,258	\$0	\$54,227,475

Table 4 – Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2016-17	-\$2,685,134	\$0	\$2,067,011	\$0	\$618,123	-\$160,966	\$0	\$0	-\$160,966
4	2017-18	-\$2,596,130	\$0	\$0	\$0	\$2,481,992	-\$155,630	\$124,794	\$0	-\$144,974
5	2018-19	-\$2,509,126	\$0	\$0	\$0	\$2,400,087	-\$150,415	\$151,596	\$0	-\$107,857
6	2019-20	-\$2,425,121	\$0	\$0	\$0	\$1,725,706	-\$145,379	\$146,564	\$0	-\$698,229
7	2020-21	-\$2,343,118	\$0	\$0	\$0	\$774,698	-\$140,463	\$148,821	\$0	-\$1,560,062
8	2021-22	-\$2,264,113	\$0	\$0	\$0	\$350,514	-\$135,727	\$143,134	\$0	-\$1,906,192
9	2022-23	-\$2,187,110	\$0	\$0	\$0	\$724,314	-\$131,111	\$154,201	\$0	-\$1,439,706
10	2023-24	-\$2,112,106	\$0	\$0	\$0	\$2,552,446	-\$126,614	\$165,448	\$0	\$479,174
11	2024-25	\$0	\$0	\$0	\$0	\$1,530,306	\$0	\$0	\$0	\$1,530,306
12	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 5 - Estimated Financial impact of the Lone Star NGL Asset Holdings II, LLC Project Property Value Limitation Request Submitted to BHISD at \$1.06 M&O Tax Rate

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 Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
Pre-Year 1	2013-14	\$0	\$0	\$0	\$1.060	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$290,400,000	\$290,400,000	\$0	\$1.060	\$3,078,240	\$3,078,240	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$308,000,000	\$308,000,000	\$0	\$1.060	\$3,264,800	\$3,264,800	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$298,500,000	\$30,000,000	\$268,500,000	\$1.060	\$3,164,100	\$318,000	\$2,846,100	\$0	\$2,846,100	-\$160,966	\$2,685,134
4	2017-18	\$289,600,000	\$30,000,000	\$259,600,000	\$1.060	\$3,069,760	\$318,000	\$2,751,760	\$549,670	\$3,301,430	-\$144,974	\$3,156,456
5	2018-19	\$280,900,000	\$30,000,000	\$250,900,000	\$1.060	\$2,977,540	\$318,000	\$2,659,540	\$537,934	\$3,197,474	-\$107,857	\$3,089,617
6	2019-20	\$272,500,000	\$30,000,000	\$242,500,000	\$1.060	\$2,888,500	\$318,000	\$2,570,500	\$526,603	\$3,097,103	-\$698,229	\$2,398,873
7	2020-21	\$264,300,000	\$30,000,000	\$234,300,000	\$1.060	\$2,801,580	\$318,000	\$2,483,580	\$515,541	\$2,999,121	-\$1,560,062	\$1,439,059
8	2021-22	\$256,400,000	\$30,000,000	\$226,400,000	\$1.060	\$2,717,840	\$318,000	\$2,399,840	\$504,884	\$2,904,724	-\$1,906,192	\$998,532
9	2022-23	\$248,700,000	\$30,000,000	\$218,700,000	\$1.060	\$2,636,220	\$318,000	\$2,318,220	\$494,496	\$2,812,716	-\$1,439,706	\$1,373,011
10	2023-24	\$241,200,000	\$30,000,000	\$211,200,000	\$1.060	\$2,556,720	\$318,000	\$2,238,720	\$484,379	\$2,723,099	\$0	\$2,723,099
11	2024-25	\$234,000,000	\$234,000,000	\$0	\$1.060	\$2,480,400	\$2,480,400	\$0	\$2,093,534	\$2,093,534	\$0	\$2,093,534
12	2025-26	\$227,000,000	\$227,000,000	\$0	\$1.060	\$2,406,200	\$2,406,200	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$220,100,000	\$220,100,000	\$0	\$1.060	\$2,333,060	\$2,333,060	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$213,500,000	\$213,500,000	\$0	\$1.060	\$2,263,100	\$2,263,100	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$207,100,000	\$207,100,000	\$0	\$1.060	\$2,195,260	\$2,195,260	\$0	\$0	\$0	\$0	\$0
Totals						\$40,833,320	\$20,565,060	\$20,268,260	\$5,707,040	\$25,975,300	-\$6,017,985	\$19,957,315
Tax Credit for Value Over Limit in First 2 Years								Year 1	Year 2	Max Credits		
								\$2,760,240	\$2,946,800	\$5,707,040		
								Credits Earned		\$5,707,040		
								Credits Paid		<u>\$5,707,040</u>		
								Excess Credits Unpaid		\$0		

***Note:** School District Revenue-Loss estimates are subject to change based on numerous factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year appraisals of project values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

Attachment F

Taxable Value of Property



Window on State Government

Susan Combs Texas Comptroller of Public Accounts

2012 ISD Summary Worksheet

036/Chambers

036-902/Barbers Hill ISD

Category	Local Tax Roll Value	2012 WTD Mean Ratio	2012 PTAD Value Estimate	2012 Value Assigned
A. Single-Family Residences	915,774,230	.9715	942,639,454	915,774,230
B. Multi-Family Residences	8,516,580	N/A	8,516,580	8,516,580
C. Vacant Lots	29,086,360	N/A	29,086,360	29,086,360
D. Rural Real(Taxable)	61,021,430	.9949	61,334,724	61,021,430
F1. Commercial Real	56,214,690	N/A	56,214,690	56,214,690
F2. Industrial Real	1,674,020,421	N/A	1,674,020,421	1,674,020,421
G. Oil, Gas, Minerals	52,827,260	N/A	52,827,260	52,827,260
J. Utilities	74,729,120	.9552	78,234,003	74,729,120
L1. Commercial Personal	13,886,840	N/A	13,886,840	13,886,840
L2. Industrial Personal	2,006,325,144	N/A	2,006,325,144	2,006,325,144
M. Other Personal	3,324,140	N/A	3,324,140	3,324,140
N. Intangible Pers/Uncert	0	N/A	0	0
O. Residential Inventory	2,381,960	N/A	2,381,960	2,381,960

S. Special Inventory	1,952,640	N/A	1,952,640	1,952,640
Subtotal	4,900,060,815		4,930,744,216	4,900,060,815
Less Total Deductions	867,956,221		872,443,195	867,956,221
Total Taxable Value	4,032,104,594		4,058,301,021	4,032,104,594 T2

Category D Detail	Local Tax Roll	Ratio	PTAD Value
Market Value Non-Qualified Acres And Farm/Ranch Imp	59,269,000	N/A	59,269,000
Prod Value Qualified Acres	1,752,430	.8483	2,065,724
Taxable Value	61,021,430		61,334,724

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T6 will be the same as T7 through T12.

Value Taxable For M&O Purposes

T1	T2	T3	T4	T5	T6
4,076,519,204	4,032,104,594	3,997,585,299	3,953,170,689	4,032,104,594	3,953,170,689

Loss To the Additional \$10,000 Homestead Exemption	50% of the loss to the Local Optional Percentage Homestead Exemption
44,414,610	78,933,905

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead

exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

T5 = T2 before the loss to the tax ceiling reduction

T6 = T5 minus 50% of the loss to the local optional percentage homestead exemption

Value Taxable For I&S Purposes

T7	T8	T9	T10	T11	T12
4,265,903,731	4,221,489,121	4,186,969,826	4,142,555,216	4,221,489,121	4,142,555,216

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

T11 = T8 before the loss to the tax ceiling reduction

T12 = T11 minus 50% of the loss to the local optional percentage homestead exemption

The PVS found your local value to be valid, and local value was certified

Attachment G

Participation Agreement

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

by and between

BARBERS HILL INDEPENDENT SCHOOL DISTRICT

and

LONE STAR NGL ASSET HOLDINGS II, LLC

(Texas Taxpayer ID # 32044534082)

TEXAS COMPTROLLER APPLICATION NUMBER 251

Dated

September 23, 2013

**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 **LONE STAR NGL ASSET HOLDINGS II LLC**, a Delaware limited liability company (Texas Taxpayer Identification Number 32044534082), hereinafter referred to as the "Applicant." The Applicant and the District are each hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties." Certain capitalized and other terms used in this Agreement shall have the meanings ascribed to them in Section 1.3.

