

**FINDINGS OF THE BARBERS HILL
INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
CEDAR BAYOU FRACTIONATORS, LP**



December 16, 2013

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OF THE
BARBERS HILL INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
CEDAR BAYOU FRACTIONATORS, LP
(APPLICATION #333)**

DECEMBER 16, 2013

Board Findings of the Barbers Hill Independent School District

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SCHOOL DISTRICT BOARD OF TRUSTEES UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
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CEDAR BAYOU FRACTIONATORS, LP
(APPLICATION #333)

STATE OF TEXAS §

COUNTY OF CHAMBERS §

On the 16th day of December, 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 Cedar Bayou Fractionators, LP (Application #333) (Cedar Bayou) 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 Cedar Bayou, and the economic impact of that application:

On September 11, 2013, the Texas Comptroller of Public Accounts received an Application from Cedar Bayou 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, Cedar Bayou (Texas Taxpayer Id. 17605551617), 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 November 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 Cedar Bayou, 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**.

Board Findings of the Barbers Hill Independent School District

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 Cedar Bayou Fractionators, LP 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 Cedar Bayou 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 \$60,838 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. Cedar Bayou indicates that total employment will be approximately ten (10) new jobs, of which eight (8) 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 of these 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 \$55,317 in 2012. The annual average manufacturing wage for 2012-2013 for Chambers County is \$79,404. That same year, the county annual average wage for all industries was \$53,976. In addition to an annual average salary of \$60,838, each qualifying position will receive benefits such as medical plan and prescription drug coverage, vision, dental, life insurance, disability, and 401(k).

Board Findings of the Barbers Hill Independent School District

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 \$37.5 million on the basis of the goal of eight (8) new qualifying positions for the Cedar Bayou project.

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

The project's total investment is \$300.0 million, resulting in a relative level of investment per qualifying job of \$37.5 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 Cedar Bayou Fractionators, LP 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.

Board Findings of the Barbers Hill Independent School District

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Cedar Bayou Fractionators, LP

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	50	385	435	\$3,041,896	\$23,958,104	\$27,000,000
2014	510	1,656	2166	\$30,418,960	\$109,581,040	\$140,000,000
2015	10	8,693	8703	\$608,379	\$584,391,621	\$585,000,000
2016	10	11,111	11121	\$608,379	\$800,391,621	\$801,000,000
2017	10	4,822	4832	\$608,379	\$421,391,621	\$422,000,000
2018	10	297	307	\$608,379	\$109,391,621	\$110,000,000
2019	10	(80)	-70	\$608,379	\$65,391,621	\$66,000,000
2020	10	(229)	-219	\$608,379	\$39,391,621	\$40,000,000
2021	10	(260)	-250	\$608,379	\$23,391,621	\$24,000,000
2022	10	(215)	-205	\$608,379	\$15,391,621	\$16,000,000
2023	10	(131)	-121	\$608,379	\$15,391,621	\$16,000,000
2024	10	(94)	-84	\$608,379	\$12,391,621	\$13,000,000
2025	10	(16)	-6	\$608,379	\$15,391,621	\$16,000,000
2026	10	58	68	\$608,379	\$20,391,621	\$21,000,000
2027	10	129	139	\$608,379	\$26,391,621	\$27,000,000
2028	10	191	201	\$608,379	\$33,391,621	\$34,000,000

Source: CPA, REMI, Cedar Bayou Fractionators, LP

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2012-2013. Barbers Hill ISD's ad valorem tax base in 2012-2013 was \$3.39 billion. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Barbers Hill ISD's estimated wealth per WADA was \$671,764. 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 with all property tax incentives sought being granted using estimated market value from Cedar Bayou Fractionators, LP application. Cedar Bayou Fractionators, LP has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and city. Table 3 illustrates the estimated tax impact of the Cedar Bayou Fractionators, LP project on the region if all taxes are assessed.

Board Findings of the Barbers Hill Independent School District

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	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 Tax Levy	Estimated Total Property Taxes
			0.2698	1.0600				0.6466	0.4367	
2014	\$10,000,000	\$10,000,000		\$26,980	\$106,000	\$132,980	\$132,980	\$0	\$0	\$132,980
2015	\$140,400,000	\$140,400,000		\$378,799	\$1,488,240	\$1,867,039	\$1,867,039	\$0	\$0	\$1,867,039
2016	\$235,000,000	\$30,000,000		\$634,030	\$318,000	\$952,030	\$952,030	\$379,901	\$0	\$1,331,931
2017	\$223,250,000	\$30,000,000		\$602,329	\$318,000	\$920,329	\$753,151	\$577,450	\$0	\$1,330,601
2018	\$212,087,500	\$30,000,000		\$572,212	\$318,000	\$890,212	\$723,035	\$685,721	\$231,552	\$1,640,308
2019	\$201,483,125	\$30,000,000		\$543,601	\$318,000	\$861,601	\$694,424	\$1,302,870	\$351,959	\$2,349,254
2020	\$191,408,969	\$30,000,000		\$516,421	\$318,000	\$834,421	\$667,244	\$1,237,727	\$417,951	\$2,322,922
2021	\$181,838,520	\$30,000,000		\$490,600	\$318,000	\$808,600	\$641,423	\$1,175,841	\$397,054	\$2,214,317
2022	\$172,746,594	\$30,000,000		\$466,070	\$318,000	\$784,070	\$616,893	\$1,117,049	\$377,201	\$2,111,143
2023	\$164,109,265	\$30,000,000		\$442,767	\$318,000	\$760,767	\$593,590	\$1,061,196	\$537,511	\$2,192,297
2024	\$155,903,801	\$155,903,801		\$420,628	\$1,652,580	\$2,073,209	\$2,073,209	\$1,008,136	\$680,847	\$3,762,193
2025	\$148,108,611	\$148,108,611		\$399,597	\$1,569,951	\$1,969,548	\$1,969,548	\$957,730	\$646,805	\$3,574,083
2026	\$140,703,181	\$140,703,181		\$379,617	\$1,491,454	\$1,871,071	\$1,871,071	\$909,843	\$614,465	\$3,395,379
2027	\$133,668,022	\$133,668,022		\$360,636	\$1,416,881	\$1,777,517	\$1,777,517	\$864,351	\$583,742	\$3,225,610
2028	\$126,984,621	\$126,984,621		\$342,605	\$1,346,037	\$1,688,641	\$1,688,641	\$821,133	\$554,555	\$3,064,329
						Total	\$17,021,797	\$12,098,948	\$5,393,641	\$34,514,385

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

Source: CPA, Cedar Bayou Fractionators, LP

¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	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 Tax Levy	Estimated Total Property Taxes	
			0.2698	1.0600			0.6466	0.4367		
2014	\$10,000,000	\$10,000,000		\$26,980	\$106,000	\$132,980	\$64,664	\$43,671	\$241,315	
2015	\$140,400,000	\$140,400,000		\$378,799	\$1,488,240	\$1,867,039	\$907,883	\$613,141	\$3,388,063	
2016	\$235,000,000	\$235,000,000		\$634,030	\$2,491,000	\$3,125,030	\$1,519,604	\$1,026,269	\$5,670,903	
2017	\$223,250,000	\$223,250,000		\$602,329	\$2,366,450	\$2,968,779	\$1,443,624	\$974,955	\$5,387,357	
2018	\$212,087,500	\$212,087,500		\$572,212	\$2,248,128	\$2,820,340	\$1,371,443	\$926,207	\$5,117,990	
2019	\$201,483,125	\$201,483,125		\$543,601	\$2,135,721	\$2,679,323	\$1,302,870	\$879,897	\$4,862,090	
2020	\$191,408,969	\$191,408,969		\$516,421	\$2,028,935	\$2,545,356	\$1,237,727	\$835,902	\$4,618,986	
2021	\$181,838,520	\$181,838,520		\$490,600	\$1,927,488	\$2,418,089	\$1,175,841	\$794,107	\$4,388,036	
2022	\$172,746,594	\$172,746,594		\$466,070	\$1,831,114	\$2,297,184	\$1,117,049	\$754,402	\$4,168,634	
2023	\$164,109,265	\$164,109,265		\$442,767	\$1,739,558	\$2,182,325	\$1,061,196	\$716,682	\$3,960,203	
2024	\$155,903,801	\$155,903,801		\$420,628	\$1,652,580	\$2,073,209	\$1,008,136	\$680,847	\$3,762,193	
2025	\$148,108,611	\$148,108,611		\$399,597	\$1,569,951	\$1,969,548	\$957,730	\$646,805	\$3,574,083	
2026	\$140,703,181	\$140,703,181		\$379,617	\$1,491,454	\$1,871,071	\$909,843	\$614,465	\$3,395,379	
2027	\$133,668,022	\$133,668,022		\$360,636	\$1,416,881	\$1,777,517	\$864,351	\$583,742	\$3,225,610	
2028	\$126,984,621	\$126,984,621		\$342,605	\$1,346,037	\$1,688,641	\$821,133	\$554,555	\$3,064,329	
						Total	\$32,416,431	\$15,763,093	\$10,645,646	\$58,825,170

Source: CPA, Cedar Bayou Fractionators, LP

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 \$235.0 million to the tax base for debt service purposes at the peak investment level for the 2016-17 school year. The Cedar Bayou 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 Cedar Bayou 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 I&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 Cedar Bayou 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 and its 10 permanent jobs once it begins operations. 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 Cedar Bayou Fractionators, LP application, "CBF currently operates in two states. They allocate capital investment to projects and locations that create the best economic return. The existence of a limitation on tax value is a significant factor

Board Findings of the Barbers Hill Independent School District

in calculating the economic return and allocation of reserves to the project. However, CBF could redirect its expenditures to its plants in: Cameron – Louisiana and Lake Charles - Louisiana.”

Board Finding Number 9.

During the past two years, 38 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 Cedar Bayou. 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 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 Findings of the Barbers Hill Independent School District

Board Finding Number 12.

The Applicant (Taxpayer Id. 17605551617) 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 most years 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.

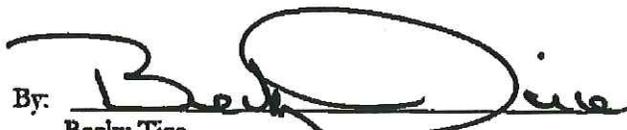
Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

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 16th day of December 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

December 10, 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 Cedar Bayou 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 Cedar Bayou for a 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 Cedar Bayou 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

O'HANLON, McCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

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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

December 10, 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 Cedar Bayou for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, first qualifying year 2015

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 Cedar Bayou 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 2015. 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 Cedar Bayou. Based upon our review we have drawn the following conclusions:

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

Letter to Barbers Hill ISD
December 10, 2013
Page 2 of 2

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

As a result of the foregoing conclusions it is our recommendation that the Board of Trustees approve the Application of Cedar Bayou 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', with a stylized flourish at the end.

Kevin O'Hanlon
For the Firm



Attachment A

Application

O'HANLON, McCOLLOM & DEMERATH

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TEXAS BOARD OF LEGAL SPECIALIZATION

JUSTIN DEMERATH

September 4, 2013

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

RE: Amended Application to the Barbers Hill Independent School District from Cedar Bayou Fractionators, LP

To the Local Government Assistance & Economic Analysis Division:

On August 1, 2013, the Barbers Hill Independent School District submitted the Application of Cedar Bayou Fractionators, LP. On August 28, 2013, a deficiency letter was issued for the application. In response to that the letter, Cedar Bayou Fractionators, LP submitted an amended application. The District re-determined the application complete as of September 4, 2013. Please prepare the economic impact report.

Please note, the District has confirmed that no construction has begun at the project site as of the date of the filing of the application and the District's determination that the application is complete. 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.

There is no existing property for this project. The site selected for the current project (CFB#5 and LEP#2) is vacant land.

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.

To specifically address the deficiencies in the Application noted by the Comptroller's Office, the Applicant has provided the following additional information:

Letter to Local Government Assistance & Economic Analysis Division
September 4, 2013
Page 2 of 2

1. In lieu of providing a higher resolution map that was attached to the deficiency letter, the Applicant submitted two different maps that were pre-approved by the Office of the Comptroller as sufficient to describe the planned location of the qualified property.
2. The Applicant submitted a revised Attachment 14 reflecting the most recent wage information.
3. The Schedules have been signed by the Authorized Business Representative identified in the Application.
4. Schedule C has been updated to reflect the most recent wage information.
5. The Applicant confirmed that the reinvestment zone was one contiguous area, and provided a copy of the map with a legend for ease of reference.

Due to the size of the application, an electronic copy is not attached. A paper and electronic copy of the application will be hand delivered to your office tomorrow. In accordance with 34 Tex. Admin Code §9.1054, a copy of the application will be submitted to the Chambers County Appraisal District.

Please feel free to contact me with questions.

Sincerely,



Kevin O'Hanlon
School District Consultant

Cc: Chief Appraiser
Chambers County Appraisal District

Becky McManus, Barbers Hill ISD

Mike Fry, Cedar Bayou Fractionators, LP

June 26, 2013

Barbers Hill ISD
Dr. Greg Poole
PO BOX 1108
Mont Belvieu, TX 77580

Re: Application for Section 313 - Value Limitation Agreement

Dear Dr. Greg Poole:

Cedar Bayou Fractionators, LP is considering plans to build a fractionation facility and IGP project inside Barbers Hill ISD, which will allow us the ability to process raw natural gas into useable products. The estimated investment for this project is \$300,000,000.

The positive economic impact stretches beyond the investment by providing hundreds of jobs during the construction phase, and at least 10 full time local jobs once construction is complete.

Cedar Bayou Fractionators, LP is committed to the growth and welfare of the community. We believe our investment in Mont Belvieu affirms our dedication to maintaining a considerable presence in the area.

Attached is our application for property the tax limitation. We respectfully request this 10 year limitation under The Appraised Value Limitation on Qualified Property (Chapter 313 of the Texas Tax Code).

Please feel free to contact me if you have any questions. I can be reached via telephone 469-298-1594 or by email mfry@keatax.com.

Sincerely,



Mike Fry
Senior Property Tax Consultant

Enclosures



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 6/26/13
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 Texas	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



SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

Authorized School District Consultant (If Applicable)

First Name Kevin

Last Name O'Hanlon

Title Attorney

Firm Name O'Hanlon, McCollom & Demerath, PC

Street Address 808 West Avenue

Mailing Address 808 West Avenue

City Austin

State Tx

ZIP 78701

Phone Number 512-494-9949

Fax Number 512-494-9919

Mobile Number (Optional)

E-mail Address kohanlon@808west.com

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

Signature (Authorized School District Representative)

Date

7-22-13

Has the district determined this application complete? Yes No

If yes, date determined complete. 8.1.13

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

will supplement

SCHOOL DISTRICT CHECKLIST AND REQUESTED ATTACHMENTS

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

APPLICANT INFORMATION - CERTIFICATION OF APPLICATION

Authorized Business Representative (Applicant)

First Name John	Last Name Thompson
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Title
VP of Tax

Organization
Cedar Bayou Fractionators, LP

Street Address
1000 Louisiana St., Suite 4300

Mailing Address

City Houston	State Texas	ZIP 77002
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Phone Number 713-584-1580	Fax Number 713-888-4265
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Mobile Number (optional)	Business e-mail Address jthompson@targaresources.com
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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 Dorothy	Last Name Pearson
------------------------------	-----------------------------

Title
Director - Indirect Taxes

Organization
Targa Resources

Street Address
1000 Louisiana, Suite 4300

Mailing Address
1000 Louisiana, Suite 4300

City Houston	State Texas	ZIP 77002
------------------------	-----------------------	---------------------

Phone Number 713-584-1477	Fax Number
-------------------------------------	------------

Mobile Number (optional)	E-mail Address DPearson@targaresources.com
--------------------------	--

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)

First Name: Mike
 Last Name: Fry
 Title: Tax Agent
 Firm Name: K E Andrews
 Street Address: 1900 Dalrock Road
 Mailing Address: 1900 Dalrock Road
 City: Rowlett
 State: Texas
 ZIP: 75088
 Phone Number: 469-298-1594
 Fax Number: 469-298-1619
 Business email Address: mfry@keatax.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 (Authorized Business Representative (Applicant)): *[Handwritten Signature]*
 Date: 7/17/13

GIVEN under my hand and seal of office this 17th day of July, 2013



[Handwritten Signature]
 Notary Public, State of Texas

(Notary Seal)

My commission expires Nov. 24, 2014

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

FEES AND PAYMENTS

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)?

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)?

BUSINESS APPLICANT INFORMATION

Legal Name under which application is made

Cedar Bayou Fractionators, LP

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

17605551617

NAICS code

325120

Is the applicant a party to any other Chapter 313 agreements?

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

Barbers Hill - 2012

APPLICANT BUSINESS STRUCTURE

Registered to do business in Texas with the Texas Secretary of State?

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

Limited Partnership

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)?

2. Is the applicant current on all tax payments due to the State of Texas?

3. Are all applicant members of the combined group current on all tax payments due to the State of Texas?

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?
The property will be used as an integral part, or as a necessary auxiliary part, in one of the following activities:
(1) manufacturing
(2) research and development
(3) a clean coal project, as defined by Section 5.001, Water Code
(4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code
(5) renewable energy electric generation
(6) electric power generation using integrated gasification combined cycle technology
(7) nuclear electric power generation
(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)
Are you requesting that any of the land be classified as qualified investment?
Will any of the proposed qualified investment be leased under a capitalized lease?
Will any of the proposed qualified investment be leased under an operating lease?
Are you including property that is owned by a person other than the applicant?
Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment?

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 January 2014, Begin Hiring New Employees September 2014, Construction Complete February 2015, Fully Operational April 2015, Purchase Machinery & Equipment November 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)?

When do you anticipate the new buildings or improvements will be placed in service? March 2015

ECONOMIC INCENTIVES

Identify state programs the project will apply for:

State Source	Amount
N/A	N/A
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.)

Seeking abatement with Chambers County with the following percentages through year 5 of the project. Year 1 - 100%, Year 2 - 100%, Year 3 - 75%, Year 4 - 60%, Year 5 - 50%. Seeking Mont Belvieu City abatement with the following percentages through year 10 of the project. Year 1 - 100%, Year 2 - 100%, Year 3 - 100%, Year 4 - 100%, Year 5 - 75%, Year 6 - 60%, Year 7 - 50%, Year 8 - 50%, Year 9 - 50%, Year 10 - 25%.

THE PROPERTY

Identify county or counties in which the proposed project will be located Chambers

Central Appraisal District (CAD) that will be responsible for appraising the property Chambers

Will 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 -100% City: Mont Belvieu City -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.

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 Million

What is the amount of appraised value limitation for which you are applying? 30 Million

What is your total estimated qualified investment? 300 Million

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? November 2013

What is the anticipated date of the beginning of the qualifying time period? November 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? 300 Million

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

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 2013
(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? 81 (Eighty-One)

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 \$1097.25

110% of the county average weekly wage for manufacturing jobs in the county is \$1678.88

110% of the county average weekly wage for manufacturing jobs in the region is \$1169.96

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? \$60,837.92

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? \$60,837.92

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.)

Please see Checklist Item 15 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	✓
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	✓
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	✓
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	✓

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

Applicant Name: Cedar Bayou Fractionators, LP (Train 5)
 ISD Name: Barbers Hill ISD

Form 50-296

PROPERTY INVESTMENT AMOUNTS

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

Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (actual 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) Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property) Complete tax years of qualifying time period Value Limitation Period Continue to Maintain Viable Presence Post-Settle-Up Period Post-Settle-Up Period	1	2014	\$ 30,000,000				
	2	2015	\$ 170,500,000.00	\$ 1,500,000	\$ 172,000,000.00		\$ 30,000,000
	3	2016	\$ 98,000,000.00		\$ 98,000,000.00		\$ 172,000,000.00
	4	2017					\$ 98,000,000.00
	5	2018					
	6	2019					
	7	2020					
	8	2021					
	9	2022					
	10	2023					
	11	2024					
	12	2025					
	13	2026					
	14	2027					
	15	2028					

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: Includes estimates of investment for "replacement" property that is part of original agreement but scheduled for probable replacement during limitation period.

Column C: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

Column D: For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc.

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

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed. 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.

