

**FINDINGS OF THE BARBERS HILL
INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
LONE STAR NGL ASSET HOLDINGS II, LLC (#1035)**



August 24, 2015

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OF THE
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SCHOOL DISTRICT BOARD OF TRUSTEES
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LONE STAR NGL ASSET HOLDINGS II, LLC (#1034)

STATE OF TEXAS

§

COUNTY OF CHAMBERS

§

On the 24th day of August, 2015, a public meeting of the Board of Trustees of the Barbers Hill Independent School District ("District") was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of Lone Star NGL Asset Holdings II, LLC ("Applicant") 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 makes the following findings with respect to application from Applicant, and the economic impact of that application:

On October 27, 2014, the Superintendent of the District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts ("Comptroller") received an Application from Applicant for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The application was determined complete by the Comptroller on November 20, 2014. A copy of the Application is attached as **Attachment A**.

The Applicant, (Texas Taxpayer Id. 32044534082), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be an active franchise taxpayer by the Comptroller. See **Attachment B**.

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

The Application was delivered to the Comptroller 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 Comptroller pursuant to Texas Tax Code §313.026, and a Comptroller Certificate was issued on February 17, 2015 in which the Comptroller has determined that: 1) the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised values; 2) the proposed project is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period; and, 3) the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. A copy of the Certificate is attached to the findings as **Attachment C**.

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 District. A copy of the report prepared by Moak, Casey & Associates, Inc. is attached to these findings as **Attachment D**.

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

The Texas Education Agency has evaluated the impact of the project on the District's facilities. TEA's determination is attached to these findings as **Attachment F**.

At the specific direction of the Comptroller's Office, the parties used the template Texas Economic Development Agreement. As required by the Comptroller's Office, the parties changed only the provisions of the template that the Comptroller permitted. The proposed Agreement is attached to these findings as **Attachment G**. In November 2014, the Texas Comptroller's Office announced its intention to modify Comptroller Form 50-

286 and to permit amendments to existing agreements including the agreement for which these Findings are being made.

After review of the Comptroller's Certificate and economic analysis, and in consideration of its own studies the Board finds:

Board Finding Number 1.

The Board finds that the property meets the requirements of §313.024 for eligibility for a limitation on appraised value.

In support of Finding 1, the Application indicates that:

Lone Star NGL Asset Holdings II, LLC (LONE STAR II) is requesting an appraised value limitation from Barbers Hill Independent School District (BHISD) for their proposed raw natural gas manufacturing plant.

Property that is used for manufacturing satisfies the requirements of §313.024(b)(1).

Board Finding Number 2.

The project proposed by the applicant is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue, including state tax revenue, school district maintenance and operations ad valorem tax revenue attributable to the project, and any other tax revenue attributable to the effect of the project on the economy of the state, in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement.

In support of Finding 2, the economic impact evaluation Attachment B states:

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

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2015	\$0	\$0	\$0	\$0
	2016	\$26,500	\$26,500	\$0	\$0
	2017	\$1,590,000	\$1,616,500	\$0	\$0
Limitation Period (10 Years)	2018	\$318,000	\$1,934,500	\$2,703,000	\$2,703,000
	2019	\$318,000	\$2,252,500	\$2,582,160	\$5,285,160
	2020	\$318,000	\$2,570,500	\$2,461,320	\$7,746,480
	2021	\$318,000	\$2,888,500	\$2,340,480	\$10,086,960
	2022	\$318,000	\$3,206,500	\$2,219,640	\$12,306,600
	2023	\$318,000	\$3,524,500	\$2,098,800	\$14,405,400
	2024	\$318,000	\$3,842,500	\$1,977,960	\$16,383,360
	2025	\$318,000	\$4,160,500	\$1,857,120	\$18,240,480
	2026	\$318,000	\$4,478,500	\$1,736,280	\$19,976,760
	2027	\$318,000	\$4,796,500	\$1,615,440	\$21,592,200
Maintain Viable Presence (5 Years)	2028	\$1,812,600	\$6,609,100	\$0	\$21,592,200
	2029	\$1,691,760	\$8,300,860	\$0	\$21,592,200
	2030	\$1,570,920	\$9,871,780	\$0	\$21,592,200
	2031	\$1,450,080	\$11,321,860	\$0	\$21,592,200
	2032	\$1,329,240	\$12,651,100	\$0	\$21,592,200
Additional Years as Required by 313.026(c)(1) (10 Years)	2033	\$1,208,400	\$13,859,500	\$0	\$21,592,200
	2034	\$1,087,560	\$14,947,060	\$0	\$21,592,200
	2035	\$966,720	\$15,913,780	\$0	\$21,592,200
	2036	\$845,880	\$16,759,660	\$0	\$21,592,200
	2037	\$845,880	\$17,605,540	\$0	\$21,592,200
	2038	\$845,880	\$18,451,420	\$0	\$21,592,200
	2039	\$845,880	\$19,297,300	\$0	\$21,592,200
	2040	\$845,880	\$20,143,180	\$0	\$21,592,200
	2041	\$845,880	\$20,989,060	\$0	\$21,592,200
	2042	\$845,880	\$21,834,940	\$0	\$21,592,200
		\$21,834,940	is greater than	\$21,592,200	

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

Source: CPA, LONE STAR NGL ASSET HOLDINGS II, LLC

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

Board Finding Number 3.

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

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

The Comptroller is **has determined** that the limitation on appraised value is a determining factor in the Lone Star NGL (Frac V) decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per the applicant, they are considering the Gulf Coast of Louisiana where they currently have significant infrastructure and pipeline availability to transport NGL's reaching from there through Texas and on into New Mexico, Arizona, and California. Also at this time, they are in the process of building a \$10,000,000,000 (ten billion) Liquid Natural Gas export facility in Louisiana, where the state provides a 10 year mfg. property tax exemption that would significantly impact economics, especially in times such as these.
- Per the company, this project will operate independently and is not dependent upon or offer enhancement to the operation of Fractionation Plants I, II and III.
- Per the applicant's website regarding the merger of ETP and Regency published January 30, 2015, Lone Star is among the best positioned NGL businesses in Mont Belvieu. Enhanced "baseline business" positions Lone Star for further growth such as Fractionator IV.
- Per the applicant's Analyst Day Presentation published November 18, 2014, the current Mont Belvieu footprint has the ability to build a total of six fractionators.

Board Finding Number 4.

The Board finds that the Application Fee received for the Application for which these Findings are being made was reasonable and only in such an amount as was necessary to cover the District's costs of processing such Application.

Board Finding Number 5.

Based upon the information provided in the Application and in the Comptroller's Certificate package, the Board finds that that the number of jobs to be created and the wages to be paid comply with the requirements of statute. And, the Board finds that the Chapter 313 Tax Limitation Agreement (Attachment G), in accordance with Comptroller's Form 50-286, contains all required provisions and information related to the required job creation requirements, to wit: the provisions set forth in Subsections 9.1C&D of said Agreement.

The Applicant has committed to creating ten (10) new qualifying jobs. The average salary level of qualifying jobs will be at least \$59,785 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 county average manufacturing wage. As defined in Section 313.021 of the Tax Code, "Qualifying job" means a permanent full-time job that:

- (A) requires at least 1,600 hours of work a year;
- (B) is not transferred from one area in this state to another area in this state;
- (C) is not created to replace a previous employee;
- (D) is covered by a group health benefit plan for which the business offers to pay at least 80 percent of the premiums or other charges assessed for employee-only coverage under the plan, regardless of whether an employee may voluntarily waive the coverage; and
- (E) pays at least 110 percent of the county average weekly wage for manufacturing jobs in the county where the job is located.

Board Finding Number 6.

The Applicant does not intend to create any non-qualifying jobs.

For any non-qualifying job the Applicant creates, the Applicant must pay at least the county average wage for all jobs in the county.

Board Finding Number 7.

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

In support of this finding, the analysis prepared by Moak, Casey & Associates projects that the project would initially add \$285 million to the tax base for debt service purposes at the peak investment level for the 2018-19 school year, with the project value expected to depreciate over the course of the agreement. The project remains fully taxable for debt services taxes, with the District levying a \$0.2698 per \$100 I&S rate. Under the estimates presented in the school finance analysis, the taxpayers of BHISD should see long-term benefit from the Lone Star project in meeting the District's future service needs even with the expected depreciation of the project's taxable value.

Board Finding Number 8.

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

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the new manufacturing project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in the District as stated in **Attachment F**.

Board Finding Number 9.

The Board finds that with the adoption of District Policy CCG (Local), implemented in conformance with both Comptroller and Texas Education Agency Rules governing Chapter 313 Agreements, it has developed a process to verify, either directly or through its consultants, the accuracy and completeness of information in annual eligibility reports and biennial progress reports regarding (1) the reported number of jobs created and (2) the reported amount invested in the property.

Board Finding Number 10.

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

The Board has developed a written policy CCG (Local) which requires, upon the filing of an Application under Tax Code Chapter 313, the retention of consultants in order to verify: (1) that Applicant's information contained in the Application as to existing facts is true and correct; (2) that Applicant's information contained in the Application with respect to projections of future events are commercially reasonable and within the ability of Applicant to execute; (3) that information related to job creation is commercially reasonable and within the ability of Applicant to execute; (4) that Applicant's representations concerning and economic incentives being offered, if any, and (2) the proposed project meets eligibility requirements.

As a part of its verification process the Board notes that the Chapter 313 Application for which these Findings are being made has been submitted by Applicant under oath. Chapter 313 Applications are governmental records under Tex. Penal Code § 37.01(2)(A); as a result, all statements contained therein are representations of fact within the meaning of Tex. Penal Code § 37.01(3). Since Board action upon the adoption of these Findings and the approval of the Chapter 313 Tax Limitation Agreement (**Attachment G**) is an "official proceeding," a false statement on a Chapter 313 application constitutes perjury under Tex. Penal Code § 37.03.

The Board finds that sworn statements are routinely used as an acceptable verification method for reliance by fact finders in each of the three separate branches of government, including trials.

The consultants have prepared signed statements that the consultants have reviewed and verified the contents of the Application and have determined that the current statements of fact contained in the Application are true and correct. The Board finds that reliance by the Board and its consultants upon verified statements of the Applicant, especially as to Applicant's future intentions which cannot be objectively verified is reasonable and within the intent of Chapter 313, Texas Tax Code.

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).

The Board finds that the Chapter 313 Tax Limitation Agreement (**Attachment G**), in accordance with Comptroller's Form 50-286, contains all required provisions and information related to the required investment amount, to wit: the amount set forth in Section 2.4B of said Agreement. According to the Texas Comptroller of Public Accounts' School and Appraisal Districts' Property Value Study 2014 Preliminary Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2013 industrial value for the District is \$5.1 billion. The District 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. The District is classified as a "rural" district due to its population characteristics. Given that the value of industrial property in the District is more than \$200 million, it is classified as a Category I district which can offer a minimum value limitation of \$30 million.

Board Finding Number 12.

The Board finds that the Chapter 313 Tax Limitation Agreement (Attachment G), in accordance with Comptroller's Form 50-286, contains all required provisions and information related to the required investment amount, to wit: the amount set forth in Section 2.4B of said Agreement.

Board Finding Number 13.

The Applicant (Taxpayer Id. 32044534082) is eligible for the limitation on appraised value of qualified property as specified in the Agreement as an active franchise-tax paying entity.

The Applicant, (Texas Taxpayer Id. 32044534082), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be an active franchise tax payer by the Comptroller. See **Attachment B**. The Board also finds that the Chapter 313 Tax Limitation Agreement (Attachment G), in accordance with Comptroller's Form 50-286 contains all required provisions necessary for the Board to assess the eligibility of any business to which an agreement is transferred, to wit: the requirement that all assignments are amendments to the provision forth in Section 10.4 of said Agreement.

Board Finding Number 14.

The project will be located within an area that is currently designated as a reinvestment zone, pursuant to Chapter 312 of the Texas Tax Code. Should it be required, the District will cooperate with the Applicant in ensuring that the area remains designated as a reinvestment zone through the Final Termination Date of the Agreement.

Board Finding Number 15.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as 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 primarily in the first and subsequent 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 16.

The Board finds that the methodology and processes for determining Applicant's revenue protection payments as are set forth in Article IV of the Chapter 313 Tax Limitation Agreement (Attachment G) comply with Texas Tax Code, Chapter 313.

Board Finding Number 17.

The Board finds that the Chapter 313 Tax Limitation Agreement (Attachment G), in accordance with Comptroller's Form 50-286 contains all required provisions necessary for the Board to assess performance standards and to require periodic deliverables that will enable it to hold businesses accountable for achieving desired results, to wit: the reporting requirements set forth in Article VIII of said Agreement.

Board Finding Number 18.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment G, is in the form of the template Texas Economic Development Act adopted by the Comptroller. Should a new template be adopted that corrects the broken cross references, clarifies wording and grammatical errors, and corrects contractual ambiguities not acceptable to either party, the Board finds that it would be in the District's best interest to agree to amend the Agreement.

Board Finding Number 19.

The Board finds that there are no conflicts of interest at the time of considering the agreement.

The Board finds that with the adoption of District Policies BBFA and BBFB, both (Legal) and (Local), that it has taken appropriate action to ensure that all District Trustees, have disclosed any potential conflicts of interest, and that such disclosures will be made if any conflict of interest arises in the future, in compliance with the requirements of Texas Local Gov't Code §171.004.

The Board finds that with the adoption of District Policies DBD, DGA, and DH BBFB, both (Legal) and (Local) that it has taken appropriate action to ensure that all District employees and/or consultants, have disclosed any potential conflicts of interest, and that such disclosures will be made if any conflict of interest arises in the future, in compliance with the requirements of Texas Local Gov't Code §171.004.

The Board finds that that no non-disclosed conflicts of interest exist as to the Application for which these Findings are being made, as of the time of action on these Findings. In addition, Barbers Hill ISD should ensure that disclosure occurs at the meeting at which the school board will vote on the business's application.

Board Finding Number 20.

The Board finds that it has directed that a link on its Web site to the Comptroller's Office's Web site where appraisal limitation related documents are made available to the public.

Board Finding Number 21.

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 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 District.

It is further ORDERED that upon the issuance by the Comptroller's Office of a new Form 50-286 that the Board, in accordance with Comptroller rules and new form 50-286, will consider an amendment to Attachment G upon the request of Applicant or District staff.

Dated the 24th day of August 2015.

BARBERS HILL INDEPENDENT SCHOOL DISTRICT

By: 
Benny May, President, Board of Trustees

ATTEST:

By: 
Cynthia Erwin, Secretary, Board of Trustees



LYNN M. MOAK, PARTNER

DANIEL T. CASEY, PARTNER

August 24, 2015

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

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

Dear President and Members of the Board of Trustees:

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

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Daniel T. Casey".

Daniel T. Casey

www.moakcasey.com

Phone 512-485-7878

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

Fax 512-485-7888

O'HANLON, MCCOLLOM & DEMERATH

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE

AUSTIN, TEXAS 78701

TELEPHONE: (512) 494-9949

FACSIMILE: (512) 494-9919

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

August 24, 2015

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

*Re: Recommendations and Findings of the Firm Concerning Application of Lone Star
NGL Asset Holdings II, LLC (Frac V) for Limitation on Appraised Value of
Property for School District Maintenance and Operations Taxes*

Dear President and Members of the Board of Trustees:

Please accept this letter as formal notification of the completion of due diligence research on behalf of the Barbers Hill Independent School District, with respect to the pending Application of Lone Star NGL Asset Holdings II, LLC (Frac V) 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. We have also negotiated an Agreement between the District and Lone Star NGL Asset Holdings II, LLC (Frac V). Based upon our review we have drawn the following conclusions:

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

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

As a result of the foregoing conclusions it is our recommendation that the Board of Trustees approve the Application of Lone Star NGL Asset Holdings II, LLC (Frac V) 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

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE

AUSTIN, TEXAS 78701

TELEPHONE: (512) 494-9949

FACSIMILE: (512) 494-9919

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

October 30, 2014

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

RE: Application to the Barbers Hill Independent School District from Lone Star NGL
Asset Holdings II, LLC (Frac V)

(First Full Qualifying Year 2016; First Year of Value Limitation 2018)

To the Local Government Assistance & Economic Analysis Division:

By copy of this letter transmitting the application for review to the Comptroller's Office, the Barbers Hill Independent School District is notifying Lone Star NGL Asset Holdings II, LLC of its intent to consider the application for appraised value limitation on qualified property should a positive certificate be issued by the Comptroller. The Applicant has used the form of the application posted on the Comptroller's Texas Ahead website. The company has provided the schedules in both electronic format and paper copies. The electronic copy is identical to the hard copy that will be hand delivered. The Applicant has requested that the value limitation begin in 2018.

The Applicant submitted the Application to the school district on October 27, 2014. The Board voted to accept the application on October 27, 2014. The application has been determined complete as of October 30, 2014. Please prepare the economic impact report.

A copy of the application will be submitted to the Chambers County Appraisal District.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin O'Hanlon", with a stylized flourish at the end.

Kevin O'Hanlon
School District Consultant

Cc: Chambers County Appraisal District
Lone Star NGL Asset Holdings II, LLC
Barbers Hill Independent School District

October 27th, 2014

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:

Lone Star NGL Asset Holdings II, LLC is considering plans to build a fifth fractionation facility 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.

Lone Star NGL Asset Holdings II, LLC 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

TAB 01

Application



Application for Appraised Value Limitation on Qualified Property (Tax Code, Chapter 313, Subchapter B or C)

Economic Development
and Analysis
Form 50-296-A

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 hard copy of the completed application to the Comptroller in a three-ring binder with tabs, as indicated on page 9 of this application, 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 website. 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. For more information, see guidelines on Comptroller's website.

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. Pursuant to 9.1053(a)(1)(C), requested information shall be provided within 20 days of the date of the request. 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, issue a certificate for a limitation on appraised value 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 not later than the 150th 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 issue a certificate, complete the economic impact evaluation or consider the application at any time during the application review period.

Please visit the Comptroller's website to find out more about the program at www.texasahead.org/tax_programs/chapter313/. There are links to the Chapter 313 statute, rules, guidelines and forms. Information about minimum limitation values for particular districts and wage standards may also be found at that site.

SECTION 1: School District Information

1. Authorized School District Representative 10-27-14

Date Application Received by District

Becky

McManus

First Name

Last Name

Assistant Superintendent of Finance

Title

Barbers Hill Independent School District

School District Name

9600 Eagle Drive

Street Address

P. O. Box 1108

Mailing Address

Mont Belvieu

City

281-576-2221

Phone Number

Texas

77580-1108

State

ZIP

281-576-5879

Fax Number

BMcManus@bhisd.net

Email Address

Mobile Number (optional)

2. Does the district authorize the consultant to provide and obtain information related to this application?

☒ Yes

☐ No

The Economic Development and Analysis Division at the Texas Comptroller of Public Accounts provides information and resources for taxpayers and local taxing entities.

For more information, visit our website:
www.TexasAhead.org/tax_programs/chapter313/
50-296-A • 05-14/2

Application for Appraised Value Limitation on Qualified Property

SECTION 1: School District Information (continued)

3. Authorized School District Consultant (If Applicable)

Kevin O'Hanlon
First Name Last Name
Attorney
Title
O'Hanlon, McCollom & Demerath, PC
Firm Name
512-494-9949 512-494-9919
Phone Number Fax Number
kohanlon@808west.com
Mobile Number (optional) Email Address

4. On what date did the district determine this application complete? 10-30-14
5. Has the district determined that the electronic copy and hard copy are identical? ☒ Yes ☐ No

SECTION 2: Applicant Information

1. Authorized Company Representative (Applicant)

Mark Apostle
First Name Last Name
Assistant Controller Energy Transfer Partners, L.P.
Title Organization
800 E. Sonterra Blvd., Suite 400
Street Address
800 E. Sonterra Blvd., Suite 400
Mailing Address
San Antonio Texas 78258-3941
City State ZIP
210-572-0456 210-403-6664
Phone Number Fax Number
mark.apostle@energytransfer.com
Mobile Number (optional) Business Email Address

2. Will a company official other than the authorized company representative be responsible for responding to future information requests? ☒ Yes ☐ No
- 2a. If yes, please fill out contact information for that person.