RECITALS

WHEREAS, on October 17, 2012, the Superintendent of Schools of the Barbers Hill Independent School District, acting as agent of the Board of Trustees of the District (the "Board of Trustees"), received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, and on September 25, 2012 submitted supplemental Application materials; and,

WHEREAS, on October 22, 2012, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from Lone Star NGL Asset Holdings II LLC, and on November 1, 2012, Becky McManus, Assistant Superintendent of Finance acknowledged receipt of the completed Application, and the requisite application fee on behalf of the Superintendent, pursuant to Texas Tax Code §313.025(a)(1) and Local District Policy CCG (Local), and determined the Application to be complete; and,

WHEREAS, the Application was delivered to the office of the Texas Comptroller of Public Accounts (hereinafter referred to as "Comptroller") for review pursuant to Texas Tax Code § 313.025(d); and,

WHEREAS, the Comptroller established November 26, 2012 as the completed Application date; and,

WHEREAS, pursuant to 34 Texas Administrative Code § 9.1054, the Application was delivered for review to the Appraisal District established in Chambers County, Texas (the "Appraisal District"), pursuant to Texas Tax Code § 6.01; and,

WHEREAS, the Comptroller, pursuant to Texas Tax Code § 313.025(d), reviewed and on February 22, 2013, via letter, recommended that the Application be approved; and,

WHEREAS, the District, at the request of Applicant, has granted an extension of time to Lone Star NGL Asset Holdings II LLC, in accordance with Tex. Tax Code § 313.025(b) for final action upon the pending application until June 30, 2013; and,

WHEREAS, the Comptroller conducted an economic impact evaluation pursuant to Chapter 313 of the Texas Tax Code which was presented to the Board of Trustees at the September 23, 2013 public hearing held in connection with the Board of Trustees' consideration of the Application; and,

WHEREAS, the Board of Trustees carefully reviewed the economic impact evaluation pursuant to Texas Tax Code § 313.026 and carefully considered the Comptroller's positive recommendation for the project; and,

WHEREAS, on September 23, 2013, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

WHEREAS, on September 23, 2013, the Board of Trustees made factual findings pursuant to Texas Tax Code § 313.025(f), including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the Limitation on Appraised Value of the Applicant's Qualified Property; (iv) each criterion referenced in Texas Tax Code §313.025(e) has been met; and,

WHEREAS, the Barbers Hill Independent School District qualifies as a rural school district under the provisions of Texas Tax Code § 313.051(a)(2); and,

WHEREAS, on September 23, 2013, the Board of Trustees determined that the Tax Limitation Amount requested by the Applicant, and as defined in Sections 1.2 and 1.3, below, is consistent with the minimum values set out by Texas Tax Code, §313.052, as such Tax Limitation Amount was computed as of the date of this Agreement; and,

WHEREAS, the District received written notification, pursuant to 34 Texas Administrative Code § 9.1055(e)(2)(A), that the Comptroller reviewed this Agreement, and reaffirmed the recommendation previously made on February 22, 2013 that the Application be approved; and,

WHEREAS, on September 23, 2013, the Board of Trustees approved the form of this Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the President and Secretary of the Board of Trustees to execute and deliver such Agreement to the Applicant;

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

ARTICLE I

AUTHORITY, TERM, DEFINITIONS, AND GENERAL PROVISIONS

Section 1.1. AUTHORITY

This Agreement is executed by the District as its written agreement with the Applicant pursuant to the provisions and authority granted to the District in Texas Tax Code § 313.027.

Section 1.2. TERM OF THE AGREEMENT

This Agreement shall commence and first become effective on the Commencement Date, as defined in Section 1.3, below. In the event that the Applicant makes a Qualified Investment in the amount defined in Section 2.6 below, between the Commencement Date and the end of the Qualifying Time Period, the Applicant will be entitled to the Tax Limitation Amount defined in Section 1.3 below, for the following Tax Years: 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023. The limitation on the local ad valorem property values for Maintenance and Operations purposes shall commence with the property valuations made as of January 1, 2016, the appraisal date for the third full Tax Year following the Commencement Date.

The period beginning with the Commencement Date of September 23, 2013 and ending on December 31, 2015 will be referred to herein as the "Qualifying Time Period," as that term is defined in Texas Tax Code § 313.021(4). The Applicant shall not be entitled to a tax limitation during the Qualifying Time Period.

Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2023. Except as otherwise provided herein, this Agreement will terminate, in full, on the Final Termination Date. The termination of this Agreement shall not (i) release any obligations, liabilities, rights and remedies arising out of any breach of, or failure to comply with, this Agreement occurring prior to such termination, or (ii) affect the right of a Party to enforce the payment of any amount to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination, so long as the right to such payment survives said termination.

Except as otherwise provided herein, the Tax Years for which this Agreement is effective are as set forth below and set forth opposite each such Tax Year are the corresponding year in the term of this Agreement, the date of the Appraised Value determination for such Tax Year, and a summary description of certain provisions of this Agreement corresponding to such Tax Year (it being understood and agreed that such summary descriptions are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement):

Agreement for Limitation on Appraised Value

Between Barbers Hill Independent School District and Lone Star NGL Asset Holdings II, LLC

TEXAS COMPTROLLER APPLICATION NUMBER 251

September 23, 2013

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
Partial Year (Commencing September 23, 2013)	January 1, 2013	2013-14	2013	Start of Qualifying Time Period beginning on September 23, 2013 Commencement Date. No limitation on value. First year for computation of Annual Limit.
1	January 1, 2014	2014-15	2014	Qualifying Time Period. No limitation on value. Possible tax credit in future years.
2	January 1, 2015	2015-16	2015	Qualifying Time Period. No limitation on value. Possible tax credit in future years.
3	January 1, 2016	2016-17	2016	\$ 30 million property value limitation.
4	January 1, 2017	2017-18	2017	\$ 30 million property value limitation. Possible tax credit due to Applicant.
5	January 1, 2018	2018-19	2018	\$ 30 million property value limitation. Possible tax credit due to Applicant.
6	January 1, 2019	2019-20	2019	\$ 30 million property value limitation. Possible tax credit due to Applicant.
7	January 1, 2020	2020-21	2020	\$ 30 million property value limitation. Possible tax credit due to Applicant.
8	January 1, 2021	2021-22	2021	\$ 30 million property value limitation. Possible tax credit due to Applicant.
9	January 1, 2022	2022-23	2022	\$ 30 million property value limitation. Possible tax credit due to Applicant.

Agreement for Limitation on Appraised Value

Between Barbers Hill Independent School District and Lone Star NGL Asset Holdings II, LLC

TEXAS COMPTROLLER APPLICATION NUMBER 251

September 23, 2013

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
10	January 1, 2023	2023-24	2023	\$ 30 million property value limitation. Possible tax credit due to Applicant.
11	January 1, 2024	2024-25	2024	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
12	January 1, 2025	2025-26	2025	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
13	January 1, 2026	2026-27	2026	No tax limitation. Possible tax credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.

Section 1.3. DEFINITIONS

Wherever used herein, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning, to-wit:

“Act” means the Texas Economic Development Act set forth in Chapter 313 of the Texas Tax Code, as amended.

“Affiliate” means any entity that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Applicant. For purposes of this definition, control of an entity means (i) the ownership, directly or indirectly, of fifty (50) percent or more of the voting rights in a company or other legal entity or (ii) the right to direct the management or operation of such entity whether by ownership (directly or indirectly) of securities, by contract or otherwise.

“Affiliated Group” means a group of one or more entities in which a controlling interest is owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member entities.

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

"Agreement" means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented from time to time in accordance with Section 6.3.

"Annual Limit" means the maximum annual benefit which can be paid directly to the District as a Supplemental Payment under the provisions of Texas Tax Code § 313.027(i). For purposes of this Agreement, the amount of the Annual Limit shall be calculated for each year by multiplying the District's Average Daily Attendance for the applicable school year, as calculated pursuant to Texas Education Code § 42.005 times the greater of \$100, or any larger amount allowed by Texas Tax Code § 313.027(i), if such limit amount is increased for any future year of this Agreement. The Annual Limit shall first be computed for tax year 2013, which, by virtue of the Commencement Date is the first year of the Qualifying Time Period under this Agreement.

"Applicant" means Lone Star NGL Asset Holdings II, LLC, (Texas Taxpayer ID #32044534082), the company listed in the Preamble of this Agreement who, on October 22, 2012, filed with the District the Original Application for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The term "Applicant" shall also include the Applicants' assigns and successors-in-interest and their direct and indirect subsidiaries.