John D. Thompson
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE
 JOHN D. THOMPSON

8/29/13
 DATE

Applicant Name
ISD Name

Cedar Bayou Fractionators, LP (Train 5)
Barbers Hill ISD

Form 50-296

Tax Credit Period (with 50% cap on credit)	Year	School Year (YYYY-YYYY)	Tax Year (fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	Final taxable value for M&O - after all reductions
				Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	Exempted Value			
Complete tax years of qualifying time period	pre- year 1	2013-2014	2013						
	1	2014-2015	2014		\$ 10,000,000	\$ -	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
	2	2015-2016	2015	\$ 1,500,000	\$ 138,900,000	\$ -	\$ 140,400,000	\$ 140,400,000	\$ 140,400,000
	3	2016-2017	2016	\$ 1,500,000	\$ 233,500,000	\$ -	\$ 235,000,000	\$ 235,000,000	\$ 30,000,000
	4	2017-2018	2017	\$ 1,425,000	\$ 221,825,000	\$ -	\$ 223,250,000	\$ 223,250,000	\$ 30,000,000
Value Limitation Period	5	2018-2019	2018	\$ 1,353,750	\$ 210,733,750	\$ -	\$ 212,087,500	\$ 212,087,500	\$ 30,000,000
	6	2019-2020	2019	\$ 1,286,063	\$ 200,197,063	\$ -	\$ 201,483,125	\$ 201,483,125	\$ 30,000,000
	7	2020-2021	2020	\$ 1,221,759	\$ 190,187,209	\$ -	\$ 191,408,969	\$ 191,408,969	\$ 30,000,000
	8	2021-2022	2021	\$ 1,160,671	\$ 180,677,849	\$ -	\$ 181,838,520	\$ 181,838,520	\$ 30,000,000
	9	2022-2023	2022	\$ 1,102,638	\$ 171,643,956	\$ -	\$ 172,746,594	\$ 172,746,594	\$ 30,000,000
Continue to Maintain Viable Presence	10	2023-2024	2023	\$ 1,047,506	\$ 163,061,759	\$ -	\$ 164,109,265	\$ 164,109,265	\$ 30,000,000
	11	2024-2025	2024	\$ 995,131	\$ 154,908,671	\$ -	\$ 155,903,801	\$ 155,903,801	\$ 155,903,801
	12	2025-2026	2025	\$ 945,374	\$ 147,163,237	\$ -	\$ 148,108,611	\$ 148,108,611	\$ 148,108,611
	13	2026-2027	2026	\$ 898,105	\$ 139,805,075	\$ -	\$ 140,703,181	\$ 140,703,181	\$ 140,703,181
	14	2027-2028	2027	\$ 853,200	\$ 132,814,822	\$ -	\$ 133,668,022	\$ 133,668,022	\$ 133,668,022
Post- Settle-Up Period	15	2028-2029	2028	\$ 810,540	\$ 126,174,080	\$ -	\$ 126,984,621	\$ 126,984,621	\$ 126,984,621

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.

John D. Thompson

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

JOHN D. THOMPSON

DATE

8/29/13

Schedule C- Application: Employment Information

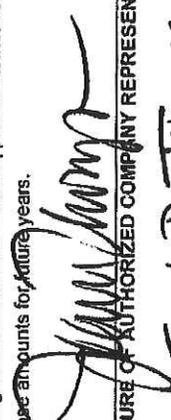
Applicant Name Cedar Bayou Fractionators, LP (Train 5)
 ISD Name Barbers Hill ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2013-2014	2013	50 FTE	\$ 60,837.92	0	\$ -	0	\$ -
	1	2014-2015	2014	500 FTE	\$ 60,837.92	10	\$ 60,837.92	8	\$ 60,837.92
	2	2015-2016	2015			10	\$ 60,837.92	8	\$ 60,837.92
	3	2016-2017	2016			10	\$ 60,837.92	8	\$ 60,837.92
	4	2017-2018	2017			10	\$ 60,837.92	8	\$ 60,837.92
	5	2018-2019	2018			10	\$ 60,837.92	8	\$ 60,837.92
	6	2019-2020	2019			10	\$ 60,837.92	8	\$ 60,837.92
	7	2020-2021	2020			10	\$ 60,837.92	8	\$ 60,837.92
	8	2021-2022	2021			10	\$ 60,837.92	8	\$ 60,837.92
	9	2022-2023	2022			10	\$ 60,837.92	8	\$ 60,837.92
	10	2023-2024	2023			10	\$ 60,837.92	8	\$ 60,837.92
	11	2024-2025	2024			10	\$ 60,837.92	8	\$ 60,837.92
	12	2025-2026	2025			10	\$ 60,837.92	8	\$ 60,837.92
	13	2026-2027	2026			10	\$ 60,837.92	8	\$ 60,837.92
	14	2027-2028	2027			10	\$ 60,837.92	8	\$ 60,837.92
	15	2028-2029	2028			10	\$ 60,837.92	8	\$ 60,837.92
Tax Credit Period (with 50% cap on credit)									
Credit Settle-Up Period									
Post-Settle-Up Period									
Post-Settle-Up Period									

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
 JOHN D. THOMPSON

8/29/13
 DATE

	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Sales Tax Information		Franchise Tax	Other Property Tax Abatements Sought			
				Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax		County	City	Hospital	Other
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2013-2014	2013			Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement
Tax Credit Period (with 50% cap on credit)	1	2014-2015	2014	\$ 7,000,000	\$ 7,250,000	\$ 377,353	100	100		
	2	2015-2016	2015	\$ 7,000,000	\$ 7,250,000	\$ 354,728	100	100		
	3	2016-2017	2016	\$ 7,000,000	\$ 7,250,000	\$ 145,352	75	100		
	4	2017-2018	2017	\$ 7,000,000	\$ 7,250,000	\$ 172,676	60	100		
	5	2018-2019	2018	\$ 7,000,000	\$ 7,250,000	\$ 202,512	50	75		
	6	2019-2020	2019	\$ 7,000,000	\$ 7,250,000	\$ 219,053		60		
	7	2020-2021	2020	\$ 7,000,000	\$ 7,250,000	\$ 237,059		50		
	8	2021-2022	2021	\$ 7,000,000	\$ 7,250,000	\$ 352,111		60		
	9	2022-2023	2022	\$ 7,000,000	\$ 7,250,000	\$ 477,482		50		
	10	2023-2024	2023	\$ 7,000,000	\$ 7,250,000	\$ 737,841		25		
	11	2024-2025	2024	\$ 7,000,000	\$ 7,250,000	\$ 770,399				
	12	2025-2026	2025	\$ 7,000,000	\$ 7,250,000	\$ 804,109				
	13	2026-2027	2026	\$ 7,000,000	\$ 7,250,000	\$ 854,778				
	14	2027-2028	2027	\$ 7,000,000	\$ 7,250,000	\$ 907,645				
	15	2028-2029	2028	\$ 7,000,000	\$ 7,250,000	\$ 962,711				

*For planning, construction and operation of the facility.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

 JOHN D. THOMPSON

DATE
 8/29/13

Attachment

A

Certification pages by Authorized Business Representative

APPLICANT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

Authorized Company Consultant (if Applicable)

First Name: Mike; Last Name: Fry

Title: Tax Agent

Firm Name: K E Andrews

Street Address: 1900 Dalrock Road

Mailing Address: 1900 Dalrock Road

City: Rowlett; State: Texas; ZIP: 75088

Phone Number: 469-298-1594; Fax Number: 469-298-1619

Business email Address: mfry@keatax.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 (Authorized Business Representative (Applicant)): [Handwritten Signature]; Date: 7/17/13

GIVEN under my hand and seal of office this 17th day of July, 2013



[Handwritten Signature: Ruth Henderson]; Notary Public, State of Texas

(Notary Seal)

My commission expires Nov. 24, 2014

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

Attachment

B

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

C

Documentation of Combined Group Membership

N/A

Attachment

D

Detailed Description of Project

ATTACHMENT: 1
APPLICATION FOR TAX LIMITATION
BARBERS HILL SCHOOL DISTRICT

Proposed Project Description

Cedar Bayou Fractionators, LP proposes to build a new NGL fractionator in Mont Belvieu, Texas.

NGL Fractionation

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

Fractionation Process

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

Demand for NGLs

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

The following factors influence demand for each individual NGL component:

- **Ethane.** Essentially all of the ethane extracted from natural gas is consumed by the petrochemical industry as a feedstock for ethylene production. (Ethylene is a building block for polyethylene, which is the most popular plastic in the world.)
- **Propane.** Approximately 25-30% of propane is used as a feedstock by the petrochemical industry to produce ethylene and propylene. (Like ethylene,

propylene is an important building block used in the manufacture of plastics.) The bulk of the remaining demand for propane is primarily as a heating fuel in the residential and commercial markets.

- **Normal butane.** Normal butane is used as a petrochemical feedstock for the production of ethylene and butadiene (used to make synthetic rubber), as a blendstock for motor gasoline, and as a feedstock to create isobutene.
- **Isobutane:** Isobutane has the same molecular formula as normal butane, but a different structural formula (i.e., atoms are rearranged). Isobutane is used in refinery alkylation to enhance the octane content of motor gasoline.
- **Natural gasoline.** Natural gasoline is used primarily as a blendstock.

List of Improvements

Plant Components

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

Ability to locate or relocate:

CBF currently operates in two states. They allocate capital investment to projects and locations that create the best economic return. The existence of a limitation on tax value is a significant factor in calculating the economic return and allocation of reserves to the project. However, CBF could redirect its expenditures to its plants in:

Cameron - Louisiana

Lake Charles - Louisiana

Attachment

E

District Allocation of Project

District Allocation:

Cedar Bayou Fractionators LP is located 100% in Chambers County and Barbers Hill ISD

Attachment

F

Description of Qualified Investment

ATTACHMENT: 1
APPLICATION FOR TAX LIMITATION
BARBERS HILL SCHOOL DISTRICT

Proposed Project Description

Cedar Bayou Fractionators, LP proposes to build a new NGL fractionator in Mont Belvieu, Texas.

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Demand for NGLs

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

The following factors influence demand for each individual NGL component:

- **Ethane.** Essentially all of the ethane extracted from natural gas is consumed by the petrochemical industry as a feedstock for ethylene production. (Ethylene is a building block for polyethylene, which is the most popular plastic in the world.)
- **Propane.** Approximately 25-30% of propane is used as a feedstock by the petrochemical industry to produce ethylene and propylene. (Like ethylene,

propylene is an important building block used in the manufacture of plastics.) The bulk of the remaining demand for propane is primarily as a heating fuel in the residential and commercial markets.

- **Normal butane.** Normal butane is used as a petrochemical feedstock for the production of ethylene and butadiene (used to make synthetic rubber), as a blendstock for motor gasoline, and as a feedstock to create isobutene.
- **Isobutane.** Isobutane has the same molecular formula as normal butane, but a different structural formula (i.e., atoms are rearranged). Isobutane is used in refinery alkylation to enhance the octane content of motor gasoline.
- **Natural gasoline.** Natural gasoline is used primarily as a blendstock.

List of Improvements

Plant Components

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

Attachment

G

Map of Qualified Investment



Google earth

CBF Train #5

LEP#2

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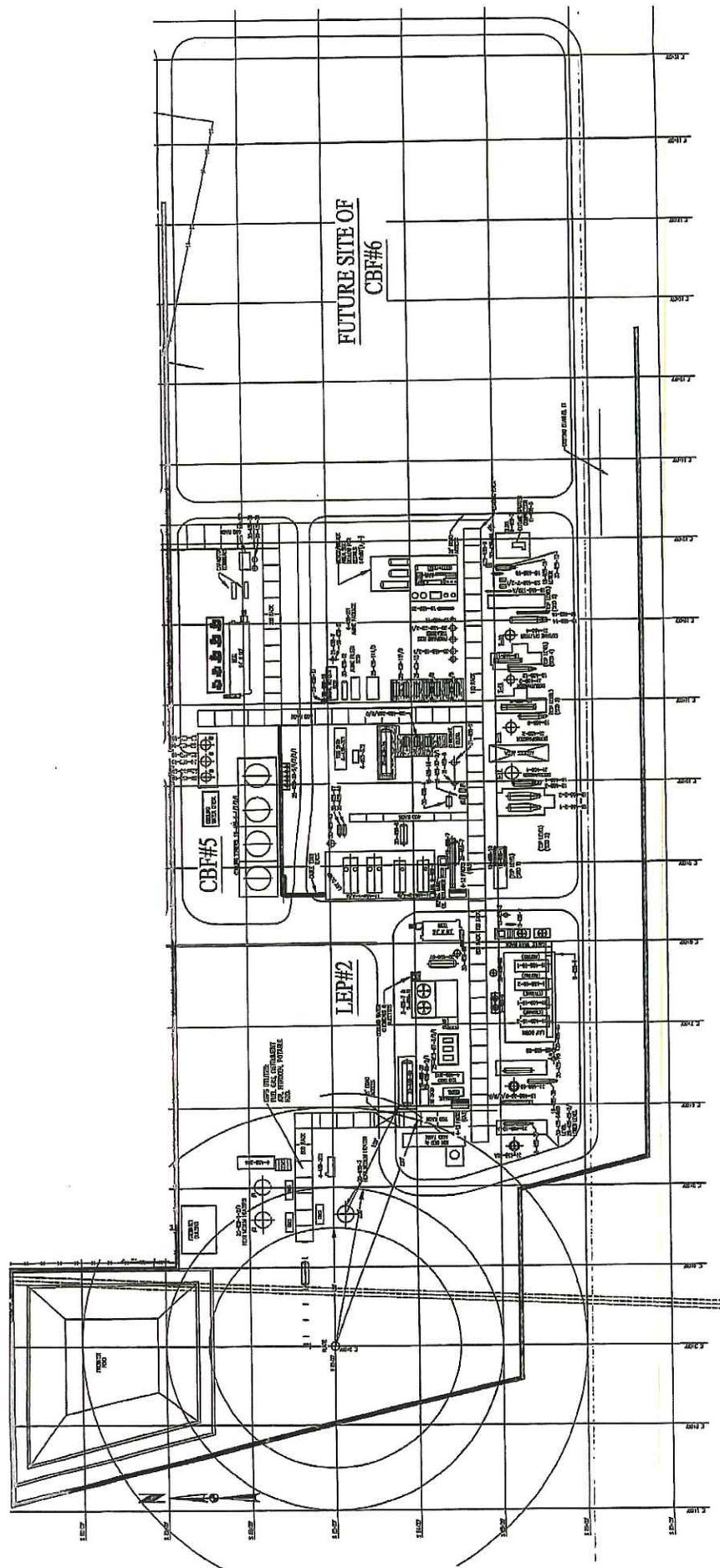
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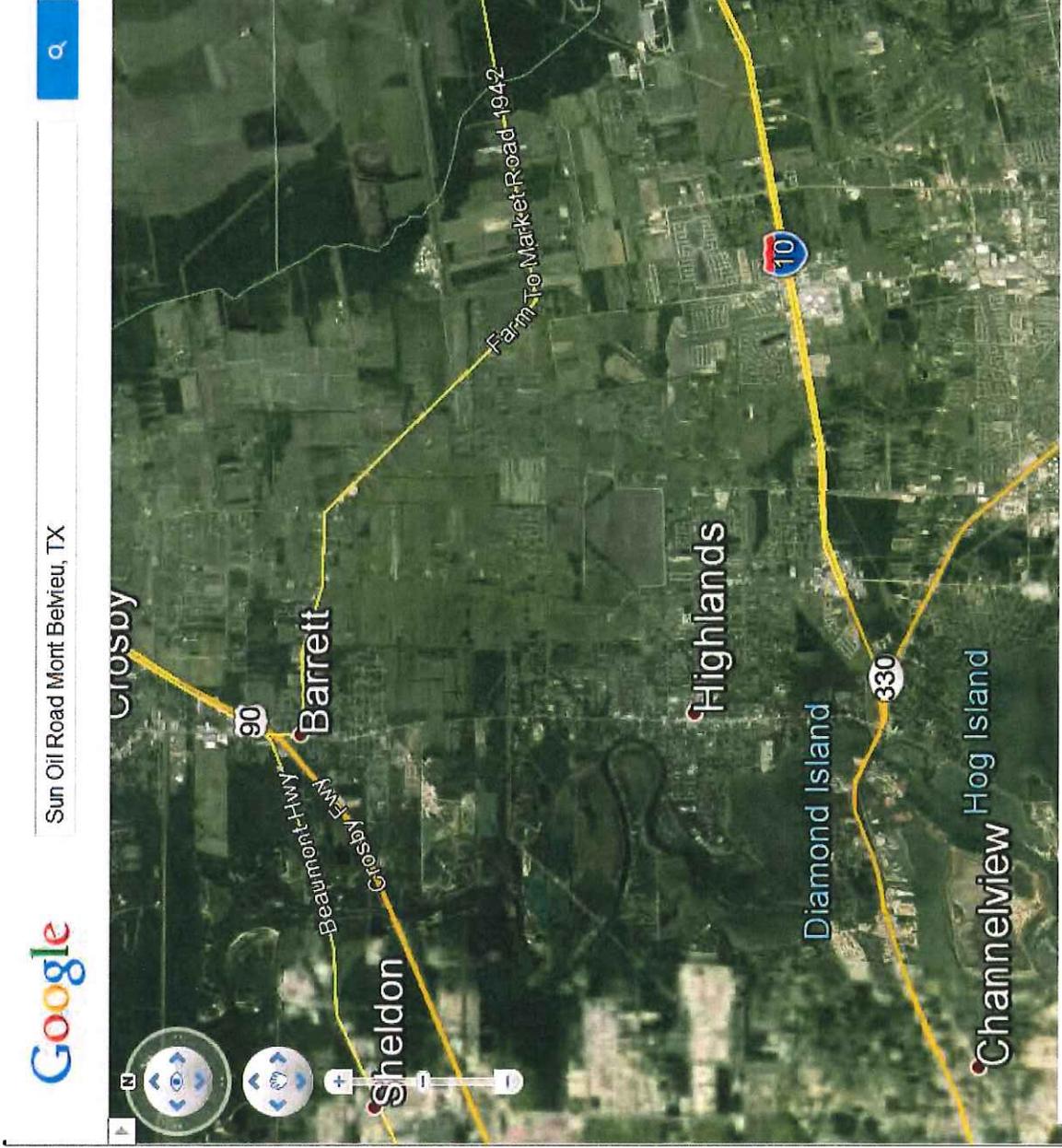
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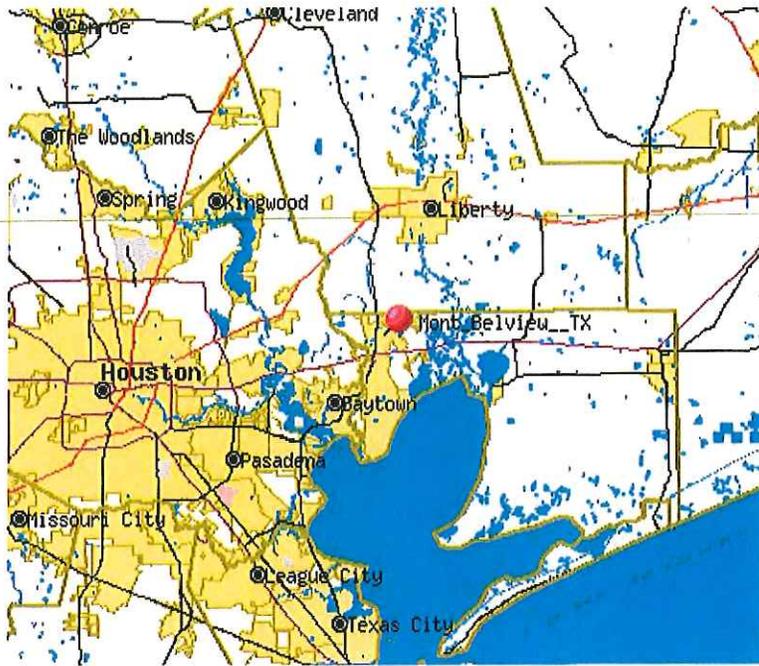
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Qualified Property Vicinity Map



Vicinity Map



Attachment

H

Description of Qualified Property

ATTACHMENT: 1
APPLICATION FOR TAX LIMITATION
BARBERS HILL SCHOOL DISTRICT

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

Fractionation Process

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

Demand for NGLs

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

The following factors influence demand for each individual NGL component:

- **Ethane.** Essentially all of the ethane extracted from natural gas is consumed by the petrochemical industry as a feedstock for ethylene production. (Ethylene is a building block for polyethylene, which is the most popular plastic in the world.)
- **Propane.** Approximately 25-30% of propane is used as a feedstock by the petrochemical industry to produce ethylene and propylene. (Like ethylene,

propylene is an important building block used in the manufacture of plastics.) The bulk of the remaining demand for propane is primarily as a heating fuel in the residential and commercial markets.

