CHAPTER 381

ECONOMIC DEVELOPMENT AGREEMENT

BETWEEN

CHAMBERS COUNTY, TEXAS

AND

TARGA TRAIN 8, LLC

STATE OF TEXAS §
§
COUNTY OF CHAMBERS §

This Chapter 381 Economic Development Agreement (hereinafter "Agreement") is made and entered into by and between CHAMBERS COUNTY, TEXAS, (hereinafter the "County"), and TARGA TRAIN 8, LLC, (hereinafter "TARGA"), hereinafter collectively referred to as the "Parties" and sometimes individually referred to as a "Party."

This Agreement is made and entered into between the Parties contemporaneously with a Tax Abatement Agreement executed between the Parties of even date herewith. The purpose for this Agreement is to assist in encouraging the development of primary employment and attracting major economic investments to the County.

RECITALS

WHEREAS, the County has adopted a Chapter 381 Economic Development Policy ("**Chapter 381 Policy**") establishing programs for economic development and authorizing the governing body of the County to provide for the administration of those programs pursuant to Chapter 381 of the Texas Local Government Code;

WHEREAS, TARGA plans to construct substantial improvements to real property within the City of Mont Belvieu TARGA Reinvestment Zone (hereinafter "Reinvestment Zone") designated by Resolution by the City of Mont Belvieu City Council, Ordinance No. 2018-005, a copy of which is attached. TARGA's improvements will constitute a major economic investment in the County and the surrounding community and will encourage the development of primary employment within the County and is hereinafter referred to as the "Project;"

WHEREAS, the County recognizes the positive economic impact the proposed Project will have on the community and desires to offer economic development incentives to TARGA to develop the Project in the form of a tax abatement of *ad valorem* property taxes;

WHEREAS, the County has granted TARGA a tax abatement according to the terms and conditions of that Tax Abatement Agreement attached thereto and incorporated as if set forth entirely herein;

WHEREAS, TARGA recognizes the significance of its development and construction of substantial improvements to real property within the County and its potential impact and effect on the County's public infrastructure and transportation for which the County must consider in connection with the Tax Abatement Agreement identified herein; and

WHEREAS, TARGA desires to make a monetary contribution of financial resources to the County to be applied toward capital expenditures for infrastructure projects of community-wide impact and significance in an effort to offset or otherwise mitigate the impact of the Project on the County's infrastructure and local transportation system and to encourage the continued development and expansion of amenities within the County that directly serves the local taxpayer and benefits the surrounding community at large; and

NOW, THEREFORE, in consideration of the mutual benefits and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the County and TARGA agree as follows:

I. AUTHORITY

The County's execution of this Agreement is authorized by Chapter 381 of the Texas Local Government Code and by the Chambers County Chapter 381 Economic Development Policy which is incorporated by reference in this Agreement. TARGA's execution and performance of this Agreement has been duly authorized.

II. DEFINITIONS

The terms "County," "TARGA," "Chapter 381 Policy", and "Reinvestment Zone," shall have the meanings provided for them in the Recitals above. Except as may be otherwise defined, or to the extent the context clearly requires otherwise, capitalized terms and phrases as used in this Agreement shall have the following meaning:

"Affiliate" of any specified person or entity shall mean any other person or entity which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under direct or indirect common control with such specified person or entity.

For purposes of this definition, "control" when used with respect to any person or entity means (i) the ownership, directly or indirectly, of fifty percent (50%) or more of the voting securities of such person or entity, or (ii) the right to direct the management or operations of such person or entity, directly or indirectly, whether through the ownership (directly or indirectly) of securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Application" shall mean that application for tax abatement and any supplements or amendments thereto submitted by TARGA to the County with respect to the Project, and as referenced.

"Capital Expenditures" shall mean those capital improvement expenses incurred in conjunction with an Infrastructure Project including, but not limited to, design engineering, geotechnical engineering, subsurface utility engineering, environmental studies, land acquisition, surveying, construction, inspection and project management.

"Chapter 381 Infrastructure Payment" shall mean one or more payments totaling in the aggregate an amount equal to ONE MILLION DOLLARS and NO/100 ($1,000,000.00) made by TARGA to the County as a monetary contribution of financial resources to the County to be applied toward capital expenditures for an Infrastructure Project as contemplated by this Agreement.

"Chapter 381 Infrastructure Payment Date" shall mean November 1, 2019 and November 1, 2020.

"Chapter 381 Final Payment Date" shall mean November 31, 2029.

"Chapter 381 Community Impact Program Contribution (CIPC)" shall mean an amount equal 1.50 % of derived tax savings for each tax year as set forth in Section V of the Tax Abatement Agreement. The CIPC is intended to foster public-private investment in comprehensive literacy programs, promotion of the arts, public health, and an array of targeted civic infrastructure which supports economic and community development.

"Effective Date" shall mean the date this Agreement is executed by the last party to execute this Agreement.