Megan McKavanagh
First Name Last Name
Property Tax Manager Energy Transfer Partners, L.P.
Title Organization
800 E. Sonterra Blvd., Suite 400
Street Address
800 E. Sonterra Blvd., Suite 400
Mailing Address
San Antonio Texas 78258-3941
City State ZIP
210-572-0457 210-403-6664
Phone Number Fax Number
megan.mckavanagh@energytransfer.com
Mobile Number (optional) Business Email Address

3. Does the applicant authorize the consultant to provide and obtain information related to this application? ☒ Yes ☐ No

For more information, visit our website: www.TexasAhead.org/tax_programs/chapter313/

Application for Appraised Value Limitation on Qualified Property



SECTION 2: Applicant Information (continued)

4. Authorized Company Consultant (If Applicable)

Mike

Fry

First Name

Last Name

Authorized Agent

Title

K E Andrews 1900 Dalrock Road; Rowlett, Texas 75088

Firm Name

469-298-1594

469-298-1619

Phone Number

Fax Number

mfry@keatax.com

Business Email Address

SECTION 3: Fees and Payments

1. Has an application fee been paid to the school district? ☒ Yes ☐ No

The total fee shall be paid at time of the application is submitted to the school district. Any fees not accompanying the original application shall be considered supplemental payments.

1a. If yes, attach in **Tab 2** proof of application fee paid to the school district.

For the purpose of questions 2 and 3, "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.

2. Will any "payments to the school district" that you may make in order to receive a property tax value limitation agreement result in payments that are not in compliance with Tax Code §313.027(i)? ☐ Yes ☒ No ☐ N/A
3. If "payments to the school district" will only be determined by a formula or methodology without a specific amount being specified, could such method result in "payments to the school district" that are not in compliance with Tax Code §313.027(i)? ☐ Yes ☒ No ☐ N/A

SECTION 4: Business Applicant Information

1. What is the legal name of the applicant under which this application is made? Lone Star NGL Asset Holdings II LLC
2. List the Texas Taxpayer I.D. number of entity subject to Tax Code, Chapter 171 (11 digits) 32044534082
3. List the NAICS code 325120
4. Is the applicant a party to any other pending or active Chapter 313 agreements? ☒ Yes ☐ No
- 4a. If yes, please list application number, name of school district and year of agreement
1016, Barbers Hill-pending; 195, Barbers Hill, 2012; 251, Barbers Hill, 2014; 339, Barbers Hill, 2014 (Frac IV submitted contemporaneously)

SECTION 5: Applicant Business Structure

1. Identify Business Organization of Applicant (corporation, limited liability corporation, etc) Limited Liability Company
2. Is applicant a combined group, or comprised of members of a combined group, as defined by Tax Code §171.0001(7)? ☒ Yes ☐ No
- 2a. If yes, attach in **Tab 3** a copy of Texas Comptroller Franchise Tax Form No. 05-165, No. 05-166, or any other documentation from the Franchise Tax Division to demonstrate the applicant's combined group membership and contact information.
3. Is the applicant current on all tax payments due to the State of Texas? ☒ Yes ☐ No
4. Are all applicant members of the combined group current on all tax payments due to the State of Texas? ☒ Yes ☐ No ☐ N/A
5. If the answer to question 3 or 4 is no, please explain and/or disclose any history of default, delinquencies and/or any material litigation, including litigation involving the State of Texas. (If necessary, attach explanation in **Tab 3**)

Application for Appraised Value Limitation on Qualified Property

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? ☒ Yes ☐ No
2. The property will be used for one of the following activities:
 - (1) manufacturing ☒ Yes ☐ No
 - (2) research and development ☐ Yes ☒ No
 - (3) a clean coal project, as defined by Section 5.001, Water Code ☐ Yes ☒ No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code ☐ Yes ☒ No
 - (5) renewable energy electric generation ☐ Yes ☒ No
 - (6) electric power generation using integrated gasification combined cycle technology ☐ Yes ☒ No
 - (7) nuclear electric power generation ☐ Yes ☒ No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) ☐ Yes ☒ No
 - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 ☐ Yes ☒ No
3. Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☒ No
4. Will any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☒ No
5. Will any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☒ No
6. Are you including property that is owned by a person other than the applicant? ☐ Yes ☒ No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? ☐ Yes ☒ No

SECTION 7: Project Description

1. In Tab 4, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

☒ Land has no existing improvements	☐ Land has existing improvements (complete Section 13)
☐ Expansion of existing operation on the land (complete Section 13)	☐ Relocation within Texas

SECTION 8: Limitation as Determining Factor

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

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

For more information, visit our website: www.TexasAhead.org/tax_programs/chapter313/

SECTION 9: Projected Timeline

1. Application approval by school board February 2015
2. Commencement of construction December 2015
3. Beginning of qualifying time period January 2016
4. First year of limitation 2018
5. Begin hiring new employees September 2016
6. Commencement of commercial operations March 2017
7. Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)? ☒ Yes ☐ No
Note: Improvements made before that time may not be considered qualified property.
8. When do you anticipate the new buildings or improvements will be placed in service? March 2017

SECTION 10: The Property

1. Identify county or counties in which the proposed project will be located Chambers County
2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property Chambers County CAD
3. Will this CAD be acting on behalf of another CAD to appraise this property? ☐ Yes ☐ No
4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:
 County: Chambers County, .496790, 100% City: Mont Belvieu, .436710, 100%
(Name, tax rate and percent of project) (Name, tax rate and percent of project)
 Hospital District: N/A Water District: N/A
(Name, tax rate and percent of project) (Name, tax rate and percent of project)
 Other (describe): N/A Other (describe): N/A
(Name, tax rate and percent of project) (Name, tax rate and percent of project)
5. Is the project located entirely within the ISD listed in Section 1? ☒ Yes ☐ No
 5a. If no, attach in **Tab 6** additional information on the project scope and size to assist in the economic analysis.
6. Did you receive a determination from the Texas Economic Development and Tourism Office that this proposed project and at least one other project seeking a limitation agreement constitute a single unified project (SUP), as allowed in §313.024(d-2)? ☐ Yes ☒ No
 6a. If yes, attach in **Tab 6** supporting documentation from the Office of the Governor.

SECTION 11: 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 Subchapter B or Subchapter C, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's website at www.texasahead.org/tax_programs/chapter313/.

1. At the time of application, what is the estimated minimum qualified investment required for this school district? 30,000,000.00
2. What is the amount of appraised value limitation for which you are applying? 30,000,000.00
Note: The property value limitation amount is based on property values available at the time of application and may change prior to the execution of any final agreement.
3. Does the qualified investment meet the requirements of Tax Code §313.021(1)? ☒ Yes ☐ No
4. Attach a description of the qualified investment [See §313.021(1).] The description must include:
 - a. 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 (**Tab 7**);
 - b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your minimum qualified investment (**Tab 7**); and
 - c. a detailed map of the qualified investment showing location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period, with vicinity map (**Tab 11**).
5. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or §313.053 for Subchapter C school districts) for the relevant school district category during the qualifying time period? ☒ Yes ☐ No

Application for Appraised Value Limitation on Qualified Property

SECTION 12: Qualified Property

1. Attach a detailed description of the qualified property. [See §313.021(2)] (If qualified investment describes qualified property exactly, you may skip items a, b and c below.) The description must include:
 - 1a. 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 (Tab 8);
 - 1b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your qualified property (Tab 8); and
 - 1c. a map of the qualified property showing location of new buildings or new improvements with vicinity map (Tab 11).
2. Is the land upon which the new buildings or new improvements will be built part of the qualified property described by §313.021(2)(A)? ☐ Yes ☒ No
 - 2a. If yes, attach complete documentation including:
 - a. legal description of the land (Tab 9);
 - b. each existing appraisal parcel number of the land on which the new improvements will be constructed, regardless of whether or not all of the land described in the current parcel will become qualified property (Tab 9);
 - c. owner (Tab 9);
 - d. the current taxable value of the land. Attach estimate if land is part of larger parcel (Tab 9); and
 - e. a detailed map showing the location of the land with vicinity map (Tab 11).
3. Is the land on which you propose new construction or new 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
 - 3a. If yes, attach the applicable supporting documentation:
 - a. evidence that the area qualifies as a enterprise zone as defined by the Governor's Office (Tab 16);
 - b. legal description of reinvestment zone (Tab 16);
 - c. order, resolution or ordinance establishing the reinvestment zone (Tab 16);
 - d. guidelines and criteria for creating the zone (Tab 16); and
 - e. a map of the reinvestment zone or enterprise zone boundaries with vicinity map (Tab 11)
 - 3b. If no, submit detailed description of proposed reinvestment zone or enterprise zone with a map indicating the boundaries of the zone on which you propose new construction or new improvements to the Comptroller's office within 30 days of the application date. What is the anticipated date on which you will submit final proof of a reinvestment zone or enterprise zone?

SECTION 13: Information on Property Not Eligible to Become Qualified Property

1. In Tab 10, attach a specific and detailed description of all **existing property**. This includes buildings and improvements existing as of the application review start date (the date the application is determined to be complete by the Comptroller). The description must provide sufficient detail to locate all existing property on the land that will be subject to the agreement and distinguish existing property from future proposed property.
2. In Tab 10, attach a specific and detailed description of all **proposed new property that will not become new improvements** as defined by TAC 9.1051. This includes proposed property that: functionally replaces existing or demolished/removed property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property; or is otherwise ineligible to become qualified property. The description must provide sufficient detail to distinguish existing property (question 1) and all proposed new property that cannot become qualified property from proposed qualified property that will be subject to the agreement (as described in Section 12 of this application).
3. For the property not eligible to become qualified property listed in response to questions 1 and 2 of this section, provide the following supporting information in Tab 10:
 - a. maps and/or detailed site plan;
 - b. surveys;
 - c. appraisal district values and parcel numbers;
 - d. inventory lists;
 - e. existing and proposed property lists;
 - f. model and serial numbers of existing property; or
 - g. other information of sufficient detail and description.
4. Total estimated market value of existing property (that property described in response to question 1): \$ 0.00
5. In Tab 10, include an appraisal value by the CAD of all the buildings and improvements existing as of a date within 15 days of the date the application is received by the school district.
6. Total estimated market value of proposed property not eligible to become qualified property (that property described in response to question 2): \$ 0.00

Note: Investment for the property listed in question 2 may count towards qualified investment in Column C of Schedules A-1 and A-2, if it meets the requirements of 313.021(1). Such property cannot become qualified property on Schedule B.

Application for Appraised Value Limitation on Qualified Property



SECTION 14: Wage and Employment Information

1. 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
2. What is the last complete calendar quarter before application review start date:
☐ First Quarter ☐ Second Quarter ☒ Third Quarter ☐ Fourth Quarter of 2014 (year)
3. 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 Texas Workforce Commission (TWC)? 0
Note: For job definitions see TAC §9.1051 and Tax Code §313.021(3).
4. What is the number of new qualifying jobs you are committing to create? 10
5. What is the number of new non-qualifying jobs you are estimating you will create? 0
6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? ☐ Yes ☒ No
 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.
7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. 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(21) and (22).
 - a. Average weekly wage for all jobs (all industries) in the county is 1,122.00
 - b. 110% of the average weekly wage for manufacturing jobs in the county is 1,736.63
 - c. 110% of the average weekly wage for manufacturing jobs in the region is 1,149.71
8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? ☐ §313.021(5)(A) or ☒ §313.021(5)(B)
9. What is the minimum required annual wage for each qualifying job based on the qualified property? 59,785.00
10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 59,785.00
11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? ☒ Yes ☐ No
12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? ☐ Yes ☒ No
 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).
13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? ☐ Yes ☒ No
 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

SECTION 15: Economic Impact

1. Complete and attach Schedules A1, A2, B, C, and D in **Tab 14**. Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.
2. Attach an Economic Impact Analysis, if supplied by other than the Comptroller's Office, in **Tab 15**. (not required)
3. If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, attach a separate schedule showing the amount for each year affected, including an explanation, in **Tab 15**.

SECTION 16: Authorized Signatures and Applicant Certification

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in Tab 17. NOTE: If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

1. Authorized School District Representative Signature

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.

print
here →Becky McManus
Print Name (Authorized School District Representative)Assistant Superintendent of Finance
Titlesign
here →Becky McManus
Signature (Authorized School District Representative)10/27/14
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

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 and schedules 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.

print
here →MARE APOSTLE
Print Name (Authorized Company Representative (Applicant))Divisional Controller
Titlesign
here →MARE APOSTLE
Signature (Authorized Company Representative (Applicant))10/20/14
Date

(Notary Seal)

GIVEN under my hand and seal of office this, the

20 day of October 2014

Beverly M. Hernandez
Notary Public in and for the State of Texas

My Commission expires: 9.3.2018

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 Section 37.10.

Application for Appraised Value Limitation on Qualified Property



APPLICATION TAB ORDER FOR REQUESTED ATTACHMENTS

TAB	ATTACHMENT
1	Pages 1 through 11 of Application
2	Proof of Payment of Application Fee
3	Documentation of Combined Group membership under Texas Tax Code 171.0001(7), history of tax default, delinquencies and/or material litigation <i>(if applicable)</i>
4	Detailed description of the project
5	Documentation to assist in determining if limitation is a determining factor
6	Description of how project is located in more than one district, including list of percentage in each district and, if determined to be a single unified project, documentation from the Office of the Governor <i>(if applicable)</i>
7	Description of Qualified Investment
8	Description of Qualified Property
9	Description of Land
10	Description of all property not eligible to become qualified property <i>(if applicable)</i>
11	Maps that clearly show: a) Project vicinity b) Qualified investment including location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period c) Qualified property including location of new buildings or new improvements d) Existing property e) Land location within vicinity map f) Reinvestment or Enterprise Zone within vicinity map, showing the actual or proposed boundaries and size Note: Electronic maps should be high resolution files. Include map legends/markers.
12	Request for Waiver of Job Creation Requirement and supporting information <i>(if applicable)</i>
13	Calculation of three possible wage requirements with TWC documentation
14	Schedules A1, A2, B, C and D completed and signed Economic Impact <i>(if applicable)</i>
15	Economic Impact Analysis, other payments made in the state or other economic information <i>(if applicable)</i>
16	Description of Reinvestment or Enterprise Zone, including: a) evidence that the area qualifies as a enterprise zone as defined by the Governor's Office b) legal description of reinvestment zone* c) order, resolution or ordinance establishing the reinvestment zone* d) guidelines and criteria for creating the zone* * To be submitted with application or before date of final application approval by school board
17	Signature and Certification page, signed and dated by Authorized School District Representative and Authorized Company Representative <i>(applicant)</i>

TAB 02

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)*

TAB 03

Documentation of Combined Group Membership

N/A

**Documentation of combined
group received by the
Texas Comptroller
of Public Accounts**

TAB 04

Detailed Description of Project

Lone Star NGL II, LLC
Project Description

Detailed Description and Process for Proposed Project

Lone Star NGL Asset Holdings II, LLC is proposing to build a fifth NGL fractionation unit (Fractionation Plant V). Projected timeline for ETC to start construction is December of 2015 and start hiring the new employees in September of 2016. This should allow for completion and commencement of commercial operations to start in March of 2017.

This facility will be constructed within the reinvestment zone that was put in place for Fractionation Plant I, II, and III but operates independently and is not dependent upon or offer enhancements to the operation of those existing plants.

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

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

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

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

List of Improvements

Plant Components

- Pre-treatment Systems
- De-Ethanizer Unit
- De-Propanizer Unit
- De-butanizer Unit
- Towers

- Butane Splitter (De-Isobutanizer)
- All appurtenant components
- Heat Medium
- Gasoline Treater
- Compression Equipment
- Additional storage facilities for Y-grade liquids and other components

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.

TAB 05

Limitation as Determining Factor

Limitation is a Determining as a Factor:

Energy Transfer is a leading midstream energy company whose primary activities include gathering, treating, processing and transporting natural gas and natural gas liquids to a variety of markets and states. Energy Transfer currently operates over 17,500 miles of pipeline, 3 gas processing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations included Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

Energy Transfer's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation. See economic model showing business value with and without 313 Limitation Agreement and 312 Abatements.

Frac V
As of: 1/1/2015
Year 1 Ending: 12/31/2015

Property Tax: 2.35%
Cost: \$ 300,000,000



Chambers County

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Year
Revenue													
% Growth													
Operating Expenses													
G&A Expenses													
Property Tax													
EBITDA													
Margin %													
Growth Capex													
Free Cash Flow													
Cumulative Free Cash Flow													
Partial Period Adjustment													
Mid Year Convention													
Present Value Factor @ 9.00%													
Present Value of Free Cash Flow													
Sum of Present Value of Free Cash Flows													
Present Value of Terminal Value													
Operating Business Enterprise Value													
Working Capital Excess/(Deficit)													
Total Business Enterprise Value													
IRR													
Total Business Enterprise Value w/o Limitations													

Terminal Cash Flow	\$ 66,062,678
Discount Rate	9.00%
Long Term Growth Rate	1.00%
Capitalization Rate	8.00%
Terminal Value	\$825,783,481
Present Value Factor	0.37
PV of Terminal Value	\$306,521,869

TAB 06

N/A

TAB 07

Description of Qualified Investment

Lone Star NGL II, LLC

Project Description

Detailed Description and Process for Proposed Project

Lone Star NGL Asset Holdings II, LLC is proposing to build a fifth NGL fractionation unit (Fractionation Plant V). Projected timeline for ETC to start construction is December of 2015 and start hiring the new employees in September of 2016. This should allow for completion and commencement of commercial operations to start in March of 2017.

This facility will be constructed within the reinvestment zone that was put in place for Fractionation Plant I, II, and III but operates independently and is not dependent upon or offer enhancements to the operation of those existing plants.

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

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

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

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

List of Improvements

Plant Components

- Pre-treatment Systems
- De-Ethanizer Unit
- De-Propanizer Unit
- De-butanizer Unit
- Towers

- Butane Splitter (De-Isobutanizer)
- All appurtenant components
- Heat Medium
- Gasoline Treater
- Compression Equipment
- Additional storage facilities for Y-grade liquids and other components

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 next 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.