- **Normal butane.** Normal butane is used as a petrochemical feedstock for the production of ethylene and butadiene (used to make synthetic rubber), as a blendstock for motor gasoline, and as a feedstock to create isobutene.
- **Isobutane.** Isobutane has the same molecular formula as normal butane, but a different structural formula (i.e., atoms are rearranged). Isobutane is used in refinery alkylation to enhance the octane content of motor gasoline.
- **Natural gasoline.** Natural gasoline is used primarily as a blendstock.

List of Improvements

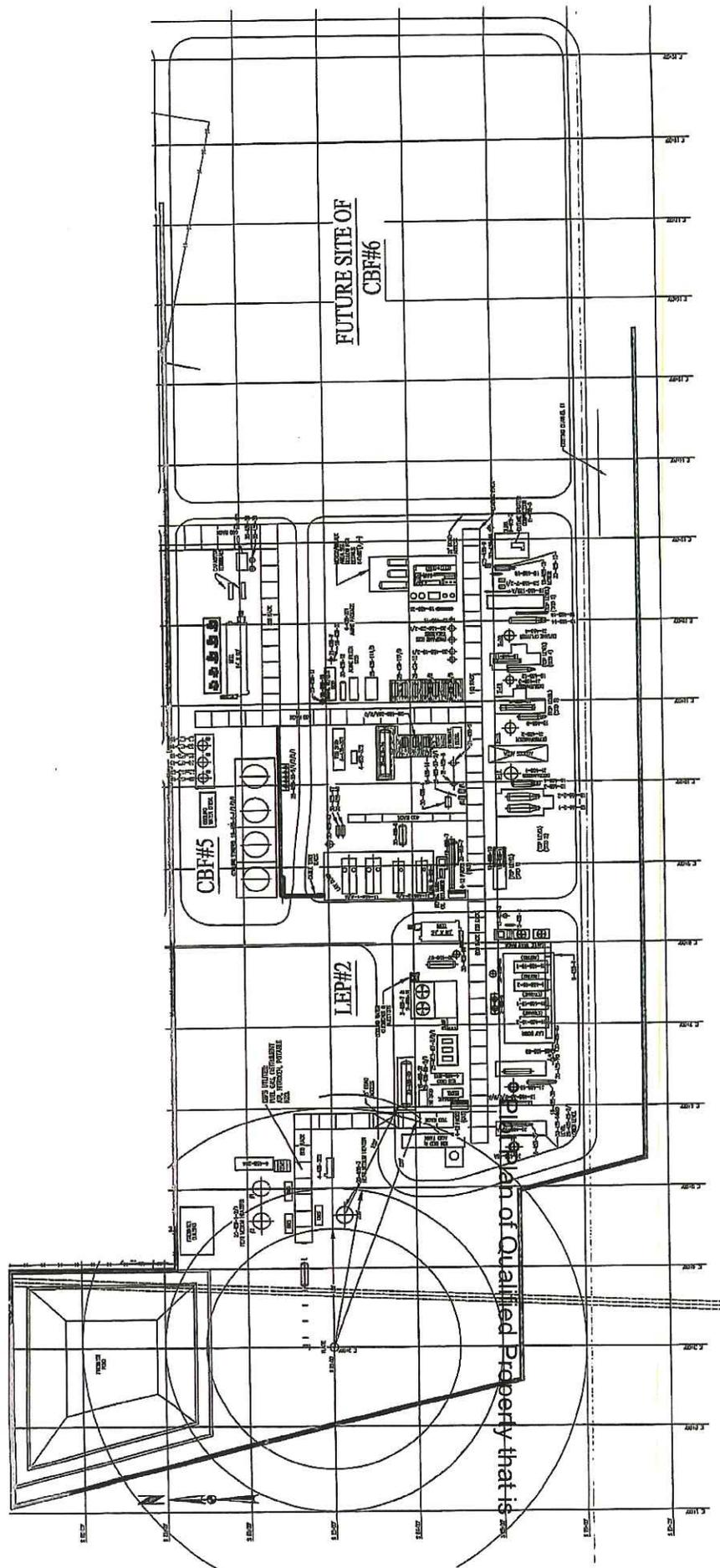
Plant Components

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

Attachment

I

Map of Qualified Property



FUTURE SITE OF
CBF#6

CBF#5

LEP#2

Plan of Qualified Property that is

NOTE: THIS AREA IS TO BE USED FOR FUTURE DEVELOPMENT.

NOTE: THIS AREA IS TO BE USED FOR FUTURE DEVELOPMENT.

NOTE: THIS AREA IS TO BE USED FOR FUTURE DEVELOPMENT.

NOTE: THIS AREA IS TO BE USED FOR FUTURE DEVELOPMENT.



Google earth

Copyright © 2008 Google. All rights reserved. 35 ft. 3500 ft. 3500 ft. 40

CBF Train #5

LEP#2

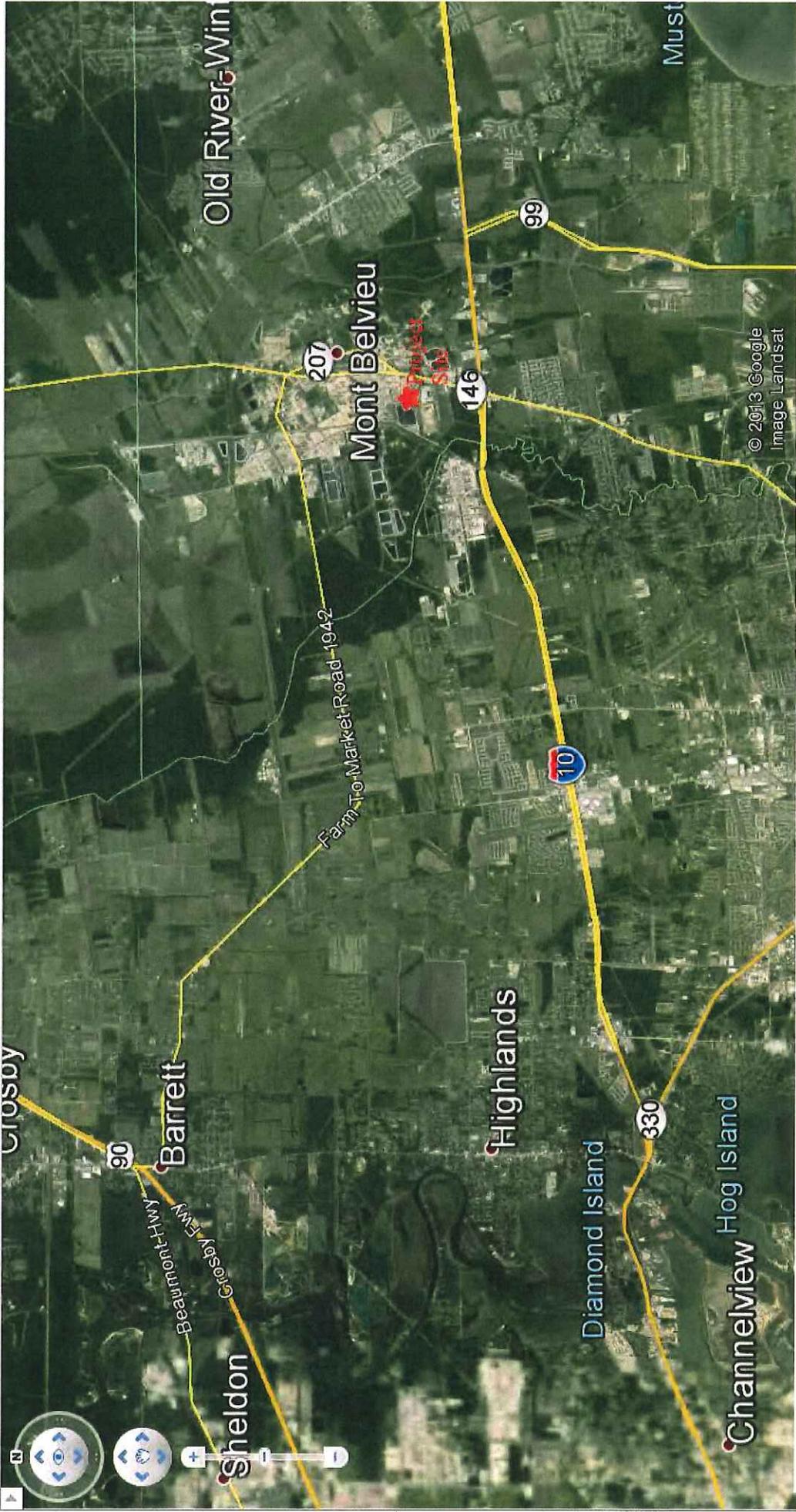
Photo

1370

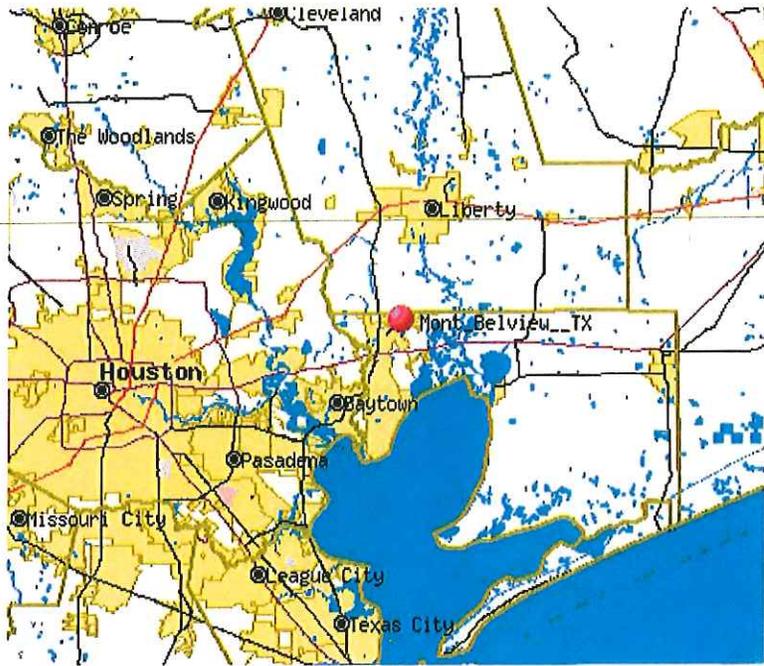
Qualified Property Vicinity Map



Sun Oil Road Mont Belvieu, TX



© 2013 Google
Image Landsat



Attachment

J

Description of Land

Chambers County Appraisal District
 Chief Appraiser - Mitch McCullough



Real Estate Roll Search Results: --- 37 matches found

Account / Geo Number	Market Value	Parcel Id	Property Type	Owner Name	Property Location	City/State/Zip
00004-03100-00000-090001	12,850	1861	Real Estate	TARGA DOWNSTREAM LLC		MONT BELVIEU TX 77523
00004-00500-00000-090001	148,500	1863	Real Estate	TARGA DOWNSTREAM LLC		MONT BELVIEU TX 77523
00004-03300-00000-090001	14,400	4398	Real Estate	TARGA DOWNSTREAM LLC		MONT BELVIEU TX 77523
00004-05001-00000-090001	305,100	8049	Real Estate	TARGA DOWNSTREAM LLC		MONT BELVIEU TX 77523
00004-09101-00000-090001	154,130	9917	Real Estate	TARGA DOWNSTREAM LLC		MONT BELVIEU TX 77523
00004-00100-00000-090100	138,760	47738	Real Estate	TARGA DOWNSTREAM LLC		MONT BELVIEU TX 77523
00004-07601-00000-090001	29,340	1185	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00004-07901-00000-090001	155,630	1188	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00004-00900-00000-090001	424,030	1864	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00024-00300-00100-090001	1,578,600	2761	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX
						1 <u>2</u> 3 4

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COUNTY APPRAISAL DISTRICT | Last Data Update: 04/01/2013



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Version 1.8.5

Chambers County Appraisal District
 Chief Appraiser - Mitch McCullough



Real Estate Roll Search Results: --- 37 matches found

Account / Geo Number	Market Value	Parcel Id	Property Type	Owner Name	Property Location	City/State/Zip
00024-00400-00100-090001	1,258,920	2762	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX
00024-00500-00300-090001	653,040	2763	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX
00005-01700-00000-090001	4,070	4332	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00005-01600-00000-090001	67,140	4333	Real Estate	TARGA DOWNSTREAM LP	10007 HWY 146	MONT BELVIEU TX 77523
61500-00004-00000-000100	16,070	12214	Real Estate	TARGA DOWNSTREAM LP	WARREN RD	MONT BELVIEU TX
00005-02300-00000-090001	251,220	12757	Real Estate	TARGA DOWNSTREAM LP	N HWY 146	MONT BELVIEU TX 77523
00012-16301-00000-090001	83,920	17615	Real Estate	TARGA DOWNSTREAM LP	WINFREE RD	MONT BELVIEU TX 77523
00012-04200-00100-090001	39,850	17617	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00012-04600-00100-090001	374,030	17618	Real Estate	TARGA DOWNSTREAM LP	HWY 146	MONT BELVIEU TX 77523
00012-04701-00000-090001	17,500	17619	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523

[1](#) [2](#) [3](#) [4](#)

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Chambers County Appraisal District

Chief Appraiser - Mitch McCullough



Official Website

Hosted By Pritchard & Abbott, Inc.



Real Estate Roll Search Results: --- 37 matches found

Account / Geo Number	Market Value	Parcel Id	Property Type	Owner Name	Property Location	City/State/Zip
00012-11800-00300-090001	7,422,540	17621	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00012-04702-00000-090001	45,000	17622	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00005-01102-00000-090001	410,070	17623	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00013-14500-00000-010000	206,580	17626	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00012-12300-00100-090001	11,200	17628	Real Estate	TARGA DOWNSTREAM LP	HWY 146	MONT BELVIEU TX 77523
00024-00300-00200-090001	36,000	19289	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX
00024-00400-00200-090001	324,000	19290	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX
00004-03500-00000-090001	18,000	20399	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00004-05801-00000-090001	563,760	20401	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00004-07102-00000-090001	1,037,340	20402	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523

[1](#) [2](#) [3](#) [4](#)

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Chambers County Appraisal District

Chief Appraiser - Mitch McCullough



Official Website

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Real Estate Roll Search Results: --- 37 matches found

Account / Geo Number	Market Value	Parcel Id	Property Type	Owner Name	Property Location	City/State/Zip
00004-02402-00100-090100	125,460	36643	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00004-05600-00000-090100	284,630	36866	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00004-06902-00000-090300	59,720	49225	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00005-01102-00000-090100	145,740	49226	Real Estate	TARGA DOWNSTREAM LP	SUN OIL ROAD	MONT BELVIEU TX 77523
00012-01200-00000-090510	4,270	49303	Real Estate	TARGA DOWNSTREAM LP		
00012-11800-00300-090200	2,810	50049	Real Estate	TARGA DOWNSTREAM LP		MONT BELVIEU TX 77523
00012-18400-00000-090001	4,210	51259	Real Estate	TARGA DOWNSTREAM LP		

[1](#) [2](#) [3](#) [4](#)

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STATE OF TEXAS!
 COUNTY OF CHAMBERS)

FIELD NOTES of a 53.880 acre tract of land situated in the William Bloodgood League, Abstract Number 4, Chambers County, the Henry Griffith League, Abstract Number 12, Chambers County, the William Bloodgood Augmentation Survey, Abstract Number 5, Chambers County, and being out of and a part of a 242.5057 acre tract of land called Tract 9 and conveyed to Midstream Combination Corp. by Chevron U.S.A. Inc., in deed dated August 20, 1994, and recorded in Volume 168 at Page 83 of the Official Public Records of Chambers County. This 53.880 acre tract of land is more particularly described by metes and bounds as follows, to-wit:

NOTE: ALL BEARINGS ARE LAMBERT GRID BEARINGS AND ALL COORDINATES REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, AS DEFINED BY ARTICLE 21.071 OF THE NATURAL RESOURCES CODE OF THE STATE OF TEXAS, 1927 EDITION. ALL DISTANCES ARE ACTUAL DISTANCES. REFERENCE IS MADE TO PLAT OF EVEN GATE ACCOMPANYING THIS METES AND BOUNDS DESCRIPTION.

BEGINNING at a brass cap set in concrete for the Northeast corner of this tract of land, having a State Plane Coordinate Value of $Y = 752,799.30$ and $X = 3,299,929.27$. From this BEGINNING corner a 1 1/4 inch iron pipe found for the Northeast corner of said Bloodgood League, an interior corner of the Henry Griffith League, Abstract Number 12, Chambers County, an angle point in the North line of said 242.5057 acres, and an angle point in the South line of a tract of land conveyed to Texas Eastern Transmission Corporation by D. Z. Smith, et al., in deed dated January 3, 1959, and recorded in Volume 127 at Page 207 of the Deed Records of Chambers County bears Bore 15° 36' 11" West a distance of 1745.27 feet.

THENCE in a southerly direction with the East line of this tract of land the following courses to brass caps set in concrete:

South 15° 15' 11" East	855.89 feet;
North 79° 11' 30" East	39.03 feet;
South 13° 05' 10" East	72.16 feet;
South 74° 48' 00" West	36.40 feet;
South 15° 20' 53" East	1059.45 feet to a brass cap set

in concrete for the Southeast corner of this tract of land.

THENCE South 76° 53' 10" West with the South line of this tract of land a distance of 1149.43 feet to a brass cap set in concrete for the Southwest corner of this tract of land, in the West line of said 242.5057 acres, and in the East line of a 25.28 acre tract of land called First Tract and conveyed to Exxon Pipeline Corporation in Partition Deed dated July 22, 1971, and recorded in Volume 126 at Page 646 of the Deed Records of Chambers County.

PAGE NO. 3 - 51.850 ACRES

THENCE North 11° 44' 38" West with the West line of this tract of land, the West line of said 242.5057 acres, and the East line of said 25.75 acres a distance of 626.23 feet to a brass cap set in concrete for an interior corner of this tract of land, an interior corner of said 242.5057 acres, and the northeast corner of said 25.20 acres.

THENCE South 76° 55' 42" West with the a South line of this tract of land, a South line of said 242.5057 acres, and the North line of said 25.30 acres a distance of 152.77 feet to a brass cap set in concrete for the most northerly southwest corner of this tract of land.

THENCE in a westerly and northerly direction with the West line of this tract of land the following courses to brass caps set in concrete:

North 19° 42' 27" East 41.08 feet;
 North 13° 03' 18" West 228.62 feet;
 South 76° 56' 42" West 278.43 feet;
 South 13° 03' 18" East 77.07 feet;
 South 76° 56' 42" West 133.07 feet;
 North 13° 03' 18" West 114.52 feet;
 South 76° 55' 42" West 171.52 feet;
 North 13° 03' 18" West 190.11 feet to a brass cap set

in concrete for the northeast corner of this tract of land, in a non-tangent curve to the right.

THENCE in a northeasterly direction with the north line of this tract of land and said non-tangent curve to the right, concave southeast, having a central angle of 16° 31' 33", a radius of 1185.34 feet, an arc length of 287.95 feet, and a chord bearing and distance of North 51° 10' 11" East 382.28 feet to a brass cap set in concrete for a corner of this tract of land and the end of said curve.

THENCE in an easterly direction with the North line of this tract of land the following courses to brass caps set in concrete:

North 72° 12' 42" East 104.35 feet;
 North 74° 27' 33" East 93.55 feet;
 North 77° 15' 59" East 1231.38 feet to the PLACE OF

BEETHYNE, containing within said boundaries 51.850 acres of land.

SURVEYED: December 8, 1997.