"Infrastructure Project" shall mean or otherwise include one or more of the following projects:

a. EW-4 Extension and Improvements;

b. Kilgore Parkway Extension and Improvement;

c. Needlepoint Road Extension and Improvement;

d. Detention and Park Improvements;

e. County Park Improvements; and

f. Industrial Intermodal Support Infrastructure

"Program" means the economic development program established by the County pursuant to Chapter 381 of the Texas Local Government Code to promote local economic development and stimulate business and commercial activity within the County.

"Project" means TARGA's planned construction of the new 8th fractionation facility to be constructed at its complex in Chambers County, with an estimated construction cost of $250,000,000.

"Tax Abatement Agreement" shall mean the Tax Abatement Agreement authorized and entered into by and between the County and TARGA in conjunction with this Agreement, a copy of which is attached.

III. TERM

This Agreement shall commence on the Effective Date and, unless sooner terminated pursuant to the provisions of this Agreement, shall terminate thirty (30) days after the Chapter 381 Final Payment Date.

IV. CONDITIONS PRECEDENT

The County and TARGA agree that as a condition of the Tax Abatement Agreement, TARGA shall contribute the Chapter 381 Payments to the County as described in Article V. below.

V. CHAPTER 381 PAYMENTS

Upon the execution of the Tax Abatement Agreement, TARGA agrees to tender the Chapter 381 Infrastructure Payments to the County for the Infrastructure Project no later than the specified Chapter 381 Infrastructure Payment Dates. TARGA shall have the right to prepay at any time and in any amount all or any part of the Chapter 381 Infrastructure Payment without penalty. In furtherance of the development and administration of the Program, the County shall apply the Chapter 381 Infrastructure Payment (i) directly to the costs associated with any Infrastructure Project, or (ii) toward the reduction of debt service associated with bonds issued for any Infrastructure Project as that term is defined herein.

CIPC: Beginning on November 1, 2021, and on or before November 1 of each calendar year thereafter during the life of this Agreement, Targa shall contribute to the County

CIP an amount equal 1.50 % of derived tax savings for each tax year as set forth in Section V of the Tax Abatement Agreement, until the Chapter 381 Final Payment Date. This contribution is provided for in Sections 381.004(b) and 381.004(c) of the Texas Local Government Code. Remittance of this contribution shall be separate and distinct from the remittance of the Chapter 381 Infrastructure Payments and Administration Fees set forth respectively in Section II and Section IX of this Agreement.

VI. REPRESENTATIONS AND WARRANTIES

The County represents to TARGA that it has the authority to establish the Program and enter into this Agreement and the Tax Abatement Agreement, and that it is duly authorized and empowered to establish the Program and enter into this Agreement and the Tax Abatement Agreement. The County further represents to TARGA that the execution, delivery and performance by County and TARGA of this Agreement will not (a) contravene any law or any order, writ, decree or injunction of any governmental authority, specifically including the provisions of the Texas Constitution and statutes governing the County, (b) conflict with, or result in a breach of any term, covenant, condition or provision of, or constitute a default under the terms of any agreement or instruments to which it is a party or by which it or any of its properties is bound, or (c) violate any provision of the organizational documents of County, the Texas Constitution, or Texas statutes governing the County; such that in the cases of either of clauses (a), (b), or (c), cause either the County or TARGA to fail to comply with their respective obligations or receive the benefits under this Agreement or the Tax Abatement Agreement.

VII. LIABILITY

By this Agreement TARGA assumes no obligation, duty or other responsibility with regard to any government function or service for which the County is responsible that is not otherwise addressed by this Agreement. In addition, TARGA assumes no legal liability for the actions of the County through the execution of this Agreement. Except as otherwise provided in the Tax Abatement Agreement, the County assumes no obligation, duty or other responsibility with regard to any duty, right, obligation and/or responsibility associated with the Project for which TARGA is responsible and made the subject of the Application and the Tax Abatement Agreement. In addition, the County assumes no legal liability for the actions of TARGA or its successors or assigns by virtue of its execution of this Agreement.

Each Party to this Agreement agrees that it shall have no liability for the actions or omissions of the employees, agents or trustees of the other Party, and each Party is solely responsible for the actions and omissions of its own employees, agents or trustees.

VIII. DEFAULT AND TERMINATION

A Party shall be deemed in default under this Agreement (which shall be deemed a breach hereunder) if such Party fails to materially perform, observe, or comply with any of its covenants, agreements, or obligations hereunder or breaches or violates any of its representations contained in this Agreement.