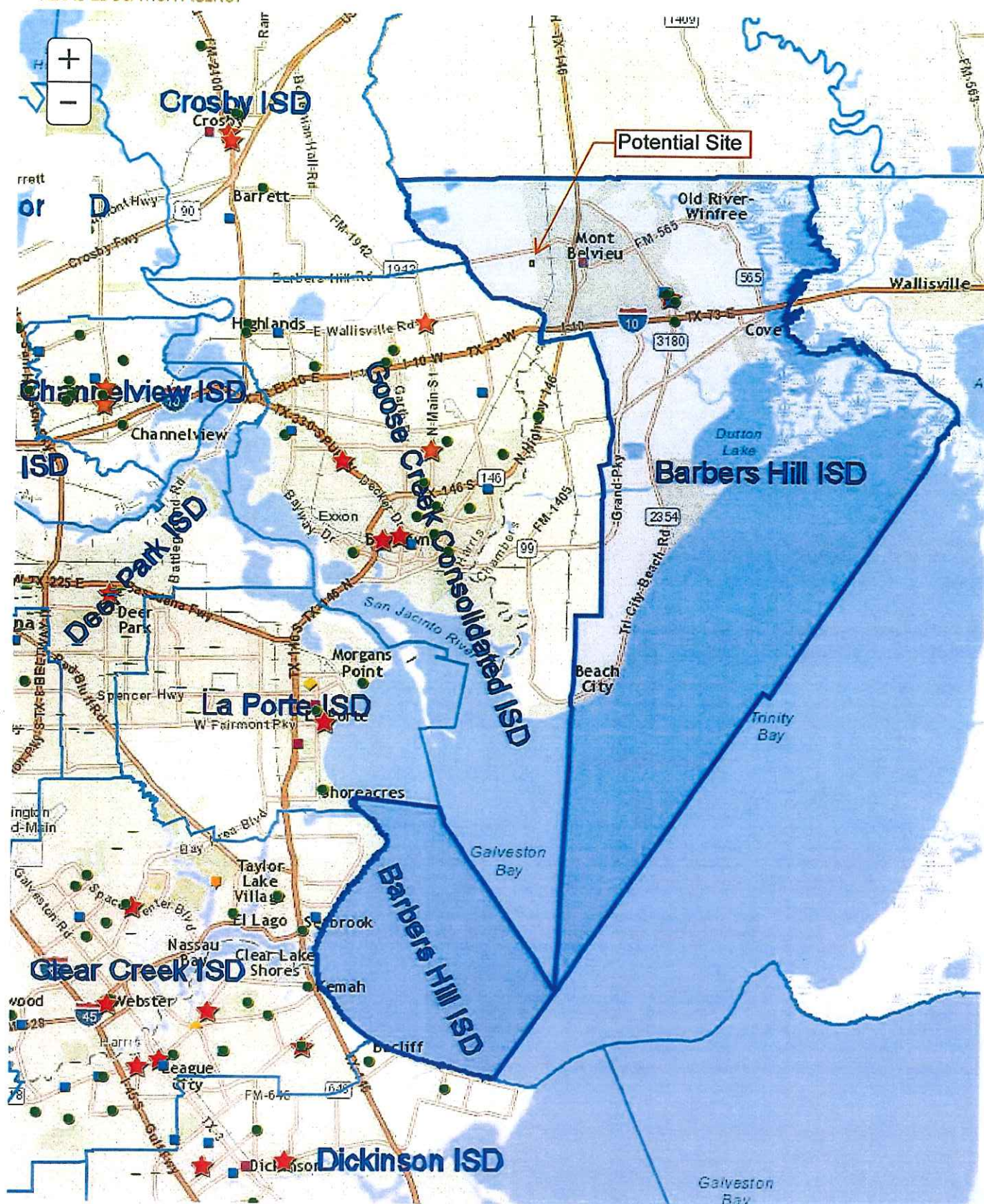
Demand for NGLs

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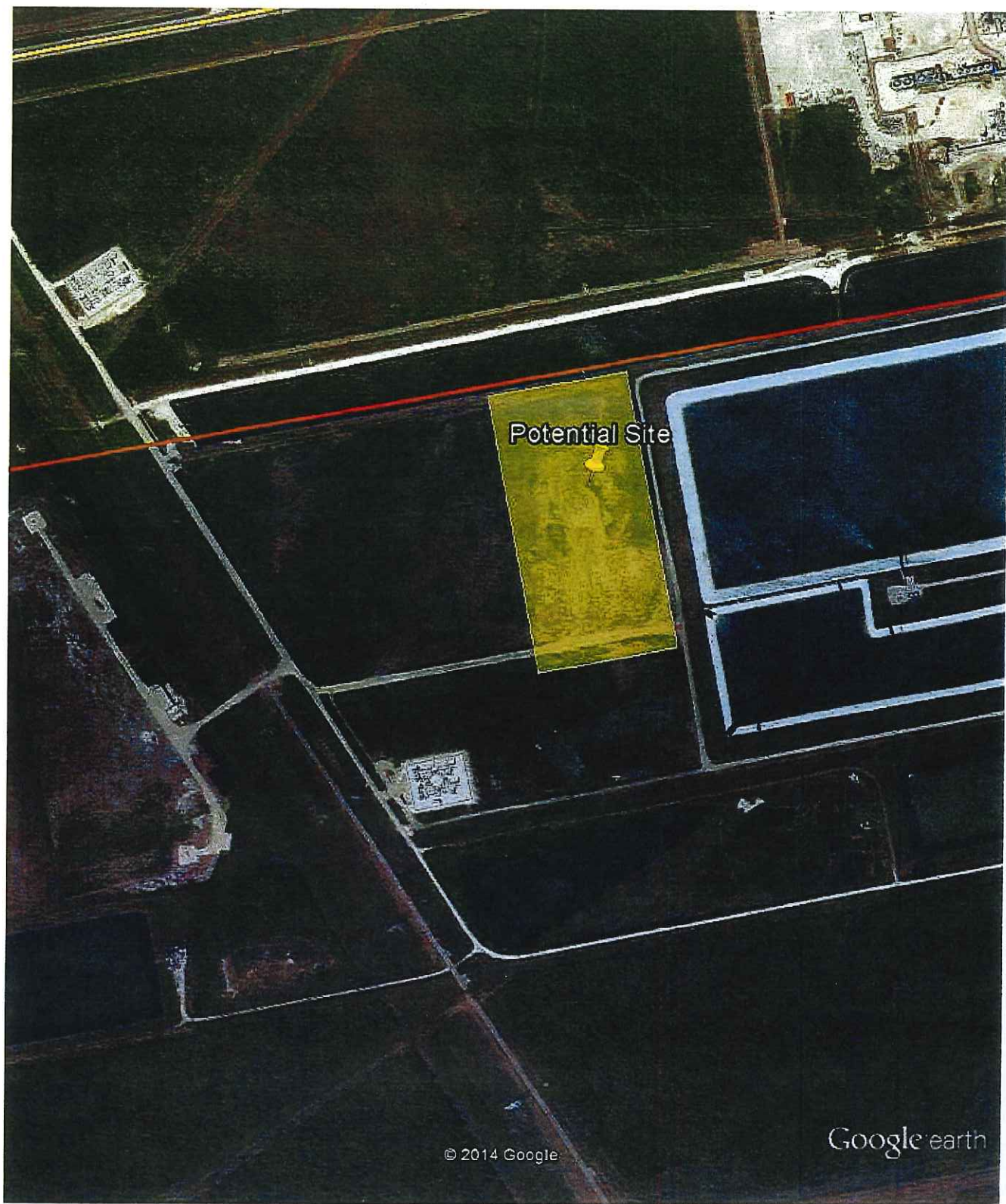




Google earth

miles 1
km 2





Google earth

feet
meters

1000

500



TAB 08

Lone Star NGL II, LLC
Project Description

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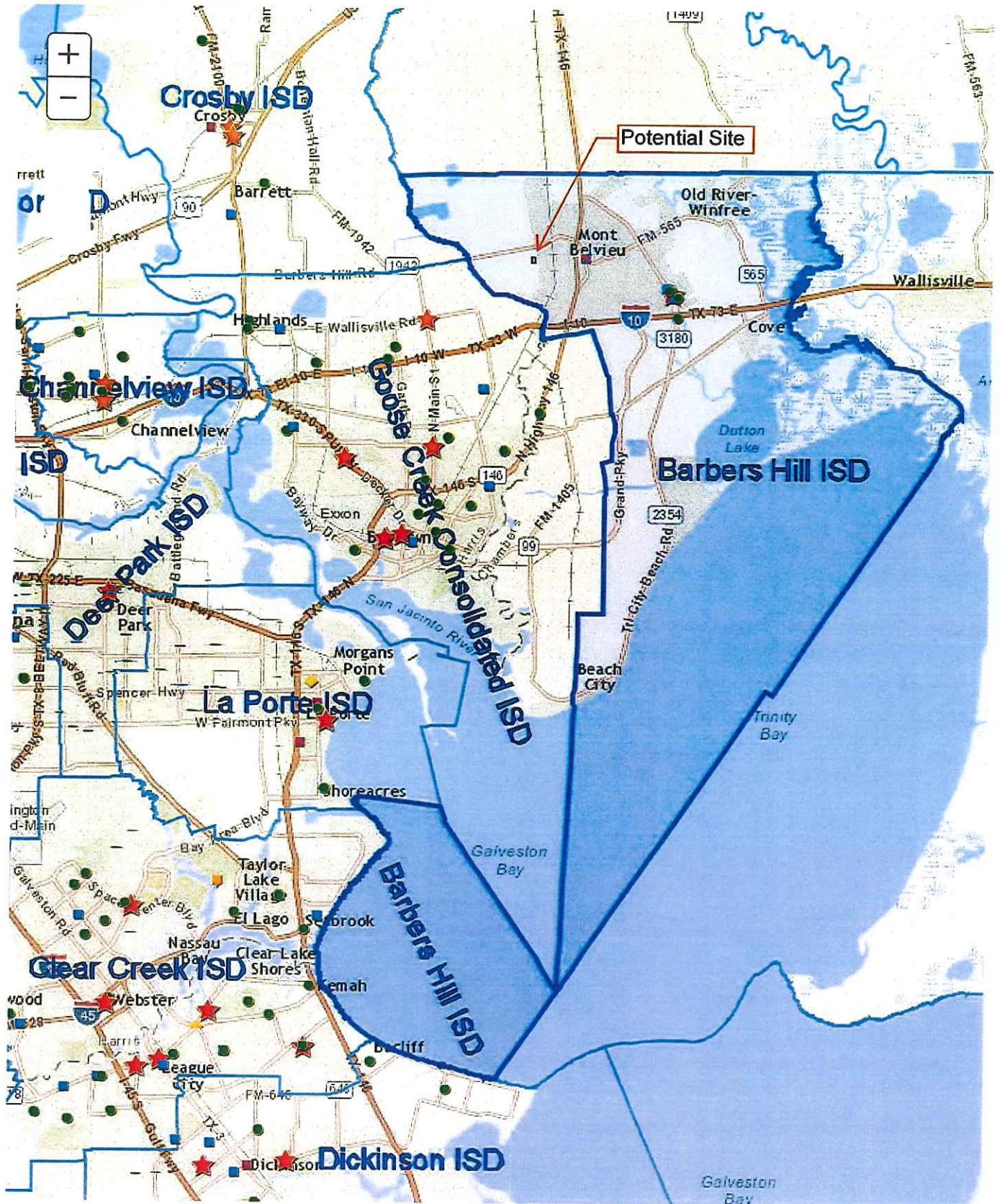
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Google earth

miles 1
km 2





© 2014 Google

Google earth

Google earth

feet
meters

1000

500



TAB 09

Description of Land

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

44	16241	12 TR 67-1 H GRIFFITH	
45	16241	12 TR 67-1 H GRIFFITH	
46A	31391	4 TR 9-0-2 WM BLOODGOOD	
46B	31390	4 TR 9-0-1 WM BLOODGOOD	
47	3101	12 TR 74-5 H GRIFFITH	
48	3100	24 7-1 W D SMITH	
49	3099	24 6-1 W D SMITH	
50			
	3098	24 6-0 W D SMITH	
	22676	24 6-2 W D SMITH	part of 48-50
51	24544	24 8-1 W D SMITH	Part of 52
52			
	22668	24 8-5 WM D SMITH	
	20522	24 8-2 W D SMITH	
	24545	24 8-4 W D SMITH	
	24544	24 8-1 W D SMITH	
53	49400	12 TR 12-0-6 H GRIFFITH	
54	49351	24 1-2-4 W D SMITH	

Non LGH Parcels

55	9831	24 11-1 WM D SMITH
56	50539	24 1-5-1 WM D SMITH
57	50538	24 1-3-1 W D SMITH
58	508	24 9-2 W D SMITH
59	18943	12 TR 74-0 H GRIFFITH
60	17620	12 TR 91-1 H GRIFFITH
61	4729	12 TR 82-0 H GRIFFITH
62	19145	12 TR 78-0 H GRIFFITH
63	5084	4 TR 4-0 WM BLOODGOOD
64	1863	4 TR 5-0 WM BLOODGOOD

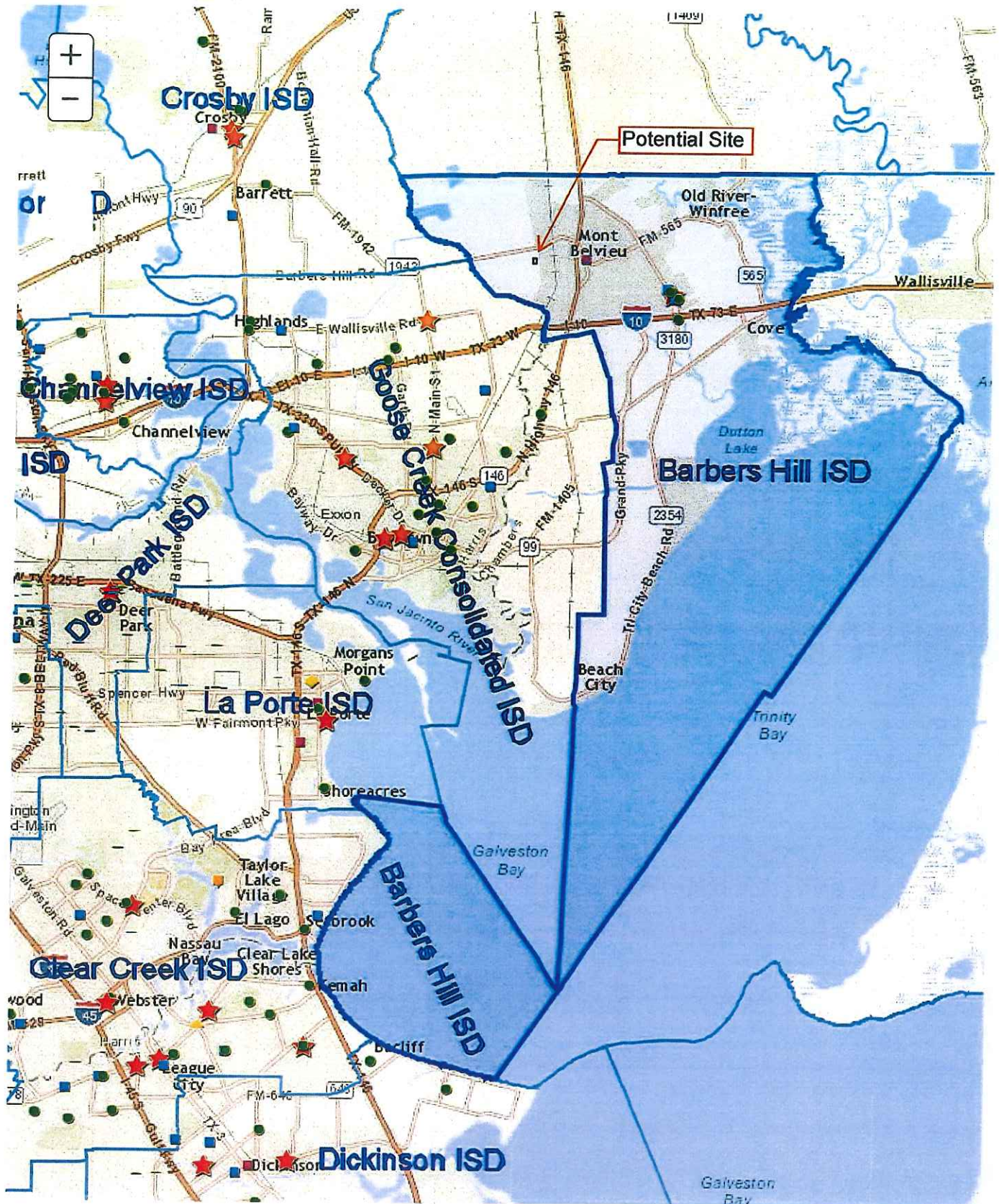
TAB 10

Description of Existing Improvements

There are no existing improvements related to the proposed project at this site.

TAB 11

Maps

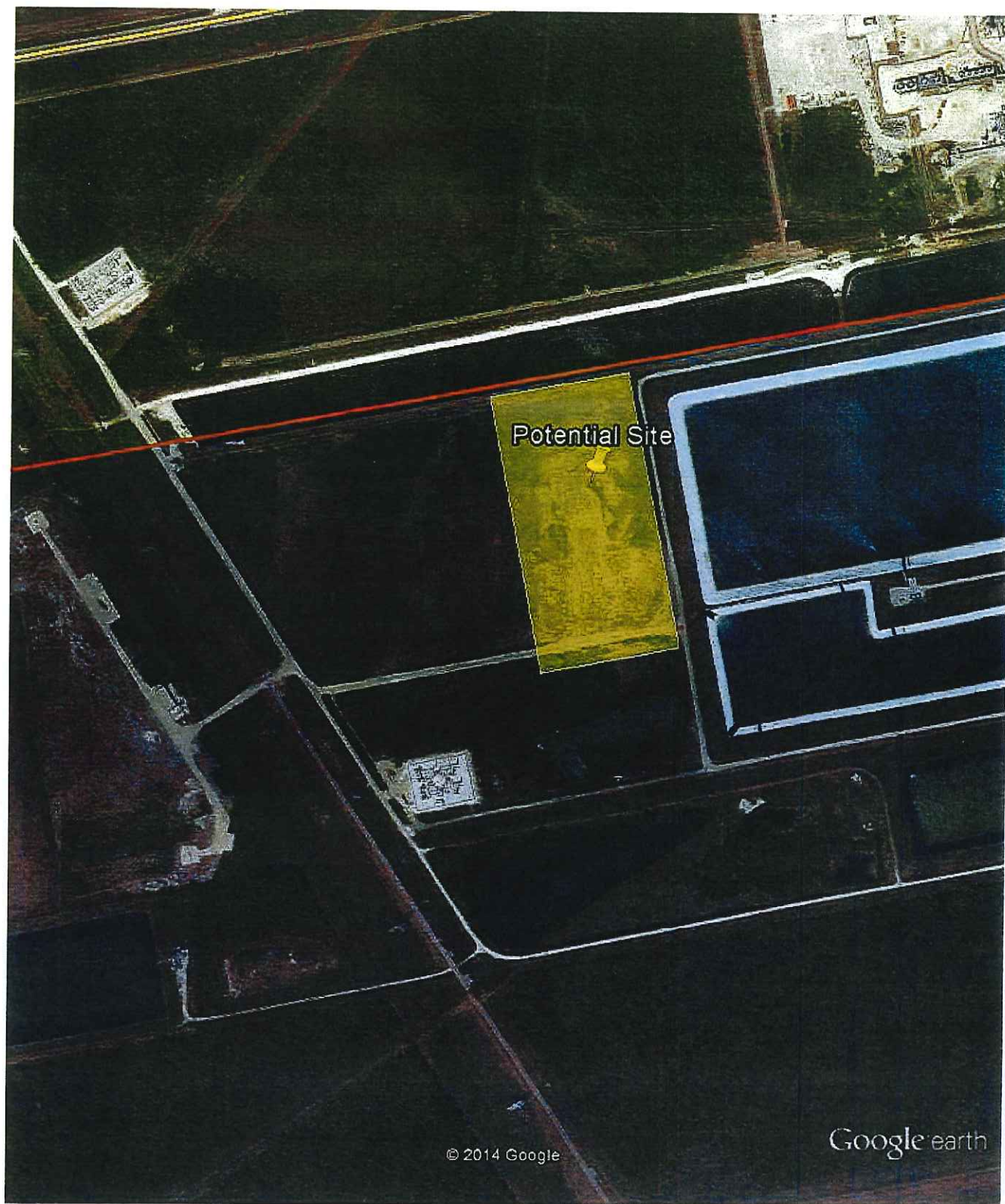




Google earth

miles 1
km 2





Google earth

feet 1000
meters 500



TAB 12

Request for Job Waiver

N/A

TAB 13

Calculation of Wage Requirements

Calculation of Wage Information - Based on Most Recent Data Available
Chambers County, TX

110% of County Average Weekly Wage for all Jobs

2014	1Q	\$ 1,060
2013	2Q	\$ 1,105
2013	3Q	\$ 1,109
2013	4Q	\$ 1,214

$\$ 4,488 / 4 =$ \$1,122 average weekly salary
 x1.1 (110%)
 \$ 1,234.20

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

2014	1Q	\$ 1,422
2013	2Q	\$ 1,725
2013	3Q	\$ 1,436
2013	4Q	\$ 1,732

$\$ 6,315 / 4 =$ \$1,579 average weekly salary
 x1.1 (110%)
 \$ 1,736.63

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

\$54,350.00 per year

X1.10 (110%)

\$59,785.00

\$1,149.71 Average weekly

Quarterly Census of Employment and Wages

Series Id: ENU4807140510

State: Texas

Area: Chambers County, Texas

Industry: Total, all industries

Owner: Private

Size: All establishment sizes

Type: Average Weekly Wage

 .xlsx

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2013	1104	1105	1109	1214	1132
2014	1060(P)				

P : Preliminary.

Quarterly Census of Employment and Wages

Series Id: ENU480714051013

State: Texas

Area: Chambers County, Texas

Industry: Manufacturing

Owner: Private

Size: All establishment sizes

Type: Average Weekly Wage

 [xlsx](#)

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2013	1532	1725	1436	1732	1606
2014	1422(P)				

P : Preliminary.