"Applicable School Finance Law" means Chapters 41 and 42 of the Texas Education Code, the Texas Economic Development Act (Chapter 313 of the Texas Tax Code), Chapter 403, Subchapter M, of the Texas Government Code applicable to the District, and the Constitution and general laws of the State applicable to the independent school districts of the State, including specifically, the applicable rules and regulations of the agencies of the State having jurisdiction over any matters relating to the public school systems and school districts of the State, and judicial decisions construing or interpreting any of the above. The term also includes any amendments or successor statutes that may be adopted in the future that could impact or alter the calculation of the Applicant's ad valorem tax obligation to the District, either with or without the limitation of property values made pursuant to this Agreement.

"Application" means the Original Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) filed with the District by the Applicant on October 22, 2012, which has been certified by the Comptroller to collectively constitute a complete final Application as of the date of October 26, 2012. 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.

"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.

"Commencement Date" means September 23, 2013, the date upon which this Agreement was approved by the District's Board of Trustees.

"Comptroller" means the Texas Comptroller of Public Accounts, or the designated representative of the Texas Comptroller of Public Accounts acting on behalf of the Comptroller.

"Comptroller's Rules" means the applicable rules and regulations of the Comptroller set forth at Title 34 Texas Administrative Code, Chapter 9, Subchapter D, together with any court or administrative decisions interpreting same.

"County" means Chambers County, Texas.

"Determination of Breach" shall have the meaning assigned to such term in Section 7.8 of the Agreement

"District" or "School District" means the Barbers Hill Independent School District, being a duly authorized and operating independent school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter C of the Act applies. The term also includes any successor independent school district or other successor governmental authority having the power to levy and collect ad valorem taxes for school purposes on the Applicant's Qualified Property or the Applicant's Qualified Investment.

"Final Termination Date" means December 31, 2026. However, any payment obligations of any Party arising under this Agreement prior to the Final Termination Date will survive until paid by the Party owing same.

"Force Majeure" means a failure caused by (a) provisions of law, or the operation or effect of rules, regulations or orders promulgated by any governmental authority having jurisdiction over the Applicant, the Applicant's Qualified Property or the Applicant's Qualified Investment or any upstream, intermediate or downstream equipment or support facilities as are necessary to the operation of the Applicant's Qualified Property or the Applicant's Qualified Investment; (b) any demand or requisition, arrest, order, request, directive, restraint or requirement of any government or governmental agency whether federal, state, military, local or otherwise; (c) the action, judgment or decree of any court; (d) floods, storms, hurricanes, evacuation due to threats of hurricanes, lightning, earthquakes, washouts, high water, fires, acts of God or public enemies, wars (declared or undeclared), blockades, epidemics, riots or civil disturbances, insurrections, strikes, labor disputes (it being understood that nothing contained in this Agreement shall require the Applicant to settle any such strike or labor dispute), explosions, breakdown or failure of plant, machinery, equipment, lines of pipe or electric power lines (or

unplanned or forced outages or shutdowns of the foregoing for inspections, repairs or maintenance), inability to obtain, renew or extend franchises, licenses or permits, loss, interruption, curtailment or failure to obtain electricity, gas, steam, water, wastewater disposal, waste disposal or other utilities or utility services, inability to obtain or failure of suppliers to deliver equipment, parts or material, or inability of the Applicant to ship or failure of carriers to transport electricity from the Applicant's facilities; or (e) any other cause (except financial), whether similar or dissimilar, over which the Applicant has no reasonable control and which forbids or prevents performance.

"Land" shall have the meaning assigned to such term in Section 2.2.

"Maintain Viable Presence" means, after the development and construction of the project described in the Application and in the description of the Applicant's Qualified Investment and Qualified Property as set forth in Section 2.3, below, (i) the operation over the term of this Agreement of the facility or facilities for which the tax limitation is granted, as the same may from time to time be expanded, upgraded, improved, modified, changed, remodeled, repaired, restored, reconstructed, reconfigured, and/or reengineered; (ii) the maintenance of at least the number of New Jobs required by Chapter 313 of the Texas Tax Code from the time they are created until the Final Termination Date; and (iii) the maintenance of at least the number of Qualifying Jobs set forth in the Application from the time they are created until the Final Termination Date.

"M&O Amount" shall have the meaning assigned to such term in Section 3.2 of the Agreement.

"Maintenance and Operations Revenue" or "M&O Revenue" means (i) those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Texas Education Code § 45.002 and Article VII § 3 of the Texas Constitution, plus (ii) all State revenues to which the District is or may be entitled under Chapter 42 of the Texas Education Code or any other statutory provision as well as any amendment or successor statute to these provisions, plus (iii) any indemnity payments received by the District under other agreements similar to this Agreement to the extent that such payments are designed to replace District M&O Revenue lost as a result of such similar agreements, less (iv) any amounts necessary to reimburse the State of Texas or another school district for the education of additional students pursuant to Chapter 41 of the Texas Education Code.

"Market Value" shall have the meaning assigned to such term in Section 1.04(7) of the Texas Tax Code.

"Net Tax Benefit" means, (i) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for all Tax Years if this Agreement had not been entered into by the Parties, (ii) adding to the amount determined under clause (i) all Tax Credits received by the Applicant under Chapter 313, Texas Tax Code, and (iii) subtracting from the sum of the amounts determined under clauses (i) and (ii) the sum of (A) all maintenance and operations ad valorem school taxes actually due to the District or any other governmental entity,

including the State of Texas, for all Tax Years of this Agreement, plus (B) any payments due to the District under Article III under this Agreement.

"New Jobs" means the total number of jobs, defined by 34 Texas Administrative Code § 9.1051, which the Applicant will create in connection with the project which is the subject of its Application. In accordance with the requirements of Texas Tax Code § 313.024(d), Eighty Percent (80%), of all New Jobs created by the Applicant on the project shall also be Qualifying Jobs, as defined below.

"Qualified Investment" has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by the Comptroller's Rules, as these provisions existed on the date of this Agreement, applying any specific requirements for rural school districts imposed by Subchapter C of Chapter 313 of the Texas Tax Code and by the Comptroller's Rules.

"Qualifying Jobs" means the number of New Jobs the Applicant will create in connection with the project which is the subject of its Application, which meet the requirements of Texas Tax Code 313.021(3).

"Qualified Property" has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by the Comptroller's Rules and the Texas Attorney General, as these provisions existed on the date of this Agreement, applying any specific requirements for rural school districts imposed by Subchapter C of Chapter 313 of the Texas Tax Code and by the Comptroller's Rules.

"Qualifying Time Period" means the period that begins on the Commencement Date of September 23, 2013 and ends on December 31, 2015.

"Revenue Protection Amount" means the amount calculated pursuant to Section 3.2 of this Agreement.

"State" means the State of Texas.

"Substantive Document" means a document or other information or data in electronic media determined by the Comptroller to substantially involve or include information or data significant to an application, the evaluation or consideration of an application, or the agreement or implementation of an agreement for limitation of appraised value pursuant to Texas Tax Code, Chapter 313. The term includes, but is not limited to, any application requesting a limitation on appraised value and any amendments or supplements, any economic impact evaluation made in connection with an application, any agreement between applicant and the school district and any subsequent amendments or assignments, any school district written finding or report filed with the comptroller as required under this subchapter, and any application requesting school tax credits under Texas Tax Code, § 313.103.

"Tax Credit" means the tax credit, either to be paid by the District to the Applicant, or to be applied against any taxes that the school district imposes in Qualified Property, as computed

under the provisions of Subchapter D of the Act, and rules adopted by the Comptroller and/or the Texas Education Agency, provided that the Applicant complies with the requirements under such provisions, including the timely filing of a completed application under Texas Tax Code § 313.103 and the duly adopted administrative rules.

"Tax Limitation Amount" means the maximum amount which may be placed as the Appraised Value on Qualified Property/Qualified Investment for years three (3) through ten (10) of this Agreement pursuant to Texas Tax Code § 313.054. That is, for each of the eight (8) Tax Years 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed, and the Tax Limitation Amount shall be, the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Thirty Million Dollars (\$30,000,000.00).

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Tax Code, § 313.022(b) or § 313.052.

"Tax Year" shall have the meaning assigned to such term in Section 1.04(13) of the Texas Tax Code (*i.e.*, the calendar year).

"Taxable Value" shall have the meaning assigned to such term in Section 1.04(10) of the Texas Tax Code.

"Texas Education Agency Rules" means the applicable rules and regulations adopted by the Texas Commissioner of Education in relation to the administration of Chapter 313, Texas Tax Code, which are set forth at Title 19 – Part 2, Texas Administrative Code, together with any court or administrative decisions interpreting same.