As the County's sole and exclusive remedy for an Event of Default (as defined below) by TARGA, the Tax Abatement Agreement executed in conjunction with this Agreement and identified herein shall automatically terminate if (i) TARGA does not execute this Agreement within fifteen (15) days from the date this Agreement is approved and executed by the governing body of the County, or (ii) the County does not receive, on or before the Chapter 381 Infrastructure Payment Date, the Chapter 381 Infrastructure Payments in an amount equal to ONE MILLION DOLLARS and NO/100 ($1,000,000.00). Either event shall be considered an Event of Default as that term is defined under the Tax Abatement Agreement executed in conjunction with this Agreement and attached hereto. In the event the County terminates the Tax Abatement Agreement pursuant to this Article VIII, County shall refund any part of the Chapter 381 Infrastructure Payment that had been paid by TARGA or its affiliates prior to the termination of the Tax Abatement Agreement within thirty (30) days of the date of termination of the Tax Abatement Agreement. County shall have no other remedy for an Event of Default by TARGA of this Agreement other than the termination of the Tax Abatement Agreement as described in this Article VIII.

IX. ADMINISTRATION

This Agreement shall be administered on behalf of the County by the BAYTOWN WEST CHAMBERS COUNTY ECONOMIC DEVELOPMENT FOUNDATION (EDF). Upon completion of the Project, the County or its representative, the EDF, shall annually evaluate the Project to ensure compliance with this Agreement.

An administration fee will be assessed. Beginning on November 1, 2019 and on or before November 1, 2020, TARGA shall pay to the County an administration fee of 0.625% of the Chapter 381 Infrastructure Payment. This fee is considered payment for administrative services as provided for in Section 381.004 (c) of the Texas Local Government Code.

X. NOTICES

Any notice given under this Agreement must be in writing and may be given (i) by depositing it in the United States mail, registered or certified, with return receipt requested, addressed to the Party to be notified at the address set forth below, or at the last address for notice that the sending Party has for the receiving Party at the time of mailing, and with all charges prepaid; (ii) by depositing it with Federal Express or another service guaranteeing "next day delivery," addressed to the Party to be notified and with all charges prepaid; (iii) by personally delivering it to the Party, or any agent of

the Party listed in this Agreement; or (iv) by facsimile with confirming copy sent by one of the other described methods for notice set forth in this sentence. Notice by United States mail as provided in (i) will be deemed delivered, whether or not actually received, three (3) days after the date of mailing. Payments to the County shall be made by check at the address set forth below (without copies), unless timely notice of change of address is given to TARGA in writing within thirty (30) days prior to the Chapter 381 Final Payment Date. For purposes of this Article IX, the addresses of the Parties will, until changed as provided below, be as follows:

To TARGA:

TARGA TRAIN 8, LLC

C/O: KE ANDREWS
1900 DALROCK RD.
ROWLETT, TX 75088

To the COUNTY:

CHAMBERS COUNTY
HONORABLE COUNTY JUDGE JIMMY SYLVIA
404 WASHINGTON AVENUE
P.O. BOX 939
ANAHUAC, TX 77514

WITH A COPY TO:

BAYTOWN ECONOMIC DEVELOPMENT FOUNDATION
1300 ROLLINGBROOK DRIVE, STE. 505
BAYTOWN, TX 77521

Either Party may designate a different address by giving the other Party ten (10) days written notice.

XI. DISCLAIMER

Nothing herein shall confer upon any person, firm or other entity other than the Parties hereto any benefit or any legal or equitable right, remedy or claim under this Agreement. All obligations hereunder of the Parties hereto shall be binding upon their respective successors and assigns.

TARGA may assign this Agreement to an Affiliate provided that TARGA shall provide written notice of such assignment to the County. Except as otherwise provided in the immediately preceding sentence, no rights, duties, obligations, interest or options of a Party under this Agreement may be assigned or otherwise made available to a third

party without the prior written consent of the other Party, which consent shall not be unreasonably withheld, delayed or conditioned.

XII. SEVERABILITY AND SURVIVAL OF AGREEMENT

If any provision or application of this Agreement shall be held illegal, invalid or unenforceable by any court, the invalidity of such provision shall not affect or impair any of the remaining provisions of this Agreement.

XIII. GOVERNING LAW

This Agreement shall be construed and interpreted in accordance with the laws of the State of Texas. It is further understood and agreed that any dispute arising out of or related to this Agreement shall be resolved in a court of competent jurisdiction in Chambers County, Texas. Nothing in this Agreement shall constitute a waiver by the County of its sovereign immunity rights. Nothing in this Agreement shall be construed as express or implied consent of the County to being sued.

XIV. MISCELLANEOUS PROVISIONS

The Parties to this Agreement declare and represent that no promise, inducement or other agreement not expressly contained herein has been made conferring any benefit upon any party. The Parties to this Agreement further declare and represent that this Agreement contains the entire agreement of the Parties with respect to the subject matter hereof, and that the terms of this Agreement are contractual and not recitals only.

In the event it becomes necessary for either Party to file a suit to enforce this Agreement or any provisions of this Agreement, the Party prevailing in such action shall be entitled to recover, in addition to all other remedies or damages, reasonable attorneys' fees and court costs incurred by such prevailing Party in such suit.