**2013 Manufacturing Wages by Council of Government Region
Wages for All Occupations**

COG	Wages	
	Hourly	Annual
Texas	\$23.73	\$49,363
<u>1. Panhandle Regional Planning Commission</u>	\$20.43	\$42,499
<u>2. South Plains Association of Governments</u>	\$16.53	\$34,380
<u>3. NORTEX Regional Planning Commission</u>	\$19.15	\$39,838
<u>4. North Central Texas Council of Governments</u>	\$25.00	\$51,997
<u>5. Ark-Tex Council of Governments</u>	\$17.45	\$36,298
<u>6. East Texas Council of Governments</u>	\$19.50	\$40,565
<u>7. West Central Texas Council of Governments</u>	\$18.64	\$38,779
<u>8. Rio Grande Council of Governments</u>	\$16.27	\$33,848
<u>9. Permian Basin Regional Planning Commission</u>	\$22.89	\$47,604
<u>10. Concho Valley Council of Governments</u>	\$17.20	\$35,777
<u>11. Heart of Texas Council of Governments</u>	\$19.44	\$40,444
<u>12. Capital Area Council of Governments</u>	\$27.31	\$56,805
<u>13. Brazos Valley Council of Governments</u>	\$17.20	\$35,770
<u>14. Deep East Texas Council of Governments</u>	\$16.48	\$34,287
<u>15. South East Texas Regional Planning Commission</u>	\$29.09	\$60,501
<u>16. Houston-Galveston Area Council</u>	\$26.13	\$54,350
<u>17. Golden Crescent Regional Planning Commission</u>	\$22.23	\$46,242
<u>18. Alamo Area Council of Governments</u>	\$18.91	\$39,329
<u>19. South Texas Development Council</u>	\$13.94	\$28,990
<u>20. Coastal Bend Council of Governments</u>	\$23.78	\$49,454
<u>21. Lower Rio Grande Valley Development Council</u>	\$15.82	\$32,907
<u>22. Texoma Council of Governments</u>	\$20.93	\$43,529
<u>23. Central Texas Council of Governments</u>	\$17.33	\$36,042
<u>24. Middle Rio Grande Development Council</u>	\$19.07	\$39,666

Source: Texas Occupational Employment and Wages

Data published: July 2014

Data published annually, next update will be July 31, 2015

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.

TAB 14

Schedules A1 - D

Schedule A1: Total Investment for Economic Impact (through the Qualifying Time Period)

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

Form 50-296A
Revised Feb 2014

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 New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	Column B New investment made during this year in buildings or personal property that will become Qualified Property	Column C Other new investment made during this year that will not become Qualified Property [SEE NOTE]
						Column D Other new investment made during this year that may become Qualified Property [SEE NOTE]
						Column E Total Investment (Sum of Columns A+B+C+D)
Investment made before filing complete application with district	Year preceding the first complete tax year of the qualifying time period (assuming no deferrals of qualifying time period)	2015-2016	2015			
Investment made after filing complete application with district, but before final board approval of application						
Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period						
Complete tax years of qualifying time period		QTP1	2016	\$ 5,000,000.00	\$ -	\$ -
		2016-2017	2016	\$ 295,000,000.00	\$ -	\$ -
		2017-2018	2017	\$ -	\$ -	\$ -
Total Investment through Qualifying Time Period [ENTER this row in Schedule A2]				\$ 300,000,000.00	\$ -	\$ -
Total Qualified Investment (sum of green cells)				\$ 300,000,000.00	Enter amounts from TOTAL row above in Schedule A2	
				\$ 300,000,000.00		

For All Columns: List amount invested each year, not cumulative totals.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application.

Column B: Only tangible personal property that is specifically described in the application can become qualified property.

Column C: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of §13.02(1) but not creating a new improvement as defined by TAC § 1.051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column E: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

Total Investment: Add together each cell in a column and enter the sum in the blue total investment row. Enter the data from this row into the first row in Schedule A2.

Qualified Investment: For the green qualified investment cell, enter the sum of all the green-shaded cells.

Schedule A2: Total Investment for Economic Impact (including Qualified Property and other investments)

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		Column B	Column C	Column D	Column E
				New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property				
Total Investment from Schedule A1*	-	TOTALS FROM SCHEDULE A1		\$	300,000,000.00				\$ 300,000,000.00
Each year prior to start of value limitation period** Invest as may arise as necessary	0	2015-2016	2015	\$	5,000,000.00				\$ 5,000,000.00
Each year prior to start of value limitation period** Invest as may arise as necessary	0	2016-2017	2016	\$	295,000,000.00				\$ 295,000,000.00
Each year prior to start of value limitation period** Invest as may arise as necessary	0	2017-2018	2017						
Value limitation period***	1	2018-2019	2018						
	2	2019-2020	2019						
	3	2020-2021	2020						
	4	2021-2022	2021						
	5	2022-2023	2022						
	6	2023-2024	2023						
	7	2024-2025	2024						
	8	2025-2026	2025						
	9	2026-2027	2026						
	10	2027-2028	2027						
Total Investment made through limitation				\$	300,000,000.00				\$ 300,000,000.00
Continue to maintain viable presence	11	2028-2029	2028						
	12	2029-2030	2029						
	13	2030-2031	2030						
	14	2031-2032	2031						
	15	2032-2033	2032						
Additional years for 25 year economic impact as required by 313.023(c)(1)	16	2033-2034	2033						
	17	2034-2035	2034						
	18	2035-2036	2035						
	19	2036-2037	2036						
	20	2037-2038	2037						
	21	2038-2039	2038						
	22	2039-2040	2039						
	23	2040-2041	2040						
	24	2041-2042	2041						
	25	2042-2043	2042						

* All investments made through the qualifying time period are captured and totaled on Schedule A1 [blue box] and incorporated into this schedule in the first row.

** Only investment made during deferrals of the start of the limitation (after the end of the qualifying time period but before the start of the Value Limitation Period) should be included in the "year prior to start of value limitation period" row(s). If the limitation starts at the end of the qualifying time period or the qualifying time period overlaps the limitation, no investment should be included on this line.

*** If your qualifying time period will overlap your value limitation period, do not also include investment made during the qualifying time period in years 1 and/or 2 of the value limitation period, depending on the overlap. Only include investments/years that were not captured on Schedule A1.

Column A: This represents the total dollar amount of planned investment in the remaining rows of Schedule A2 that were not captured on Schedule A1.

Column B: Only tangible personal property that is specifically described in the application can become qualified property.

Column C: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.023(c)(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property, is used to maintain, refurbish, renovate, modify or upgrade existing property, or is added to existing property—described in SECTION 13, question #5 of the application.

Column E: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

Schedule B: Estimated Market And Taxable Value (of Qualified Property Only)

Lone Star NGL Asset Holdings II LLC

Barbers Hill ISD

Form 50-296A

Revised Feb 2014

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year)	Qualified Property			Estimated Taxable Value		
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new buildings or "in or on the new improvements"	Market Value less any exemptions (such as pollution control) and before limitation	Final taxable value for I&S after all reductions	Final taxable value for M&O after all reductions
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary.</i>	0	2015-2016	2015						
	0	2016-2017	2016	\$ -	\$ -	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Value Limitation Period	0	2017-2018	2017	\$ -	\$ -	\$ 150,000,000	\$ 150,000,000	\$ 150,000,000	\$ 150,000,000
	1	2018-2019	2018	\$ -	\$ -	\$ 285,000,000	\$ 285,000,000	\$ 285,000,000	\$ 30,000,000
	2	2019-2020	2019	\$ -	\$ -	\$ 273,600,000	\$ 273,600,000	\$ 273,600,000	\$ 30,000,000
	3	2020-2021	2020	\$ -	\$ -	\$ 262,200,000	\$ 262,200,000	\$ 262,200,000	\$ 30,000,000
	4	2021-2022	2021	\$ -	\$ -	\$ 250,800,000	\$ 250,800,000	\$ 250,800,000	\$ 30,000,000
	5	2022-2023	2022	\$ -	\$ -	\$ 239,400,000	\$ 239,400,000	\$ 239,400,000	\$ 30,000,000
	6	2023-2024	2023	\$ -	\$ -	\$ 228,000,000	\$ 228,000,000	\$ 228,000,000	\$ 30,000,000
	7	2024-2025	2024	\$ -	\$ -	\$ 216,600,000	\$ 216,600,000	\$ 216,600,000	\$ 30,000,000
	8	2025-2026	2025	\$ -	\$ -	\$ 205,200,000	\$ 205,200,000	\$ 205,200,000	\$ 30,000,000
	9	2026-2027	2026	\$ -	\$ -	\$ 193,800,000	\$ 193,800,000	\$ 193,800,000	\$ 30,000,000
Continue to maintain viable presence	10	2027-2028	2027	\$ -	\$ -	\$ 182,400,000	\$ 182,400,000	\$ 182,400,000	\$ 30,000,000
	11	2028-2029	2028	\$ -	\$ -	\$ 171,000,000	\$ 171,000,000	\$ 171,000,000	\$ 171,000,000
	12	2029-2030	2029	\$ -	\$ -	\$ 159,600,000	\$ 159,600,000	\$ 159,600,000	\$ 159,600,000
	13	2030-2031	2030	\$ -	\$ -	\$ 148,200,000	\$ 148,200,000	\$ 148,200,000	\$ 148,200,000
	14	2031-2032	2031	\$ -	\$ -	\$ 136,800,000	\$ 136,800,000	\$ 136,800,000	\$ 136,800,000
	15	2032-2033	2032	\$ -	\$ -	\$ 125,400,000	\$ 125,400,000	\$ 125,400,000	\$ 125,400,000
	16	2033-2034	2033	\$ -	\$ -	\$ 114,000,000	\$ 114,000,000	\$ 114,000,000	\$ 114,000,000
	17	2034-2035	2034	\$ -	\$ -	\$ 102,600,000	\$ 102,600,000	\$ 102,600,000	\$ 102,600,000
	18	2035-2036	2035	\$ -	\$ -	\$ 91,200,000	\$ 91,200,000	\$ 91,200,000	\$ 91,200,000
	19	2036-2037	2036	\$ -	\$ -	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000
Additional years for 25 year economic impact as required by 313.026(c)(1)	20	2037-2038	2037	\$ -	\$ -	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000
	21	2038-2039	2038	\$ -	\$ -	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000
	22	2039-2040	2039	\$ -	\$ -	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000
	23	2040-2041	2040	\$ -	\$ -	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000
	24	2041-2042	2041	\$ -	\$ -	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000
	25	2042-2043	2042	\$ -	\$ -	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000
	25	2042-2043	2042	\$ -	\$ -	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000	\$ 79,800,000

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

Only include market value for eligible property on this schedule.

Applicant Name
ISD Name

Lone Star NGL Asset Holdings II LLC
Barbers Hill ISD

Schedule C: Employment Information

Form 50-296A
Revised Feb. 2014

Construction			Non-Qualifying Jobs		Qualifying Jobs	
Column A	Column B	Column C	Column D	Column E		
Number of Construction FTE's or man-hours (specify)	Average annual wage rates for construction workers	Number of non-qualifying jobs applicant estimates it will create (cumulative)	Number of new qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Average annual wage of new qualifying jobs		
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	Year	School Year (YYYY-YYYY)	Tax Year (Actual tax year) YYYY			
	0	2015-2016	2015			
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2016-2017	2016			
	0	2017-2018	2017			
	1	2018-2019	2018			
	2	2019-2020	2019			
	3	2020-2021	2020			
	4	2021-2022	2021			
	5	2022-2023	2022			
	6	2023-2024	2023			
	7	2024-2025	2024			
	8	2025-2026	2025			
	9	2026-2027	2026			
	10	2027-2028	2027			
Years Following Value Limitation Period	11 through 26	2028-2029	2028			

Notes: See TAC 9.1051 for definition of non-qualifying jobs.
Only include jobs on the project site in this school district.

C1. Are the cumulative number of qualifying jobs listed in Column D less than the number of qualifying jobs required by statute?
qualifying jobs in Subchapter B districts, 10 qualifying jobs in Subchapter C districts)
If yes, answer the following two questions:

C1a. Will the applicant request a job waiver, as provided under 313.025(f-1)?

C1b. Will the applicant avail itself of the provision in 313.021(3)(F)?

(25)	☐	Yes	☒	No
	☐	Yes	☒	No
	☐	Yes	☒	No

Applicant Name
ISD Name

Lone Star NGL Asset Holdings II LLC
Barbers Hill ISD

Schedule D: Other Incentives (Estimated)

Form 50-296A
Revised Feb 2014

State and Local Incentives for which the Applicant intends to apply (Estimated)						
Incentive Description	Taxing Entity (as applicable)	Beginning Year of Benefit	Duration of Benefit	Annual Tax Levy without Incentive	Annual Incentive	Annual Net Tax Levy
Tax Code Chapter 311	County: City: Other:					
	County: Chambers (Application Pending)	2017	2026	\$ 1,160,998.00	Avg 60% Per Yr	\$ 464,399.00
Tax Code Chapter 312	City: Mont Belvieu	N/A	N/A	N/A	N/A	N/A
	Other:					
Local Government Code Chapters 380/381	County: City: Other:					
Freeport Exemptions						
Non-Annexation Agreements						
Enterprise Zone/Project						
Economic Development Corporation						
Texas Enterprise Fund						
Employee Recruitment						
Skills Development Fund						
Training Facility Space and Equipment						
Infrastructure Incentives						
Permitting Assistance						
Other:						
Other:						
Other:						
Other:						
TOTAL				\$ 1,160,998.00		\$ 464,399.00

Additional information on incentives for this project:

TAB 15

Economic Impact Study

Frac V
As of: 1/1/2015
Year 1 Ending: 12/31/2015

Property Tax: 0.00%
Cost: \$ 300,000,000



Chambers County

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Year
Revenue	\$ -	\$ -	\$ 45,136,957	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 76,047,480	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700
% Growth				68.02%	0.00%	0.00%	0.27%	-0.27%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Expenses	\$ -	\$ -	\$ 2,677,946	\$ 3,272,960	\$ 3,339,022	\$ 3,406,418	\$ 3,475,175	\$ 3,545,319	\$ 3,616,879	\$ 3,689,883	\$ 3,764,419	\$ 3,689,883	\$ 3,689,883
G&A Expenses	\$ -	\$ -	\$ 803,384	\$ 981,888	\$ 1,001,707	\$ 1,021,925	\$ 1,042,552	\$ 1,063,596	\$ 1,085,064	\$ 1,106,965	\$ 1,129,326	\$ 1,152,138	\$ 1,152,138
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBITDA	\$ -	\$ -	\$ 41,655,628	\$ 71,584,852	\$ 71,498,971	\$ 71,411,356	\$ 71,529,753	\$ 71,230,786	\$ 71,137,758	\$ 71,042,852	\$ 70,945,956	\$ 70,997,678	\$ 70,997,678
Margin %			92.29%	94.39%	94.38%	94.16%	94.05%	93.92%	93.80%	93.68%	93.55%	93.62%	93.62%
Growth Capex	\$ 92,105,263	\$ 221,052,632	\$ 36,842,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Free Cash Flow	\$ (92,105,263)	\$ (221,052,632)	\$ 4,813,522	\$ 71,584,852	\$ 71,498,971	\$ 71,411,356	\$ 71,529,753	\$ 71,230,786	\$ 71,137,758	\$ 71,042,852	\$ 70,945,956	\$ 70,997,678	\$ 70,997,678
Cumulative Free Cash Flow	\$ (92,105,263)	\$ (313,157,895)	\$ (308,344,372)	\$ (236,759,520)	\$ (165,260,549)	\$ (93,849,193)	\$ (22,319,440)	\$ 48,911,346	\$ 120,049,104	\$ 191,091,955	\$ 262,037,911	\$ 333,035,590	\$ 404,033,268
Partial Period Adjustment	1	1	1	1	1	1	1	1	1	1	1	1	1
Mid Year Convention	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50	11.50	1
Present Value Factor @ 9.00%	0.96	0.88	0.81	0.74	0.68	0.62	0.57	0.52	0.48	0.44	0.40	0.37	0.37
Present Value of Free Cash Flow	\$ (88,220,842)	\$ (194,247,726)	\$ 3,880,581	\$ 52,945,419	\$ 48,515,504	\$ 44,455,095	\$ 40,852,110	\$ 37,322,352	\$ 34,195,971	\$ 31,330,596	\$ 28,704,462	\$ 26,353,568	
Sum of Present Value of Free Cash Flows	\$ 66,087,090												
Present Value of Terminal Value	\$ 329,419,599												
Operating Business Enterprise Value	\$ 395,506,690												
Working Capital Excess/(Deficit)	\$ -												
Total Business Enterprise Value	\$ 395,506,690												
IRR	14.27%												
Total Business Enterprise Value w/Limitations	\$ 395,506,690												

Terminal Cash Flow	\$ 70,997,678
Discount Rate	9.00%
Long Term Growth Rate	1.00%
Capitalization Rate	8.00%
Terminal Value	\$887,470,981
Present Value Factor	0.37
PV of Terminal Value	\$329,419,599

TAB 16

Description of Reinvestment Zone

Order, Resolution, or Ordinance Establishing the Zone

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

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

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

WHEREAS, on _____, 2011, a hearing before the Board of Trustees of the Barbers Hill Independent School District was held, such date being at least seven (7) days after the date of publication of the notice of such public hearing, and the delivery of written notice to the respective presiding officers of each taxing entity which includes within its boundaries real property that is to be included in the proposed reinvestment zone; and,

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

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

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE BARBERS HILL INDEPENDENT SCHOOL DISTRICT:

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

SECTION 2. That the Board of Trustees of the Barbers Hill Independent School District, after conducting such hearing and having heard such evidence and testimony, has made the

following findings and determinations based on the evidence and testimony presented to it:

- (a) That the public hearing on the adoption of *The Lone Star NGL Reinvestment Zone* has been properly called, held and conducted, and that notices of such hearing have been published as required by law and mailed to the respective presiding officers of the governing bodies of all taxing units overlapping the territory inside the proposed reinvestment zone; and,
- (b) That the boundaries of *The Lone Star NGL Reinvestment Zone* be and, by the adoption of this Resolution, is declared and certified to be, the area as described in the description attached hereto as "EXHIBIT A"; and,
- (c) That the map attached hereto as "EXHIBIT B" is declared to be and, by the adoption of this Resolution is certified to accurately depict and show the boundaries of *The Lone Star NGL Reinvestment Zone* which is normatively described in EXHIBIT A; and further certifies that the property described in EXHIBIT A is inside the boundaries shown on EXHIBIT B; and,
- (d) That creation of *The Lone Star NGL Reinvestment Zone* with boundaries as described in EXHIBIT A and EXHIBIT B will result in benefits to the Barbers Hill Independent School District and to land included in the zone, and that the improvements sought are feasible and practical; and,
- (e) *The Lone Star NGL Reinvestment Zone* described in EXHIBIT A and EXHIBIT B meets the criteria set forth in Texas Tax Code §312.0025 for the creation of a reinvestment zone as set forth in the Property Redevelopment and Tax Abatement Act, as amended, in that it is reasonably likely that the designation will contribute to the retention or expansion of primary employment, and/or will attract investment in the zone that will be a benefit to the property, and would contribute to economic development within the Barbers Hill Independent School District.

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

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

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

Resolution.

SECTION 6. That it is hereby found, determined and declared that a sufficient notice of the date, hour, place and subject of the meeting of the Barbers Hill Independent School District Board of Trustees, at which this Resolution was adopted, was posted at a place convenient and readily accessible at all times, as required by the Texas Open Government Act, Texas Government Code, Chapter 551, as amended; and that a public hearing was held prior to the designation of such reinvestment zone, and that proper notice of the hearing was published in newspapers of general circulation in Chambers County of the State of Texas, and furthermore, such notice was, in fact, delivered to the presiding officer of any effected taxing entity as prescribed by the Property Redevelopment and Tax Abatement Act.