ARTICLE II

PROPERTY DESCRIPTION

Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE

The Applicant's Qualified Property upon which the Applicant's Qualified Investment will be located is within an area designated as a reinvestment zone under Chapter 311 or 312 of the Texas Tax Code. The legal description of the reinvestment zone in which the Applicant's Qualified Property is located is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

Section 2.2. LOCATION OF QUALIFIED PROPERTY

The location of the Applicant's Qualified Property upon which the Applicant's Qualified Investment will be located is described in the legal description which is attached to this Agreement as **EXHIBIT 2** and is incorporated herein by reference for all purposes. The Parties expressly agree that the boundaries of the Land may not be materially changed from its configuration described in **EXHIBIT 2** without the express authorization of each of the Parties.

Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT AND QUALIFIED PROPERTY

The Qualified Investment and/or Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 3**, which is attached hereto and incorporated herein by reference for all purposes ("Applicant's Qualified Investment"). Qualified Investment shall be that property, described in **EXHIBIT 3** which is placed in service under the terms of the Application, during the Qualifying Time Period described in both Section 1.2, above and the definition of Qualifying Time Period set forth in Section 1.3, above. Qualified Property shall be all property, described in **EXHIBIT 3**, including, but not limited to the Applicant's Qualified Investment, together with the land described in **EXHIBIT 2** which: 1) is owned by the Applicant; 2) was first placed in service after October 26, 2012, the completed Application date established by the Comptroller; and 3) is used in connection with the activities described in the Application. Property which is not specifically described in **EXHIBIT 3** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Investment or Qualified Property for purposes of this Agreement, unless pursuant to Texas Tax Code § 313.027(e) and Section 8.3 of this Agreement, the Board of Trustees, by official action, provides that such other property is a part of the Applicant's Qualified Investment for purposes of this Agreement.

Property owned by the Applicant which is not described on **EXHIBIT 3** may not be considered to be Qualified Property unless the Applicant:

- (a) submits to the school district and the Comptroller a written request to add property to the limitation agreement, which request shall include a specific description of the additional property to which the applicant requests that the limitation apply;
- (b) notifies the District and the Comptroller of any other changes to the information that was provided in the Application approved by the District; and,
- (c) provides any additional information reasonably requested by the District or the Comptroller necessary to re-evaluate the economic impact analysis for the new or changed conditions.

Section 2.4. APPLICANT'S OBLIGATIONS TO PROVIDE CURRENT INVENTORY OF QUALIFIED PROPERTY

At the end of the Qualifying Time Period, or at any other time when there is a material change in the Qualified Property located on the land described in **EXHIBIT 2**, upon a reasonable request of the District, the Comptroller, or the Appraisal District, the Applicant shall provide to the District, the Comptroller, and the Appraisal District a specific and detailed description of the tangible personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Qualified Property to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property which is subject to the agreement.

Section 2.5. QUALIFYING USE

The Applicant's Qualified Investment described above in Section 2.3 qualifies for a tax limitation agreement under Texas Tax Code § 313.024(b)(1) as a manufacturing facility.

Section 2.6. LIMITATION ON APPRAISED VALUE

So long as the Applicant makes a Qualified Investment in the amount Thirty Million Dollars (\$30,000,000.00), or greater, during the Qualifying Time Period; and unless this Agreement has been terminated as provided herein before such Tax Year, for each of the eight (8) Tax Years 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- (a) The Market Value of the Applicant's Qualified Investment; or
- (b) Thirty Million Dollars (\$30,000,000.00).

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Texas Tax Code § 313.022 (b) or § 313.052.

ARTICLE III

PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 3.1. INTENT OF THE PARTIES

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in accordance with the provisions of Texas Tax Code §313.027(f)(1), be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to, all such other payments as are set forth in Article IV. Subject only to the limitations contained in this Agreement (including Section 5.1), it

Agreement for Limitation on Appraised Value

Between Barbers Hill Independent School District and Lone Star NGL Asset Holdings II, LLC
TEXAS COMPTROLLER APPLICATION NUMBER 251
September 23, 2013

is the intent of the Parties that the risk of any negative financial consequence to the District in making the decision to enter into this Agreement will be borne by the Applicant and not by the District, and paid by the Applicant to the District in addition to any and all payments due under Article IV.

Section 3.2. CALCULATING THE AMOUNT OF LOSS OF REVENUES BY THE DISTRICT

Subject to the provisions of Sections 5.1 and 5.2, the amount to be paid by the Applicant to compensate the District for loss of Maintenance and Operations Revenue resulting from, or on account of, this Agreement for each year during the term of this Agreement (the "M&O Amount") shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

The M&O Amount owed by the Applicant to District means the Original M&O Revenue *minus* the New M&O Revenue;

Where:

- i. "Original M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Qualified Property and/or Qualified Investment been subject to the ad valorem maintenance & operations tax at the tax rate actually adopted by the District for the applicable year.
- ii. "New M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District actually received for such school year, after all adjustments have been made to Maintenance and Operations Revenue because of any portion of this agreement.

In making the calculations required by this Section 3.2:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.
- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property and/or the Applicant's Qualified Investment will be presumed to be one hundred percent (100%)
- iii. If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue as calculated under this Section 3.2 results in a negative number, the negative number will be considered to be zero.

- iv. All calculations made for years three (3) through ten (10) of this Agreement under Section 3.2, Subsection *ii* of this Agreement will reflect the Tax Limitation Amount for such year.
- v. All calculations made under this Section 3.2 shall be made by a methodology which isolates 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, on account of any other factors not contained in this Agreement.

Section 3.3. COMPENSATION FOR LOSS OF OTHER REVENUES

In addition to the amounts determined pursuant to Section 3.2 above, and to the extent provided in Section 6.3, the Applicant, on an annual basis, shall also indemnify and reimburse the District for the following:

- (a) all non-reimbursed costs incurred by the District in paying or otherwise crediting to the account of the Applicant, any applicable tax credit to which the Applicant may be entitled pursuant to Chapter 313, Subchapter D of the Texas Tax Code, and for which the District does not receive reimbursement from the State pursuant to Texas Education Code § 42.2515, or other similar or successor statute.
- (b) all non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses related to the 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.
- (c) any other loss of District revenues which are, or may be attributable to the payment by the Applicant to or on behalf any other third party beneficiary.

Section 3.4. CALCULATIONS TO BE MADE BY THIRD PARTY

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") jointly approved each year by the District and the Applicant. If the Parties cannot agree on the Third Party, then the Third Party shall be selected by the mediator provided in Section 7.9 of this Agreement.

Section 3.5. DATA USED FOR CALCULATIONS

The calculations for payments under this Agreement shall be initially based upon the valuations placed upon the Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Appraisal District in its annual certified tax roll submitted to the District

pursuant to Texas Tax Code § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 3.4. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

Section 3.6. DELIVERY OF CALCULATIONS

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 3.4 of this Agreement shall forward to the Parties a certification containing the calculations required under Sections 3.2 and/or 3.3 and Article IV, or under Section 5.1 of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation and fee for a period of five (5) years after payment. The Applicant shall not be liable for any of Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement or the fee paid by the Applicant to the Third Party pursuant to Section 3.7, if such fee is timely paid.

Section 3.7. PAYMENT BY APPLICANT

The Applicant shall pay any amount determined to be due and owing to the District under this Agreement on or before the January 31 next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Third Party for all calculations under this Agreement under Section 3.6, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or tax credit or other reimbursement applications filed with or sent to the State of Texas which are, or may be required under the terms or because of the execution of this Agreement. In no year shall the Applicant be responsible for the payment of any total expenses under this Section and Section 3.6, above, in excess of Ten Thousand Dollars (\$10,000.00).

Section 3.8. RESOLUTION OF DISPUTES

Pursuant to Section 3.4 and Section 3.6, should the Applicant disagree with the certification containing the calculations, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days of receipt of the certification. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Thereafter, the Applicant may appeal the final determination of certification containing the calculations to the District. Any appeal by the Applicant of the final determination of the Third Party may be made, in writing, to the District's Board of Trustees within thirty (30) days of the final determination of certification containing the calculations.

Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT

In the event that, at the time the Third Party selected under Section 3.4 makes its calculations under this Agreement, the Applicant has appealed the taxable values placed by the Appraisal District on the Qualified Property, and the appeal of the appraised values are unresolved, the Third Party shall base its calculations upon the values placed upon the Qualified Property by the Appraisal District.

In the event that the result of an appraisal 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 a new value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years. In the event the new calculations result in the change of any amount payable by the Applicant under this Agreement, the party from whom the adjustment is payable shall remit such amounts to the counter-party within thirty (30) days of the receipt of the new calculations from the Third Party.