The terms contained in this Agreement represent the final agreement among the Parties with respect to the subject matter hereof and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the Parties. The Parties agree that in entering into this Agreement they have not relied upon any representation other than those contained in this Agreement. The Parties agree that they have read this Agreement, sought the advice of counsel, understand the terms of this Agreement and have executed this Agreement voluntarily.

In the event of a conflict between any of the provisions of this Agreement, on the one hand, and any of the provisions of the Tax Abatement Agreement, on the other hand, the provisions of the Tax Abatement Agreement shall control.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

By: TARGA TRAIN 8, LLC

By: _____

(Signature)

John D. Thompson Vice President, Tax

(Printed Name and Title)

6/7/19

(Date)

ATTEST:

_____

(Signature)

Ruth Henderson, Administrative Assistant

(Printed Name and Title)

By: CHAMBERS COUNTY

By: _____

(Signature)

Jimmy Sylvia, County Judge

(Printed Name and Title)

May 24, 2019

(Date)

1

ATTEST:

Heather H. Hawthorne

(Signature)

Heather H. Hawthorne, County Clerk

(Printed Name and Title)

CHAPTER 312

TAX ABATEMENT AGREEMENT

BETWEEN

CHAMBERS COUNTY, TEXAS,

AND

TARGA TRAIN 8, LLC

STATE OF TEXAS §
§
COUNTY OF CHAMBERS §

This Tax Abatement Agreement (hereinafter referred to as "the Agreement") is made, entered, and executed between **CHAMBERS COUNTY, TEXAS** acting through its **Commissioners Court** (hereinafter referred to as "the **COUNTY**"), and **TARGA TRAIN 8, LLC**, (hereinafter referred to as "**TARGA**"), the owner of taxable property in Chambers County, Texas, located in the **CITY OF MONT BELVIEU TARGA REINVESTMENT ZONE** ("Reinvestment Zone"), designated by Resolution by the City of Mont Belvieu City Council, Ordinance No. 2018-005, a copy of which is attached as Exhibit A. The **COUNTY** and **TARGA** are hereinafter collectively referred to as the "Parties" and sometimes individually referred to as a "Party."

This Agreement is made and entered into between the Parties in conjunction with a Chapter 381 Economic Development Agreement executed for the purpose of encouraging the development of primary employment and attracting major economic investments to the COUNTY.

I. AUTHORIZATION

This Agreement is authorized by the Texas Property Redevelopment and Tax Abatement Act, Texas Tax Code, ("Tax Code") Chapter 312, V.T.C.A., following the designation of the Reinvestment Zone.

II. CONDITIONS PRECEDENT

The **COUNTY** properly approved the Abatement Application and authorized the **COUNTY** to enter into this Agreement with **TARGA** for the abatement of certain ad valorem taxes pursuant to Chapters 312 of the Tax Code, as provided for in this Agreement. The parties agree that the representations contained in the Abatement Application are true and correct and are hereby incorporated into this Agreement.

III. DEFINITIONS

1. As used in this Agreement, the following terms shall have the meanings set forth below:

   a. The "2019 Certified Appraised Value" means the January 1, 2019 value of the property within the Reinvestment Zone as certified by the Chambers County Appraisal District as of that date.

   b. "Improvements" means the buildings or portions thereof and other improvements, including fixed machinery, equipment and process units, and other business personal property used for commercial or industrial purposes that are acquired and/or constructed by **TARGA** on the property after January 1, 2019 and subject to *ad valorem* taxes.

   c. "Construction Phase" means a material and substantial improvement of the property which represents a separate and distinct construction operation undertaken for the purpose of constructing the Improvements. The period of Construction Phase ends when the Improvements are substantially completed and consistent with Article VIII entitled "Contemplated Improvements."

   d. "Abatement" means the full or partial exemption from ad valorem taxes of certain property in the Reinvestment Zone designated for economic development purposes.

   e. "Abatement Application" means the Application for Tax Abatement dated August 15, 2018, submitted to the **COUNTY** by **TARGA**.

   f. "Eligible Abatement Property" means the buildings, structures, fixed machinery, equipment and process units, business personal property and other Improvements subject to *ad valorem* taxes necessary to the operation and administration of the New Facility.

g. "New Eligible Abatement Property" means Eligible Abatement Property, the construction of which commences subsequent to the date of execution of this Agreement. A list of the New Eligible Abatement Property is set forth in the Abatement Application which is incorporated herein by reference and made a part hereof. During the Construction Phase of the New Eligible Abatement Property, **TARGA** may make such change orders to the New Eligible Abatement Property as are reasonably necessary to accomplish its intended use.

h. "New Facility" has the meaning as set forth in Article VIII below.

i. "Ineligible Property" means land, inventories, supplies, tools, furnishings, and other forms of movable business personal property, including but not limited to, vehicles, vessels, aircraft, housing, hotel accommodations, deferred maintenance investments, improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion, any improvements including those to produce, store, or distribute natural gas, fluids or gases, which are not necessary to the operation of the New Facility, and property that has an economic life of less than fifteen (15) years.