12-12 '97 14132

10,000 Surveying Dept

FORM 261-23-7023

5432 1

PAGE NO. 1 - 10,000 ACRES

SURVEYOR'S CERTIFICATE

I, Robert L. Hall, Jr., Reg. Professional Land Surveyor No. 1610,
do hereby certify that the foregoing field notes were prepared
FROM an actual survey made on the ground on the date shown and
that all lines, boundaries and landmarks are accurately described
therein.

WITNESS my hand and seal at Baytown, Texas, this 12th, day
of December, A.D., 1997.

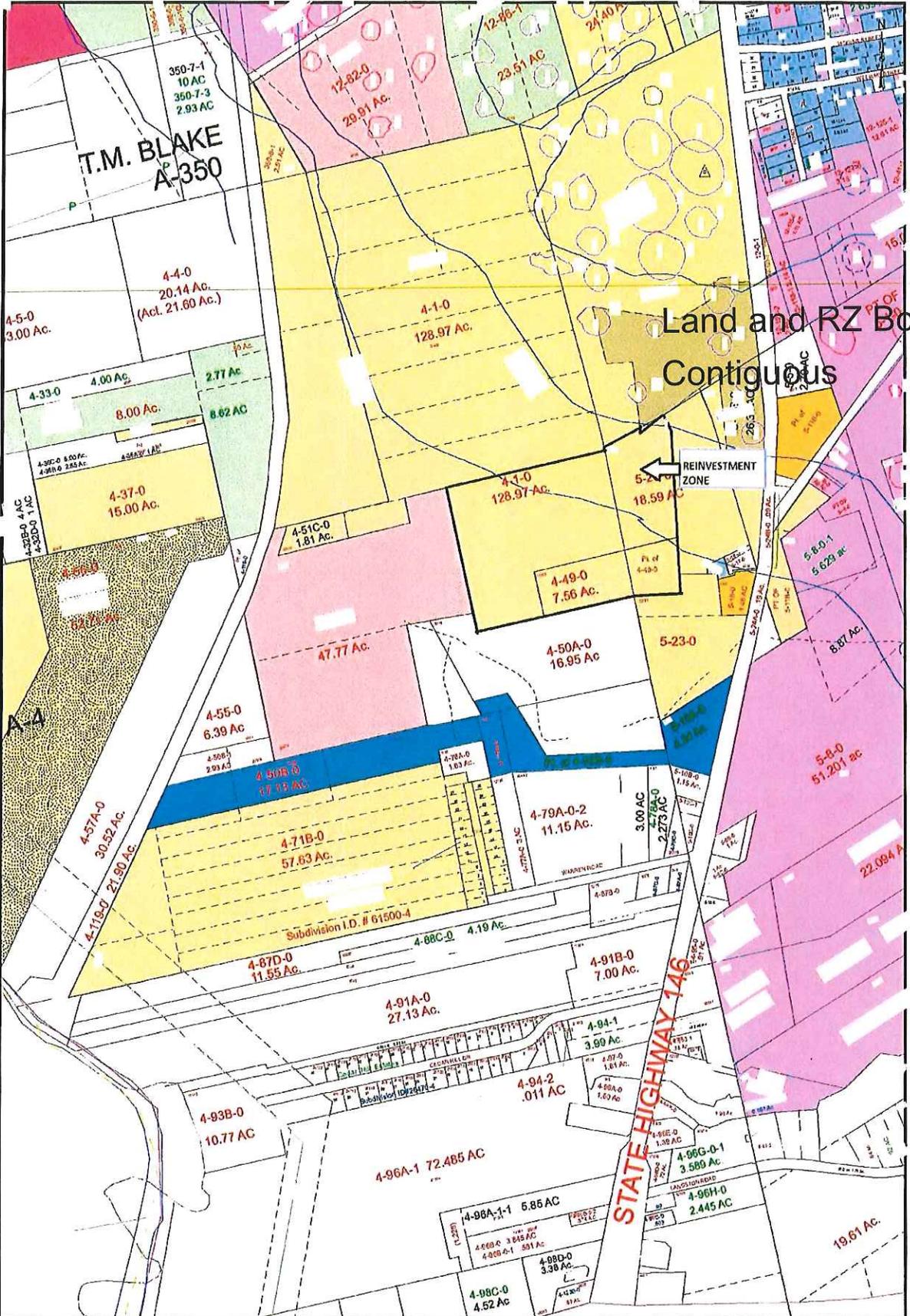

REG. PROFESSIONAL LAND SURVEYOR
NO. 1610
97-13600.FDM



Attachment

K

Detailed Map Showing Location of Land



Land and RZ Boundary
Contiguous

REINVESTMENT ZONE

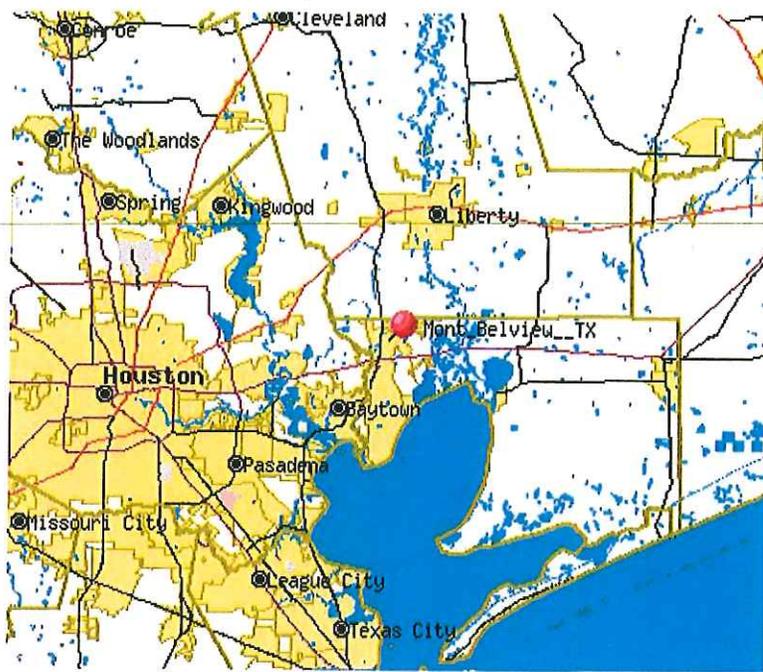
STATE HIGHWAY 146

GRAPHIC SCALE	REV	DESCRIPTION	DWN	DATE	SCALE	DATE	PROJECT NAME
0 300 600 1"=600'					1"=600'	2/23/11	LGR009B
							DRAWING NUMBER 383-3400-B3
							REVISION 0
							INDUSTRIAL OWNERSHIP- MONT BELVIEU



TARGA

MONT BELVIEU



Attachment

L

Description of Existing Improvements

No Existing Improvements

Attachment

M

Request for Waiver of Job Creation Requirement

N/A

Attachment

N

Calculation of Wage Requirements

Calculation of Wage Information - Based on Most Recent Data Available

110% of County Average Weekly Wage for all Jobs

2013	1Q	\$ 1,089
2012	2Q	\$ 981
2012	3Q	\$ 989
2012	4Q	\$ 1,092

$$\begin{aligned} \$ 4,151 /4 &= & \$ 1,038 & \text{average weekly salary} \\ & & \underline{\times 1.1 (110\%)} & \\ & & \$ 1,141.53 & \end{aligned}$$

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

2013	1Q	\$ 1,494
2012	2Q	\$ 1,634
2012	3Q	\$ 1,381
2012	4Q	\$ 1,597

$$\begin{aligned} \$ 6,106 /4 &= & \$ 1,527 & \text{average weekly salary} \\ & & \underline{\times 1.1 (110\%)} & \\ & & \$ 1,679.15 & \end{aligned}$$

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

\$26.59 per hour

X 40 hr per week

\$1,064 average weekly salary

X1.10 (110%)

\$1,169.96

X 52 weeks

\$60,837.92

Quarterly Employment and Wages (QCEW)

[Back](#)

I.CODETITLE

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2012	1st Qtr	Chambers County	Total All	00	0	10	Total, All Industries	\$971
2012	2nd Qtr	Chambers County	Total All	00	0	10	Total, All Industries	\$946
2012	3rd Qtr	Chambers County	Total All	00	0	10	Total, All Industries	\$958
2012	4th Qtr	Chambers County	Total All	00	0	10	Total, All Industries	\$1,043
2013	1st Qtr	Chambers County	Total All	00	0	10	Total, All Industries	\$1,043
2013	1st Qtr	Chambers County	Total All	31	2	31-33	Manufacturing	\$1,494
2012	4th Qtr	Chambers County	Total All	31	2	31-33	Manufacturing	\$1,597
2012	3rd Qtr	Chambers County	Total All	31	2	31-33	Manufacturing	\$1,381
2012	2nd Qtr	Chambers County	Total All	31	2	31-33	Manufacturing	\$1,634
2012	1st Qtr	Chambers County	Total All	31	2	31-33	Manufacturing	\$1,492

**2012 Manufacturing Wages by Council of Government Region
Wages for All Occupations**

COG	Wages	
	Hourly	Annual
Texas	\$23.56	\$48,996
<u>1. Panhandle Regional Planning Commission</u>	\$20.12	\$41,850
<u>2. South Plains Association of Governments</u>	\$16.18	\$33,662
<u>3. NORTEX Regional Planning Commission</u>	\$17.83	\$37,076
<u>4. North Central Texas Council of Governments</u>	\$24.68	\$51,333
<u>5. Ark-Tex Council of Governments</u>	\$16.84	\$35,032
<u>6. East Texas Council of Governments</u>	\$19.61	\$40,797
<u>7. West Central Texas Council of Governments</u>	\$18.24	\$37,941
<u>8. Rio Grande Council of Governments</u>	\$16.17	\$33,631
<u>9. Permian Basin Regional Planning Commission</u>	\$21.93	\$45,624
<u>10. Concho Valley Council of Governments</u>	\$16.33	\$33,956
<u>11. Heart of Texas Council of Governments</u>	\$19.07	\$39,670
<u>12. Capital Area Council of Governments</u>	\$26.03	\$54,146
<u>13. Brazos Valley Council of Governments</u>	\$16.55	\$34,424
<u>14. Deep East Texas Council of Governments</u>	\$16.20	\$33,698
<u>15. South East Texas Regional Planning Commission</u>	\$29.38	\$61,118
<u>16. Houston-Galveston Area Council</u>	\$26.59	\$55,317
<u>17. Golden Crescent Regional Planning Commission</u>	\$21.03	\$43,742
<u>18. Alamo Area Council of Governments</u>	\$18.40	\$38,280
<u>19. South Texas Development Council</u>	\$13.54	\$28,170
<u>20. Coastal Bend Council of Governments</u>	\$22.97	\$47,786
<u>21. Lower Rio Grande Valley Development Council</u>	\$16.33	\$33,961
<u>22. Texoma Council of Governments</u>	\$22.57	\$46,949
<u>23. Central Texas Council of Governments</u>	\$17.16	\$35,689
<u>24. Middle Rio Grande Development Council</u>	\$18.93	\$39,380

Source: Texas Occupational Employment and Wages

Data published: July 2013

Data published annually, next update will be July 31, 2014

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

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

Data intended for TAC 313 purposes only.

Attachment

0

Description of Benefits

Cedar Bayou Fractionators offers:

Medical Plan & Prescription Drug Coverage

Vision Coverage

Dental Coverage

Flexible Spending Accounts

Life Insurance Coverage

Disability Coverage

401(k) Profit Sharing Plan

Attachment

P

Economic Impact

N/A

Attachment

Q

Schedule A

PROPERTY INVESTMENT AMOUNTS									
(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 (original cost) placed in service of building during this year	Column B: Building or permanent nonremovable component (annual amount only)	Column C: Sum of A and B Qualifying Investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)		
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) Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property) Complete tax years of qualifying time period Value Limitation Period Continue to Maintain Viable Presence Post-Settle-Up Period Post-Settle-Up Period	2013-2014	2013							
	1	2014-2015	2014	\$ 30,000,000	\$ 1,500,000	\$ 172,000,000.00		\$ 30,000,000	
	2	2015-2016	2015	\$ 170,500,000.00	\$ 1,500,000	\$ 172,000,000.00		\$ 172,000,000.00	
	3	2016-2017	2016	\$ 98,000,000.00		\$ 98,000,000.00		\$ 98,000,000.00	
	4	2017-2018	2017						
	5	2018-2019	2018						
	6	2019-2020	2019						
	7	2020-2021	2020						
	8	2021-2022	2021						
	9	2022-2023	2022						
	10	2023-2024	2023						
	11	2024-2025	2024						
	12	2025-2026	2025						
	13	2026-2027	2026						
	14	2027-2028	2027						
15	2028-2029	2028							

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: If for the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property. Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

Column C: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

Column D: For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value-for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc. Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Column E: Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed. 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.

8/29/13

JOAN D. THOMPSON

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

Attachment

R

Schedule B

Applicant Name
ISD Name

Cedar Bayou Fractionators, LP (Train 5)
Barbers Hill ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	Final taxable value for M&O--after all reductions
				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 on the new improvement"			
	pre-year 1	2013-2014	2013						
Complete tax years of qualifying time period	1	2014-2015	2014			\$ 10,000,000	\$ -	\$ 10,000,000	\$ 10,000,000
	2	2015-2016	2015		\$ 1,500,000	\$ 138,900,000	\$ -	\$ 140,400,000	\$ 140,400,000
	3	2016-2017	2016		\$ 1,500,000	\$ 233,500,000	\$ -	\$ 235,000,000	\$ 30,000,000
	4	2017-2018	2017		\$ 1,425,000	\$ 221,825,000	\$ -	\$ 223,250,000	\$ 30,000,000
	5	2018-2019	2018		\$ 1,353,750	\$ 210,733,750	\$ -	\$ 212,087,500	\$ 30,000,000
Tax Credit Period (with 50% cap on credit)	6	2019-2020	2019		\$ 1,286,063	\$ 200,197,063	\$ -	\$ 201,483,125	\$ 30,000,000
	7	2020-2021	2020		\$ 1,221,759	\$ 190,187,209	\$ -	\$ 191,408,969	\$ 30,000,000
	8	2021-2022	2021		\$ 1,160,671	\$ 180,677,849	\$ -	\$ 181,838,520	\$ 30,000,000
	9	2022-2023	2022		\$ 1,102,638	\$ 171,643,956	\$ -	\$ 172,746,594	\$ 30,000,000
	10	2023-2024	2023		\$ 1,047,506	\$ 163,061,759	\$ -	\$ 164,109,265	\$ 30,000,000
Credit Settle-Up Period	11	2024-2025	2024		\$ 995,131	\$ 154,908,671	\$ -	\$ 155,903,801	\$ 155,903,801
	12	2025-2026	2025		\$ 945,374	\$ 147,163,237	\$ -	\$ 148,108,611	\$ 148,108,611
	13	2026-2027	2026		\$ 898,105	\$ 139,805,075	\$ -	\$ 140,703,181	\$ 140,703,181
Post- Settle-Up Period	14	2027-2028	2027		\$ 853,200	\$ 132,814,822	\$ -	\$ 133,668,022	\$ 133,668,022
Post- Settle-Up Period	15	2028-2029	2028		\$ 810,540	\$ 126,174,080	\$ -	\$ 126,984,621	\$ 126,984,621

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.

John D. Thompson
DATE 8/29/13

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

JOHN D. THOMPSON

Attachment

S

Schedule C

Schedule C- Application: Employment information

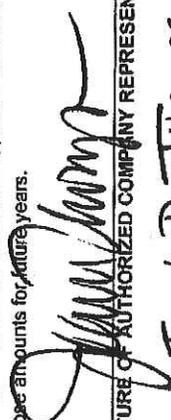
Applicant Name Cedar Bayou Fractionators, LP (Train 5)
 ISD Name Barbers Hill ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2013-2014	2013	50 FTE	\$ 60,837.92	0	\$ -	0	\$ -
	1	2014-2015	2014	500 FTE	\$ 60,837.92	10	\$ 60,837.92	8	\$ 60,837.92
	2	2015-2016	2015			10	\$ 60,837.92	8	\$ 60,837.92
	3	2016-2017	2016			10	\$ 60,837.92	8	\$ 60,837.92
	4	2017-2018	2017			10	\$ 60,837.92	8	\$ 60,837.92
	5	2018-2019	2018			10	\$ 60,837.92	8	\$ 60,837.92
	6	2019-2020	2019			10	\$ 60,837.92	8	\$ 60,837.92
	7	2020-2021	2020			10	\$ 60,837.92	8	\$ 60,837.92
	8	2021-2022	2021			10	\$ 60,837.92	8	\$ 60,837.92
	9	2022-2023	2022			10	\$ 60,837.92	8	\$ 60,837.92
	10	2023-2024	2023			10	\$ 60,837.92	8	\$ 60,837.92
	11	2024-2025	2024			10	\$ 60,837.92	8	\$ 60,837.92
	12	2025-2026	2025			10	\$ 60,837.92	8	\$ 60,837.92
	13	2026-2027	2026			10	\$ 60,837.92	8	\$ 60,837.92
	14	2027-2028	2027			10	\$ 60,837.92	8	\$ 60,837.92
	15	2028-2029	2028			10	\$ 60,837.92	8	\$ 60,837.92
Complete tax years of qualifying time period									
Tax Credit Period (with 50% cap on credit)									
Credit Settle-Up Period									
Post- Settle-Up Period									
Post- Settle-Up Period									

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
JOHN D. THOMPSON

8/29/13
 DATE

Attachment

T

Schedule D

				Sales Tax Information			Other Property Tax Abatelements Sought			
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Sales Taxable Expenditures		Franchise Tax	County	City	Hospital	Other
				Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax					
	1	2014-2015	2013	\$ 7,000,000	\$ 7,250,000	\$ 377,353	100	100		
	2	2015-2016		\$ 7,000,000	\$ 7,250,000	\$ 354,728	100	100		
	3	2016-2017		\$ 7,000,000	\$ 7,250,000	\$ 145,352	75	100		
	4	2017-2018		\$ 7,000,000	\$ 7,250,000	\$ 172,676	60	100		
	5	2018-2019		\$ 7,000,000	\$ 7,250,000	\$ 202,512	50	75		
	6	2019-2020		\$ 7,000,000	\$ 7,250,000	\$ 219,053		60		
	7	2020-2021		\$ 7,000,000	\$ 7,250,000	\$ 237,059		50		
	8	2021-2022		\$ 7,000,000	\$ 7,250,000	\$ 352,111		50		
	9	2022-2023		\$ 7,000,000	\$ 7,250,000	\$ 477,482		50		
	10	2023-2024		\$ 7,000,000	\$ 7,250,000	\$ 737,841		25		
	11	2024-2025		\$ 7,000,000	\$ 7,250,000	\$ 770,399				
	12	2025-2026		\$ 7,000,000	\$ 7,250,000	\$ 804,109				
	13	2026-2027		\$ 7,000,000	\$ 7,250,000	\$ 854,778				
	14	2027-2028		\$ 7,000,000	\$ 7,250,000	\$ 907,645				
	15	2028-2029		\$ 7,000,000	\$ 7,250,000	\$ 962,711				

*For planning, construction and operation of the facility.