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

**BARBERS HILL INDEPENDENT SCHOOL
DISTRICT**

By: _____

Carmena Goss
CARMENA GOSS

President

Board of Trustees

ATTEST:

Benny May

BENNY MAY

Secretary

Board of Trustees

Legal Description of Reinvestment Zone

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

44	16241	12 TR 67-1 H GRIFFITH	
45	16241	12 TR 67-1 H GRIFFITH	
46A	31391	4 TR 9-0-2 WM BLOODGOOD	
46B	31390	4 TR 9-0-1 WM BLOODGOOD	
47	3101	12 TR 74-5 H GRIFFITH	
48	3100	24 7-1 W D SMITH	
49	3099	24 6-1 W D SMITH	
50			
	3098	24 6-0 W D SMITH	
	22676	24 6-2 W D SMITH	part of 48-50
51	24544	24 8-1 W D SMITH	Part of 52
52			
	22668	24 8-5 WM D SMITH	
	20522	24 8-2 W D SMITH	
	24545	24 8-4 W D SMITH	
	24544	24 8-1 W D SMITH	
53	49400	12 TR 12-0-6 H GRIFFITH	
54	49351	24 1-2-4 W D SMITH	

Non LGH Parcels

55	9831	24 11-1 WM D SMITH
56	50539	24 1-5-1 WM D SMITH
57	50538	24 1-3-1 W D SMITH
58	508	24 9-2 W D SMITH
59	18943	12 TR 74-0 H GRIFFITH
60	17620	12 TR 91-1 H GRIFFITH
61	4729	12 TR 82-0 H GRIFFITH
62	19145	12 TR 78-0 H GRIFFITH
63	5084	4 TR 4-0 WM BLOODGOOD
64	1863	4 TR 5-0 WM BLOODGOOD

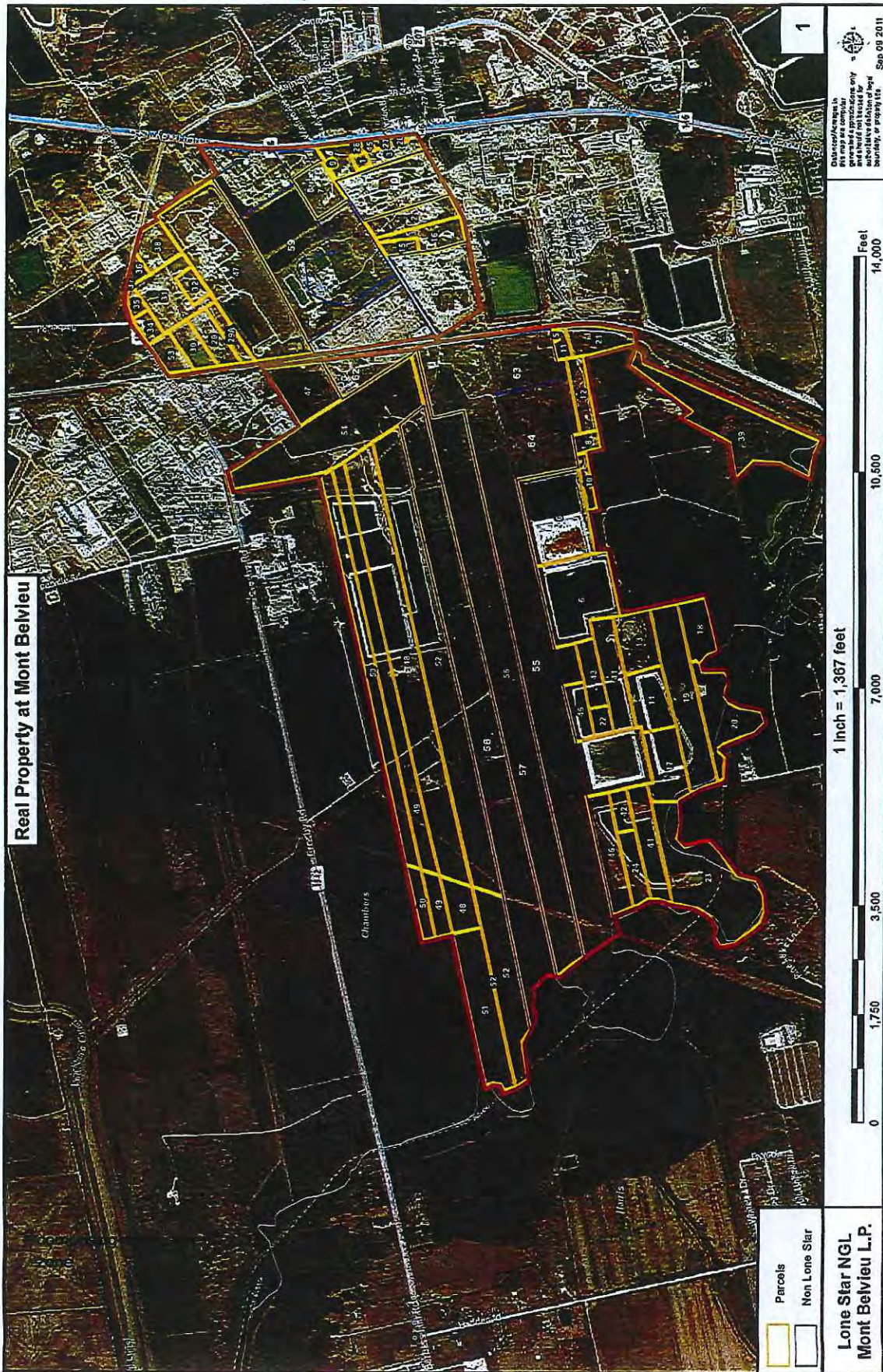


Google earth

miles 1
km 2



Map of Reinvestment Zone



TAB 17

Signature and Certification Page

SECTION 16: Authorized Signatures and Applicant Certification

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in Tab 17. NOTE: If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

1. Authorized School District Representative Signature

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.

print
here →Becky McManus
Print Name (Authorized School District Representative)Assistant Superintendent of Finance
Titlesign
here →Becky McManus
Signature (Authorized School District Representative)10/27/14
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

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 and schedules 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.

print
here →MARK APOSTLE
Print Name (Authorized Company Representative (Applicant))Divisional Controller
Titlesign
here →Mark Apostle
Signature (Authorized Company Representative (Applicant))10/20/14
Date

(Notary Seal)

GIVEN under my hand and seal of office this, the

20 day of October 2014

Beverly M. Hernandez
Notary Public in and for the State of Texas

My Commission expires: 9.3.2018

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 Section 37.10.

Attachment B

Franchise Tax Account Status



Franchise Tax Account Status

As of: 02/24/2015 09:34:58 AM

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

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

Attachment C

State Comptroller's Certification



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O.Box 13528 • Austin, TX 78711-3528

February 17, 2015

Becky McNamus
Assistant Superintendent of Finance
Barbers Hill Independent School District
PO Box 1108
Mont Belvieu, Texas 77580

Dear Assistant Superintendent McNamus:

On November 20, 2014, the Comptroller issued written notice that Lone Star NGL Asset Holdings II, LLC (the applicant) submitted a completed application (Application #1035) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on October 27, 2014, to the Barbers Hill Independent School District (the school district) by the applicant.

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

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

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application #1035.

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

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

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

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

Determination required by 313.026(c)(2)

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

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

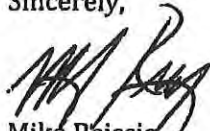
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-286) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of November 20, 2014, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Robert Wood, Associate Deputy Comptroller, by email at robert.wood@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment A – Economic Impact Analysis

This following tables summarizes the Comptroller's economic impact analysis of Lone Star NGL II, LLC (Frac V) (the project) applying to Barbers Hill Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Lone Star NGL II, LLC (Frac V).

Applicant	Lone Star NGL II, LLC (Frac V)
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2011-12 Enrollment in School District	4676
County	Chambers County
Proposed Total Investment in District	\$300,000,000
Proposed Qualified Investment	\$300,000,000
Limitation Amount	\$30,000,000
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,149.71
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,149.71
Minimum annual wage committed to by applicant for qualified jobs	\$59,785
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	\$30,000,000
Estimated M&O levy without any limit (15 years)	\$31,463,980
Estimated M&O levy with Limitation (15 years)	\$9,871,780
Estimated gross M&O tax benefit (15 years)	\$21,592,200
<i>* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).</i>	

Table 2 is the estimated statewide economic impact of Lone Star NGL II, LLC (Frac V) (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2015	189	249	438	\$10,395,000	\$17,605,000	\$28,000,000
2016	189	262	451	\$10,395,000	\$21,605,000	\$32,000,000
2017	190	281	471	\$10,450,000	\$25,550,000	\$36,000,000
2018	10	84	94	\$608,380	\$10,391,620	\$11,000,000
2019	10	51	61	\$608,380	\$8,391,620	\$9,000,000
2020	10	29	39	\$608,380	\$6,391,620	\$7,000,000
2021	10	23	33	\$608,380	\$5,391,620	\$6,000,000
2022	10	17	27	\$608,380	\$4,391,620	\$5,000,000
2023	10	21	31	\$608,380	\$4,391,620	\$5,000,000
2024	10	27	37	\$608,380	\$5,391,620	\$6,000,000
2025	10	25	35	\$608,380	\$4,391,620	\$5,000,000
2026	10	31	41	\$608,380	\$5,391,620	\$6,000,000
2027	10	27	37	\$608,380	\$5,391,620	\$6,000,000
2028	10	37	47	\$608,380	\$7,391,620	\$8,000,000
2029	10	39	49	\$608,380	\$7,391,620	\$8,000,000

Source: CPA, REMI, Lone Star NGL II, LLC (Frac V)

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Barbers Hill ISD I&S Tax	Barbers Hill ISD M&O Tax Levy	Barbers Hill ISD M&O and I&S Tax Levies	Chambers County Tax Levy	Mount Belvieu Tax Levy	Estimated Total Property Taxes
			Tax Rate ¹	0.2698	1.0600		0.4782	0.4367	
2016	\$2,500,000	\$2,500,000		\$6,745	\$26,500	\$33,245	\$11,956	\$10,918	\$56,119
2017	\$150,000,000	\$150,000,000		\$404,700	\$1,590,000	\$1,994,700	\$717,354	\$655,065	\$3,367,119
2018	\$285,000,000	\$285,000,000		\$768,930	\$3,021,000	\$3,789,930	\$1,362,973	\$1,244,624	\$6,397,526
2019	\$273,600,000	\$273,600,000		\$738,173	\$2,900,160	\$3,638,333	\$1,308,454	\$1,194,839	\$6,141,625
2020	\$262,200,000	\$262,200,000		\$707,416	\$2,779,320	\$3,486,736	\$1,253,935	\$1,145,054	\$5,885,724
2021	\$250,800,000	\$250,800,000		\$676,658	\$2,658,480	\$3,335,138	\$1,199,416	\$1,095,269	\$5,629,823
2022	\$239,400,000	\$239,400,000		\$645,901	\$2,537,640	\$3,183,541	\$1,144,897	\$1,045,484	\$5,373,922
2023	\$228,000,000	\$228,000,000		\$615,144	\$2,416,800	\$3,031,944	\$1,090,378	\$995,699	\$5,118,021
2024	\$216,600,000	\$216,600,000		\$584,387	\$2,295,960	\$2,880,347	\$1,035,859	\$945,914	\$4,862,120
2025	\$205,200,000	\$205,200,000		\$553,630	\$2,175,120	\$2,728,750	\$981,340	\$896,129	\$4,606,219
2026	\$193,800,000	\$193,800,000		\$522,872	\$2,054,280	\$2,577,152	\$926,821	\$846,344	\$4,350,318
2027	\$182,400,000	\$182,400,000		\$492,115	\$1,933,440	\$2,425,555	\$872,302	\$796,559	\$4,094,417
2028	\$171,000,000	\$171,000,000		\$461,358	\$1,812,600	\$2,273,958	\$817,784	\$746,774	\$3,838,516
2029	\$159,600,000	\$159,600,000		\$430,601	\$1,691,760	\$2,122,361	\$763,265	\$696,989	\$3,582,615
2030	\$148,200,000	\$148,200,000		\$399,844	\$1,570,920	\$1,970,764	\$708,746	\$647,204	\$3,326,714
					Total	\$39,472,453	\$14,195,479	\$12,962,863	\$66,630,796

Source: CPA, Lone Star NGL II, LLC (Frac V)

¹Tax Rate per \$100 Valuation

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

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

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought									
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Barbers Hill ISD I&S Tax Levy	Barbers Hill ISD M&O Tax Levy	Barbers Hill ISD M&O and I&S Tax Levies	Chambers County Tax Levy	Mount Belvieu Tax Levy	Estimated Total Property Taxes
			Tax Rate ¹	0.2698	1.0600		0.4782	0.4367	
2016	\$2,500,000	\$2,500,000		\$6,745	\$26,500	\$33,245	\$11,956	\$10,918	\$56,119
2017	\$150,000,000	\$150,000,000		\$404,700	\$1,590,000	\$1,994,700	\$286,942	\$655,065	\$2,936,707
2018	\$285,000,000	\$30,000,000		\$768,930	\$318,000	\$1,086,930	\$545,189	\$1,244,624	\$2,876,743
2019	\$273,600,000	\$30,000,000		\$738,173	\$318,000	\$1,056,173	\$523,381	\$1,194,839	\$2,774,393
2020	\$262,200,000	\$30,000,000		\$707,416	\$318,000	\$1,025,416	\$501,574	\$1,145,054	\$2,672,043
2021	\$250,800,000	\$30,000,000		\$676,658	\$318,000	\$994,658	\$479,766	\$1,095,269	\$2,569,693
2022	\$239,400,000	\$30,000,000		\$645,901	\$318,000	\$963,901	\$457,959	\$1,045,484	\$2,467,344
2023	\$228,000,000	\$30,000,000		\$615,144	\$318,000	\$933,144	\$436,151	\$995,699	\$2,364,994
2024	\$216,600,000	\$30,000,000		\$584,387	\$318,000	\$902,387	\$414,344	\$945,914	\$2,262,644
2025	\$205,200,000	\$30,000,000		\$553,630	\$318,000	\$871,630	\$392,536	\$896,129	\$2,160,295
2026	\$193,800,000	\$30,000,000		\$522,872	\$318,000	\$840,872	\$370,729	\$846,344	\$2,057,945
2027	\$182,400,000	\$30,000,000		\$492,115	\$318,000	\$810,115	\$872,302	\$796,559	\$2,478,977
2028	\$171,000,000	\$171,000,000		\$461,358	\$1,812,600	\$2,273,958	\$817,784	\$746,774	\$3,838,516
2029	\$159,600,000	\$159,600,000		\$430,601	\$1,691,760	\$2,122,361	\$763,265	\$696,989	\$3,582,615
2030	\$148,200,000	\$148,200,000		\$399,844	\$1,570,920	\$1,970,764	\$708,746	\$647,204	\$3,326,714
					Total	\$17,880,253	\$7,582,623	\$12,962,863	\$38,425,739
					Diff	\$21,592,200	\$6,612,856	\$0	\$28,205,056

Source: CPA, Lone Star NGL II, LLC (Frac V)

¹Tax Rate per \$100 Valuation

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

Attachment B – Tax Revenue over 25 Years

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

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2015	\$0	\$0	\$0	\$0
	2016	\$26,500	\$26,500	\$0	\$0
	2017	\$1,590,000	\$1,616,500	\$0	\$0
Limitation Period (10 Years)	2018	\$318,000	\$1,934,500	\$2,703,000	\$2,703,000
	2019	\$318,000	\$2,252,500	\$2,582,160	\$5,285,160
	2020	\$318,000	\$2,570,500	\$2,461,320	\$7,746,480
	2021	\$318,000	\$2,888,500	\$2,340,480	\$10,086,960
	2022	\$318,000	\$3,206,500	\$2,219,640	\$12,306,600
	2023	\$318,000	\$3,524,500	\$2,098,800	\$14,405,400
	2024	\$318,000	\$3,842,500	\$1,977,960	\$16,383,360
	2025	\$318,000	\$4,160,500	\$1,857,120	\$18,240,480
	2026	\$318,000	\$4,478,500	\$1,736,280	\$19,976,760
	2027	\$318,000	\$4,796,500	\$1,615,440	\$21,592,200
Maintain Viable Presence (5 Years)	2028	\$1,812,600	\$6,609,100	\$0	\$21,592,200
	2029	\$1,691,760	\$8,300,860	\$0	\$21,592,200
	2030	\$1,570,920	\$9,871,780	\$0	\$21,592,200
	2031	\$1,450,080	\$11,321,860	\$0	\$21,592,200
	2032	\$1,329,240	\$12,651,100	\$0	\$21,592,200
Additional Years as Required by 313.026(c)(1) (10 Years)	2033	\$1,208,400	\$13,859,500	\$0	\$21,592,200
	2034	\$1,087,560	\$14,947,060	\$0	\$21,592,200
	2035	\$966,720	\$15,913,780	\$0	\$21,592,200
	2036	\$845,880	\$16,759,660	\$0	\$21,592,200
	2037	\$845,880	\$17,605,540	\$0	\$21,592,200
	2038	\$845,880	\$18,451,420	\$0	\$21,592,200
	2039	\$845,880	\$19,297,300	\$0	\$21,592,200
	2040	\$845,880	\$20,143,180	\$0	\$21,592,200
	2041	\$845,880	\$20,989,060	\$0	\$21,592,200
	2042	\$845,880	\$21,834,940	\$0	\$21,592,200

\$21,834,940

is greater than

\$21,592,200

Analysis Summary

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

Yes

Source: CPA, LONE STAR NGL ASSET HOLDINGS II, LLC

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

Attachment C – Limitation as a Determining Factor

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

Methodology

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

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

Determination

The Comptroller is **has determined** that the limitation on appraised value is a determining factor in the Lone Star NGL (Frac V) decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per the applicant, they are considering the Gulf Coast of Louisiana where they currently have significant infrastructure and pipeline availability to transport NGL’s reaching from there through Texas and on into New Mexico, Arizona, and California. Also at this time, they are in the process of building a \$10,000,000,000 (ten billion) Liquid Natural Gas export facility in Louisiana, where the state provides a 10 year mfg. property tax exemption that would significantly impact economics, especially in times such as these.
- Per the company, this project will operate independently and is not dependent upon or offer enhancement to the operation of Fractionation Plants I, II and III.
- Per the applicant’s website regarding the merger of ETP and Regency published January 30, 2015, Lone Star is among the best positioned NGL businesses in Mont Belvieu. Enhanced “baseline business” positions Lone Star for further growth such as Fractionator IV.
- Per the applicant’s Analyst Day Presentation published November 18, 2014, the current Mont Belvieu footprint has the ability to build a total of six fractionators.

Supporting Information

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

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

Attachment D

Summary of Financial Impact

**CHAPTER 313 PROPERTY VALUE LIMITATION
FINANCIAL IMPACT OF THE PROPOSED LONE STAR NGL
ASSET HOLDINGS II, LLC FRAC V PROJECT IN THE
BARBERS HILL INDEPENDENT SCHOOL DISTRICT
(PROJECT #1035)**

PREPARED BY



JANUARY 30, 2015

Executive Summary

Lone Star NGL Asset Holdings II, LLC Frac V (Company) 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 October 27, 2014 the Company plans to invest \$285 million to construct a natural gas and natural gas liquids processing and manufacturing facility. Moak, Casey & Associates (MCA) has been retained to prepare an analysis of this value limitation and help the district navigate the overall application and agreement process.

The Lone Star (Frac V) 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. This value limitation, under the proposed application, will begin in the 2018-19 school year and remain at that level of taxable value for Maintenance and Operations (M&O) tax purposes for ten years. The entire project value will remain taxable for I&S or debt service purposes for the term of the agreement.

MCA's initial school finance analysis is detailed in this report. The overall conclusions are as follows, but please read all of the subsequent details in the report below for more information.

Total Revenue Loss Payment owed to BHISD	\$3,283,737
Total Savings to Company after Revenue Loss Payment. (This does not include any supplemental benefit payments to the district.)	\$18,308,463

Application Process

After the school district has submitted an application to the Comptroller's Office (Comptroller), the Comptroller begins reviewing the application for completeness. The purpose of this review is to ensure all necessary information and attachments are included in the application before moving forward with the formal review process. At the time the application is determined complete—typically 4-6 weeks after receipt—the Comptroller will deliver a Completeness Letter to the company and the school district. The Completeness Letter for Frac V was issued on November 20, 2014.

The issuance of a Completeness Letter is important because it sets the timeline for the rest of process. From the date of issuance, the Comptroller has 90 days to conduct its full review of the project and provide its certificate for a limitation on appraised value. After the certificate

is received, the district has until the 150th day from the receipt of the Completeness Letter or until December 31st, whichever is earlier, to adopt an agreement.

Each value limitation agreement is unique and to ensure the proper revenue-loss protection and maximum supplemental benefits are in place, an understanding of the school district's finances and a thorough knowledge of the Ch. 313 statute are required. MCA and O'Hanlon, McCollom & Demerath will ensure the best interests of BHISD are secured. After the Comptroller's certificate is received, O'Hanlon, McCollom & Demerath will contact the school district to discuss the value limitation agreement and begin negotiations of the supplemental benefit payment with the Company. A final version of the agreement must be submitted to the Comptroller for review 30 days prior to final adoption by the school district's board of trustees.

At the final board meeting, the school board will review the Value Limitation Agreement and Findings-of-Fact that detail the project's conformance with state law. In some instances, the school board may also be required to adopt a job waiver or create a reinvestment zone during this meeting. Prior to this meeting, O'Hanlon, McCollom & Demerath will provide the district with the necessary agenda language and any additional action items.

How the 313 Agreement Interacts with Texas School Finance

M&O funding for Texas schools relies on two methods of finance: local school district property taxes and state aid. State aid consists of three components: Tier I, Tier II and additional state aid for tax reduction.

Tier I provides state funding based on ADA and special student populations, as well as transportation. The local funds for Tier I are M&O taxes raised at the compressed tax rate—\$1.00 per \$100 of taxable value for most school districts (less any recapture payments owed to the state from high property-wealth school districts).