2. The guidelines and criteria for granting tax abatements in a reinvestment zone created in Chambers County, Texas, which were adopted by the **COUNTY**, are incorporated herein by reference, together with any applicable amendments. All definitions set forth therein are applicable to this Agreement. The Commissioners Court of Chambers County has determined that the terms of this Agreement meet the applicable guidelines and criteria for granting tax abatements in the Reinvestment Zone or have otherwise approved a variance from such guidelines and criteria as described in Article VI below.

IV. SUBJECT PROPERTY

3. The Reinvestment Zone designated by City of Mont Belvieu City Council Ordinance No. 2018-005 is an area within Chambers County, Texas, generally described in Exhibit "A" attached hereto and incorporated herein.

The 2019 Certified Appraised Value on site is:

Land Only	$333,560
Improvements	$ 0
TOTAL:	$333,560

V. VALUE AND TERM OF AGREEMENT

4. Following the date of final approval and execution of this Agreement by the Parties hereto, and as authorized by Sec. 312.007 of the Tax Code, this tax abatement shall be deferred and become effective for the abatement period beginning on January 1 for the valuation year cited below and ending on December 31st of the tenth (10th) year following the first year in which taxes are abated under this Agreement. For each year of the ten (10) year period that this Agreement is in effect, the amount of tax abatement shall be an amount equal to the percentage indicated below. The appraised value, as defined in the Property Tax Code, of New Eligible Abatement Property shall be abated in accordance with the following schedule:

Year Abated	Percentage of Value Abated
2021	**74%**
2022	**60%**
2023	**50%**
2024	**50%**
2025	**50%**
2026	**50%**
2027	**50%**
2028	**50%**
2029	**50%**
2030	**50%**

VI. VARIANCE GRANTED

5. As authorized by Section 4 of the guidelines and criteria established by the COUNTY the COUNTY hereby grants TARGA a variance to the standard guidelines and criteria for tax abatements in a reinvestment zone. The variance herein granted is based on the estimated size of the project made the basis of this Agreement and the anticipated economic impact the project will have on the COUNTY and the surrounding community so as to offer competitive economic development incentives comparable to other taxing jurisdictions for substantially similar projects.

VII. TAXABILITY

6. During the period that this tax abatement is effective ("abatement period"):

a. The value of Ineligible Property shall be fully taxable;

b. The appraised value, as defined in the Property Tax Code, of New Eligible Abatement Property shall be abated as set forth above under the section entitled "VALUE AND TERM OF AGREEMENT."

VIII. CONTEMPLATED IMPROVEMENTS

7. As set forth in the Abatement Application which is incorporated herein for all purposes, **TARGA** represents that it will construct the New Facility (Fractionator 7) with an approximate improvement cost and added value of **$ 250,000,000**. During the Construction Phase, **TARGA** may make such change orders to the project as are reasonably necessary. All Improvements shall be completed in accordance with the Abatement Application and all applicable laws, ordinances, rules, or regulations. **TARGA** agrees to limit the uses of the New Facility to uses consistent with the general purpose of encouraging development of the Reinvestment Zone during the term of this Agreement.

IX. EVENTS OF DEFAULT

8. During the abatement period covered by this Agreement, the **COUNTY** may declare a default hereunder by **TARGA** if **TARGA** (i) fails to commence construction of the New Facility within one (1) year from the date this Agreement is executed or (ii) fails to construct the New Facility or (iii) fails to comply with any of the material terms of this Agreement, or (iv) fails to comply with any of the terms of the Chapter 381 Economic Development Agreement executed in conjunction herewith, or (v) if any representation made by **TARGA** in this Agreement is false or misleading in any material respect.

9. Notwithstanding the terms and conditions of Article X of the Chapter 381 Economic Development Agreement executed in conjunction herewith, if the **COUNTY** declares that **TARGA** is in default of this Agreement, the **COUNTY** shall notify **TARGA** in writing. If such default is not cured within sixty (60) days from the date of such notice ("Cure Period"), then this Agreement may be terminated. In the case of a default for causes beyond **TARGA's**

reasonable control which cannot with due diligence be cured within the Cure Period, the Cure Period shall be deemed extended if **TARGA** (i) shall notify the **COUNTY** of **TARGA's** intention to institute steps reasonably necessary to cure such default, (ii) shall proceed to cure such default, and (iii) shall submit a proposed schedule for the completion of the New Facility, including the estimated date for completion of the New Facility, a reasonable explanation concerning the reason for the delay, and a reasonable estimate of the overall percent of the New Facility that is completed as of the date of such notice.