John D. Thompson
 JOHN D. THOMPSON
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

8/29/13
 DATE

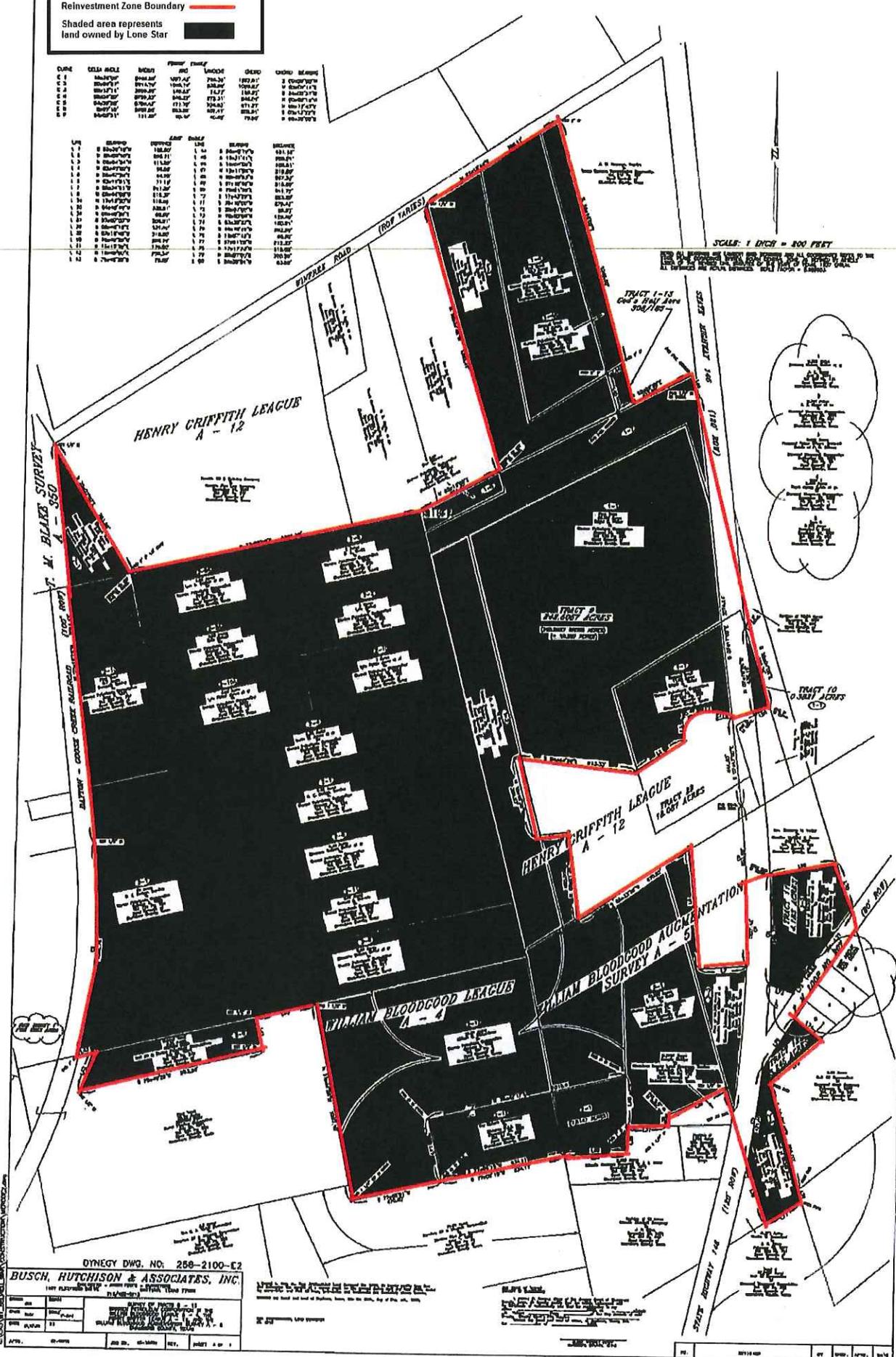
Attachment

U

Map of Reinvestment Zone

Reinvestment Zone Boundary
 Shaded area represents land owned by Lone Star

LINE	BEARING	LENGTH	AREA	BEARING	LENGTH	AREA	BEARING	LENGTH	AREA
1	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
2	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
3	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
4	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
5	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
6	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
7	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
8	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
9	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
10	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
11	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00
12	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00	S 89° 57' 11" W	100.00	100.00



SCALE: 1 INCH = 500 FEET

DYNEGY DWG. NO. 268-2100-E2
BUSCH, HUTCHISON & ASSOCIATES, INC.
 1401 RIVERSIDE DRIVE
 HOUSTON, TEXAS 77001
 PHONE (713) 865-1111
 FAX (713) 865-1112

THIS PLAN IS THE PROPERTY OF BUSCH, HUTCHISON & ASSOCIATES, INC. IT IS TO BE USED ONLY FOR THE PURPOSES SPECIFIED HEREIN. ANY REPRODUCTION OR TRANSMISSION OF THIS PLAN WITHOUT THE WRITTEN PERMISSION OF BUSCH, HUTCHISON & ASSOCIATES, INC. IS STRICTLY PROHIBITED.

DATE	BY	CHECKED	DATE
11/11/88	JMB	JMB	11/11/88

Attachment

V

**Order, Resolution or Ordinance Establishing Zone
Abatement Guidelines and Criteria**

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 or 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.

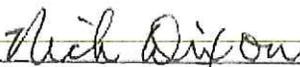
Section 5.

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.

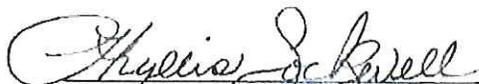
In the event that one or more of the provisions contained in this Ordinance shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability of this Ordinance shall be construed as if such invalid, illegal or unenforceable provision 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

ORDINANCE NO. 2010-003

AN ORDINANCE OF THE CITY OF MONT BELVIEU, TEXAS DESIGNATING A REINVESTMENT ZONE FOR PURPOSES OF TAX ABATEMENT FOR THE TAX ABATEMENT APPLICATION SUBMITTED BY CEDAR BAYOU FRACTIONATORS, L.P. ON JANUARY 25, 2010

WHEREAS, the City Council of the City of Mont Belvieu (the "City") desires to make available tax abatement relief in the area which is the subject of this Ordinance in order to encourage the development of primary employment and to attract major investment; and

WHEREAS, the City has elected to become eligible to participate in tax abatement under the provisions of the Property Development and Tax Abatement Act, Tex. Tax. Code Chapter 312, Subchapter B; and

WHEREAS, the City adopted guidelines and criteria governing tax abatements agreement in Ordinance 2009-024;

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

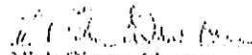
WHEREAS, the City published notice of a public hearing to be held on Monday, March 22, 2010 regarding the designation of the area described in the attached Exhibit 1 as a reinvestment zone for tax abatement purposes; and

WHEREAS, all interested members of the public were given an opportunity to make a comment at the public hearing; and NOW, THEREFORE,

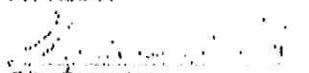
BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MONT BELVIEU, TEXAS:

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

PASSED and APPROVED on this, the 22nd day March, 2010.


Nick Dixon, Mayor

ATTEST:


City Secretary

ORD. 2011-013 EXH. "A"

CITY OF MONT BELVIEU

By: *Nick Dixon*
(Signature)

Nick Dixon Mayor
(Printed Name and Title)

6-29-11
(Date)

ATTEST:

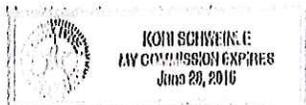
Phyllis Sockwell
Phyllis Sockwell, City Secretary

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF CHAMBERS §

Before me, the undersigned authority on this day personally appeared Nick Dixon of the City of Mont Belvieu, Texas, a Type A general law municipality, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said municipality.

Given under my hand and seal of office this the 27th day of June, 2011.



Kori Schweinle
Notary Public in and for the State of Texas

ORDINANCE NO. 2011 013

AN ORDINANCE OF THE CITY OF MONT BELVIEU, TEXAS AUTHORIZING THE MAYOR TO EXECUTE A TAX ABATEMENT AGREEMENT FOR PROPERTY LOCATED IN CLEAR BAYOU FRACTIONATORS, L.P. (TARGA) REINVESTMENT ZONE IN THE FORM ATTACHED HERETO AS EXHIBIT "A"; ESTABLISHING AN EFFECTIVE DATE; PROVIDING A SEVERABILITY CLAUSE

WHEREAS, the City of Mont Belvieu, Texas, (the "City") desires to grant a tax abatement for Economic Development Programs in accordance with the authority granted to municipalities pursuant to Chapter 312 of the Texas Tax Code;

WHEREAS, the City wishes to provide tax abatement incentives for the purpose of encouraging the development of primary employment and attracting major economic investments in the City through the development or expansion of development of land for commercial and industry related uses (the "Project");

WHEREAS, the City has elected to become eligible to participate in a tax abatement under the provisions of the Property Re-Development and Tax Abatement Act, Tex. Tax. Code Chapter 312, Subchapter B;

WHEREAS, the City adopted guidelines and criteria governing tax abatement agreements and established a proper reinvestment zone;

WHEREAS, the City recognizes the positive economic impact the Project will have on the community and desires to offer tax abatement incentives through the Tax Abatement Agreement and executed in conjunction with the Chapter 380 Agreement to encourage development of the Project which will generate ad valorem property taxes and employment in the community;

NOW, THEREFORE,

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

Section 1. All of the recitals stated above and in the Abatement Agreement attached hereto as Exhibit "A" are found to be true and correct.

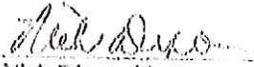
Section 2. The Abatement Agreement attached hereto as Exhibit "A" is hereby granted and approved.

Section 3. The Mayor of the City is hereby authorized to execute the Abatement Agreement attached hereto as Exhibit "A."

Section 4. Should any sentence, paragraph, subdivision, clause, phrase or section of this Ordinance, or the Abatement Agreement attached hereto as Exhibit "A", be held to be unconstitutional, illegal or invalid, the same shall not affect the validity of this Ordinance, or the Abatement Agreement as a whole or any part or provisions thereof, other than the part so declared to be invalid, illegal or unconstitutional.

Section 5. This Ordinance shall take effect immediately on the Effective Date of the Abatement Agreement attached hereto as Exhibit "A" and after the passage and the publication of the caption of this Ordinance.

PASSED and APPROVED on this, the 7th day of June, 2011.


Nick Dixon, Mayor

ATTEST:


City Secretary

Attachment

W

Legal Description of Reinvestment Zone

STATE OF TEXAS
COUNTY OF CHAMBERLAIN

FIELD NOTES of a 53,890 acre tract of land situated in the
William Blounted League, Abstract Number 1, Chambers County, the
Henry Griffith League, Abstract Number 21, Chambers County, the
William Blounted Augmentation Survey, Abstract Number 5,
Chambers County, and being out of and a part of a 252,500 acre
tract of land called Tract 9 and conveyed to Higginson
Construction Corp. by Chevron U.S.A. Inc. in deed dated August
20, 1958, and recorded in Volume 108 at Page 85 of the Official
Public Records of Chambers County. This 53,890 acre tract of
land is more particularly described by notes and bounds as
follows, to-wit:

NOTE: ALL BEARINGS AND DISTANCES ARE BEARINGS AND ALL CORNER MARKS
REFER TO THE STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE
AS DEFINED IN ARTICLE 2, OF THE NATURAL RESOURCES CODE OF THE
STATE OF TEXAS, 1927 DATING, ALL DISTANCES ARE ACTUAL DISTANCES,
REFERENCE IS MADE TO THAT OF EACH CASE ACCORDING TO THE BEARING
AND BOUNDARY DESCRIPTION.

BEARING of a brass cap set in concrete for the Northeast corner
of this tract of land, having a State Plane Coordinate Value of
Y = 752,798.30 and X = 3,299,929.27. From this BEARING corner
a 1 1/4 inch iron pipe found for the Northeast corner of said
Blounted League, an Interior corner of the Henry Griffith
League, Abstract Number 21, Chambers County, an angle point in
the North line of said 252,500 acre, and an angle point in the
South line of a tract of land conveyed to Texas Eastern
Transmission Corporation by D. Z. Smith, et al. in deed dated
January 7, 1959, and recorded in Volume 117 at Page 21 of the
Deed Records of Chambers County, bears True, 15° 12' 12" West,
Distance of 1,212.27 feet.

THENCE in a southerly direction with the East line of this tract
of land the following course to brass cap set in concrete:

- South 11° 12' 12" East 195.40 feet.
- North 79° 11' 52" East 29.75 feet.
- South 11° 05' 12" East 71.16 feet.
- South 11° 10' 00" West 10.40 feet.
- South 15° 20' 55" East 1079.45 feet to a brass cap set

in concrete for the Southeast corner of this tract of land.

THENCE South 76° 53' 10" East with the South line of this tract
of land a distance of 1,119.43 feet to a brass cap set in concrete
for the Southeast corner of this tract of land. In the West line
of said 252,500 acre, and in the East line of a 25,200 acre
tract of land called Tract 9 and conveyed to Texas Eastern
Transmission Corporation in Partition Deed dated July 22, 1958, and recorded
in Volume 108 at Page 645 of the Deed Records of Chambers County

TRAP No. 1988-0002

THENCE North 11° 14' 28" West with the West line of this tract of land, the West line of said 242.257 acres, and the East line of said 25.24 acres a distance of 152.77 feet to a brass cap set in concrete for an interior corner of this tract of land, an interior corner of said 242.257 acres, and the northeast corner of said 25.24 acres,

THENCE South 76° 19' 22" West with the South line of this tract of land, a South line of said 242.257 acres, and the North line of said 25.24 acres a distance of 152.77 feet to a brass cap set in concrete for the West northerly continuation of this tract of land

THENCE in a Northerly and Northerly direction with the West line of this tract of land the following courses to brass caps set in concrete:

North 19° 42' 31" West 11.04 feet;
 North 13° 03' 16" West 220.62 feet;
 South 76° 54' 42" West 216.41 feet;
 South 11° 03' 16" East 17.07 feet;
 South 76° 55' 42" West 111.07 feet;
 North 11° 03' 16" West 111.51 feet;
 South 76° 54' 42" West 71.52 feet;
 North 11° 03' 16" West 150.11 feet to a brass cap set

in concrete for the Northwest corner of this tract of land, to a non-tangent curve to the right.

THENCE in a Northeasterly direction with the north line of this tract of land and said non-tangent curve to the right, concave Southeast, having a central angle of 10° 31' 33", a radius of 1185.11 feet, an arc length of 242.96 feet, and a chord bearing and distance of North 51° 19' 11" East 242.25 feet to a brass cap set in concrete for a corner of this tract of land and the end of said curve.

THENCE in an Easterly direction with the North line of this tract of land the following courses to brass caps set in concrete:

North 72° 12' 32" East 106.34 feet;
 North 74° 27' 33" East 93.45 feet;
 North 77° 15' 30" East 1311.28 feet to the PLACE OF

SECTIONING, containing within said boundaries 11,620 acres of land.

SURVEYED: December 8, 1987.

Page No. 14132

DEPARTMENT OF LAND SURVEYING

I, Robert W. Hall, Jr., Surveyor General of the State of Texas, do hereby certify that the foregoing field notes were prepared from an actual survey made on the ground on the date shown, and that all lines, bearings and distances are accurately described therein.

Witness my hand and seal at Houston, Texas, this 12th, day of December, A.D. 1937.



REG. PROFESSIONAL LAND SURVEYOR
NO. 1030
97-13000.FDM



Attachment

X

Guidelines and Criteria for Reinvestment Zone

ORDINANCE NO. 2000-002

AN ORDINANCE MAKING CERTAIN PROVISIONS OF THE
ORDINANCES AND CERTAIN LOCAL TAX ABATEMENT AGREEMENTS
AND PENDING FOR A TAX ABATEMENT AGREEMENT
WORLDWIDE TAX ABATEMENT BY CERTAIN TAXPAYER
THE PROVISIONS OF THE CITY OF MONT HOLSTON AS
WITH CHAPTER 342 OF THE TEXAS TAX CODE.

COPIES
THE CITY,
WHICH
TO
CHANGE

WHEREAS, pursuant to Chapter 342 of the Tax
Code, certain guidelines and criteria are necessary prior to the
redevelopment zone or entering into a tax abatement agreement

tax Code,
tion of a
and

WHEREAS, the City Council of the City of Mont Holston
determines that the guidelines and criteria as hereinafter set
forth are in the best interest of the City of Mont Holston to encourage
development to the exclusion of others, and

finds and
are in the
types of

WHEREAS, the City Council of the City of Mont Holston
determines that it should consider applications for tax abatement
agreements, whether or not an application meets the guidelines
set forth, and

affirms its
to for tax
no herein

WHEREAS, the City Council of the City of Mont Holston
determines that it should consider applications for tax abatement
agreements which provide for the guidelines established by other
pending ordinances without city participation;

finds and
and criteria
and under
on;

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

Section 1,

That pursuant to the provisions of the
Texas Tax Code, the City of Mont Holston does hereby adopt the

342.002(d) of the
following guidelines

and criteria for the City of Mont Belvieu to consider and/or to enter into an abatement agreement:

Section 2,

The property subject to the abatement must be located within the city limits of the City of Mont Belvieu.

Eligible businesses shall include any business duly authorized to operate in the State of Texas.

Section 3,

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

Section 4,

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

- 1) Abatement shall not exceed two (2) years, beginning on 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 seventy five percent (75%) abatement.
- 4) Year five (5) will be fifty (50%) abatement.
- 5) Year six (6) the abatement ceases and all taxes are paid.

Section 5,

The City may consider an application for abatement when an abatement agreement which provides for no abatement to be granted which provides for an abatement to be granted by other taxing authorities within the limitations provided under their guidelines and criteria.

PASSED and APPROVED on this, the *23rd* day of February, 2009.

ATTEST:

Neil Dixon
Neil Dixon, Mayor

ATTORNEY:

Phyllis Bookwala
Phyllis Bookwala, City Secretary

Attachment

Y

Certificate of Account Status



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

April 4, 2013

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

CEDAR BAYOU FRACTIONATORS, L.P.

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 May 15, 2013.

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 4th day of
April 2013 A.D.

A handwritten signature in cursive script that reads "Susan Combs".

Susan Combs
Texas Comptroller

Taxpayer number: 17605551617
File number: 0010375011

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



Attachment B

Certificate of Account Status

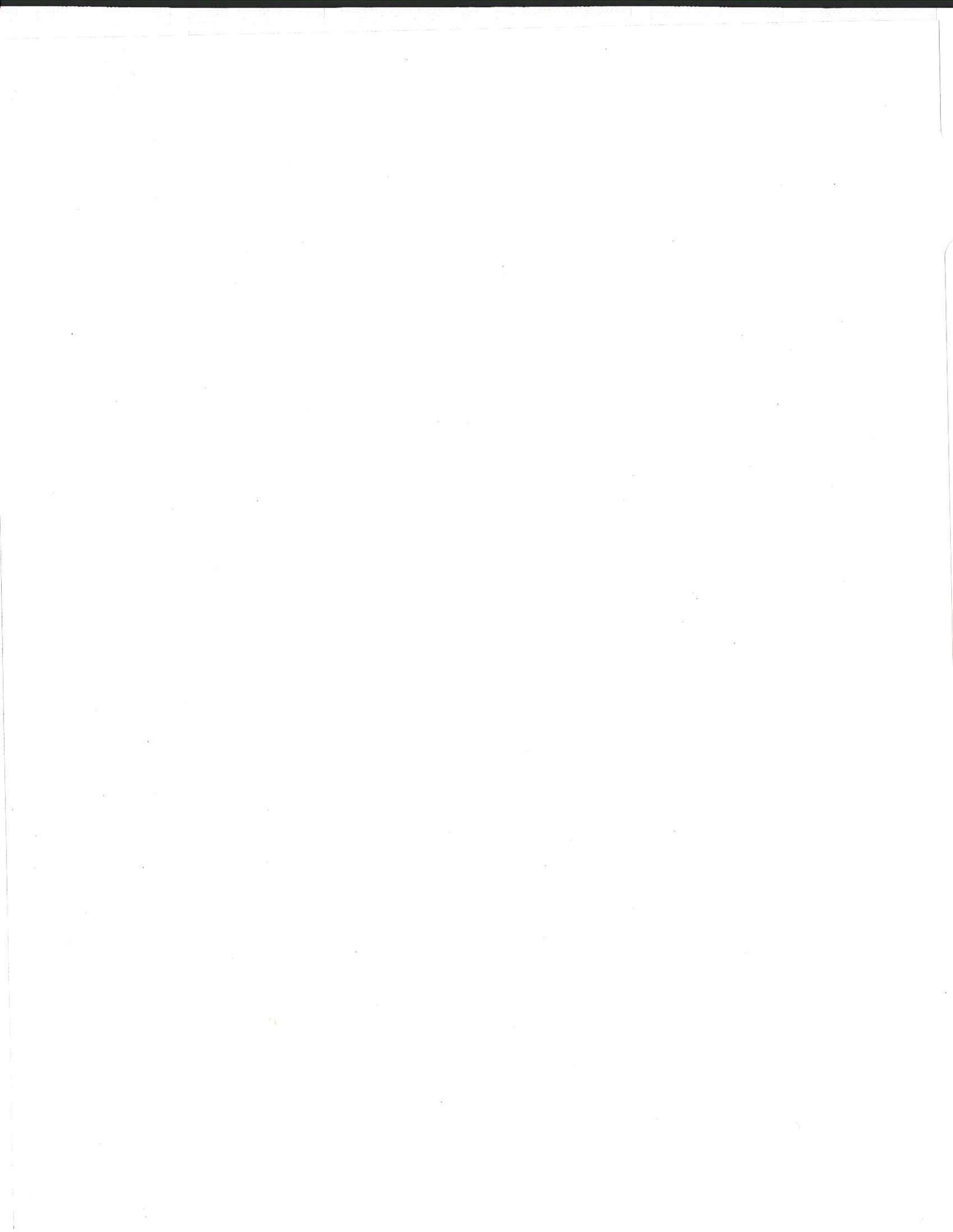


Franchise Tax Account Status

As of 12/10/2013 10:20:53 AM

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

CEDAR BAYOU FRACTIONATORS, L.P.	
Texas Taxpayer Number	17605551617
Mailing Address	1000 LOUISIANA ST STE 4300 HOUSTON, TX 77002-5036
Right to Transact Business in Texas	ACTIVE
State of Formation	DE
Effective SOS Registration Date	12/12/1997
Texas SOS File Number	0010375011
Registered Agent Name	C T CORPORATION SYSTEM
Registered Office Street Address	1999 BRYAN ST., STE. 900 DALLAS, TX 75201



Attachment C

State Comptroller's Recommendation

S U S A N
C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS
P.O. Box 13528 • AUSTIN, TX 78711-3528



November 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 Sep. 26, 2013, the Comptroller received the completed application (Application # 333) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in June 2013 to the Barbers Hill Independent School District (the school district) by Cedar Bayou Fractionators, LP (the applicant). 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.