Section 3.10. EFFECT OF STATUTORY CHANGES

Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 5.1, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District will receive less Maintenance and Operations Revenue, or, if applicable, will be required to increase its payment of funds to the State, because of its participation in this Agreement, the Applicant shall make payments to the District, up to the revenue protection amount limit set forth in Section 5.1, that are necessary to offset any negative impact on the District as a result of its participation in this Agreement. Such calculation shall take into account any adjustments to the amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District.

ARTICLE IV

Section 4.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS

In interpreting the provisions of Article IV, the parties agree as follows:

(a) Amounts Exclusive of Indemnity Amounts

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the Supplemental Payments set forth in this Article IV. The 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 obligation for Supplemental Payments under this Article IV are separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that all payments under Articles III and IV are subject to the limitations contained in Section 5.1, and that all payments under Article IV are subject to the separate limitations contained in Section 4.4.

(b) Adherence to Statutory Limits on Supplemental Payments

It is the express intent of the parties that any Supplemental Payments made to or on behalf of the District by the Applicant, under this Article IV, shall not exceed the limit imposed by the provisions of Texas Tax Code 313.027(i) unless that limit is increased by the Legislature at a future date.

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

During the term of this Agreement, the District shall not be entitled to receive Supplemental Payments that exceed the lesser of:

- (a) the Applicant's Stipulated Supplemental Payment Amount, defined as Forty Percent (40%) of the Applicant's Net Tax Benefit, as the term is defined in Section 1.3, above; or,
- (b) the Aggregate Limit, as the term is defined in Section 1.3, above.

Section 4.3. ANNUAL CALCULATION OF STIPULATED SUPPLEMENTAL PAYMENT AMOUNT

The Parties agree that for each Tax Year of this Agreement, beginning with the third full year (Tax Year 2016), the Stipulated Supplemental Payment amount, described in Section 4.2 will annually be calculated based upon the then most current estimate of tax savings to the

Applicant, which will be made, based upon assumptions of student counts, tax collections, and other applicable data, in accordance with the following formula:

Taxable Value of the Applicant's Qualified Property for such Tax Year had this Agreement not been entered into by the Parties (i.e., the Taxable Value of the Applicant's Qualified Property used for the District's interest and sinking fund tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

Minus,

The Taxable Value of the Applicant's Qualified Property for such Tax Year after giving effect to this Agreement (i.e., the Taxable Value of the Applicant's Qualified Property used for the District's maintenance and operations tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

Multiplied by,

The District's maintenance and operations tax rate for such Tax Year, or the school tax rate of any other governmental entity, including the State of Texas, for such Tax Year;

Plus,

Any Tax Credit received by the Applicant with respect to such Tax Year;

Minus,

Any amounts previously paid to the District under Article III;

Multiplied by,

The number 0.4;

Minus,

Any amounts previously paid to the District under Sections 4.2 and 4.3 with respect to such Tax Year.

In the event that there are changes in the data upon which the calculations set forth herein are made, the Third Party described in Section 3.4, above, shall adjust the Stipulated Supplemental Payment amount calculation to reflect any changes in the data.

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

For each year of this Agreement, beginning with year three (Tax Year 2016) and continuing thereafter through year thirteen (Tax Year 2026), the District, or its Successor Beneficiary should one be designated under Section 4.6, below, shall not be entitled to receive Supplemental Payments, computed under Sections 4.2 and 4.3, above, that exceed the Aggregate Limit, defined in Section 1.3, above.

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

Any Stipulated Supplemental Payment amount, which cannot be made to the District prior to the end of year thirteen (Tax Year 2026), because such payment would exceed the Aggregate Limit, will be deemed to have been cancelled by operation of law.

Section 4.5. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS

- (a) All calculations required by this Article, including but not limited to: (i) the calculation of the 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 Stipulated Supplemental Payment amounts unpaid by the Applicant due to the Aggregate Limit in previous years, shall be calculated by the Third Party selected pursuant to Section 3.4.
- (b) The calculations made by the Third Party shall be made at the same time and on the same schedule as the calculations made pursuant to Section 3.6.
- (c) The payment of all amounts due under this Article shall be made at the time set forth in Section 3.7.

Section 4.6. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY

At any time during this Agreement, the District's Board of Trustees may, in its sole discretion, so long as such decision does not result in additional costs to the Applicant under this Agreement, direct that the Applicant's payment obligations under this Article IV be made to its educational foundation, or to a similar entity. The alternative entity may only use such funds received under this Article to support the educational mission of the District and its students. Any designation of an alternative entity must be made by recorded vote of the District's Board of Trustees at a properly posted public Board meeting. Any such designation will become effective after public vote and the delivery of notice of said vote to the Applicant in conformance with the provisions of Section 6.1, below. Such designation may be rescinded by the District's Board of Trustees, by Board action, at any time.

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

ARTICLE V

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 5.1. ANNUAL LIMITATION AFTER FIRST THREE YEARS

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year during the term of this Agreement beginning after the end of the 2016 Tax Year, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid or due to be paid by the Applicant to the District for the current Tax Year together with the taxes due or paid for prior Tax Years of the Agreement, plus the sum of all payments otherwise due from the Applicant to the District under Articles III and IV with respect to such current and all preceding tax years, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such current and all preceding tax years (determined by using the District's actual maintenance and operations tax rate for each applicable 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 Section 3.4, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Articles III and IV shall be reduced until such excess is eliminated.

Section 5.2. OPTION TO CANCEL AGREEMENT

In the event that any payment otherwise due from the Applicant to the District under Article III and/or Section 4.2 with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 5.1 above, then the Applicant shall have the option to terminate this Agreement. The Applicant may exercise such option to cancel this Agreement by notifying the District of its election in writing not later than the July 31 of the year next following the Tax Year with respect to which a reduction under Section 5.1 is applicable. Any cancellation of this Agreement under the foregoing provisions of this Section 5.2 shall be effective immediately

prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred. Upon such termination this Agreement shall terminate and be of no further force or effect; provided, however, that the Parties respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged.

ARTICLE VI

TAX CREDITS

Section 6.1. APPLICANT'S ENTITLEMENT TO TAX CREDITS

The Applicant shall be entitled to tax credits from the District under and in accordance with the provisions of Subchapter D of the Act and Comptroller Rules, provided that the Applicant complies with the requirements under such provisions, including the timely filing of a completed Application under Section 313.103 of the Texas Tax Code and Comptroller Rules.

Section 6.2. DISTRICT'S OBLIGATIONS WITH RESPECT TO TAX CREDITS

The District shall timely comply and shall cause the District's collector of taxes to timely comply with their obligations under Subchapter D of the Act and Comptroller Rules, including, but not limited to, such obligations set forth in Section 313.104 of the Texas Tax Code, and either Comptroller and/or Texas Education Agency Rules.

Section 6.3. COMPENSATION FOR LOSS OF TAX CREDIT PROTECTION REVENUES

If after the Applicant has actually received the benefit of a tax credit under Section 6.1, the District does not receive aid from the State pursuant to Texas Education Code § 42.2515 or other similar or successor statute with respect to all or any portion of such tax credit for reasons other than the District's failure to comply with the requirements for obtaining such aid, then the District shall notify the Applicant in writing thereof and the circumstances surrounding the State's failure to provide such aid to the District. The Applicant shall pay to the District the amount of such tax credit for which the District did not receive such aid within thirty (30) calendar days after receipt of such notice, and such payment shall be subject to the same provisions for late payment as are set forth in Section 7.4 and 7.5. If the District receives aid from the State for all or any portion of a tax credit with respect to which the Applicant has made a payment to the District under this Section 6.3, then the District shall pay to the Applicant the amount of such aid within thirty (30) calendar days after the District's receipt thereof.

ARTICLE VII

ADDITIONAL OBLIGATIONS OF APPLICANT

Section 7.1. DATA REQUESTS

During the term of this Agreement, and upon the written request of one Party or by the Comptroller (the "Requesting Party"), the other Party shall provide the Requesting Party with all information reasonably necessary for the Requesting Party to determine whether the other Party is in compliance with its obligations, including any employment obligations which may arise under this Agreement. The Applicant shall allow authorized employees of the District, the Comptroller, and/or the Appraisal District to have access to the Applicant's Qualified Property and/or business records, in accordance with Texas Tax Code § 22.07, during the term of this Agreement, in order to inspect the project to determine compliance with the terms hereof. All inspections will be made at a mutually agreeable time after the giving of not less than forty-eight (48) hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide the District, the Comptroller, or the Appraisal District with any technical or business information that is private personnel data, proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party.

Section 7.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES

The Applicant shall timely make any and all reports that are or may be required under the provisions of law or administrative regulation, including but not limited to the annual report or certifications that may be required to be submitted by the Applicant to the Comptroller under the provisions of Texas Tax Code § 313.032. The Applicant shall forward a copy of all such required reports or certifications to the District contemporaneously with the filing thereof. The obligation to make all such required filings shall be a material obligation under this Agreement.