10. In the event **TARGA** (i) allows its ad valorem taxes on the New Facility to become delinquent or fails to timely and properly follow the legal procedures for the protest and appeal of the ad valorem taxes on the New Facility or (ii) defaults under this Agreement and fails to cure, this Agreement may then be terminated. In the event of termination of this Agreement pursuant to the provisions of this paragraph, all taxes previously abated by virtue of this Agreement will be recaptured by the COUNTY and paid by TARGA within sixty (60) days of the termination, together with penalties and interest as required by Sec. 312.205(a)(4) and (7) of the Tax Code. In the event of termination of this Agreement pursuant to the provisions of this paragraph, **TARGA** agrees that it shall not withhold consent necessary for termination as required by Section 312.208(b) of the Tax Code.

11. In the event the New Facility is completed and begins producing product or services "on-specification," but subsequently discontinues producing product or services for any reason excepting fire, explosion, or other casualty, accident, or natural disaster or governmental mandate, for a period of one (1) year during the abatement period, then this Agreement shall terminate. In the event of termination pursuant to the provisions of this paragraph, the abatement of the taxes for the calendar year during which the New Facility no longer produces shall terminate, but there shall be no recapture of prior years' taxes abated by this Agreement. The taxes otherwise abated shall be paid to the **COUNTY** prior to the delinquency date for such year. In no event shall **TARGA** be required to pay such taxes within less than sixty (60) days of the termination.

X. ADMINISTRATION

12. This Agreement shall be administered on behalf of the **COUNTY** by the **BAYTOWN-WEST CHAMBERS COUNTY ECONOMIC DEVELOPMENT FOUNDATION (EDF)**. Upon completion of the New Facility, the **COUNTY** or its representative, the **EDF** shall annually evaluate the New Facility to ensure compliance with this Agreement.

13. The Chief Appraiser of the Chambers County Appraisal District shall annually determine (i) the taxable value pursuant to the terms of this abatement of the real and business personal property comprising this Reinvestment Zone and (ii) the full taxable value without abatement of the real and business personal property comprising this Reinvestment Zone. The Chief Appraiser shall record both the abatement taxable value and the full taxable value in the appraisal records. The full taxable value listed in the appraisal records shall be used to compute any recapture. Each year **TARGA** shall furnish the Chief Appraiser with the information required by Chapter 22, Tax Code, V.T.C.A. Such information shall also be provided to the **COUNTY** in preparation of its annual evaluation for compliance with this Agreement. On or before May 1st of each year during the term of this Agreement, **TARGA** agrees to certify annually to the governing body of each taxing unit that the New Facility is in material compliance with the terms of this Agreement.

14. If after notice of default and failure to cure, the **COUNTY** terminates this Agreement, it shall provide **TARGA** written notice of such termination. In the event of termination, **TARGA** may file suit in the Chambers County District Court appealing termination within ninety (90) days after receipt from the **COUNTY** of written notice of termination. If an appeal is filed, **TARGA** shall remit to the **COUNTY** within sixty (60) days after receipt of the notice of termination, any recaptured taxes as may be payable during the pendency of the litigation under Section 42.08, Tax Code, V.T.C.A. If the final determination of the appeal increases **TARGA's** tax liability, **TARGA** shall pay the additional tax to the **COUNTY** pursuant to Section 42.42, Tax Code, V.T.C.A. If the final determination of the appeal decreases **TARGA** tax liability, the **COUNTY** shall refund to **TARGA** the difference between the amount of tax paid and the amount of tax for which **TARGA** is liable together with interest pursuant to Section 42.43, Tax Code, V.T.C.A.

XI. ASSIGNMENT

15. **TARGA** may assign this Agreement with the written consent of the **COUNTY**, which consent shall not be unreasonably withheld. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in this Agreement. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in this Agreement and in the Chapter 381 Economic Development Agreement executed in conjunction herewith to the extent applicable. No assignment shall be approved if **TARGA** or the assignee is delinquent in ad valorem taxes due the **COUNTY**.

XII. NOTICE

16. Any notice required to be given under the provisions of this Agreement shall be in writing and shall be served when it is deposited, enclosed in a wrapper with the postage prepaid thereon, and by registered or certified mail, return receipt requested, in a United States Post Office, addressed to the **COUNTY** or **TARGA.** If mailed, any notice shall be deemed to be received three (3) days after the date of deposit in the United States Mail. Unless otherwise provided in this Agreement, all notices shall be delivered to the following addresses:

To TARGA:

TARGA TRAIN 8, LLC

C/O: KE ANDREWS
1900 DALROCK RD.
ROWLETT, TX 75088

To the COUNTY:

CHAMBERS COUNTY
HONORABLE COUNTY JUDGE JIMMY SYLVIA
404 WASHINGTON AVENUE
P.O. BOX 939
ANAHUAC, TX 77514

WITH A COPY TO:

BAYTOWN ECONOMIC DEVELOPMENT FOUNDATION
1300 ROLLINGBROOK DRIVE, STE. 505
BAYTOWN, TX 77521

Either party may designate a different address by giving the other party ten (10) days written notice.