The school district 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 (\$300 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.

The applicant is an active franchise taxpayer in good standing, as required by Section 313.024(a), and is proposing the construction of a manufacturing facility in Chambers County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described in 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 the applicant, the Comptroller's recommendation is that this 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 only approve an application if the school district finds that the information in the application is true and

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

correct, finds that the applicant is eligible for a limitation and determines that granting the application is in the best interest of the school district and this state. As stated above, the Comptroller's recommendation is prepared 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 Sep. 26, 2013, 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 submitted by the school district and reviewed by the Comptroller. The recommendation may not be used by the school district 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 ten (10) days prior to the meeting scheduled by the school 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 must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 3) The school district must approve and execute a limitation agreement that has been reviewed by the Comptroller within a year from the date of this letter; and
- 4) The school district must provide a copy of the signed limitation agreement to the Comptroller within seven (7) days after execution, as required by Section 313.025.

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	Cedar Bayou Fractionators, LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2011-12 Enrollment in School District	4,398
County	Chambers
Total Investment in District	\$300,000,000
Qualified Investment	\$300,000,000
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	\$1,170
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$1,170
Minimum Annual Wage committed to by applicant for qualified jobs	\$60,838
Investment per Qualifying Job	\$37,500,000
Estimated 15 year M&O levy without any limit or credit:	\$25,839,537
Estimated gross 15 year M&O tax benefit	\$15,394,634
Estimated 15 year M&O tax benefit (<i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$14,985,498
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$1,170,240
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$10,854,039
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	58.0%
Percentage of tax benefit due to the limitation	92.4%
Percentage of tax benefit due to the credit.	7.6%

This presents the Comptroller's economic impact evaluation of Cedar Bayou Fractionators, LP (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 of these 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 \$55,317 in 2012. The annual average manufacturing wage for 2012-2013 for Chambers County is \$79,404. That same year, the county annual average wage for all industries was \$53,976. In addition to an annual average salary of \$60,838 each qualifying position will receive benefits such as medical plan and prescription drug coverage, vision, dental, life insurance, disability, and 401(k). The project's total investment is \$300 million, resulting in a relative level of investment per qualifying job of \$37.5 million.

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

According to Cedar Bayou Fractionators, LP application, "CBF currently operates in two states. They allocate capital investment to projects and locations that create the best economic return. The existence of a limitation on tax value is a significant factor in calculating the economic return and allocation of reserves to the project. However, CBF could redirect its expenditures to its plants in:

Cameron - Louisiana
Lake Charles - Louisiana."

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

During the past two years, 38 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 Cedar Bayou Fractionators, LP 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 Cedar Bayou Fractionators, LP 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 Cedar Bayou Fractionators, LP

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	50	385	435	\$3,041,896	\$23,958,104	\$27,000,000
2014	510	1,656	2166	\$30,418,960	\$109,581,040	\$140,000,000
2015	10	8,693	8703	\$608,379	\$584,391,621	\$585,000,000
2016	10	11,111	11121	\$608,379	\$800,391,621	\$801,000,000
2017	10	4,822	4832	\$608,379	\$421,391,621	\$422,000,000
2018	10	297	307	\$608,379	\$109,391,621	\$110,000,000
2019	10	(80)	-70	\$608,379	\$65,391,621	\$66,000,000
2020	10	(229)	-219	\$608,379	\$39,391,621	\$40,000,000
2021	10	(260)	-250	\$608,379	\$23,391,621	\$24,000,000
2022	10	(215)	-205	\$608,379	\$15,391,621	\$16,000,000
2023	10	(131)	-121	\$608,379	\$15,391,621	\$16,000,000
2024	10	(94)	-84	\$608,379	\$12,391,621	\$13,000,000
2025	10	(16)	-6	\$608,379	\$15,391,621	\$16,000,000
2026	10	58	68	\$608,379	\$20,391,621	\$21,000,000
2027	10	129	139	\$608,379	\$26,391,621	\$27,000,000
2028	10	191	201	\$608,379	\$33,391,621	\$34,000,000

Source: CPA, REMI, Cedar Bayou Fractionators, LP

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2012-2013. Barbers Hill ISD's ad valorem tax base in 2012-2013 was \$3.39 billion. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Barbers Hill ISD's estimated wealth per WADA was \$671,764. 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 with all property tax incentives sought being granted using estimated market value from Cedar Bayou Fractionators, LP application. Cedar Bayou Fractionators, LP has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and city. Table 3 illustrates the estimated tax impact of the Cedar Bayou Fractionators, LP 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 Tax Levy	Estimated Total Property Taxes
				0.2698	1.0600			0.6466	0.4367	
2014	\$10,000,000	\$10,000,000		\$26,980	\$106,000	\$132,980	\$132,980	\$0	\$0	\$132,980
2015	\$140,400,000	\$140,400,000		\$378,799	\$1,488,240	\$1,867,039	\$1,867,039	\$0	\$0	\$1,867,039
2016	\$235,000,000	\$30,000,000		\$634,030	\$318,000	\$952,030	\$952,030	\$379,901	\$0	\$1,331,931
2017	\$223,250,000	\$30,000,000		\$602,329	\$318,000	\$920,329	\$753,151	\$577,450	\$0	\$1,330,601
2018	\$212,087,500	\$30,000,000		\$572,212	\$318,000	\$890,212	\$723,035	\$685,721	\$231,552	\$1,640,308
2019	\$201,483,125	\$30,000,000		\$543,601	\$318,000	\$861,601	\$694,424	\$1,302,870	\$351,959	\$2,349,254
2020	\$191,408,969	\$30,000,000		\$516,421	\$318,000	\$834,421	\$667,244	\$1,237,727	\$417,951	\$2,322,922
2021	\$181,838,520	\$30,000,000		\$490,600	\$318,000	\$808,600	\$641,423	\$1,175,841	\$397,054	\$2,214,317
2022	\$172,746,594	\$30,000,000		\$466,070	\$318,000	\$784,070	\$616,893	\$1,117,049	\$377,201	\$2,111,143
2023	\$164,109,265	\$30,000,000		\$442,767	\$318,000	\$760,767	\$593,590	\$1,061,196	\$537,511	\$2,192,297
2024	\$155,903,801	\$155,903,801		\$420,628	\$1,652,580	\$2,073,209	\$2,073,209	\$1,008,136	\$680,847	\$3,762,193
2025	\$148,108,611	\$148,108,611		\$399,597	\$1,569,951	\$1,969,548	\$1,969,548	\$957,730	\$646,805	\$3,574,083
2026	\$140,703,181	\$140,703,181		\$379,617	\$1,491,454	\$1,871,071	\$1,871,071	\$909,843	\$614,465	\$3,395,379
2027	\$133,668,022	\$133,668,022		\$360,636	\$1,416,881	\$1,777,517	\$1,777,517	\$864,351	\$583,742	\$3,225,610
2028	\$126,984,621	\$126,984,621		\$342,605	\$1,346,037	\$1,688,641	\$1,688,641	\$821,133	\$554,555	\$3,064,329
						Total	\$17,021,797	\$12,098,948	\$5,393,641	\$34,514,385

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

Source: CPA, Cedar Bayou Fractionators, LP

¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives										
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	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 Tax Levy	Estimated Total Property Taxes	
				0.2698	1.0600		0.6466	0.4367		
2014	\$10,000,000	\$10,000,000		\$26,980	\$106,000	\$132,980	\$64,664	\$43,671	\$241,315	
2015	\$140,400,000	\$140,400,000		\$378,799	\$1,488,240	\$1,867,039	\$907,883	\$613,141	\$3,388,063	
2016	\$235,000,000	\$235,000,000		\$634,030	\$2,491,000	\$3,125,030	\$1,519,604	\$1,026,269	\$5,670,903	
2017	\$223,250,000	\$223,250,000		\$602,329	\$2,366,450	\$2,968,779	\$1,443,624	\$974,955	\$5,387,357	
2018	\$212,087,500	\$212,087,500		\$572,212	\$2,248,128	\$2,820,340	\$1,371,443	\$926,207	\$5,117,990	
2019	\$201,483,125	\$201,483,125		\$543,601	\$2,135,721	\$2,679,323	\$1,302,870	\$879,897	\$4,862,090	
2020	\$191,408,969	\$191,408,969		\$516,421	\$2,028,935	\$2,545,356	\$1,237,727	\$835,902	\$4,618,986	
2021	\$181,838,520	\$181,838,520		\$490,600	\$1,927,488	\$2,418,089	\$1,175,841	\$794,107	\$4,388,036	
2022	\$172,746,594	\$172,746,594		\$466,070	\$1,831,114	\$2,297,184	\$1,117,049	\$754,402	\$4,168,634	
2023	\$164,109,265	\$164,109,265		\$442,767	\$1,739,558	\$2,182,325	\$1,061,196	\$716,682	\$3,960,203	
2024	\$155,903,801	\$155,903,801		\$420,628	\$1,652,580	\$2,073,209	\$1,008,136	\$680,847	\$3,762,193	
2025	\$148,108,611	\$148,108,611		\$399,597	\$1,569,951	\$1,969,548	\$957,730	\$646,805	\$3,574,083	
2026	\$140,703,181	\$140,703,181		\$379,617	\$1,491,454	\$1,871,071	\$909,843	\$614,465	\$3,395,379	
2027	\$133,668,022	\$133,668,022		\$360,636	\$1,416,881	\$1,777,517	\$864,351	\$583,742	\$3,225,610	
2028	\$126,984,621	\$126,984,621		\$342,605	\$1,346,037	\$1,688,641	\$821,133	\$554,555	\$3,064,329	
						Total	\$32,416,431	\$15,763,093	\$10,645,646	\$58,825,170

Source: CPA, Cedar Bayou Fractionators, LP

¹Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$25,839,537. The estimated gross 15 year M&O tax benefit, or levy loss, is \$15,394,634.

Attachment 3 is an economic overview of Chambers County.

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.



TEXAS EDUCATION AGENCY

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

Michael Williams
Commissioner

November 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 Cedar Bayou Fractionators LP 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 business manager, Becky McManus, the TEA has found that the operations of Cedar Bayou Fractionators LP 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".

Al McKenzie, Manager
Foundation School Program Support

AM/rk



TEXAS EDUCATION AGENCY

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

Michael Williams
Commissioner

November 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 Cedar Bayou Fractionators LP 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 their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Cedar Bayou Fractionators LP 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/rk

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
- 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: \$505.22 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:	\$67,392.60, 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
 - Parks & Wildlife Department
 - Health & Human Services Commission
 - Department of Transportation
 - AgriLife Extension Service

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 CEDAR
BAYOU FRACTIONATORS, LP PROJECT (APPLICATION NO.
333) ON THE FINANCES OF THE BARBERS HILL INDEPENDENT
SCHOOL DISTRICT UNDER A REQUESTED CHAPTER 313
PROPERTY VALUE LIMITATION**

August 15, 2013

Final Report

PREPARED BY



Estimated Impact of the Proposed Cedar Bayou Fractionators, LP Project (Application No. 333) on the Finances of the Barbers Hill Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Cedar Bayou Fractionators, LP (Cedar Bayou Train 5) has requested that the Barbers Hill 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 July 22, 2013, Cedar Bayou Train 5 proposes to invest \$300 million to construct a new natural gas liquids (NGL) fractionator project in BHISD.

The Cedar Bayou Train 5 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 with 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 (M&O) taxes.

The full taxable value of the project would be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with BHISD currently levying a \$0.2698 per \$100 I&S tax rate. The full taxable value of the investment is expected to reach \$235 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 Cedar Bayou Train 5 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. Under current law, BHISD would experience a relatively small revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$122,898), with lesser amounts in several of the out-years.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$15.0 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 the 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 M&O 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.

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 during the First Called Session in 2011 made \$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 781 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 243 districts operated directly on the state formulas. For the 2012-13 school year, the 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, with 689 districts operating on formula and 335 districts still receiving ASATR funding.

Senate Bill 1 and House Bill 1025 as passed by the 83rd Legislature made significant increases to the basic allotment and other formula changes by appropriation. The ASATR reduction percentage is increased slightly to 92.63 percent, while the basic allotment is increased by \$325 and \$365, respectively, for the 2013-14 and 2014-15 school years. A slight increase in the guaranteed yield for the six cents above compressed—known as the Austin yield—is also included. With the basic allotment increase, it is estimated that approximately 300 school districts will still receive ASATR in the 2013-14 school year and 273 districts would do so in the 2014-15 school year. Current state policy calls for ASATR funding to be eliminated by the 2017-18 school year.

BHISD is classified primarily as a hold-harmless district, which is not surprising given its relatively high target revenue level of \$7,064 per WADA. However, under the estimates below,

BHISD becomes a formula district in several of the next few years, due in large part to the implementation of a number of Chapter 313 projects that had been approved previously or are currently under consideration, which influence both the base and limitation models presented below.

One concern in projecting into the future is that the underlying state statutes in the Education Code were not changed in order to provide these funding increases. All of the major formula changes were made by appropriation, which gives them only a two-year lifespan unless renewed in the 2015 legislative session. Despite this uncertainty, it is assumed that these changes will remain in effect for the forecast period for the purpose of these estimates, assuming a continued legislative commitment to these funding levels in future years.

A 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 Cedar Bayou Train 5 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 use District-provided enrollment increases a base property value in order to isolate the effects of the value limitation under the school finance system. The SB 1 basic allotment increases are reflected in the underlying models. With regard to ASATR funding the 92.63 percent reduction enacted for the 2013-14 school year and thereafter, until the 2017-18 school year. A statement of legislative intent was adopted in 2011 to no longer fund target revenue by the 2017-18 school year, so that change is reflected in the estimates presented below. The projected taxable values of the Cedar Bayou Fractionators, LP project are factored into the base model used here. The impact of the limitation value for the proposed Cedar Bayou Train 5 project is isolated separately and the focus of this analysis.

Student enrollment counts are assumed to increase by about four percent annually starting at a base estimate of 4,537 students in average daily attendance (ADA) for the 2013-14 school year in analyzing the effects of the Cedar Bayou Train 5 project on the finances of BHISD. The District's local tax base reached \$3.8 billion for the 2012 tax year and is maintained at that level for the forecast period in order to isolate the effects of the property value limitation. In addition, 12 other Chapter 313 value limitation agreements have either been approved or are under current consideration by BHISD and these have been incorporated into both the base and limitation models.

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 \$665,073 for the 2012-13 school year, which indicates that the District is subject to recapture for its first \$1.00 of M&O tax effort.

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 2014-15 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. In the case of BHISD, its state taxable value per WADA appears to exceed the Austin yield in most years in the estimates presented below.

Under the proposed agreement, a model is established to make a calculation of the “Baseline Revenue” by adding the value of the proposed Cedar Bayou Train 5 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 Cedar Bayou Train 5 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 (-\$122,898). The revenue reduction results from the mechanics of the finance system in which there is a one-year lag in value associated with the state property value study. In addition, the last six cents of M&O tax effort are not subject to recapture and the limitation generally results in a revenue loss for this component of M&O tax effort. Smaller revenue losses are estimated for several of the out-years.

As noted previously, no attempt was made to forecast further reductions in ASATR funding beyond the 92.63 percent adjustment adopted for the 2013-14 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. ASATR is a significant item for BHISD in several years of the forecast period, with the District estimated to receive \$16 million in ASATR under the value limitation model for the 2016-17 school year.

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 \$122,898 cited above between the base and the limitation models is based on an assumption of \$2.173 million in M&O tax savings for Cedar Bayou Train 5 when the \$30 million limitation is implemented. Under the estimates presented here and as highlighted in Table 4, an increase in of \$1.047 million in ASATR funding and a reduction in recapture costs of \$1.003 million offset most of the reduction in M&O taxes in the first year the value limitation is in effect.

In general, the ASATR offset associated with this project poses little financial risk to BHISD 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. Two state value determinations are made for school districts granting Chapter 313 agreements, consistent with local practice. A consolidated single state property value had been provided previously.

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 \$14.2 million over the life of the agreement. In addition, Cedar Bayou Train 5 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 \$1.2 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 \$409,136 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 reach \$15.0 million over the life of the agreement. While legislative changes to ASATR funding could increase the hold-harmless amount owed in the initial limitation year of the agreement, there would still be a substantial tax benefit to Cedar Bayou Train 5 under the value limitation agreement for the remaining years that the limitation is in effect.

Facilities Funding Impact

The Cedar Bayou Train 5 project remains fully taxable for debt services taxes, with BHISD currently levying a \$0.2698 per \$100 I&S rate. The value of the Cedar Bayou Train 5 project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will enhance BHISD's ability to meet its debt service needs.