Section 7.3. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE

By entering into this Agreement, the Applicant warrants that:

- (a) it will abide by all of the terms of the Agreement;
- (b) it will Maintain Viable Presence in the District 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 (as hereinafter defined), provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure; and,

- (c) it will meet minimum eligibility requirements under Texas Tax Code, Chapter 313 throughout the value limitation and tax-credit settle-up periods.

Section 7.4. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT

(a) In the event that the Applicant terminates this Agreement without the consent of the District, except as provided in Section 5.2, or in the event that the Applicant or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, after the notice and cure period provided by Section 7.8, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, as calculated in accordance with Section 7.5, on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV.

(b) Notwithstanding Section 7.4(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of the Agreement, then the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of such termination notice. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem 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 7.5. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV. Upon payment of such liquidated damages, the Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

Section 7.5. CALCULATION OF PENALTY AND INTEREST

In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 7.4 for each Tax Year during the term of this Agreement since the Commencement Date. The District shall calculate penalty or interest for each Tax Year during the term of this Agreement since the Commencement Date in accordance with the methodology set forth in Chapter 33 of the Texas Tax Code, as if the base amount calculated for such Tax Year less all credits under Section 7.4 had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(a), or its successor statute. Interest on said

amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute.

Section 7.6 MATERIAL BREACH OF AGREEMENT

The Applicant shall be in Material Breach of this Agreement if it commits one or more of the following acts or omissions:

- (a) Applicant is determined to have failed to meet its obligations to have made accurate representations of fact in submission of its Application as is required by Section 8.13, below.
- (b) Applicant fails to Maintain Viable Presence in the District, as required by Section 7.3 of this Agreement, through the Final Termination Date of this Agreement.
- (c) Applicant fails to make any payment required under Articles III or IV of this Agreement on or before its due date.
- (d) Applicant fails to create and maintain at least the number of New Jobs set forth it committed to create and maintain on Schedule C, Column C of its Application.
- (e) Applicant fails to create and maintain at least the number of New Jobs set forth it committed to create and maintain on Schedule C, Column E of its Application.
- (f) Applicant fails to create and maintain at least Eighty Percent (80%) of all New Jobs created by the Applicant on the project as Qualifying Jobs.
- (g) Applicant makes any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Texas Tax Code, in excess of the amounts set forth in Articles III and IV, above. Voluntary donations made by the Applicant to the District after the date of execution of this Agreement, and not mandated by this Agreement or made in recognition of consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 are not barred by this provision.
- (h) Applicant fails to comply with any other term of this Agreement, or the Applicant fails to meet its obligations under the applicable Comptroller's Rules, and under the Texas Economic Development Act.

Section 7.7 LIMITED STATUTORY CURE OF MATERIAL BREACH

In accordance with the provisions of Texas Tax Code § 313.0275, for any full tax year which commences after the project has become operational, the Applicant may cure the Material Breaches of this Agreement, defined in Sections 7.6(d) and 7.6(e) or 7.6(f), above, without the termination of the remaining term of this Agreement. In order to cure its non-compliance with Sections 7.6(d) and 7.6(e) or 7.6(f) for the particular Tax Year of non-compliance only, the Applicant may make the liquidated damages payment required by Texas Tax Code § 313.0275(b), in accordance with the provisions of Texas Tax Code § 313.0275(c).

Section 7.8. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT

Prior to making a determination that the Applicant has committed a material breach of this Agreement, such as making a misrepresentation in the Application, failing to Maintain Viable Presence in the District as required by Section 7.3 of this Agreement, failing to make any payment required under this Agreement when due, or has otherwise committed a material breach of this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the material 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 material breach of its obligations under the Agreement, or that it has cured or undertaken to cure any such material breach.

If the Board of Trustees is not satisfied with such response and/or that such 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 whether or not a material breach of this Agreement has occurred, the date such breach occurred, if any, and whether or not any such breach has been cured. In the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall also terminate the Agreement and determine the amount of recaptured taxes under Section 7.4 (net of all credits under Section 7.4), and the amount of any penalty and/or interest under Section 7.5 that are owed to the District.

After making its determination regarding any alleged breach, the Board of Trustees shall cause the Applicant to be notified in writing of its determination (a "Determination of Breach and Notice of Contract Termination").

Section 7.9. DISPUTE RESOLUTION

After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, the Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after

the Applicant's receipt of notice of the Board of Trustee's determination of breach under Section 7.8, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then 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.

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such ninety (90) days, the District shall have the remedies for the collection of the amounts determined under Section 7.8 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney's fees and a tax lien on the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Texas Tax Code § 33.07 to the attorneys representing the District pursuant to Texas Tax Code § 6.30.

In any event where a dispute between the District and the Applicant under this Agreement cannot be resolved by the Parties, after completing the procedures required above in this Section, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in any judicial proceeding, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any covenant, agreement or undertaking made by a Party pursuant to this Agreement.

Section 7.10. LIMITATION OF OTHER DAMAGES

Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, the District's damages for such a default shall under no circumstances exceed the greater of either any amounts calculated under Sections 7.4 and 7.5 above, or the monetary sum of the difference between the payments and credits due and owing to the Applicant at the time of such default and the District taxes that would have been lawfully payable to the District had this Agreement not been executed. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

The Parties further agree that the limitation of damages and remedies set forth in this Section 7.10 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 7.11. BINDING ON SUCCESSORS

Agreement for Limitation on Appraised Value

Between Barbers Hill Independent School District and Lone Star NGL Asset Holdings II, LLC
TEXAS COMPTROLLER APPLICATION NUMBER 251
September 23, 2013

In the event of a merger or consolidation of the District with another school district or other governmental authority, this Agreement shall be binding on the successor school district or other governmental authority.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. INFORMATION AND NOTICES

Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (e.g., by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, or (ii) sent by facsimile transmission, with "answer back" or other "advice of receipt" obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid; provided that, notice received by facsimile transmission after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first business day following the date of such electronic receipt.

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

Dr. Greg Poole, Superintendent
BARBERS HILL INDEPENDENT SCHOOL DISTRICT
P.O. Box 1108
9600 Eagle Drive.
Mont Belvieu, Texas 77580
Fax: (281) 576-3410

With a copy to:

Kevin O'Hanlon
O'Hanlon, McCollom & Demerath
808 West Avenue
Austin, Texas 78701

or at such other address or to such other facsimile transmission number and to the attention of such other person as the District may designate by written notice to the Applicant.

Notices to the Applicant shall be addressed to:

Megan McKavanagh, Property Tax Manager
ENERGY TRANSFER PARTNERS, LP
800 E Sonterra Blvd, Suite 400
San Antonio, Texas 78258

With copies to:

LONE STAR NGL ASSET HOLDINGS II, LLC
Rick Fine
Attorney at Law
1313 Spyglass Drive
Austin, Texas 78746-6906

or at such other address or to such other facsimile transmission number and to the attention of such other person as the Applicant may designate by written notice to the District.

Section 8.2. EFFECTIVE DATE, TERMINATION OF AGREEMENT

- (a) This Agreement shall be and become effective on the date of final approval of this Agreement by the District's Board of Trustees,
- (b) The obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the termination in full date established in Section 1.2 of this Agreement.
- (c) In the event that the Applicant fails to make a Qualified Investment in the amount of Thirty Million Dollars (\$30,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2015.

Section 8.3. AMENDMENTS TO AGREEMENT; WAIVERS

This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Waiver of any term, condition or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition or provision, or a waiver of any other term, condition or provision of this Agreement. By official action of the Board of Trustees, this Agreement may be amended to include, in the Applicant's Qualified Investment, additional or replacement Qualified Property not specified in **EXHIBIT 3**, provided that the Applicant reports to the District, the Comptroller, and the Appraisal District, in the same format, style, and presentation as the Application, all relevant investment, value, and employment information that is related to the additional property. Any amendment of the Agreement adding additional or replacement Qualified Property pursuant to this Section 8.3 shall, (1) require that all property added by amendment be eligible property as defined by Texas

Tax Code, § 313.024; (2) clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and (3) define minimum eligibility requirements for the recipient of limited value. This Agreement may not be amended to extend the value limitation time period beyond its eight year statutory term.