Tier II guarantees a specific amount of funding per student in weighted average daily attendance for each penny of a school district's tax effort above a specified level. There are two levels of Tier II funding—funding under the six so-called golden pennies and the eleven so-called copper pennies. Voter approval is required in most cases to access the last two golden pennies and the eleven copper pennies.

Additional State Aid for Tax Reduction (ASATR) guarantees a school district a set amount of state and local M&O funds per student in weighted average daily attendance to compensate for the mandatory reduction in, or compression of, the local M&O tax rate that was adopted in 2005 or 2006. For more detailed information on the school finance funding system, please review the Texas Education Agency's [School Finance 101: Funding of Texas Public Schools](#). For the 2014-15 school year it is estimated that 230 school districts will receive ASATR hold-harmless funding (\$335 million in state funding). ASATR funding is expected to be eliminated by the 2017-18 school year under current law.

For a school district that approves a Chapter 313 value limitation, the first year is often problematic financially. The implementation of the value limitation often results in an M&O revenue loss to the school district in the first year of the limitation that would not be reimbursed by the state, but require some type of compensation from the Company under

the revenue protection provisions of the agreement. This is because the general school finance formula system calculates state aid entitlements using the property value for the preceding year as certified by the Comptroller.

BHISD will not receive ASATR funding under current law, given its expiration date effective with the 2017-18 school year. In most instances smaller revenue losses would be anticipated in years 2-10 of the limitation 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. **If the full value of the project increases significantly during the value limitation period, the revenue losses may be greater than originally estimated.**

A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 1-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter).

Future legislative action on school funding could potentially affect the impact of the value limitation on the school district's finances and result in revenue-loss estimates that differ from the estimates presented in this report.

Underlying School District Data Assumptions

A key element in any analysis of the school finance implications of a Chapter 313 agreement is the provision for revenue protection in the agreement between the school district and the applicant. The agreement calls for a calculation of the revenue impact of the value limitation in years 1-10 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. This approach also reduces guess work as to future changes in school finance and property tax laws.

Student enrollment counts are held constant at 4,676 students in average daily attendance (ADA) in analyzing the effects of the project on the finances of BHISD. The District's local tax base reached \$4.56 billion for the 2014 tax year (the most recent year available) and is maintained at that level for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.06 per \$100 is used throughout this analysis. The taxable values with previously-approved Chapter 313 projects are incorporated into the underlying values used for both the baseline and limitation models presented below in an effort to standardize the two sets of projections.

BHISD has estimated 2014-15 state property wealth per weighted ADA or WADA of approximately \$872,965. As a result, BHISD is considered a Chapter 41 or recapture district under the school finance system. Table 1 summarizes the enrollment and property value assumptions for the 15 years that are the subject of this analysis.

The M&O tax rate is maintained at \$1.06 per \$100. Although the impact of the Chapter 313 project value returning to the total tax roll for M&O funding purposes could result in a lower

M&O tax rate under the rollback calculations, this change is not reflected in these estimates, given the relatively small scale of the depreciated taxable values for this project relative to the BHISD total tax base. The general approach used here to analyze the future revenue stream of the school district under a value limitation is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system.

Table 1 – Base District Information with Lone Star 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
QTP0	2015-16	4,676.03	5,553.89	\$1.0600	\$0.2698	\$6,666,953,131	\$6,666,953,131	\$5,384,791,655	\$5,384,791,655	\$969,553	\$969,553
QTP0	2016-17	4,676.03	5,553.89	\$1.0600	\$0.2698	\$4,317,928,131	\$4,317,928,131	\$7,487,846,692	\$7,487,846,692	\$1,348,216	\$1,348,216
QTP1	2017-18	4,676.03	5,553.89	\$1.0600	\$0.2698	\$4,465,428,131	\$4,465,428,131	\$5,138,821,692	\$5,138,821,692	\$925,265	\$925,265
QTP2/VL1	2018-19	4,676.03	5,553.89	\$1.0600	\$0.2698	\$4,600,428,131	\$4,345,428,131	\$5,286,321,692	\$5,286,321,692	\$951,823	\$951,823
VL2	2019-20	4,676.03	5,553.89	\$1.0600	\$0.2698	\$4,589,028,131	\$4,345,428,131	\$5,421,321,692	\$5,166,321,692	\$976,130	\$930,217
VL3	2020-21	4,676.03	5,553.89	\$1.0600	\$0.2698	\$4,733,077,827	\$4,500,877,827	\$5,409,921,692	\$5,166,321,692	\$974,078	\$930,217
VL4	2021-22	4,676.03	5,553.89	\$1.0600	\$0.2698	\$4,867,612,269	\$4,646,812,269	\$5,553,971,388	\$5,321,771,388	\$1,000,014	\$958,206
VL5	2022-23	4,676.03	5,553.89	\$1.0600	\$0.2698	\$5,408,902,025	\$5,199,502,025	\$5,688,505,830	\$5,467,705,830	\$1,024,238	\$984,482
VL6	2023-24	4,676.03	5,553.89	\$1.0600	\$0.2698	\$5,347,917,524	\$5,149,917,524	\$6,229,795,586	\$6,020,395,586	\$1,121,699	\$1,083,996
VL7	2024-25	4,676.03	5,553.89	\$1.0600	\$0.2698	\$8,067,465,536	\$7,880,865,536	\$6,168,811,085	\$5,970,811,085	\$1,110,719	\$1,075,068
VL8	2025-26	4,676.03	5,553.89	\$1.0600	\$0.2698	\$7,910,496,978	\$7,735,296,978	\$8,888,359,097	\$8,701,759,097	\$1,600,384	\$1,566,786
VL9	2026-27	4,676.03	5,553.89	\$1.0600	\$0.2698	\$7,773,784,544	\$7,609,984,544	\$8,731,390,539	\$8,556,190,539	\$1,572,121	\$1,540,576
VL10	2027-28	4,676.03	5,553.89	\$1.0600	\$0.2698	\$7,643,316,381	\$7,490,916,381	\$8,594,678,105	\$8,430,878,105	\$1,547,506	\$1,518,013
VP1	2028-29	4,676.03	5,553.89	\$1.0600	\$0.2698	\$7,478,624,444	\$7,478,624,444	\$8,464,209,942	\$8,311,809,942	\$1,524,014	\$1,496,574
VP2	2029-30	4,676.03	5,553.89	\$1.0600	\$0.2698	\$7,323,482,391	\$7,323,482,391	\$8,299,518,005	\$8,299,518,005	\$1,494,361	\$1,494,361
VP3	2030-31	4,676.03	5,553.89	\$1.0600	\$0.2698	\$7,177,047,607	\$7,177,047,607	\$8,144,375,952	\$8,144,375,952	\$1,466,427	\$1,466,427
VP4	2031-32	4,676.03	5,553.89	\$1.0600	\$0.2698	\$7,038,572,500	\$7,038,572,500	\$7,997,941,168	\$7,997,941,168	\$1,440,061	\$1,440,061
VP5	2032-33	4,676.03	5,553.89	\$1.0600	\$0.2698	\$6,907,392,417	\$6,907,392,417	\$7,859,466,061	\$7,859,466,061	\$1,415,128	\$1,415,128

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

QTP= Qualifying Time Period
VL= Value Limitation
VP= Viable Presence

M&O Impact of the Lone Star (Frac V) project on BHISD

School finance models were prepared for BHISD under these assumptions through the 2032-33 school year. Under the proposed agreement, a model is established to make a calculation of the “Baseline Revenue Model” by adding the total value of the project to the model, but without assuming that a value limitation is approved. This is detailed in Table 2.

Additionally, a separate model is established to make a calculation of the “Value Limitation Revenue Model” by adding the project’s limited value of \$30 million to the model. These results are shown in Table 3.

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	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Other State Aid	Total General Fund
QTP0	2015-16	\$65,604,964	\$1,608,355	\$0	-\$26,989,692	\$3,936,298	\$0	\$0	\$102,889	\$44,262,814
QTP0	2016-17	\$42,584,519	\$1,608,355	\$17,168,238	-\$24,262,934	\$2,555,071	\$0	\$0	\$107,993	\$39,761,242
QTP1	2017-18	\$44,030,019	\$1,608,355	\$0	-\$16,708,538	\$2,641,801	\$0	\$0	\$107,563	\$31,679,200
QTP2/VL1	2018-19	\$45,404,019	\$1,608,355	\$0	-\$18,017,414	\$2,724,241	\$0	\$0	\$107,249	\$31,826,450
VL2	2019-20	\$45,290,019	\$1,608,355	\$0	-\$18,637,246	\$2,717,401	\$0	\$0	\$107,037	\$31,085,566
VL3	2020-21	\$46,699,426	\$1,608,355	\$0	-\$19,177,808	\$2,801,966	\$0	\$0	\$106,792	\$32,038,731
VL4	2021-22	\$48,015,584	\$1,608,355	\$0	-\$20,453,078	\$2,880,935	\$0	\$0	\$106,556	\$32,158,352
VL5	2022-23	\$53,317,943	\$1,608,355	\$0	-\$23,482,301	\$3,199,077	\$0	\$0	\$105,457	\$34,748,531
VL6	2023-24	\$52,718,015	\$1,608,355	\$0	-\$25,727,286	\$3,163,081	\$0	\$0	\$105,681	\$31,867,846
VL7	2024-25	\$79,367,306	\$1,608,355	\$0	-\$38,619,899	\$4,762,038	\$0	\$0	\$99,602	\$47,217,402
VL8	2025-26	\$77,826,734	\$1,608,355	\$0	-\$49,918,226	\$4,669,604	\$0	\$0	\$100,048	\$34,286,515
VL9	2026-27	\$76,484,672	\$1,608,355	\$0	-\$48,564,586	\$4,589,080	\$0	\$0	\$100,437	\$34,217,958
VL10	2027-28	\$75,203,804	\$1,608,355	\$0	-\$47,313,996	\$4,512,228	\$0	\$0	\$100,808	\$34,111,199
VP1	2028-29	\$73,559,343	\$1,608,355	\$0	-\$45,855,127	\$4,413,561	\$0	\$0	\$101,276	\$33,827,407
VP2	2029-30	\$72,038,951	\$1,608,355	\$0	-\$44,368,278	\$4,322,337	\$0	\$0	\$101,717	\$33,703,082
VP3	2030-31	\$70,603,890	\$1,608,355	\$0	-\$42,967,141	\$4,236,233	\$0	\$0	\$102,134	\$33,583,471
VP4	2031-32	\$69,246,834	\$1,608,355	\$0	-\$41,644,304	\$4,154,810	\$0	\$0	\$102,528	\$33,468,223
VP5	2032-33	\$67,961,269	\$1,608,355	\$0	-\$40,393,174	\$4,077,676	\$0	\$0	\$102,901	\$33,357,026

QTP= Qualifying Time Period
VL= Value Limitation
VP= Viable Presence

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	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Other State Aid	Total General Fund
QTP0	2015-16	\$65,604,964	\$1,608,355	\$0	-\$26,989,692	\$3,936,298	\$0	\$0	\$102,889	\$44,262,814
QTP0	2016-17	\$42,584,519	\$1,608,355	\$17,168,238	-\$24,262,934	\$2,555,071	\$0	\$0	\$107,993	\$39,761,242
QTP1	2017-18	\$44,030,019	\$1,608,355	\$0	-\$16,708,538	\$2,641,801	\$0	\$0	\$107,563	\$31,679,200
QTP2/VL1	2018-19	\$42,854,019	\$1,608,355	\$0	-\$16,974,320	\$2,571,241	\$0	\$0	\$107,827	\$30,167,122
VL2	2019-20	\$42,854,019	\$1,608,355	\$0	-\$16,386,103	\$2,571,241	\$0	\$0	\$107,590	\$30,755,102
VL3	2020-21	\$44,377,426	\$1,608,355	\$0	-\$16,988,352	\$2,662,646	\$0	\$0	\$107,319	\$31,767,394
VL4	2021-22	\$45,807,584	\$1,608,355	\$0	-\$18,362,813	\$2,748,455	\$0	\$0	\$107,057	\$31,908,638
VL5	2022-23	\$51,223,943	\$1,608,355	\$0	-\$21,402,275	\$3,073,437	\$0	\$0	\$105,931	\$34,609,391
VL6	2023-24	\$50,738,015	\$1,608,355	\$0	-\$23,855,219	\$3,044,281	\$0	\$0	\$106,130	\$31,641,562
VL7	2024-25	\$77,501,306	\$1,608,355	\$0	-\$36,397,366	\$4,650,078	\$0	\$0	\$100,025	\$47,462,398
VL8	2025-26	\$76,074,734	\$1,608,355	\$0	-\$48,208,632	\$4,564,484	\$0	\$0	\$100,445	\$34,139,386
VL9	2026-27	\$74,846,672	\$1,608,355	\$0	-\$46,964,299	\$4,490,800	\$0	\$0	\$100,808	\$34,082,335
VL10	2027-28	\$73,679,804	\$1,608,355	\$0	-\$45,823,620	\$4,420,788	\$0	\$0	\$101,153	\$33,986,480
VP1	2028-29	\$73,559,343	\$1,608,355	\$0	-\$45,357,344	\$4,413,561	\$0	\$0	\$101,276	\$34,325,191
VP2	2029-30	\$72,038,951	\$1,608,355	\$0	-\$44,368,278	\$4,322,337	\$0	\$0	\$101,717	\$33,703,082
VP3	2030-31	\$70,603,890	\$1,608,355	\$0	-\$42,967,141	\$4,236,233	\$0	\$0	\$102,134	\$33,583,471
VP4	2031-32	\$69,246,834	\$1,608,355	\$0	-\$41,644,304	\$4,154,810	\$0	\$0	\$102,528	\$33,468,223
VP5	2032-33	\$67,961,269	\$1,608,355	\$0	-\$40,393,174	\$4,077,676	\$0	\$0	\$102,901	\$33,357,026

QTP= Qualifying Time Period
VL= Value Limitation
VP= Viable Presence

Table 4 displays the results of the comparison between the Baseline Revenue Model and the Value Limitation Revenue Model (Tables 2 and 3). The difference between the two models indicates there will be a total revenue loss of \$3.3 million over the course of the Agreement. Nearly all of the reduction in M&O taxes under the limitation agreement is offset through a reduction in recapture costs owed to the state under current law.

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	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Other State Aid	Total General Fund
QTP0	2015-16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP0	2016-17	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP1	2017-18	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP2/VL1	2018-19	-\$2,550,000	\$0	\$0	\$1,043,094	-\$153,000	\$0	\$0	\$578	-\$1,659,328
VL2	2019-20	-\$2,436,000	\$0	\$0	\$2,251,143	-\$146,160	\$0	\$0	\$553	-\$330,464
VL3	2020-21	-\$2,322,000	\$0	\$0	\$2,189,456	-\$139,320	\$0	\$0	\$527	-\$271,337
VL4	2021-22	-\$2,208,000	\$0	\$0	\$2,090,265	-\$132,480	\$0	\$0	\$501	-\$249,714
VL5	2022-23	-\$2,094,000	\$0	\$0	\$2,080,026	-\$125,640	\$0	\$0	\$474	-\$139,140
VL6	2023-24	-\$1,980,000	\$0	\$0	\$1,872,067	-\$118,800	\$0	\$0	\$449	-\$226,284
VL7	2024-25	-\$1,866,000	\$0	\$0	\$2,222,533	-\$111,960	\$0	\$0	\$423	\$244,996
VL8	2025-26	-\$1,752,000	\$0	\$0	\$1,709,593	-\$105,120	\$0	\$0	\$397	-\$147,130
VL9	2026-27	-\$1,638,000	\$0	\$0	\$1,600,287	-\$98,280	\$0	\$0	\$371	-\$135,622
VL10	2027-28	-\$1,524,000	\$0	\$0	\$1,490,377	-\$91,440	\$0	\$0	\$345	-\$124,718
VP1	2028-29	\$0	\$0	\$0	\$497,783	\$0	\$0	\$0	\$0	\$497,783
VP2	2029-30	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP3	2030-31	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP4	2031-32	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP5	2032-33	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

QTP=	Qualifying Time Period
VL=	Value Limitation
VP=	Viable Presence

M&O Impact on the Taxpayer

Table 5 summarizes the impact of the property value limitation in terms of the potential tax savings to the taxpayer under the property value limitation agreement. The focus of this table is on the M&O tax rate only. A \$1.06 per \$100 M&O tax rate is assumed in 2014-15 (the most recent year available) and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$21.6 million over the life of the agreement. The BHISD revenue losses are expected to total approximately \$3.3 million over the course of the agreement. In total, the potential net tax benefits (after hold-harmless payments are made) are estimated to total \$18.3 million.

Table 5 - Estimated Financial Impact of the Lone Star (Frac V) Project Property Value Limitation Request Submitted to BHISD at \$1.06 per \$100 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	School District Revenue Losses	Estimated Net Tax Benefits
QTP0	2015-16	\$0	\$0	\$0	\$1.060	\$0	\$0	\$0	\$0	\$0
QTP0	2016-17	\$2,500,000	\$2,500,000	\$0	\$1.060	\$26,500	\$26,500	\$0	\$0	\$0
QTP1	2017-18	\$150,000,000	\$150,000,000	\$0	\$1.060	\$1,590,000	\$1,590,000	\$0	\$0	\$0
QTP2/VL1	2018-19	\$285,000,000	\$30,000,000	\$255,000,000	\$1.060	\$3,021,000	\$318,000	\$2,703,000	-\$1,659,328	\$1,043,672
VL2	2019-20	\$273,600,000	\$30,000,000	\$243,600,000	\$1.060	\$2,900,160	\$318,000	\$2,582,160	-\$330,464	\$2,251,696
VL3	2020-21	\$262,200,000	\$30,000,000	\$232,200,000	\$1.060	\$2,779,320	\$318,000	\$2,461,320	-\$271,337	\$2,189,983
VL4	2021-22	\$250,800,000	\$30,000,000	\$220,800,000	\$1.060	\$2,658,480	\$318,000	\$2,340,480	-\$249,714	\$2,090,766
VL5	2022-23	\$239,400,000	\$30,000,000	\$209,400,000	\$1.060	\$2,537,640	\$318,000	\$2,219,640	-\$139,140	\$2,080,500
VL6	2023-24	\$228,000,000	\$30,000,000	\$198,000,000	\$1.060	\$2,416,800	\$318,000	\$2,098,800	-\$226,284	\$1,872,516
VL7	2024-25	\$216,600,000	\$30,000,000	\$186,600,000	\$1.060	\$2,295,960	\$318,000	\$1,977,960	\$0	\$1,977,960
VL8	2025-26	\$205,200,000	\$30,000,000	\$175,200,000	\$1.060	\$2,175,120	\$318,000	\$1,857,120	-\$147,130	\$1,709,990
VL9	2026-27	\$193,800,000	\$30,000,000	\$163,800,000	\$1.060	\$2,054,280	\$318,000	\$1,736,280	-\$135,622	\$1,600,658
VL10	2027-28	\$182,400,000	\$30,000,000	\$152,400,000	\$1.060	\$1,933,440	\$318,000	\$1,615,440	-\$124,718	\$1,490,722
VP1	2028-29	\$171,000,000	\$171,000,000	\$0	\$1.060	\$1,812,600	\$1,812,600	\$0	\$0	\$0
VP2	2029-30	\$159,600,000	\$159,600,000	\$0	\$1.060	\$1,691,760	\$1,691,760	\$0	\$0	\$0
VP3	2030-31	\$148,200,000	\$148,200,000	\$0	\$1.060	\$1,570,920	\$1,570,920	\$0	\$0	\$0
VP4	2031-32	\$136,800,000	\$136,800,000	\$0	\$1.060	\$1,450,080	\$1,450,080	\$0	\$0	\$0
VP5	2032-33	\$125,400,000	\$125,400,000	\$0	\$1.060	\$1,329,240	\$1,329,240	\$0	\$0	\$0
						\$34,243,300	\$12,651,100	\$21,592,200	-\$3,283,737	\$18,308,463

QTP= Qualifying Time Period
VL= Value Limitation
VP= Viable Presence

I&S Funding Impact on School District

The project remains fully taxable for debt services taxes, with BHISD currently levying a \$0.2698per \$100 I&S rate. The value of the Lone Star (Frac V) project is expected to depreciate over the life of the agreement and beyond, but full access to the project should benefit local taxpayers from the addition of the Lone Star (Frac V) project to the local I&S tax roll.

The project is not expected to affect BHISD in terms of enrollment. 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.