XIII. AUTHORITY

17. Each of the parties hereto represents and warrants to the other party that (i) it has all requisite power and authority to execute and deliver, to perform its obligations under and to consummate the transactions contemplated by this Agreement and (ii) the execution and delivery of this Agreement, the performance of its obligations under and the consummation by each party of the transactions contemplated by this Agreement have been duly authorized by all requisite corporate authority on the part of **TARGA** and by all requisite governmental authority on the part of the **COUNTY** and (iii) upon execution and delivery of this Agreement, this Agreement will constitute valid and binding legal obligations of such party.

XIV. EFFECTIVE DATE

18. This Agreement may be executed in counterparts and the effective date of the Agreement shall be the date the **COUNTY** executes this Agreement by and through its Commissioners Court, so authorizing, on the date of the countersignature hereto by the **CHAMBERS COUNTY JUDGE** on this 24TH day of MAY, 2019.

XV. GOVERNING LAW

19. This Agreement shall be construed and interpreted in accordance with the laws of the State of Texas. It is further understood and agreed that any dispute arising out of or related to this Agreement shall be resolved in a court of competent jurisdiction in Chambers County, Texas. Nothing in this Agreement shall constitute a voluntary waiver by the COUNTY of its governmental immunity rights. Nothing in this Agreement shall be construed as the express or implied consent of the COUNTY to being sued.

XVI. MISCELLANEOUS

20. In the event any further documentation or information is required for this agreement to be valid, then the Parties to this agreement shall provide or cause to be provided such documentation or information. The Parties shall execute and deliver such documentation, including but not limited to any amendments, corrections, deletions or additions as necessary to this Agreement provided however that the Parties shall not be required to do anything that has the effect of changing the essential economic terms of this Agreement or imposing greater liability on the Parties. The Parties further agree that they shall do anything necessary to comply with any requirements to enable the full effect of this Agreement, provided, however that the Parties shall not be required to do anything that has the effect of changing the essential economic terms of this Agreement or imposing greater liability on the Parties.

21. In the event any section, subsection, paragraph, sentence, phrase or word herein is held invalid, illegal or unconstitutional, the balance of this Agreement shall stand, shall be enforceable and shall be read as if the parties intended at all times to delete said invalid section, subsection, paragraph, sentence, phrase or word.

22. The **COUNTY** agrees to record a certified copy of this Agreement in the Deed Records of Chambers County, Texas.

23. This Agreement shall be construed under the laws of the State of Texas. Venue for any action under this Agreement shall be the State District Court of Chambers County, Texas.

24. This Agreement shall be subject to change, modification or, except in the event of default which has not been cured as provided herein, termination, only with the mutual written consent of the **COUNTY** and **TARGA**.

25. This complete Agreement has been executed by the parties in multiple originals, each having full force and effect.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

By: **TARGA TRAIN 8, LLC**

By: _____
(Signature)

JOHN D. THOMPSON VICE PRESIDENT, TAX
(Printed Name and Title)

6/7/19
(Date)

ATTEST:

_____
(Signature)

Ruth Henderson, Administrative Assistant
(Printed Name and Title)

By: **CHAMBERS COUNTY**

By: _____
(Signature)

Jimmy Sylvia, County Judge
(Printed Name and Title)

May 24, 2019
(Date)

ATTEST:

_____
(Signature)

Heather H. Hawthorne, County Clerk
(Printed Name and Title)

EXHIBIT A

K.E. Andrews & Co.
1900 Dalrock Road
Rowlett, Texas 75088

August 15, 2018

The Honorable Judge Jimmy Sylvia
404 Washington Street
P.O. Box 939
Anahuac, Texas 77514

RE: Targa Downstream, LLC—Chapter 381 Tax Abatement Application

Dear Judge Sylvia:

Targa Downstream, LLC has approved and intends to construct its 8th fractionation facility in Chambers County, Texas. This facility will allow Targa Downstream, LLC the ability to process raw natural gas liquids into useable products. The estimated investment for this project is $250,000,000.

The facility will have a capacity of 100,000 bbl/day of natural gas liquids. Construction is anticipated to commence in April 2019, and the facility will be fully operational by December 2020. During the construction phase, the facility will create approximately 500 jobs. Upon completion of construction, there will be at minimum 12, full-time salaried positions in Mont Belvieu for the maintenance and operation of the facility.

On behalf of Targa Downstream, LLC we are respectfully requesting the consideration of a Chapter 381 Economic Development Agreement with Chambers County, giving effect to a ten (10) year tax abatement agreements, the terms of which are to be negotiated consistent with the County's Chapter 381 Economic Development Policy. Attached is our application for the property tax abatement.