Section 8.4. ASSIGNMENT

The Applicant may assign this Agreement, or a portion of this Agreement, to an Affiliate or a new owner or lessee of all or a portion of the Applicant's Qualified Property and/or the Applicant's Qualified Investment, provided that the Applicant shall provide written notice of such assignment to the District. Upon such assignment, the Applicant's assignee will be liable to the District for outstanding taxes or other obligations arising under this Agreement. A recipient of limited value under Texas Tax Code, Chapter 313 shall notify immediately the District, the Comptroller, and the Appraisal District in writing of any change in address or other contact information for the owner of the property subject to the limitation agreement for the purposes of Texas Tax Code § 313.032. The assignee's or its reporting entity's Texas Taxpayer Identification Number shall be included in the notification.

Section 8.5. MERGER

This Agreement contains all of the terms and conditions of the understanding of the Parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence, and preliminary understandings between the Parties and others relating hereto are superseded by this Agreement.

Section 8.6. MAINTENANCE OF APPRAISAL DISTRICT RECORDS

When appraising the Applicant's Qualified Property and the Applicant's Qualified Investment subject to a limitation on Appraised Value under this Agreement, the Chief Appraiser of the Appraisal District shall determine the Market Value thereof and include both such Market Value and the appropriate value thereof under this Agreement in its appraisal records.

Section 8.7. GOVERNING LAW

This Agreement and the transactions contemplated hereby shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law or rules that would direct the application of the laws of another jurisdiction. Venue in any legal proceeding shall be in Chambers County, Texas.

Section 8.8. AUTHORITY TO EXECUTE AGREEMENT

Each of the Parties represents and warrants that its undersigned representative has been expressly authorized to execute this Agreement for and on behalf of such Party.

Section 8.9. SEVERABILITY

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 8.9, the term "Law" shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 8.10. PAYMENT OF EXPENSES

Except as otherwise expressly provided in this Agreement, or as covered by the application fee, 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 8.11. INTERPRETATION

When a reference is made in this Agreement to a Section, Article or Exhibit, such reference shall be to a Section or Article of, or Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words "include," "includes" and "including" when used in this Agreement shall be deemed in such case to be followed by the phrase "but not limited to" words used in this Agreement, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context shall require. This Agreement is the joint product of the Parties and each provision of this Agreement has been subject to the mutual consultation, negotiation and agreement of each Party and shall not be construed for or against any Party.

Section 8.12. EXECUTION OF COUNTERPARTS

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute but one and the same instrument, which may be sufficiently evidenced by one counterpart.

Section 8.13. ACCURACY OF REPRESENTATIONS CONTAINED IN APPLICATION

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application. The Applicant warrants that all information, facts, and representations contained therein are true and correct. The parties further agree that the Application and all the attachments thereto are included by reference into this Agreement as if set forth herein in full.

In the event that the Board of Trustees, after completing the procedures required by Sections 7.8 and 7.9 of this Agreement, makes a written determination that the Application was either incomplete or inaccurate as to any material representation, information, or fact, the Agreement shall be invalid and void except for the enforcement of the provisions required by 34. Tex. Administrative Code § 9.1053(f)(2)(K).

Section 8.14. 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; the approved and executed copy of this Agreement or any amendment thereto; and each application requesting tax credits under Texas Tax Code § 313.103, as follows:

- a. Within seven days of such document, the school district shall submit a copy to the Comptroller for Publication on the Comptroller's Internet website.
- b. 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 Texas Tax Code § 313.028.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 23 day of September, 2013.

LONE STAR NGL ASSET HOLDINGS II, LLC
a Delaware limited liability company

By: Lone Star NGL Asset Holdings LLC,
a Delaware limited liability company
Its: Sole Manager

By: _____

Authorized Representative

Name: MARK Apostle

Title: Div Controller

**BARBERS HILL INDEPENDENT
SCHOOL DISTRICT**

By: _____

BECKY TICE
President
Board of Trustees

Attest:

By: _____

CYNTHIA ERWIN
Secretary
Board of Trustees

Agreement for Limitation on Appraised Value

Between Barbers Hill Independent School District and Lone Star NGL Asset Holdings II, LLC

TEXAS COMPTROLLER APPLICATION NUMBER 251

September 23, 2013

EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

A Reinvestment Zone was originally created June 20, 2011 by action of the City Council of the City of Mont Belvieu Texas (the "City"), as amended by the City to include additional tracts of land on November 28, 2011. A map of the Reinvestment Zone is attached, below to this **EXHIBIT 1**.

As a result of the action of the City, the Reinvestment Zone includes real property within the boundaries of the Barbers Hill Independent School District and Chambers County, Texas, more specifically described by the legal description also attached to this **EXHIBIT 1**.

LGH		
Tract	Chambers PID #	Chambers CAD Legal
1	16241	12 TR 67-1 H GRIFFITH
2	16242	12 TR 86-1 H GRIFFITH
3	16241	12 TR 67-1 H GRIFFITH
4	N/A	N/A
5	20620	4 TR 6A-0 WM BLOODGOOD
6A	20620	4 TR 6A-0 WM BLOODGOOD
6B	29968	4 TR 6A-0-1 WM BLOODGOOOD
7	16241	12 TR 67-1 H GRIFFITH
8	20620	4 TR 6A-0 WM BLOODGOOD
9	16241	12 TR 67-1 H GRIFFITH
10	20620	4 TR 6A-0 WM BLOODGOOD
11	20620	4 TR 6A-0 WM BLOODGOOD
12	20620	4 TR 6A-0 WM BLOODGOOD
13	29968	4 TR 6A-0-1 WM BLOODGOOOD
14	29968	4 TR 6A-0-1 WM BLOODGOOOD
15	16242	12 TR 86-1 H GRIFFITH
16	16242	12 TR 86-1 H GRIFFITH
17	29968	4 TR 6A-0-1 WM BLOODGOOOD
18	29968	4 TR 6A-0-1 WM BLOODGOOOD
19	29968	4 TR 6A-0-1 WM BLOODGOOOD
20	29968	4 TR 6A-0-1 WM BLOODGOOOD
21	20620	4 TR 6A-0 WM BLOODGOOD
22	29968	4 TR 6A-0-1 WM BLOODGOOOD
23	40368	4 TR 69B-0-1 WM BLOODGOOD
24	29968	4 TR 6A-0-1 WM BLOODGOOOD
25	N/A	N/A
26	35521	12 TR 103-2-1 H GRIFFITH
27	35520	12 TR 103-1-1 H GRIFFITH

28	16241	12 TR 67-1 H GRIFFITH
29	16240	12 TR 12-0 H GRIFFITH
30	16240	12 TR 12-0 H GRIFFITH
31	16240	12 TR 12-0 H GRIFFITH
32	16240	12 TR 12-0 H GRIFFITH
33	16240	12 TR 12-0 H GRIFFITH
34	16240	12 TR 12-0 H GRIFFITH
35	16240	12 TR 12-0 H GRIFFITH
36		
	49011	12 TR 12-0-1 H GRIFFITH
	49012	12 TR 12-0-2 H GRIFFITH
37	N/A	N/A
38	16240	12 TR 12-0 H GRIFFITH
39	40885	4 TR 56-0-2 WM BLOODGOOD
40	N/A	N/A
41	29968	4 TR 6A-0-1 WM BLOODGOOD
42	29968	4 TR 6A-0-1 WM BLOODGOOD
43	29968	4 TR 6A-0-1 WM BLOODGOOD
44	16241	12 TR 67-1 H GRIFFITH
45	16241	12 TR 67-1 H GRIFFITH
46A	31391	4 TR 9-0-2 WM BLOODGOOD
46B	31390	4 TR 9-0-1 WM BLOODGOOD
47	3101	12 TR 74-5 H GRIFFITH
48	3100	24 7-1 W D SMITH
49	3099	24 6-1 W D SMITH
50		
	3098	24 6-0 W D SMITH
	22676	24 6-2 W D SMITH
51	24544	24 8-1 W D SMITH
52		
	22668	24 8-5 WM D SMITH
	20522	24 8-2 W D SMITH
	24545	24 8-4 W D SMITH
	24544	24 8-1 W D SMITH
53	49400	12 TR 12-0-6 H GRIFFITH
54	49351	24 1-2-4 W D SMITH

Non LGH Parcels

55	9831	24 11-1 WM D SMITH
56	50539	24 1-5-1 WM D SMITH
57	50538	24 1-3-1 W D SMITH

Agreement for Limitation on Appraised Value

Between Barbers Hill Independent School District and Lone Star NGL Asset Holdings II, LLC
TEXAS COMPTROLLER APPLICATION NUMBER 251
September 23, 2013

58	508	24 9-2 W D SMITH
59	18943	12 TR 74-0 H GRIFFITH
60	17620	12 TR 91-1 H GRIFFITH
61	4729	12 TR 82-0 H GRIFFITH
62	19145	12 TR 78-0 H GRIFFITH
63	5084	4 TR 4-0 WM BLOODGOOD
64	1863	4 TR 5-0 WM BLOODGOOD