The Cedar Bayou Train 5 project is not expected to affect BHISD in terms of enrollment. Ten new positions are anticipated once the new plant begins operation. Continued expansion of the project and related development could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

Conclusion

The proposed Cedar Bayou Train 5 manufacturing 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 \$15.0 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 Cedar Bayou Fractionators, LP 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	5,363.78	\$1.0600	\$0.2698	\$4,251,645,445	\$4,251,645,445	\$4,032,104,594	\$4,032,104,594	\$751,729	\$751,729
1	2014-15	4,718.56	5,545.10	\$1.0600	\$0.2698	\$5,487,700,445	\$5,487,700,445	\$4,196,549,365	\$4,196,549,365	\$756,803	\$756,803
2	2015-16	4,907.30	5,772.38	\$1.0600	\$0.2698	\$6,649,075,445	\$6,649,075,445	\$5,432,604,365	\$5,432,604,365	\$941,137	\$941,137
3	2016-17	5,103.60	5,980.17	\$1.0600	\$0.2698	\$4,401,550,445	\$4,196,550,445	\$6,593,979,365	\$6,593,979,365	\$1,102,641	\$1,102,641
4	2017-18	5,307.74	6,193.23	\$1.0600	\$0.2698	\$4,389,800,445	\$4,196,550,445	\$4,346,454,365	\$4,141,454,365	\$701,807	\$668,706
5	2018-19	5,520.05	6,443.66	\$1.0600	\$0.2698	\$4,378,637,945	\$4,196,550,445	\$4,334,704,365	\$4,141,454,365	\$672,708	\$642,717
6	2019-20	5,740.85	6,701.39	\$1.0600	\$0.2698	\$4,368,033,570	\$4,196,550,445	\$4,323,541,865	\$4,141,454,365	\$645,171	\$617,999
7	2020-21	5,970.49	6,969.43	\$1.0600	\$0.2698	\$4,513,409,110	\$4,352,000,141	\$4,312,937,490	\$4,141,454,365	\$618,836	\$594,231
8	2021-22	6,209.31	7,248.19	\$1.0600	\$0.2698	\$4,649,773,103	\$4,497,934,583	\$4,458,313,030	\$4,296,904,061	\$615,093	\$592,824
9	2022-23	6,457.68	7,538.10	\$1.0600	\$0.2698	\$5,193,370,933	\$5,050,624,339	\$4,594,677,023	\$4,442,838,503	\$609,527	\$589,384
10	2023-24	6,715.99	7,839.61	\$1.0600	\$0.2698	\$5,135,149,103	\$5,001,039,838	\$5,138,274,853	\$4,995,528,259	\$655,425	\$637,216
11	2024-25	6,984.63	8,153.18	\$1.0600	\$0.2698	\$7,781,613,089	\$7,781,613,089	\$5,080,053,023	\$4,945,943,758	\$623,076	\$606,628
12	2025-26	7,264.01	8,479.29	\$1.0600	\$0.2698	\$7,634,049,774	\$7,634,049,774	\$7,726,517,009	\$7,726,517,009	\$911,222	\$911,222
13	2026-27	7,554.57	8,818.44	\$1.0600	\$0.2698	\$7,518,780,425	\$7,518,780,425	\$7,578,953,694	\$7,578,953,694	\$859,444	\$859,444
14	2027-28	7,856.75	9,171.16	\$1.0600	\$0.2698	\$7,386,898,055	\$7,386,898,055	\$7,463,684,345	\$7,463,684,345	\$813,821	\$813,821
15	2028-29	8,171.02	9,537.99	\$1.0600	\$0.2698	\$6,588,223,959	\$6,588,223,959	\$7,331,801,975	\$7,331,801,975	\$768,694	\$768,694

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 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	\$42,770,213	\$1,478,171	\$2,204,194	\$0	-\$10,701,455	\$2,563,946	\$0	\$0	\$38,315,071
1	2014-15	\$54,920,910	\$1,556,618	\$0	\$0	-\$13,496,400	\$3,292,344	\$0	\$0	\$46,273,472
2	2015-16	\$66,300,816	\$1,618,930	\$0	\$0	-\$26,047,073	\$3,974,535	\$0	\$0	\$45,847,208
3	2016-17	\$44,280,358	\$1,684,165	\$14,957,329	\$0	-\$21,068,641	\$2,654,475	\$0	\$0	\$42,507,686
4	2017-18	\$44,162,852	\$1,751,871	\$0	\$0	-\$8,297,525	\$2,647,431	\$0	\$0	\$40,264,628
5	2018-19	\$44,051,221	\$1,822,317	\$0	\$0	-\$6,823,691	\$2,640,739	\$0	\$0	\$41,690,586
6	2019-20	\$43,945,173	\$1,895,209	\$0	\$0	-\$5,315,917	\$2,634,381	\$0	\$0	\$43,158,847
7	2020-21	\$45,367,909	\$1,971,018	\$0	\$0	-\$3,887,485	\$2,719,670	\$30,165	\$0	\$46,201,278
8	2021-22	\$46,702,428	\$2,049,859	\$0	\$0	-\$3,756,195	\$2,799,671	\$48,279	\$0	\$47,844,041
9	2022-23	\$52,028,135	\$2,131,853	\$0	\$0	-\$3,771,392	\$3,118,931	\$82,757	\$0	\$53,590,285
10	2023-24	\$51,455,805	\$2,217,128	\$0	\$0	-\$6,891,872	\$3,084,621	\$0	\$0	\$49,865,683
11	2024-25	\$77,365,626	\$2,305,812	\$0	\$0	-\$7,084,385	\$4,637,837	\$19,529	\$0	\$77,244,419
12	2025-26	\$75,919,433	\$2,398,045	\$0	\$0	-\$28,163,058	\$4,551,142	\$0	\$0	\$54,705,562
13	2026-27	\$74,789,737	\$2,493,967	\$0	\$0	-\$24,913,423	\$4,483,421	\$0	\$0	\$56,853,701
14	2027-28	\$73,497,225	\$2,593,726	\$0	\$0	-\$21,733,207	\$4,405,938	\$0	\$0	\$58,763,683
15	2028-29	\$65,669,828	\$2,697,474	\$0	\$0	-\$16,692,448	\$3,936,709	\$0	\$0	\$55,611,563

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

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	\$42,770,213	\$1,478,171	\$2,204,194	\$0	-\$10,701,455	\$2,563,946	\$0	\$0	\$38,315,071
1	2014-15	\$54,884,158	\$1,556,618	\$0	\$0	-\$13,486,998	\$3,290,141	\$0	\$0	\$46,243,919
2	2015-16	\$66,266,202	\$1,618,930	\$0	\$0	-\$26,033,173	\$3,972,460	\$0	\$0	\$45,824,419
3	2016-17	\$42,230,255	\$1,684,165	\$16,004,303	\$0	-\$20,065,513	\$2,531,577	\$0	\$0	\$42,384,788
4	2017-18	\$42,230,255	\$1,751,871	\$0	\$0	-\$6,341,311	\$2,531,577	\$0	\$0	\$40,172,392
5	2018-19	\$42,230,255	\$1,822,317	\$0	\$0	-\$4,974,829	\$2,531,577	\$0	\$0	\$41,609,321
6	2019-20	\$42,230,255	\$1,895,209	\$0	\$0	-\$3,569,170	\$2,531,577	\$31,547	\$0	\$43,119,418
7	2020-21	\$43,753,739	\$1,971,018	\$0	\$0	-\$2,183,305	\$2,622,905	\$138,902	\$0	\$46,303,259
8	2021-22	\$45,183,968	\$2,049,859	\$0	\$0	-\$2,158,152	\$2,708,643	\$150,211	\$0	\$47,934,530
9	2022-23	\$50,600,598	\$2,131,853	\$0	\$0	-\$2,150,407	\$3,033,354	\$186,905	\$0	\$53,802,304
10	2023-24	\$50,114,646	\$2,217,128	\$0	\$0	-\$5,543,622	\$3,004,223	\$0	\$0	\$49,792,374
11	2024-25	\$77,365,626	\$2,305,812	\$0	\$0	-\$5,283,597	\$4,637,837	\$145,813	\$0	\$79,171,491
12	2025-26	\$75,919,433	\$2,398,045	\$0	\$0	-\$28,163,058	\$4,551,142	\$0	\$0	\$54,705,562
13	2026-27	\$74,789,737	\$2,493,967	\$0	\$0	-\$24,913,423	\$4,483,421	\$0	\$0	\$56,853,701
14	2027-28	\$73,497,225	\$2,593,726	\$0	\$0	-\$21,733,207	\$4,405,938	\$0	\$0	\$58,763,683
15	2028-29	\$65,669,828	\$2,697,474	\$0	\$0	-\$16,692,448	\$3,936,709	\$0	\$0	\$55,611,563

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

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	-\$36,752	\$0	\$0	\$0	\$9,403	-\$2,203	\$0	\$0	-\$29,552
2	2015-16	-\$34,614	\$0	\$0	\$0	\$13,900	-\$2,075	\$0	\$0	-\$22,789
3	2016-17	-\$2,050,103	\$0	\$1,046,974	\$0	\$1,003,128	-\$122,898	\$0	\$0	-\$122,898
4	2017-18	-\$1,932,597	\$0	\$0	\$0	\$1,956,214	-\$115,853	\$0	\$0	-\$92,236
5	2018-19	-\$1,820,966	\$0	\$0	\$0	\$1,848,862	-\$109,161	\$0	\$0	-\$81,265
6	2019-20	-\$1,714,918	\$0	\$0	\$0	\$1,746,747	-\$102,804	\$31,547	\$0	-\$39,428
7	2020-21	-\$1,614,171	\$0	\$0	\$0	\$1,704,180	-\$96,765	\$108,737	\$0	\$101,981
8	2021-22	-\$1,518,460	\$0	\$0	\$0	\$1,598,044	-\$91,027	\$101,932	\$0	\$90,488
9	2022-23	-\$1,427,537	\$0	\$0	\$0	\$1,620,985	-\$85,577	\$104,148	\$0	\$212,019
10	2023-24	-\$1,341,160	\$0	\$0	\$0	\$1,348,249	-\$80,398	\$0	\$0	-\$73,309
11	2024-25	\$0	\$0	\$0	\$0	\$1,800,787	\$0	\$126,284	\$0	\$1,927,072
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

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

Table 5 - Estimated Financial Impact of the Cedar Bayou Fractionators, LP 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	\$10,000,000	\$10,000,000	\$0	\$1.060	\$106,000	\$106,000	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$140,400,000	\$140,400,000	\$0	\$1.060	\$1,488,240	\$1,488,240	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$235,000,000	\$30,000,000	\$205,000,000	\$1.060	\$2,491,000	\$318,000	\$2,173,000	\$0	\$2,173,000	-\$122,898	\$2,050,103
4	2017-18	\$223,250,000	\$30,000,000	\$193,250,000	\$1.060	\$2,366,450	\$318,000	\$2,048,450	\$167,177	\$2,215,627	-\$92,236	\$2,123,391
5	2018-19	\$212,087,500	\$30,000,000	\$182,087,500	\$1.060	\$2,248,128	\$318,000	\$1,930,128	\$167,177	\$2,097,305	-\$81,265	\$2,016,039
6	2019-20	\$201,483,125	\$30,000,000	\$171,483,125	\$1.060	\$2,135,721	\$318,000	\$1,817,721	\$167,177	\$1,984,898	-\$39,428	\$1,945,470
7	2020-21	\$191,408,969	\$30,000,000	\$161,408,969	\$1.060	\$2,028,935	\$318,000	\$1,710,935	\$167,177	\$1,878,112	\$0	\$1,878,112
8	2021-22	\$181,838,520	\$30,000,000	\$151,838,520	\$1.060	\$1,927,488	\$318,000	\$1,609,488	\$167,177	\$1,776,665	\$0	\$1,776,665
9	2022-23	\$172,746,594	\$30,000,000	\$142,746,594	\$1.060	\$1,831,114	\$318,000	\$1,513,114	\$167,177	\$1,680,291	\$0	\$1,680,291
10	2023-24	\$164,109,265	\$30,000,000	\$134,109,265	\$1.060	\$1,739,558	\$318,000	\$1,421,558	\$167,177	\$1,588,735	-\$73,309	\$1,515,426
11	2024-25	\$155,903,801	\$155,903,801	\$0	\$1.060	\$1,652,580	\$1,652,580	\$0	\$0	\$0	\$0	\$0
12	2025-26	\$148,108,611	\$148,108,611	\$0	\$1.060	\$1,569,951	\$1,569,951	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$140,703,181	\$140,703,181	\$0	\$1.060	\$1,491,454	\$1,491,454	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$133,668,022	\$133,668,022	\$0	\$1.060	\$1,416,881	\$1,416,881	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$126,984,621	\$126,984,621	\$0	\$1.060	\$1,346,037	\$1,346,037	\$0	\$0	\$0	\$0	\$0
						\$25,839,537	\$11,615,143	\$14,224,394	\$1,170,240	\$15,394,634	-\$409,136	\$14,985,498

Tax Credit for Value Over Limit in First 2 Years

	Year 1	Year 2	Max Credits
	\$0	\$1,170,240	\$1,170,240
Credits Earned			\$1,170,240
Credits Paid			\$1,170,240
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

CEDAR BAYOU FRACTIONATORS, LP

(Texas Taxpayer ID # 17605551617)

TEXAS COMPTROLLER APPLICATION NUMBER 333

Dated

December 16, 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 **CEDAR BAYOU FRACTIONATORS, LP**, Texas Taxpayer Identification Number 17605551617, 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 June 26, 2013, the Superintendent of Schools of the Barbers Hill Independent School District (hereinafter referred to as "Superintendent"), acting as agent of the Board of Trustees of the District (hereinafter referred to as "Board of Trustees"), received from the Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code; and,

WHEREAS, on July 22, 2013, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from Cedar Bayou Fractionators, LP, and on or about August 2, 2013, the Superintendent acknowledged receipt of the Application and the requisite application fee, as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy CCG (Local); and,

WHEREAS, the Application was delivered to the 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, in response to a deficiency letter, on September 4, 2013, the Applicant submitted an amended application, which was delivered to the Comptroller for review pursuant to Texas Tax Code § 313.025(d); and,

WHEREAS, the Comptroller established September 26, 2013 as the completed Application date; and,

WHEREAS, pursuant to 34 Texas Administrative Code § 9.1054, the Application was delivered for review to the Chambers County 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 the Application and on November 22, 2013, the Comptroller, via letter, recommended that the Application be approved; and,

WHEREAS, the Comptroller conducted an economic impact evaluation pursuant to Chapter 313 of the Texas Tax Code which was presented to the Board of Trustees at the December 16, 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 December 16, 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 December 16, 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; and, (iv) each criterion referenced in Texas Tax Code § 313.025(e) has been met; and,

WHEREAS, the Barbers Hill Independent School District was within an area that qualified as a strategic investment area under Texas Tax Code Chapter 171, Subchapter O immediately before that Subchapter expired; and because of that fact, the District qualifies as a rural school district under the provisions of Texas Tax Code § 313.051(a)(1); and,

WHEREAS, on December 16, 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 §§ 313.053 and 313.054 for the category of the District established 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 November 22, 2013 that the Application be approved, and,

WHEREAS, on December 16, 2013, the Board of Trustees approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and

Operations Taxes, and authorized the 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 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 December 16, 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, including any Tax Credit, to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination, 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):

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
Partial Year (Commencing December 16, 2013)	January 1, 2013	2013-14	2013	Start of Qualifying Time Period beginning with 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.

Full Tax Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
9	January 1, 2022	2022-23	2022	\$ 30 million property value limitation. Possible Tax Credit due to Applicant.
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 the current Tax Year and all previous Tax 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 Tax 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 Cedar Bayou Fractionators, LP, (Texas Taxpayer ID # 17605551617), the company listed in the Preamble of this Agreement who, on July 22, 2013 filed the Original Application with the District for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The term "Applicant" shall also include the 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 July 22, 2013, which has been certified by the Comptroller to collectively constitute a complete final Application as of the date of September 26, 2013. 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 December 16, 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 of the Texas Administrative Code, Chapter 9, Subchapter D, together with any court or administrative decisions interpreting same.

"County" means Chambers County, Texas.

"Determination of Breach and Notice of Contract Termination" 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, 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 December 16, 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 District and any subsequent amendments or assignments, any District written findings or reports filed with the Comptroller as required under this subchapter, and any application requesting Tax Credits under Texas Tax Code, § 313.103.

"Tax Credit" means the tax credit, either to be paid by the District to the Applicant, or to be applied against any taxes that the District imposes on the Applicant's Qualified Property, as

computed under the provisions of Subchapter D of the Act, and rules adopted by the Comptroller and/or the Texas Education Agency, provided that the Applicant complies with the requirements 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 Tax 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 Property/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 Texas Tax Code § 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 September 26, 2013, 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 or Qualified Property for purposes of this Agreement.

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

- (a) submits to the District and the Comptroller a written request to add such property to this Agreement, which request shall include a specific description of the additional property to which the applicant requests that the Tax Limitation Amount apply;
- (b) notifies the District and the Comptroller of any other changes to the information that was provided in the Application approved by the District; and,
- (c) provides any additional information reasonably requested by the District or the Comptroller 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 Investment or 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 Tax Limitation Amount applies including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property which is subject to this Agreement.

Section 2.5. QUALIFYING USE

The Applicant's Qualified Investment and Qualified Property 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 following eight (8) Tax Years: 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant's Qualified Investment and Qualified Property for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- (a) the Market Value of the Applicant's Qualified 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 § 313.052.

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 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 Applicant's 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 Applicant's Qualified Property that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the Applicant's Qualified Property. The Applicant may contest the amounts certified by the District's external auditor under the provisions of Section 3.8 below.
- (c) any other loss of District revenues which directly result from, or are reasonably attributable to the payment by the Applicant to or on behalf of any other third party beneficiary of this Agreement.

Section 3.4. CALCULATIONS TO BE MADE BY THIRD PARTY

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

Section 3.5. DATA USED FOR CALCULATIONS

The calculations for payments under this Agreement shall be initially based upon the valuations placed upon the Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Appraisal District in its annual certified tax rolls 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 rolls 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. For no Tax Year during the term of this Agreement 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 Sections 3.3(b), 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 any matter relating to the valuations placed by the Appraisal District on the Applicant's Qualified Property, and such appeal remains 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 Taxable Value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years using the new Taxable Value. In the event the new calculations result in 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 other Party within thirty (30) days of the receipt of the new calculations from the Third Party.

Section 3.10. EFFECT OF STATUTORY CHANGES

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

ARTICLE IV

Section 4.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS

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

(a) Amounts Exclusive of Indemnity Amounts

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the Supplemental Payments set forth in this Article IV (the "Supplemental Payments"). The Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Texas Tax Code, unless it is explicitly set forth in this Agreement. It is the express intent of the Parties that the obligation for Supplemental Payments under this Article IV is separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that all payments under Articles III and IV are subject to the limitations contained in Section 5.1, and that all payments under 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 in a future year of this Agreement; however, in such event it shall not exceed the Stipulated Supplemental Payment Amount described in and calculated pursuant to Sections 4.2 through 4.5 below.

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 Tax Year during the term 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 Tax Year during the term 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 Tax Year, the difference between the Stipulated Supplemental Payment Amount and the Aggregate Limit, shall be carried forward from year-to-year into subsequent Tax Years of this Agreement, and to the extent not limited by the Aggregate Limit in any subsequent Tax 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, and the Applicant shall have no further obligation with respect thereto.

Section 4.5. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS

- (a) All calculations required by this Article, 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 commencing on or before January 31, 2017 (the payment due date for Tax Year 2016), and continuing thereafter on or before the January 31 of each of the ten (10) years thereafter (i.e. through January 31, 2027, the payment due date for Tax Year 2026).

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 8.1, 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 after the end of the 2016 Tax Year, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Articles III and IV with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Sections 3.4 and 3.6, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Articles III and IV shall be reduced until such excess is eliminated.

Section 5.2. OPTION TO CANCEL AGREEMENT

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

the option occurred. 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 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, the Comptroller's Rules, and/or the 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, thirty (30) days past due from the date of the reimbursement claim, 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; provided, however, 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 the applicable minimum eligibility requirements under Texas Tax Code, Chapter 313 throughout the period from and including the Tax Year 2016 through and including the last Tax Year during the term of this Agreement with respect to which the Applicant receives the benefit of a Tax Credit.

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

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

(b) Notwithstanding Section 7.4(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of 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 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 it committed to create and maintain on Schedule C, Column E of its Application, which is inclusive of the number of New Jobs described in Section 7.6(d) above.
- (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 knowingly 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 or in consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 Texas Tax Code, are not barred by this provision.
- (h) Applicant fails to comply in any material respect with any other term of this Agreement, or the Applicant fails in any material respect to meet its obligations under the applicable Comptroller's Rules, and under the Act.

Section 7.7 LIMITED STATUTORY CURE OF MATERIAL BREACH

In accordance with the provisions of Texas Tax Code § 313.0275, for any full Tax year which commences after the project has become operational, the Applicant may cure 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 is in 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 a Material Breach of this Agreement has not occurred and/or that it has cured or undertaken to cure any such Material Breach.

If the Board of Trustees is not satisfied with such response and/or that such 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 and Notice

of Contract Termination under Section 7.8, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then presiding in Chambers County, Texas. The Parties agree to sign a document that designates 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

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

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:

ATTN: John Thompson, VP of Tax
CEDAR BAYOU FRACTIONATORS, LP
1000 Louisiana Street, Suite 4200
Houston, Texas 77002
Fax: (713) 888-4265
Email: jthompson@targaresources.com

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 Final Termination 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 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 a mutually acceptable manner so as to effect the original intent of the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 8.9, the term "Law" shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 8.10. PAYMENT OF EXPENSES

Except as otherwise expressly provided in this Agreement, or as covered by the application fee, (i) each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement, and (ii) in the event of a dispute between the Parties in connection with this Agreement, the prevailing Party in the resolution of any such dispute, whether by litigation or otherwise, shall be entitled to full recovery of all attorneys' fees (including a reasonable hourly fee for in-house legal counsel), costs and expenses incurred in connection therewith, including costs of court, from the non-prevailing Party.