Note: School district revenue-loss estimates are subject to change based on numerous factors, including:

- Legislative and Texas Education Agency administrative changes to the underlying school finance formulas used in these calculations.
- Legislative changes addressing property value appraisals and exemptions.
- Year-to-year appraisals of project values and district taxable values.
- Changes in school district tax rates and student enrollment.

Attachment E

Taxable Value of Property

Glenn Hegar

Texas Comptroller of Public Accounts

Welcome to your official online window on state government services from the Texas Comptroller of Public Accounts.

2014 ISD Summary Worksheet

036/Chambers

036-902/Barbers Hill ISD

Category	Local Tax Roll Value	2014 WTD Mean Ratio	2014 PTAD Value Estimate	2014 Value Assigned
A. Single-Family Residences	1,101,618,000	.9712	1,134,285,420	1,101,618,000
B. Multi-Family Residences	8,169,720	N/A	8,169,720	8,169,720
C1. Vacant Lots	28,231,920	N/A	28,231,920	28,231,920
C2. Colonia Lots	0	N/A	0	0
D1. Rural Real(Taxable)	1,628,100	1.1205	1,453,019	1,628,100
D2. Real Prop Farm & Ranch	884,730	N/A	884,730	884,730
E. Real Prop NonQual Acres	98,664,950	.9937	99,290,480	98,664,950
F1. Commercial Real	60,714,850	N/A	60,714,850	60,714,850
F2. Industrial Real	3,421,265,759	N/A	3,421,265,759	3,421,265,759
G. Oil, Gas, Minerals	60,375,469	N/A	60,375,469	60,375,469
J. Utilities	89,885,877	.9112	98,645,607	89,885,877
L1. Commercial Personal	21,070,280	N/A	21,070,280	21,070,280
L2. Industrial Personal	1,418,574,977	N/A	1,418,574,977	1,418,574,977
M. Other Personal	3,189,670	N/A	3,189,670	3,189,670
N. Intangible Personal Prop	0	N/A	0	0
O. Residential Inventory	3,240,980	N/A	3,240,980	3,240,980
S. Special Inventory	3,219,100	N/A	3,219,100	3,219,100
Subtotal	6,320,734,382		6,362,611,981	6,320,734,382
Less Total Deductions	1,604,412,690		1,610,651,222	1,604,412,690
Total Taxable Value	4,716,321,692		4,751,960,759	4,716,321,692 T2

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
4,762,927,202	4,716,321,692	4,670,140,007	4,623,534,497	4,717,041,349	4,624,254,154
Loss To the Additional \$10,000 Homestead Exemption			50% of the loss to the Local Optional Percentage Homestead Exemption		
46,605,510			92,787,195		

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
5,995,776,279	5,949,170,769	5,902,989,084	5,856,383,574	5,949,890,426	5,857,103,231

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 F

TEA's Facilities Value

November 21, 2014

Mrs. Becky Tice, President
Board of Trustees
Barbers Hill Independent School District
PO Box 1108
Mont Belvieu, TX 77580-1108

Dear Mrs. Tice:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Lone Star NGL Asset Holdings II, LLC project (application #1034/1035) on the number and size of school facilities in Barbers Hill Independent School District (BHISD). Based on an examination of BHISD enrollment and the number of potential new jobs, the TEA has determined that this Lone Star NGL Asset Holdings II, LLC project should 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 have any questions.

Sincerely,

Al McKenzie, Manager
Foundation School Program Support

AM/rk
Cc: Dr. Greg Poole

Attachment G

Participation Agreement

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

by and between

BARBERS HILL INDEPENDENT SCHOOL DISTRICT

and

LONE STAR NGL ASSET HOLDINGS II LLC (FRAC V)

(Texas Taxpayer ID # 32044534082)

TEXAS COMPTROLLER APPLICATION NUMBER 1035

Dated

August 24, 2015

**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 "District," a lawfully created [independent or consolidated] school district within the State of Texas operating under and subject to the Texas Education Code, and **LONE STAR NGL ASSET HOLDINGS II LLC (FRAC V)**, Texas Taxpayer Identification Number 32044534082 hereinafter referred to as "Applicant." Applicant and District are hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, on October 27, 2014, the Superintendent of Schools of the Barbers Hill Independent School District, acting as agent of the Board of Trustees of District, received from Applicant an Application for Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the TEXAS TAX CODE;

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

WHEREAS, the Application was delivered to the Texas Comptroller's Office for review pursuant to Section 313.025(a-1) of the TEXAS TAX CODE; and,

WHEREAS, the District and Texas Comptroller's Office have determined that the application is complete and November 20, 2014 is the Application Review Start Date as that terms is defined by 34 TEX. ADMIN. CODE 9.1051;

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

WHEREAS, the Texas Comptroller's Office reviewed the Application pursuant to Section 313.025 of the TEXAS TAX CODE, conducted an economic impact evaluation pursuant to Section 313.026 of the TEXAS TAX CODE, and on February 17, 2015 issued a certificate for

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

WHEREAS, the Board of Trustees has reviewed and carefully considered the economic impact evaluation and certificate for limitation on appraised value submitted by the Texas Comptroller's Office pursuant to Section 313.026 of the TEXAS TAX CODE;

WHEREAS, on August 24, 2015, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District;

WHEREAS, on August 24, 2015, the Board of Trustees made factual findings pursuant to Section 313.025(f) of the TEXAS TAX CODE, including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) Applicant is eligible for the Limitation on Appraised Value of Applicant's Qualified Property; (iii) the project proposed by Applicant is reasonably likely to generate tax revenue in an amount sufficient to offset District's maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period; (iv) the limitation on appraised value is a determining factor in Applicant's decision to invest capital and construct the project in this state; and (v) this Agreement is in the best interest of District and the State of Texas;

WHEREAS, on August 24, 2015, the Texas Comptroller's Office approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes; and,

WHEREAS, on August 24, 2015, the Board of Trustees approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the Board President and Secretary to execute and deliver such Agreement to the Applicant; and

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

ARTICLE I **DEFINITIONS**

Section 1.1 DEFINITIONS.

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

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

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

"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 District, and the Constitution and general laws of the State applicable to the 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 Applicant's ad valorem tax obligation to District, either with or without the limitation of property values made pursuant to this Agreement.

"Applicant" means Lone Star NGL Asset Holdings II LLC (FRAC V), (*Texas Taxpayer ID # 32044534082*), the company listed in the Preamble of this Agreement and that listed as the Applicant on the Application as of the Application Approval Date. The term "Applicant" shall also include Applicant's assigns and successors-in-interest as approved according to Section 10.2 of this Agreement.

"Applicant's Qualified Investment" means the Qualified Investment of the Applicant during the Qualifying Time Period and as more fully described in Section 3.3 of this Agreement.

"Application" means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) filed with District by Applicant on November 20, 2014. The term includes all forms required by Comptroller, the schedules attached thereto, and all other documentation submitted by Applicant for the purpose of obtaining an Agreement with District. The term also includes all amendments and supplements thereto submitted by Applicant.

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

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

"Appraised Value" shall have the meaning assigned to such term in Section 1.04(8) of the Texas Tax Code.

"Appraisal District" means the Chambers Appraisal District.

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

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

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

"County" means Chambers County, Texas.

"District" or "School District" means the Barbers Hill Independent School District, being a duly authorized and operating school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter 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 Applicant's Qualified Property or the Applicant's Qualified Investment.

"Final Termination Date" means the last date of the final year in which Applicant is required to Maintain Viable Presence and as further identified in Section 2.3.E of this Agreement.

"Force Majeure" means those causes generally recognized under Texas law as constituting impossible conditions. Each party must inform the other in writing with proof of receipt within three business days of the existence of such force majeure or otherwise waive this right as a defense.

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

"Maintain Viable Presence" means (i) the development, construction and operation during 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 retention during the term of this Agreement of the number of New Qualifying Jobs set forth in its Application by Applicant; (iii) and continue the average weekly wage paid by Applicant for all Non-Qualifying Jobs created by Applicant that exceeds the county average weekly wage for all jobs in the county where the administrative office of District is maintained.

"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 District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Section 45.002 of the TEXAS EDUCATION CODE 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.

"New Qualifying Jobs" means the total number of jobs to be created and maintained by Applicant after the Application Approval Date in connection with the project which is the subject of its Application that meet the criteria of Qualifying Job as defined in Section 313.021(4) of the TEXAS TAX CODE.

"Qualified Investment" has the meaning set forth in Chapter 313 of the TEXAS TAX CODE, as interpreted by Comptroller's Rules, as these provisions existed on the Application Review Start Date.

"Non-Qualifying Jobs" means the number of New Non-Qualifying Jobs, as defined in 34 TAC §9.0151, to be created and maintained by the Applicant after the Application Approval Date in connection with the project which is the subject of its Application.

"Qualified Property" has the meaning set forth in Chapter 313 of the Texas Tax Code and as interpreted by Comptroller's Rules and the Texas Attorney General, as these provisions existed on the date of the Application is approved by District,

"Qualifying Time Period" means the period that begins on the date of approval of this Agreement by District's Board of Trustees and ends on December 31st of the second Tax Year that begins after such date of approval as is defined in Section 313.021(4)(A) of the Texas Tax Code and during which Applicant shall make investment on the land where the qualified property in the amount required by the Act, the Comptroller's rules, and this Agreement and as further identified in Section 2.3.C of this Agreement.

"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 Chapter 313 of the Texas Tax Code. The term includes, but is not limited to, any application requesting a limitation on appraised value and any amendments or supplements, any economic impact evaluation made in connection with an application, any agreement between applicant and the school district and any subsequent amendments or assignments, and any school district written finding or report filed with the comptroller as required under this subchapter.

"Supplemental Payment" has the meaning as set forth in Article VI of this Agreement.

"Tax Limitation Amount" means the maximum amount which may be placed as the Appraised Value on Applicant's Qualified Property for each tax year of the Tax Limitation Period of this Agreement pursuant to Section 313.054 of the TEXAS TAX CODE.

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

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

"Taxable Value" shall have the meaning assigned to such term in Section 1.04(10) of the TEXAS TAX CODE.

"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 of the TEXAS TAX CODE, which are set forth at 19 TEX. ADMIN. CODE, Part 2, together with any court or administrative decisions interpreting same.

ARTICLE II

AUTHORITY, PURPOSE AND LIMITATION AMOUNTS

Section 2.1. AUTHORITY.

This Agreement is executed by District as its written agreement with Applicant pursuant to the provisions and authority granted to District in Section 313.027 of the TEXAS TAX CODE.

Section 2.2. PURPOSE.

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

Section 2.3. TERM OF THE AGREEMENT.

A. The Application Review Start Date for this Agreement is November 20, 2014, which will determine Applicant's Qualified Property and applicable wage standard.

B. The Application Approval Date for this Agreement is August 24, 2015, which will determine the qualifying time period.

C. The Qualifying Time Period for this agreement:

1. Starts on August 24, 2015, Application Approval Date; and
2. Ends on December 31, 2017; being the second complete tax year after the effective date of this agreement]

D. The Tax Limitation Period for this Agreement:

1. Starts on January 1, 2018.
2. Ends on December 31, 2027.

E. The Final Termination Date for this Agreement is December 31, 2032.

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

2.4. TAX LIMITATION.

So long as Applicant makes the Qualified Investment as defined by Section 2.5 below, during the Qualifying Time Period, and unless this Agreement has been terminated as provided herein before such Tax Year, on January 1 of each Tax Year of the Tax Limitation Period, the

Appraised Value of the Applicant's Qualified Property for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- A. The Market Value of the Applicant's Qualified Property; or,
- B. 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 Section 313.052 of the TEXAS TAX CODE.

2.5. QUALIFIED INVESTMENT FOR TAX LIMITATION ELIGIBILITY.

In order to be eligible and entitled to receive the value limitation identified in 2.4 for the Qualified Property identified in Article III, Applicant shall:

- A. have completed Qualified Investment in the amount of Thirty Million Dollars (\$30,000,000.00) by the end of the Qualifying Time Period;
- B. have created the number of Qualifying Jobs specified in, and in the time period specified on, Schedule C of the Application; and
- C. be paying the average weekly wage of all jobs in the county in which District's administrative office is located for all non-qualifying jobs created by Applicant.

2.6. TAX LIMITATION OBLIGATIONS.

In order to receive and maintain the limitation authorized by 2.4, Applicant shall:

- A. provide payments to District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV;
- B. provide payments to the District that protect District from the payment of extraordinary education related expenses related to the project, as more fully specified in Article V;
- C. provide such supplemental payments as more fully specified in Article VI; and
- D. create and Maintain Viable Presence on and/or with the qualified property and perform additional obligations as more fully specified in Article VII of this Agreement.

ARTICLE III

QUALIFIED PROPERTY

Section 3.1. LOCATION WITHIN ENTERPRISE OR REINVESTMENT ZONE.

At the time of making the Qualified Investment and during the period starting with the Application Approval Date and ending on the Final Termination Date, the Land is and shall be within an area designated either as an enterprise zone, pursuant to Chapter 2303 of the TEXAS GOVERNMENT CODE, or a reinvestment zone, pursuant to Chapter 311 or 312 of the TEXAS TAX CODE. The legal description of such zone is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

Section 3.2. LOCATION OF QUALIFIED PROPERTY AND INVESTMENT.

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

Section 3.3. DESCRIPTION OF QUALIFIED PROPERTY.

The Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 3**, which is attached hereto and incorporated herein by reference for all purposes. 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 Property for purposes of this Agreement, unless by official action the Board of Trustees provides that such other property is a part of the Applicant's Qualified Property for purposes of this Agreement in compliance with Section 313.027(e) of the TEXAS TAX CODE, the Comptroller's rules, and Section 10.2 of this Agreement.

Section 3.4. CURRENT INVENTORY OF QUALIFIED PROPERTY.

If at any time after the Application Approval Date there is a material change in the Qualified Property located on the land described in **EXHIBIT 2**; or, upon a reasonable request of District, Comptroller, the Appraisal District, or the State Auditor's Office, Applicant shall provide to District, Comptroller, the Appraisal District or the State Auditor's Office 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 Land to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such described property on the Land.

Section 3.5. QUALIFYING USE.

Applicant's Qualified Property described above in Section 2.3 qualifies for a tax limitation agreement under Section 313.024(b)(1) of the TEXAS TAX CODE as a manufacturing facility.

ARTICLE IV
PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 4.1. INTENT OF THE PARTIES.

In conformance with the provisions of Texas Tax Code § 313.027(f)(1), it is the intent of the Parties that the District shall be compensated over the course of this Agreement by the Applicant for: (i) any monetary loss that the District incurs in its Maintenance and Operations Revenue; or, (ii) for any new uncompensated operating cost incurred as a sole and direct result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Subject to the limitations contained in this Agreement. 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 support due under Article VI.

A. The calculation of the amount of any Revenue Protection required to be paid by Applicant under this Article IV shall be made for the first time for the first complete tax year following the start of Commercial Operations.

B. For purposes of this Article IV, and of Section 2.3(d)(1), above, the term "Commercial Operations" means the date on which project described in **EXHIBIT 3**, below becomes commercially operational and placed into service, such that all of the following events have occurred and remain simultaneously true and accurate:

(i) fully capable of producing methane based propylene for sale.

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

Section 4.2. CALCULATING THE AMOUNT OF LOSS OF REVENUES BY THE DISTRICT.

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

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

Where:

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

In making the calculations required by this Section 4.2:

- 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 4.2 results in a negative number, the negative number will be considered to be zero.
- iv. All calculations made for years 2018 through 2027 of this Agreement under Section 4.2, Subsection *ii* of this Agreement will reflect the Tax Limitation Amount for such year.
- v. All calculations made under this Section 4.2 shall be made by a methodology which isolates the full M&O revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements, or on account of or otherwise arising out of any other factors not contained in this Agreement.

Section 4.3. CUMULATIVE PAYMENT LIMITATION.

In no event shall the Cumulative Payments made by Applicant to the District exceed an amount equal to One Hundred Percent (100%) of Applicant's Cumulative Unadjusted Tax Benefit under this Agreement from the Commencement Date through Tax Year 2030. For each year of this Agreement, amounts due and owing by Applicant to the District which, by virtue of the application of payment limitation set forth in this Section are not payable to the District for a given year, shall be carried forward to future years, but shall be subject, in each subsequent year to the limit set forth in this Section.

Section 4.4. COMPENSATION FOR LOSS OF OTHER REVENUES.

In addition to the amounts determined pursuant to Section 4.2 above, the Applicant, on an annual basis, shall also indemnify and reimburse the District for the following:

A. The Applicant, on an annual basis, shall also indemnify and reimburse the District for all non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the project. Applicant shall have the right to contest the findings of the District's external auditor pursuant to Section 4.9 herein.

B. Any other loss of District revenues which are, or may be reasonably attributable to the payment by the Applicant to or on behalf of any other third party beneficiary of this Agreement. Applicant shall have the right to contest the findings of the District's external auditor pursuant to Section 4.9 herein.

Section 4.5. CALCULATIONS TO BE MADE BY THIRD PARTY.

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") selected each year by the District.

Section 4.6. DATA USED FOR CALCULATIONS.

The calculations under this Agreement shall be initially based upon the valuations that are placed upon all taxable property in the District, including Applicant's Qualified Investment and/or the Applicant's Qualified Property by the Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Tax Code §26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 4.5. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the

Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

Section 4.7. DELIVERY OF CALCULATIONS.

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 4.5 of this Agreement shall forward to the Parties the calculations required under Sections 4.2 and/or 4.4 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 four (4) years after the Final Termination date of this Agreement. 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 4.7, if such fee is timely paid.

Section 4.8. 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 of the year next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Third Party for all calculations under this Agreement under Section 4.7, 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, reports required by any state agency, disclosures, other reimbursement applications filed with or sent to the State of Texas which are, or may be required under the terms or because of the execution of this Agreement. In no year shall the Applicant be responsible for the payment of any total expenses under this Section and Section 4.7, above, in excess of Ten Thousand Dollars (\$10,000.00).

Section 4.9. RESOLUTION OF DISPUTES.

Should the Applicant disagree with the Third Party calculations made pursuant to Sections 4.7 of this Agreement, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days of receipt of the calculation. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the calculations. Thereafter, the Applicant may appeal the final determination of the certification containing the calculations to the District's Board of Trustees. 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 the calculations.

Section 4.10. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT.

In the event that, at the time the Third Party selected under Section 4.5 makes its calculations under this Agreement, the Applicant has appealed the taxable values placed by the Appraisal District on the Qualified Property, and the appeal of the appraised values are unresolved, the Third Party shall base its calculations upon the values initially placed upon the Qualified Property by the Appraisal District.

In the event that the result of an appraisal appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed, once the determination of a new value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years. In the event the new calculations result in the change of any amount payable by the Applicant under this Agreement, the party from whom the adjustment is payable shall remit such amounts to the counter-party within thirty (30) days of the receipt of the new calculations from the Third Party.

Section 4.11. EFFECT OF STATUTORY CHANGES.

Notwithstanding any other provision in this Agreement, but subject only to the limitations contained in Section 7.1, 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, 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 V

PAYMENT OF EXTRAORDINARY EDUCATION RELATED EXPENSES

Section 5.1. EXTRAORDINARY EXPENSES.

In addition to the amounts determined pursuant to Section 3.2 of this Agreement above, Applicant on an annual basis shall also indemnify and reimburse District for the following:

A. all non-reimbursed costs, certified by District's external auditor to have been incurred by District for extraordinary education-related expenses related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms

and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the project; and

B. any other loss of District revenues which are, or may be attributable to the payment by Applicant to or on behalf any other third party beneficiary.

ARTICLE VI

SUPPLEMENTAL PAYMENTS

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

In interpreting the provisions of Article IV and VI, 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 IV, and as further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the Supplemental Payments set forth in this Article VI. The 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 of the 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 Article VI of this agreement are separate and independent of the obligation of the Applicant to pay the amounts described in Article IV; provided, however, that all payments under Articles IV and VI are subject to such limitations as are contained in Section 7.1, and that all payments under Article VI are subject to the separate limitations contained in Section 6.4.