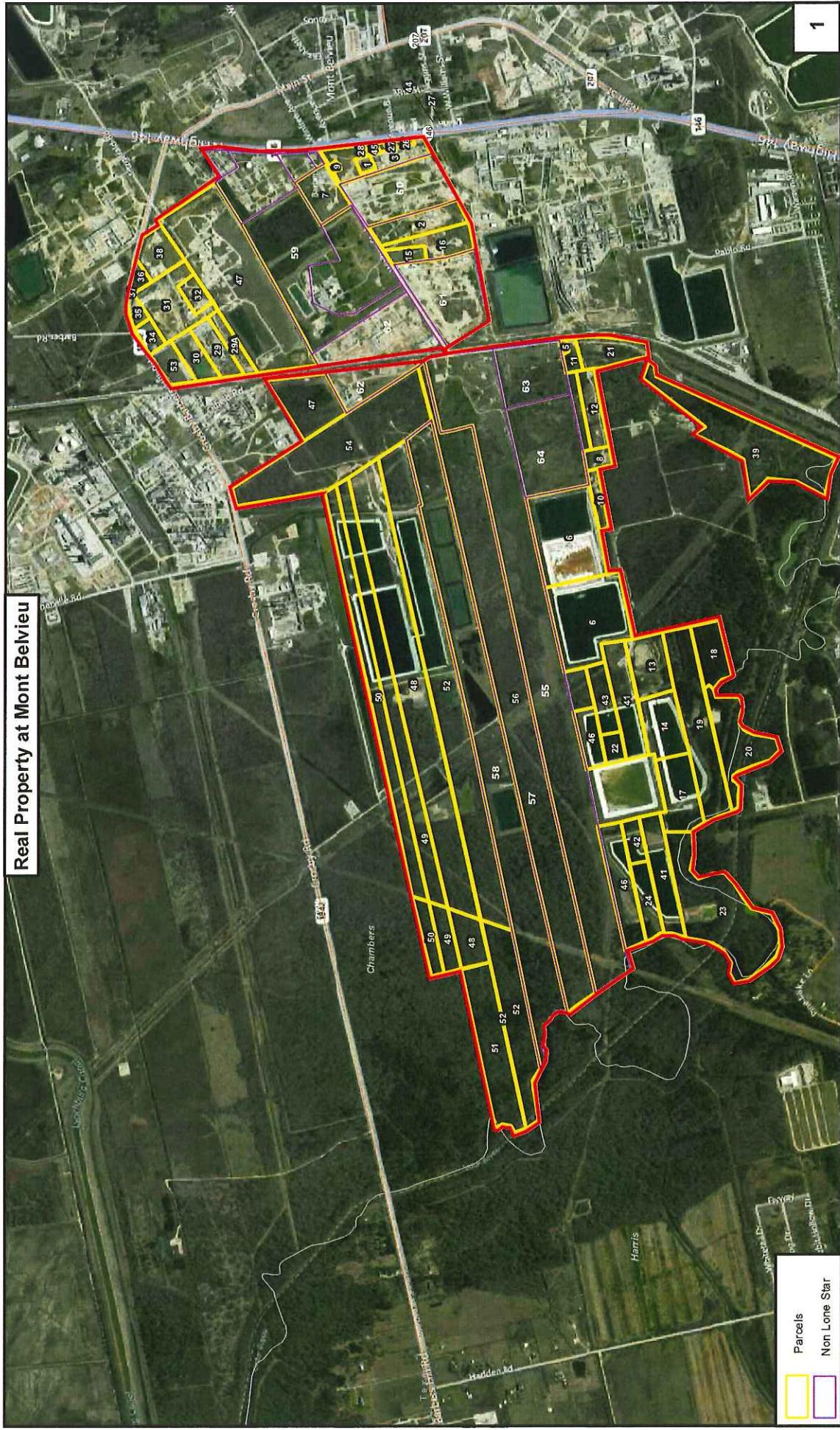
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TEXAS COMPTROLLER APPLICATION NUMBER 251

September 23, 2013

Real Property at Mont Belvieu



Parcels
Non Lone Star

Lone Star NGL
Mont Belvieu L.P.

1 inch = 1,367 feet



Distances shown in this map are computer generated approximations only and should not be used for legal boundary or property file.

Sep 09 2011

Reinvestment Zone boundary

EXHIBIT 2

LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property owned by Applicant and located within the boundaries of both the Barbers Hill Independent School District and the Reinvestment Zone originally created on June 20, 2011 by action of the City Council of the City of Mont Belvieu Texas (the "City"), as amended by the City to include additional tracts of land on November 28, 2011 which is not included in the description of the Qualified Investment/Qualified Property contained in **EXHIBIT 3** of the *Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes* entered into between BARBERS HILL INDEPENDENT SCHOOL DISTRICT AND LONE STAR NGL ASSET HOLDINGS II, LLC, and dated December 15, 2011; and which has nor otherwise been excluded by the specific terms of EXHIBIT 3 is intended to be included in this Agreement.

A map of the Reinvestment Zone created by the City is attached to **EXHIBIT 1**.

Specifically, all Qualified Property of the Applicant located within the boundaries on the map and/or chart attached to **EXHIBIT 1** is included.

EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

The proposed project will consist of a new Unit 2 NGL fractionator.

The plant Components consist of:

- Deethanizer
- Depropanizer
- Debutanizer
- Butane Splitter - Deisobutanizer (DIB)
- Towers
- Heat Medium
- Gasoline Treater
- • Compression Equipment Appurtenant components, including, but not limited to:
 - Transmission lines
 - Fractionator Interconnects
 - Pumps
 - Brine Pond and/or Salt water disposal well
 - New product well(s)
- Additional storage facilities to store y-grade liquids and other components

The facility will also require a relatively small amount of personal property. All of the property for which the Applicant is seeking a limitation on appraised value will be owned by the Applicant or a valid assignee pursuant to this Agreement.

All property owned by Applicant, located within the area described by **EXHIBITS 1 & 2**, which is not included in the description of the Qualified Investment/Qualified Property contained in **EXHIBIT 3** of the *Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes* entered into between BARBERS HILL INDEPENDENT SCHOOL DISTRICT AND LONE STAR NGL ASSET HOLDINGS II, LLC, and dated December 15, 2011, is intended to be included in this Agreement with the exception of the exclusions set forth below.

Exclusion of Pre-Existing Values:

The Parties agree that the improvements located in the *Reinvestment Zone* described in **EXHIBIT 1**, above, on November 25, 2012 (the day immediately prior to the day upon which

Agreement for Limitation on Appraised Value

Between Barbers Hill Independent School District and Lone Star NGL Asset Holdings II, LLC

TEXAS COMPTROLLER APPLICATION NUMBER 251

September 23, 2013

Comptroller's determined there to be a completed Application) consisting of pre-existing site preparation and structural steel components, owned by Applicant in the *Reinvestment Zone*, which existed prior to the Completed Application Date (the "Pre-Existing Improvements") and, therefore, are not eligible to be considered to be a part of the Application. The Parties further agree that the Fair Market Value of the Pre-Existing Improvements on November 25, 2012 was Six Million Six Hundred Thousand and No/100's Dollars (\$6,600,000.00), immediately prior to the Completed Application Date, prior to any abatements and/or exemptions made available to the Applicant by any individual taxing unit.

Qualifying Time Period Taxable Values - Tax Years 2013, 2014, and 2015:

For each of the Tax Year 2013, Tax Year 2014, and Tax Year 2015, no appraised value limitation is applicable under this Agreement in determining the Appraised Value of any real property, improvements, business personal property, or inventory within the *Reinvestment Zone*.

Tax Limitation Amount Time Period – Tax Years 2016 through 2023

For each of the Tax Years 2016 through 2023, the Applicant and the District agree that the Taxable Value of the Pre-Existing Improvements shall be computed by deducting from the Pre-Existing Taxable Value the cumulative depreciation relating to the Pre-Existing Improvements, which cumulative depreciation shall be determined in the same manner as that generally applied by the Chambers County Appraisal District to the Applicant's other Chambers County plant operations, and after the subtraction of such cumulative depreciation, such Taxable Value for such Tax Year shall be added to the Tax Limitation Amount to compute the Applicant's total Taxable Values for such Tax Year under this Agreement. No inventory (other than any inventory included in the Applicant's Qualified Investment and/or the Applicant's Qualified Property, such as spare parts inventory) owned by the Applicant within the *Reinvestment Zone* will be subject to this Agreement.