Section 8.11. INTERPRETATION

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

Section 8.12. EXECUTION OF COUNTERPARTS

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

Section 8.13. ACCURACY OF REPRESENTATIONS CONTAINED IN APPLICATION

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application. The Applicant warrants that all material information, facts, and representations contained therein were true and correct when made, and there have been no material changes in the information, facts, and representations, contained in the Application that have not been previously disclosed to the District. 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; provided, however, to the extent of any differences or inconsistencies between the terms, conditions, representations, information, and facts contained in the Application and those contained in this Agreement, the terms, conditions, representations, information, and facts contained in this Agreement shall be controlling.

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. Texas 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 District shall submit a copy to the Comptroller for publication on the Comptroller's Internet website.
- b. The District shall provide on its website a link to the location of those documents posted on the Comptroller's website.
- c. This Section does not require the publication of information that is confidential under Texas Tax Code § 313.028.

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 16th day of December, 2013.

CEDAR BAYOU FRACTIONATORS, LP

By: 
Authorized Representative

Name: JOHN D. THOMPSON

Title: VICE PRESIDENT, TAX

**BARBERS HILL INDEPENDENT
SCHOOL DISTRICT**

By: 
BECKY TICE
President
Board of Trustees

Attest: 
By: 
CYNTHIA ERWIN
Secretary
Board of Trustees

EXHIBIT 1

DESCRIPTION OF QUALIFIED REINVESTMENT ZONE

A Reinvestment Zone was originally created on March 22, 2010 by action of the City Council of the City of Mont Belvieu, Texas in adopting *City of Mont Belvieu Ordinance No. 2010-003*. A map of the Reinvestment Zone created by the Reinvestment Zone Ordinance is attached below to this **EXHIBIT 1**.

As a result of the action of the City Council of the City of Mont Belvieu, Texas, the Reinvestment Zone includes real property within the City of Mont Belvieu, Texas and Chambers County, Texas, more specifically described by the metes and bounds description chart also attached to this **EXHIBIT 1**.

Exhibit "A"

FIELD NOTES of a 11.10 acre tract of land, more or less, situated in the William Bloodgood Augmentation Survey, Abstract No. 5, Chambers County, Texas, and being that same 2.902 acre tract of land and the residue of 10 acres conveyed to J. R. Oliver by Atlantic Richfield Company by deed dated November 20, 1979, and recorded in Volume 444 at Page 649 of the Deed Records of Chambers County, Texas. This 11.10 acre tract of land is more particularly described by metes and bounds as follows, to-wit:

NOTE: BEARINGS ARE BASED ON DEED BEARINGS AND FOUND MONUMENTS IN THE NORTH LINE OF SAID 2.902 ACRES. REFERENCE IS MADE TO PLAT OF EVEN DATE ACCOMPANYING THIS METES AND BOUNDS DESCRIPTION.

BEGINNING at a 2 inch iron pipe found for the Southwest corner of this tract of land, the Southwest corner of said residue of 10 acres, the Northwest corner of a 4.2359 acre tract of land conveyed to Occidental Chemical Corporation Diamond Shamrock Refining and Marketing Company by deed dated November 15, 2003, and recorded in Volume 673 at Page 251 of the Official Public Records of Chambers County, Texas, in the West line of said Bloodgood Survey, in the East line of this William Bloodgood League, Abstract No. 4, Chambers County, Texas, and in the East line of a 8.6352 acre tract of land conveyed to Accent Investments by Sun Exploration and Production Company by deed dated March 27, 1985, and recorded in Volume 584 at Page 427 of the Deed Records of Chambers County, Texas.

THENCE North 09°52'14" West with the West line of this tract of land, the West line of said residue of 10 acres, the West line of said Bloodgood Aug. Survey, the East line of said Bloodgood League, the East line of said 8.6352 acres, and the East line of a 17.53 acre tract of land conveyed to Humble Pipe Line Company by Houston Oil & Minerals Corporation by deed dated June 1, 1972, and recorded in Volume 335 at Page 54 of the Deed Records of Chambers County, Texas a distance of 722.08 feet to a 2 inch iron pipe found for an angle corner of this tract of land, the Northwest corner of said residue of 10 acres, and the Southwest corner of said 2.902 acres.

THENCE North 09°36'01" West with the West line of this tract of land, the West line of said 2.902 acres, the West line of said Bloodgood Aug. Survey, the East line of said Bloodgood League, and the East line of said 17.53 acres a distance of 151.09 feet to a ½ inch iron rod found for a Northwest corner of this tract of land, the Northwest corner of said 2.902 acres, the Northeast corner of said 17.53 acres, and in the South line of a 242.5057 acre tract called Tract 9 on the recorded plat of Warren Petroleum Corporation recorded in Volume "A" at Page 127 of the Map Records of Chambers County, Texas.

THENCE EAST with a North line of this tract of land, a North line of said 2.902 acres, and the South line of said 242.5057 acres, at a distance of 316.61 feet found a sucker rod on line, for the Southeast corner of said 242.5057 acres, and the Southwest corner of a 0.0468 of an acre area of excess, continuing along said line and the South line of said area of excess a total distance of 331.94 feet to a 2 inch iron pipe found for an interior corner of this tract of land, an interior corner of said 2.902 acres, and the Southeast corner of said area of excess.

THENCE North 00°04'01" East with a West line of this tract of land, a West line of said 2.902 acres, and the East line of said area of excess a distance of 131.09 feet to a 2 inch iron pipe found leaning for the most Northerly Northwest corner of this tract of land, the most Northerly Northwest corner of said 2.902 acres, the Northeast corner of said area of excess, and in a South line of said 242.5057 acres.

THENCE South 89°21'32" East with a North line of this tract of land, a North line of said 2.902 acres, a South line of said 242.5057 acres, and a South line of 0.3737 of an acre tract conveyed to Chambers County Land Company, Trustee, by Temple Phillips by deed dated December 17, 1986, and recorded in Volume 619 at Page 116 of the Deed Records of Chambers County, Texas, at a distance of 190.22 feet found a 1 ½ inch iron pipe found for a Southeast corner of

said 242.5057 acres, and a Southwest corner of said 0.3737 of an acre, in all a total distance of 258.97 feet to a 5/8 inch iron rod found for a Northeast corner of this tract of land, the Northeast corner of said 2.902 acres, and an interior corner of said 0.3737 of an acre.

THENCE South 05°48'00" East with an East line of this tract of land, the East line of said 2.902 acres, the West line of said 0.3737 of an acre, and the West line of the residue of 1.552 acres conveyed to Chevron U.S.A., Inc., by H. E. Wilbanks, Trustee, by deed dated March 12, 1994, and recorded in Volume 233 at Page 689 of the Official Public Records of Chambers County, Texas, a distance of 284.18 feet to a ½ inch iron rod set for an interior corner of this tract of land, the Southeast corner of said 2.902 acres, in the North line of said residue of 10 acres, and the Southwest corner of said residue of 1.552 acres.

THENCE EAST with a North line of this tract of land, the North line of said residue of 10 acres, and the South line of said residue of 1.552 acres a distance of 161.49 feet to a ½ inch iron rod set for the most Southerly Northeast corner of this tract of land, the Northeast corner of said residue of 10 acres, the Southeast corner of said residue of 1.552 acres, and in a curve to the right in the West right of way line of State Highway No. 146, 120 foot wide right of way.

THENCE in a Southerly direction with an East line of this tract of land, the East line of said residue of 10 acres, the West right of way line of Highway No. 146, and said curve having a central angle of 01°06'42", a radius of 5669.58 feet, an arc length of 110.00 feet, and a chord bearing and distance of South 15°02'54" West 110.00 feet to a ½ inch iron rod set for the point of tangency of this tract of land.

PAGE NO. 3 – 11.10 ACRES

THENCE South 15°38'15" West with a East line of this tract of land, the East line of said residue of 10 acres, and the West right of way line of Highway No. 146 a distance of 318.50 feet to a 2 inch iron pipe found for the Southeast corner of this tract of land, the Southeast corner of said residue of 10 acres, and the Northeast corner of said 4.2359 acres.

THENCE South 60°31'13" West with the South line of this tract of land, the South line of said residue of 10 acres, and the North line of said 4.2359 acres a distance of 595.09 feet to the PLACE OF BEGINNING, containing within said boundaries 11.10 acres of land, more or less.
End of Exhibit "A"

EXHIBIT A TO DEED
LEGAL DESCRIPTION LAND

**DESCRIPTION OF A 16.793-ACRE
(731,491 SQ. FT.) TRACT OF LAND
SITUATED IN THE WILLIAM
BLOODGOOD SURVEY, A-4,
CHAMBERS COUNTY, TEXAS**

Being a 16.793-acre (731,491 square foot) tract of land situated in the William Bloodgood Survey, A-4, Chambers County, Texas. Said 16.793-acre tract being out of a called 21.98-acre tract of land conveyed to Humble Pipe Line Company as recorded in Volume 282, Page 667 of the Chambers County Deed Records and being more particularly described by metes and bounds as follows with the basis of bearings being the Texas State Plane Coordinate System, South Central Zone 4204, NAD 1983:

BEGINNING at a 1/2-inch iron rod found for an angle point of a called 7.5147-acre tract of land as recorded in Volume 34, Page 582 of the Chambers County Deed Records, for the northwest corner of a called 11.10-acre tract of land conveyed to Targa Downstream, L.P. as recorded in Volume 1245, Page 435 of the Chambers County Deed Records and for the northeast corner of said tract herein described, said point having a Texas State Plane Coordinate X= 3,269,132.94, Y=13,875,596.72;

THENCE South 12° 45' 43" East, with the southwest line of said called 11.10-acre tract and with a northeast line of said tract herein described, a distance of 573.12 feet to a 1 1/2-inch iron pipe found, for the northeast corner of a called 8.611-acre tract of land conveyed to Targa Downstream LP as recorded in Volume 1259, Page 19 of the Chambers County Deed Records, for the southeast corner of said tract herein described;

THENCE South 77° 53' 55" West, with the northwest line of said called 8.611-acre tract and with a southeast line of said tract herein described, a distance of 959.92 feet to a 5/8-inch iron rod with aluminum cap in concrete found, for the northeast corner of a called 3.8255-acre tract of land conveyed to Diamond Shamrock Corporation as recorded in Volume 402, Page 3 of the Chambers County Deed Records, for southeast corner of a called 0.5810-acre tract of land conveyed to Diamond Shamrock Corporation as recorded in Volume 403, Page 250 of the Chambers County Deed Records, for the northwest corner of said called 8.611-acre tract and for a southwest corner of said tract herein described;

THENCE North 35° 11' 06" West, with the northeast line of said called 0.5810-acre tract and with a southwest line of said tract herein described, a distance of 110.24 feet to a 5/8-inch iron rod with aluminum cap in concrete found, for the northeast corner of said 0.5810-acre tract and for an interior corner of said tract herein described;

THENCE South 77° 38' 34" West, with the northwest line of said called 0.5810-acre tract and with a southeast line of said tract herein described, a distance of 225.50 feet to a 5/8-inch iron rod with cap (stamped "WEISSER ENG., HOUSTON, TX.") set, in the northeast line of a called 4.45-acre tract of land conveyed to Houston Oil and Minerals Corporation as recorded in Volume 335, Page 147 of the Chambers County Deed Records, for the northwest corner of said called 0.5810-acre tract and for a southwest corner of said tract herein described;

THENCE North 28° 05' 00" West, with the northeast line of said called 4.45-acre tract and with a southwest line of said tract herein described, a distance of 608.92 feet to a 5/8-inch iron rod with cap

Exhibit A

TRACT 1: Field notes of an 8.6462 acre tract of land, more or less, situated in the WILLIAM BLOODGOOD LEAGUE, Abstract No. 4, Chambers County, Texas, and being the residue of 31.1 acre tract in two tracts, a 26.1 acre tract conveyed to Mills Bennett by Deed and recorded in Volume 21, Page 480 Deed Records and a 5 acre tract conveyed to Mills Bennett by Deed and recorded in Volume 21, Page 508 of the Deed Records of Chambers County, Texas. Said 8.6462 acre tract of land, more or less, being more particularly described as follows:

BEGINNING at a 1 inch iron pipe at the Northeast corner of the said 31.1 acre tract and being in the West line of a J. R. Oliver tract formerly ARCO's Japhet Station;

THENCE South 79° 55' 27" West with the North line of the 31.1 acre tract a distance of 962.58 feet to a Diamond Shamrock monument at the Northeast corner of a Diamond Shamrock Corp. 3.841 acre tract conveyed by Deed in Volume 403, Page 486 of the Deed Records of Chambers County, Texas;

THENCE South 30° 48' 18" East with the Westerly East line of the 3.841 acre tract a distance of 385.67 feet to a Diamond Shamrock monument for a corner;

THENCE North 88° 59' 57" East with the North line of the 3.841 acre tract a distance of 834.66 feet to a Diamond Shamrock monument in the East line of the 31.1 acre tract and the East line of the WILLIAM BLOODGOOD LEAGUE for a corner;

THENCE North 09° 51' 33" West with the said East line at 192.80 feet pass a 2 1/2 inch iron pipe at the Southwest corner of the said J. R. Oliver tract in all a total distance of 492.36 feet to the POINT OF BEGINNING and containing 8.6462 acres of land, more or less.

End of Exhibit A

(stamped "WEISSER ENG., HOUSTON, TX.") set, in the southeast line of a called 31.11-acre tract of land conveyed to Humble Pipe Line Company as recorded in Volume 282, Page 667 of the Chambers County Deed Records, for the northwest corner of said tract herein described;

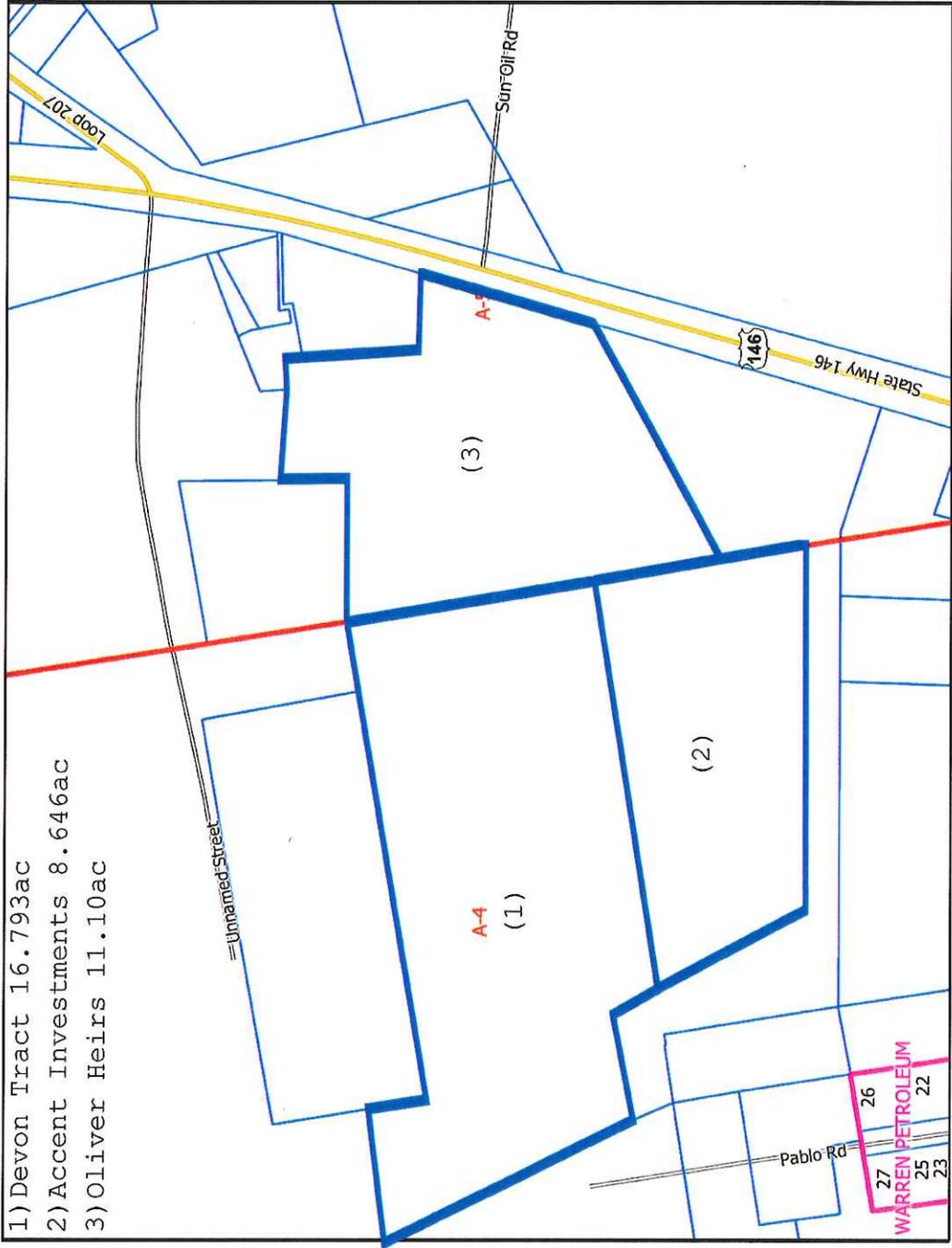
THENCE North $77^{\circ} 30' 04''$ East, with the southeast line of said called 31.11-acre tract and with a northwest line of said tract herein described, a distance of 286.03 feet to a 5/8-inch iron rod with aluminum cap in concrete found, in the southwest line of a called 29.07-acre tract of land conveyed to Targa Downstream, LP (formerly Warren Petroleum Corporation) as recorded in Volume 184, Page 9 of the Chambers County Deed Records, for a northeast corner of said tract herein described;

THENCE South $11^{\circ} 50' 25''$ East, with the southwest line of said called 29.07-acre tract and with a northeast line of said tract herein described, a distance of 130.00 feet to a 2-inch iron pipe found, for the southwest corner of said called 29.07-acre tract and for an interior corner of said tract herein described;

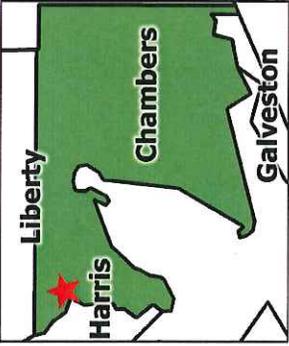
THENCE North $77^{\circ} 06' 16''$ East, with the southeast line of said called 29.07-acre tract at a distance of 485 feet, passing the southeast corner of said called 29.07-acre tract and continuing with the southeast line of said called 7.5147-acre tract and with a northwest line of said tract, for a total distance of 1104.36 feet to the **POINT OF BEGINNING** and containing 16.793 acres (731,491 square feet) of land.

Train 5 --- LEP2 Re-investment Zone

- 1) Devon Tract 16.793ac
- 2) Accent Investments 8.646ac
- 3) Oliver Heirs 11.10ac



This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.



Legend

- UTM15_TX_CHAMBERS_SURVEY
- UTM15_TX_CHAMBERS_SUBDIVISION
- UTM15_TX_CHAMBERS_LOT_L-ABEL
- UTM15_TX_CHAMBERS_PARCEL
- UTM15_TX_CHAMBERS_HIGHWAY
- [all other values]
- UTM15_TX_CHAMBERS_ROAD



Scale: 1:4,617

EXHIBIT 2

LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY

All Qualified Property and Qualified Investment owned by the Applicant and located within the boundaries of both the Barbers Hill Independent School District and the Reinvestment Zone originally created on March 22, 2010 by action of the City Council of the City of Mont Belvieu, Texas in adopting *City of Mont Belvieu Ordinance No. 2010-003* is intended to be included in this Agreement.

The legal description of the Reinvestment Zone created by the Reinvestment Zone Ordinance are attached as **EXHIBIT 1**.

EXHIBIT 3

DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

The Qualified Investment and Qualified Property shall include the following proposed project consisting of a new Unit 2 NGL fractionator. The plant components consist of:

- DeEthanizer
- DePropanizer
- DeButanizer
- DeIsobutanizer (DIB)
- Towers
- Heat Medium
- Gasoline Treater
- Compression Equipment

All property that qualifies as Qualified Investment and Qualified Property owned by Applicant, and located within the area described by **EXHIBIT 2** is intended to be included as Qualified Investment and Qualified Property for purposes of this Agreement. T

The facility will also require the use 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.