B. As used in Article IV and this Article VI, the following terms shall be defined as follows:

i. "Cumulative Payments" means for each year of this Agreement the total of all payments, calculated under both Article IV and Article VI of this Agreement for the current Tax Year which are paid by or owed by Applicant to the District, plus payments paid by Applicant for all previous Tax Years under Article IV and Article VI of this Agreement.

ii. "Cumulative Unadjusted Tax Benefit" means for each Tax Year of this Agreement, the Unadjusted Tax Benefit for the applicable Tax Year added to the Unadjusted Tax Benefit from all previous Tax Years of this Agreement.

iii. "Net Tax Benefit" means (a) the amount of maintenance and operations *ad valorem* taxes that the Applicant would have paid to the District for all Tax Years if this Agreement had not been entered into by the Parties, (b) adding to the amount determined under clause, and (c) subtracting from the sum of the amounts determined under clauses (a) and (b) the sum of (d) 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 (e) any payments due to the District under Article IV under this Agreement as well as the Annual Limit.

Section 6.2. SUPPLEMENTAL PAYMENT LIMITATION.

A. Notwithstanding the foregoing, the total annual supplement payment made pursuant to this article shall:

i. not exceed in any calendar year of this Agreement an amount equal to the greater of One Hundred Dollars (\$100.00) per student per year in average daily attendance, as defined by Section 42.005 of the TEXAS EDUCATION CODE, or Fifty Thousand Dollars (\$50,000.00) per year; and

ii. only be made during the period starting the first year of the Qualifying Time Period and ending December 31 of the third year following the end of the Tax Limitation Period.

B. This limitation does not apply to amounts described by Section 313.027(f)(1)-(2) of the TEXAS TAX CODE as implemented in Articles IV and V of this Agreement.

C. For purposes of this Agreement, the amount of the Annual Limit shall be \$471,900 based upon the District's 2014-2015 Average Daily Attendance of 4,719, rounded to the whole number.

Section 6.3. STIPULATED SUPPLEMENTAL PAYMENT AMOUNT - SUBJECT TO SUPPLEMENTAL PAYMENT LIMITATION.

A. During the entire term of this Agreement, District shall, subject to the limitations set forth in Subsection 6.3(B) and Section 7.1, below, be entitled to receive supplemental payments equal to the Annual Limit, as defined in Section 6.2(C), above.

B. Beginning with the first year of the Tax Limitation Period, as defined in Section 2.3(D)(1), above, and continuing thereafter until December 31 of the third year following the end of the Tax Limitation Period, Applicant's Supplemental Payment Obligation, set forth in Subsection 6.3(A) shall be further limited to an amount not to exceed Forty Percent (40%) of Applicant's Net Tax Benefit, as the term is defined in Section 6.1(C)(iii), above.

Section 6.4. ANNUAL CALCULATION OF STIPULATED SUPPLEMENTAL PAYMENT AMOUNT.

The Parties agree that for each Tax Year of this Agreement, beginning with Tax Year 2015, the first year of the tax limitation period specified in Section 2.3(c)(1) of this Agreement, the Stipulated Supplemental Payment amount, described in Section 6.2, above 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;

Minus,

Any amounts previously paid to the District under Article IV for such Tax Year;

Multiplied by,

The number 0.4;

Minus,

Any amounts previously paid to the District under Sections 6.2 and 6.3, above, 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 selected pursuant to Section 4.5, above, shall adjust the Stipulated Supplemental Payment amount calculation to reflect any changes in the data.

Section 6.5. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS

A. All calculations required by this Article shall be calculated by the Third Party selected pursuant to Section 4.5, above.

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 4.7, above.

C. The payment of all amounts due under this Article shall be made by December 31 of the tax year for which the payment is due.

Section 6.6. 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 Article VI of this agreement 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 9.1, below. Such designation may be rescinded, with respect to future payments only, by action of the District's Board of Trustees at any time.

Any designation of a successor beneficiary under this Section shall not alter the Aggregate Limit or the Net Aggregate Limit or the Supplemental Payments calculated as described in Section 6.5, above.

ARTICLE VII
ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 7.1 ANNUAL LIMITATION.

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year of the Tax Limitation Period, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by Applicant to District for such Tax Year, plus the sum of all payments otherwise due from Applicant to District under Articles IV, V, and VI of this Agreement with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that Applicant would have paid to District for such Tax Year (determined by using 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 Section 4.2 of this Agreement, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from Applicant to District under Articles IV, V, and VI shall be reduced until such excess is eliminated.

Section 7.2. OPTION TO TERMINATE AGREEMENT.

In the event that any payment otherwise due from Applicant to District under Article IV, Article V, and/or Article VI of this Agreement with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 7.1 above, then the Applicant shall have the option to terminate this Agreement. Applicant may exercise such option to terminate this Agreement by notifying 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 7.1 is applicable. Any termination of this Agreement under the foregoing provisions of this Section 7.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred.

Section 7.3. EFFECT OF OPTIONAL TERMINATION.

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

A. the Parties respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged; and

B. the provisions of this Agreement regarding payments, records and dispute resolution shall survive the termination or expiration dates of this Agreement.

ARTICLE VIII ADDITIONAL OBLIGATIONS OF APPLICANT

Section 8.1. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE.

In order to receive and maintain the limitation authorized by 2.4 in addition to the other obligations required by this Agreement, Applicant shall Maintain Viable Presence in District commencing at the start of the Tax Limitation Period through the Final Termination Date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, Applicant shall not be in breach of, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure, provided Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure. The Final Termination Date will only be extended for the mutually agreed length of the Force Majeure.

Section 8.2. REPORTS .

In order to receive and maintain the limitation authorized by 2.4 in addition to the other obligations required by this Agreement, Applicant shall submit the following reports completed by Applicant to the satisfaction of Comptroller on the dates indicated

on the form and starting on the first such due date after the Application Approval Date:

A. The Annual Eligibility Report, Form 50-772 located at Comptroller website <http://www.window.state.tx.us/taxinfo/taxforms/50-772.pdf>;

B. The Biennial Progress Report, Form 50-773, located at Comptroller website <http://www.window.state.tx.us/taxinfo/taxforms/50-773.pdf>; and

C. The Job Creation Compliance Report, Form 50-825, located at the Comptroller website http://www.texasahead.org/tax_programs/chapter313/forms.php.

Section 8.3. COMPTROLLER'S ANNUAL REPORT ON CHAPTER 313 AGREEMENTS.

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

Section 8.4. DATA REQUESTS.

During the term of this Agreement, and upon the written request of District, the State Auditor's Office, or Comptroller, the Applicant shall provide the requesting party with all information reasonably necessary for the requesting party to determine whether the Applicant is in compliance with its obligations, including, but not limited to, any employment obligations which may arise under this Agreement.

Section 8.5. SITE VISITS AND RECORD REVIEW.

Applicant shall allow authorized employees of District, the Comptroller, the Appraisal District, and/or the State Auditor's Office to have access to Applicant's Qualified Property and/or business records, in accordance with Section 22.07 of the TEXAS TAX CODE, from the Application Review Start Date through the Final Termination Date, in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of Applicant's Qualified Property.

A. All inspections will be made at a mutually agreeable time after the giving of not less than forty-eight (48) hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of Applicant's Qualified Property.

B. All inspections may be accompanied by one or more representatives of Applicant, and shall be conducted in accordance with Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide District, Comptroller, or the Appraisal District with any technical or business

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

Section 8.6. RIGHT TO AUDIT; SUPPORTING DOCUMENTS; INDEPENDENT AUDITS.

This Agreement is subject to review and audit by the State Auditor pursuant to Section 2262.003 of the TEXAS GOVERNMENT CODE and Section 331.010(a) of the TEXAS TAX CODE, and the following requirements:

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

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

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

C. Comptroller may require, at Applicant's or District's sole cost and expense, as applicable, independent audits by a qualified certified public accounting firm of Applicant's, District's or the Comptroller's books, records, or property. The independent auditor shall provide Comptroller with a copy of such audit at the same time it is provided to Applicant and/or District.

D. In addition to and without limitation on the other audit provisions of this Agreement, pursuant to Section 2262.003 of the TEXAS GOVERNMENT CODE, the state auditor may conduct an audit or investigation of Applicant or District or any other entity or person receiving funds from the state directly under this Agreement or indirectly through a subcontract under this Agreement. The acceptance of funds by Applicant or District or any other entity or person

directly under this Agreement or indirectly through a subcontract under this Agreement acts as acceptance of the authority of the state auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, Applicant or District or other entity that is the subject of an audit or investigation by the state auditor must provide the state auditor with access to any information the state auditor considers relevant to the investigation or audit. This Agreement may be amended unilaterally by Comptroller to comply with any rules and procedures of the state auditor in the implementation and enforcement of Section 2262.003 of the TEXAS GOVERNMENT CODE.

Section 8.7. FALSE STATEMENTS; BREACH OF REPRESENTATIONS.

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

A. represents and warrants that all information, facts, and representations contained in the Application are true and correct; and

B. acknowledges that if Applicant submitted its Application with a false statement, signs this Agreement with a false statement, or submits a report with a false statement, or it is subsequently determined that Applicant has violated any of the representations, warranties, guarantees, certifications or affirmations included in the Application or this Agreement, Applicant shall have materially breached this Agreement and the Agreement shall be invalid and void except for the enforcement of the provisions required by 34 Tex. Admin. Code § 9.1053(f)(2)(L).

ARTICLE IX

MATERIAL BREACH OR EARLY TERMINATION

Section 9.1. EVENTS CONSTITUTING MATERIAL BREACH OF AGREEMENT.

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

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

B. Applicant failed to have complete Qualified Investment as required by Section 2.5 of this Agreement;

C. Applicant failed to create the number of Qualifying Jobs specified in Schedule C of the Application;

D. Applicant failed to pay the average weekly wage of all jobs in the county in which District's administrative office is located for all Non-Qualifying Jobs created by Applicant;

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

F. Applicant failed to provide payments to the District that protect District from the payment of extraordinary education related expenses related to the project, as more fully specified in Article V of this Agreement;

G. Applicant failed to provide such supplemental payments as more fully specified in Article VI of this Agreement;

H. Applicant failed to create and Maintain Viable Presence on and/or with the qualified property as more fully specified in Article VIII of this Agreement;

I. Applicant failed to submit the reports required to be submitted by section 8.2 to the satisfaction of Comptroller on the dates indicated on the form;

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

K. Applicant failed to allow authorized employees of District, Comptroller, the Appraisal District, and/or the State Auditor's Office to have access to Applicant's Qualified Property and/or business records in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of Applicant's Qualified Property;

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

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

N. Applicant fails either to:

- i. Implement a plan to remedy non-compliance as required by Comptroller pursuant to 34 TAC Section 9.1059; or
- ii. Pay a penalty assessed by Comptroller pursuant to 34 TAC Section 9.1059.

Section 9.2. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT.

A. In the event that Applicant terminates this Agreement without the consent of District, except as provided in Section 7.2 of this Agreement, or in the event that Applicant 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 9.3, then 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 9.3.C on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, Applicant shall be entitled to a credit for all payments made to District pursuant to Article IV, V, and VI of this Agreement.

B. Notwithstanding Section 9.2.A, in the event that District determines that Applicant has failed to Maintain Viable Presence and provides written notice of termination of the Agreement, then Applicant shall pay to 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 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 Applicant to 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, Applicant shall be entitled to a credit for all payments made to District pursuant to Article IV, V, and VI. Upon payment of such liquidated damages, Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

C. In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, District shall first determine the base amount of recaptured taxes less all credits under Section 9.2.A owed for each Tax Year during the Tax Limitation Period. District shall calculate penalty or interest for each Tax Year during the Tax Limitation Period in accordance with the methodology set forth in Chapter 33 of the TEXAS TAX CODE, as if the base amount calculated for such Tax Year less all credits under Section 9.2.A had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(a) of the TEXAS TAX CODE, or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(c) of the TEXAS TAX CODE, or its successor statute.

Section 9.3. LIMITED STATUTORY CURE OF MATERIAL BREACH.

In accordance with the provisions of Section 313.0275 of the Texas Tax Code, for any full tax year which commences after the project has become operational, Applicant may cure the Material Breaches of this Agreement, defined in Sections 9.1.C. or 9.1.D, above, without the termination of the remaining term of this Agreement. In order to cure its non-compliance with Sections 9.1.C. or 9.1.D for the particular Tax Year of non-compliance only, Applicant may make the liquidated damages payment required by Section 313.0275(b) of the Texas Tax Code, in accordance with the provisions of Section 313.0275(c) of the Texas Tax Code.

Section 9.3. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT.

A. Prior to making a determination that the Applicant has committed a material breach of this Agreement, such as making a misrepresentation in the Application, failing to Maintain Viable Presence in District as required by Section 8.1 of this Agreement, failing to make any payment required under this Agreement when due, or has otherwise committed a material breach of this Agreement, District shall provide 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 District. After receipt of the notice, Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that it is not in material breach of its obligations under the Agreement, or that it has cured or undertaken to cure any such material breach.

B. 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 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, 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 9.2.A and B (net of all credits under Section 9.2.A and B), and the amount of any penalty and/or interest under Section 9.2.C that are owed to District.

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

Section 9.4. DISPUTE RESOLUTION.

A. After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 9.3, 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 District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after the Applicant's receipt of notice of the Board of Trustee's determination of breach under Section 9.3, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then residing in Chambers County, Texas. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) District shall bear one-half of such mediator's fees and expenses and Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

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

C. In any event where a dispute between District and Applicant under this Agreement cannot be resolved by the Parties, after completing the procedures required above in this Section, either District or 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 9.5. LIMITATION OF OTHER DAMAGES.

Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, District's damages for such a default shall under no circumstances exceed the greater of either any amounts calculated under Sections 9.2 above, or the monetary sum of the difference between the payments and credits due and owing to Applicant at the time of such default and District taxes that would have been lawfully payable to District had this Agreement not been executed. In addition, District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement. The Parties further agree that the limitation of damages and remedies set forth in this Section 9.5 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 9.6. BINDING ON SUCCESSORS.

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

ARTICLE X.
MISCELLANEOUS PROVISIONS

Section 10.1. INFORMATION AND NOTICES.

A. Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (e.g., by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, or (ii) sent by facsimile 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.

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

Greg Poole, Superintendent
Barbers Hill Independent School District
P.O. Box 1108
Mont Belvieu, Texas 77580
Fax: (281) 576-5879
Email: gpoole@bhisd.net

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

Mark Apostle
Assistant Controller
Energy Transfer Partners, L.P.
800 E. Sonterra Blvd., Suite 400
San Antonio, Texas 78258
Fax: (210) 403-6664
Email: mark.apostle@energytransfer.com

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

Section 10.2. AMENDMENTS TO AGREEMENT; WAIVERS.

A. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties and after completing the requirements of subsection B hereof. Waiver of any term, condition or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition or provision, or a waiver of any other term, condition or provision of this Agreement.

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

- i. Applicant shall submit to District and Comptroller:
 - a. a written request to amend the Application and this Agreement which shall specify the changes Applicant requests;
 - b. any changes to the information that was provided in the Application that was approved by District and considered by Comptroller;
 - c. and any additional information requested by District or Comptroller necessary to evaluate the amendment or modification; and
- ii. Comptroller shall review the request and any additional information and provide a revised Comptroller certificate for a limitation within 90 days of receiving the revised Application and, if the request to amend the Application has not been approved by Comptroller by the end of the 90 day period, the request is denied;
- iii. If Comptroller has not denied the request, District's Board of Trustees shall approve or disapprove the request before the expiration of 150 days after the request is filed.

C. Any amendment of the Agreement adding additional or replacement Qualified Property pursuant to this Section 10.3 of this Agreement shall:

- i. require that all property added by amendment be eligible property as defined by Section 313.024 of the Texas Tax Code;

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

iii. define minimum eligibility requirements for the recipient of limited value.

D. This Agreement may not be amended to extend the value limitation time period beyond its ten year statutory term.

Section 10.4. ASSIGNMENT.

Any assignment of the interests of Applicant in this Agreement is considered an amendment to the Agreement and Applicant may only assign this Agreement, or a portion of this Agreement, after complying with the provisions of Section 10.3 regarding amendments to the Agreement.

Section 10.5. 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 10.6. MAINTENANCE OF COUNTY 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 10.7. 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 the County.

Section 10.8. 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 10.9. SEVERABILITY.

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 10.9, 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 10.10. PAYMENT OF EXPENSES.

Except as otherwise expressly provided in this Agreement, or as covered by the application fee, each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement.

Section 10.11. 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 10.12. 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 10.13. PUBLICATION OF DOCUMENTS.

The Parties acknowledge that District is required to publish Application and its required schedules, or any amendment thereto; all economic analyses of the proposed project submitted to District; and the approved and executed copy of this Agreement or any amendment thereto, as follows:

A. Within seven (7) days of such document, the school district shall submit a copy to Comptroller for Publication on Comptroller's Internet website;

B. District shall provide on its website a link to the location of those documents posted on Comptroller's website;

C. This Section does not require the publication of information that is confidential under Section 313.028 of the Texas Tax Code.

Section 10.14. CONTROL; OWNERSHIP; LEGAL PROCEEDINGS.

Applicant shall immediately notify District in writing of any actual or anticipated change in the control or ownership of Applicant and of any legal or administrative investigations or proceedings initiated against Applicant regardless of the jurisdiction from which such proceedings originate.

Section 10.15. DUTY TO DISCLOSE.

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

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 24 day of August, 2015.

LONE STAR NGL ASSET HOLDINGS II LLC (FRAC V) BARBERS HILL INDEPENDENT SCHOOL DISTRICT

By: Megan McKavanagh
Authorized Representative

Name: Megan McKavanagh
Title: Manager - Property Tax

By: Benny May
BENNY MAY
President
Board of Trustees

Attest: Cynthia Erwin
By: Cynthia Erwin
CYNTHIA ERWIN
Secretary
Board of Trustees

EXHIBIT 1

DESCRIPTION AND LOCATION OF ENTERPRISE OR REINVESTMENT ZONE

A reinvestment zone is in effect at the time of the signing of this Application. The Lone Star NGL Asset Holdings II LLC Reinvestment Zone was created on December 20, 2011, by action of the Barbers Hill Independent School District. As a result of the action of the Barbers Hill Independent School District, all of the following real property within the boundaries of the *Lone Star NGL Asset Holdings II LLC Reinvestment Zone*. A map of the reinvestment zone is attached as the last page of this **EXHIBIT 1** following the legal description of the zone.

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

44	16241	12 TR 67-1 H GRIFFITH	
45	16241	12 TR 67-1 H GRIFFITH	
46A	31391	4 TR 9-0-2 WM BLOODGOOD	
46B	31390	4 TR 9-0-1 WM BLOODGOOD	
47	3101	12 TR 74-5 H GRIFFITH	
48	3100	24 7-1 W D SMITH	
49	3099	24 6-1 W D SMITH	
50			
	3098	24 6-0 W D SMITH	
	22676	24 6-2 W D SMITH	part of 48-50
51	24544	24 8-1 W D SMITH	Part of 52
52			
	22668	24 8-5 WM D SMITH	
	20522	24 8-2 W D SMITH	
	24545	24 8-4 W D SMITH	
	24544	24 8-1 W D SMITH	
53	49400	12 TR 12-0-6 H GRIFFITH	
54	49351	24 1-2-4 W D SMITH	

Non LGH Parcels

55	9831	24 11-1 WM D SMITH
56	50539	24 1-5-1 WM D SMITH
57	50538	24 1-3-1 W D SMITH
58	508	24 9-2 W D SMITH
59	18943	12 TR 74-0 H GRIFFITH
60	17620	12 TR 91-1 H GRIFFITH
61	4729	12 TR 82-0 H GRIFFITH
62	19145	12 TR 78-0 H GRIFFITH
63	5084	4 TR 4-0 WM BLOODGOOD
64	1863	4 TR 5-0 WM BLOODGOOD



Google earth

miles 1
km 2



EXHIBIT 2

DESCRIPTION AND LOCATION OF THE APPLICANT'S QUALIFIED INVESTMENT

All Qualified Property owned or leased by the Applicant and located within the boundaries of both the Barbers Hill Independent School District and the reinvestment zone first placed in service after November 20, 2014 will be included in and subject to this Agreement. Specifically, all Qualified Property of the Applicant located in the sections of land identified in **EXHIBIT 1**.

EXHIBIT 3

DESCRIPTION AND LOCATION OF QUALIFIED PROPERTY

This Agreement covers all qualified property within Barbers Hill ISD necessary for the commercial operations of the proposed manufacturing facility described in Tab 4 of the Application. Qualified property includes, but is not limited to:

- Pre-treatment Systems
- De-Ethanizer Unit
- De-Propanizer Unit
- De-butanizer Unit
- Towers
- Butane Splitter (De-Isobutanizer)
- All appurtenant components
- Heat Medium
- Gasoline Treater
- Compression Equipment
- Additional storage facilities for Y-grade liquids and other components