We look forward to discussing a potential Chapter 381 Economic Development Agreement with you and the Commissioners Court. We appreciate your time and consideration, and also would like to express our gratitude for allowing Targa Downstream, LLC the opportunity to have continued growth in the City of Mont Belvieu and Chambers County.

If you have any questions, feel free to contact me by either phone or email at 469-298-1594 or mike@keatax.com .

Sincerely,

Mike Fry

Mike Fry
Director—Energy Services

APPLICATION FOR TAX ABATEMENT IN CHAMBERS COUNTY, TX

This application should be filed at least 90 days prior to the proposed date for beginning of construction or the installation of fixed machinery and equipment. **Projects that have begun construction (including earthwork) prior to County approval of final contracts are ineligible.** The filing of this document acknowledges familiarity and conformance with Guidelines and Criteria for Tax Abatement in Chambers County (attached). This application will become part of the agreement and any knowingly false representations will be grounds to void the agreement. Original copy of this request should be submitted to the County Judge Jimmy Sylvia, 404 Washington Avenue, P. O. Box 939, Anahuac, Texas 77514 if the property is located outside the corporate limits of a municipality. If the property is within the corporate limits of a municipality, the application should be submitted to the city manager of the municipality or city administrator. Note: Approval of this application is only 1 step in securing tax abatement. The applicant must provide other legal documents.

Upon approval, the applicant must maintain membership in the Baytown-West Chambers County Economic Development Foundation, commencing the date of agreement and extending for the term of this agreement, at the standard rate for similar size companies as established by the Foundation.

APPLICANT INFORMATION **Date: August 16, 2018**

Company Name: Targa Downstream, LLC
Address: 811 Louisiana Suite 2100
City: Houston State: Texas Zip-Code: 77002

APPLICANT MUST SUBMIT ANNUAL REPORT. (See instructions).

Number of Employees: 12
Annual Sales: N/A
Corporation: ☒ Partnership: ☐ Proprietorship: ☐

PROJECT INFORMATION

Type of Facility
See Instructions

☒ Manufacturing Facility
☐ Wholesale Distribution Facility
☐ Research Facility
☐ Service Facility
☐ Entertainment & Recreation Facility
☐ Other Basic Industry

Proposed Project Location Address and Legal Description: 10119 TX-146, Mont Belvieu, TX 77580
Attach map and/or aerial showing proposed site

Jurisdictions:

School District Barbers Hill ISD
College District N/A

City or Town Mont Belvieu

Describe Product or Service

Project Description:

Attach narrative(s) fully explaining the project, describe existing site and proposed improvements and provide list of improvements and fixed machinery and equipment for which abatement is requested.

☒ NEW PLANT ☐ EXPANSION ☐MODERNIZATION

ECONOMIC INFORMATION

Construction Estimates:

Start Month/Year April/2019 Construction Man Years 500
Completion Date December/2020 Peak Construction Jobs 500

If Modernization:

Estimated Economic Life of Existing Plant N/A Years
Added Economic Life from Modernization N/A Years

Permanent Employment Estimates (PEE'S)

Current Plant Employment0
Number of Plant Jobs ☐ Retained or ☒ Created
At start/opening 12 in year2019
5 years into operation 12 in year 2024

Estimated Appraised Value on Site

	Personal	**Improvements**	**Land**
Value January 1 Preceding Abatement Agreement:	$0	$0	$495,390
Est. Value of Improvements:	$0	$250,000,000	$495,390
Est. Value of Abated Properties After Abatement Expires:	$0	$200,000,000	$495,390
Value upon Completion of Project – Personal Property and Project Improvements Not Subject To Abatement:	$0	$135,000,000	$495,390

VARIANCE

Is the applicant seeking a variance under Section 4 (e) of the guidelines? ☐ YES ☒ NO
If "YES", attach required supplementary information.

OTHER ABATEMENTS. Has the company made application for abatement for this project to other taxing jurisdictions or nearby counties? ☐YES ☒NO. If "YES" please provide dates of application, hearing dates if held or scheduled, name of jurisdictions and contacts, and letter of intent.
City of Mont Belvieu; Application Date: TBD; Hearings: TBD; Contact: Judge Sylvia
Barbers Hill ISD 313; Application Date: 06-21-18; Hearing: September 2018; Contact: Dr. Greg Poole

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COMPANY REPRESENTATIVE TO BE CONTACTED:

NAME: Mike Fry

Signature of Company Official

John Thompson-VP Tax
Name & Title of Company Official

TITLE: Director of Energy Services

ADDRESS: 1900 Dalrock Road
CITY: Rowlett STATE: TX ZIP-CODE: 75088
TELEPHONE: 469-298-1594

INSTRUCTIONS

Applicant and projects must meet the requirements established in the Guidelines and Criteria (attached) in order to receive positive consideration. Section 3 of the Guidelines, for example, sets out improvements, terms and economic qualifications. Conformance with all sections, however, is required for eligibility.

APPLICANT INFORMATION

The taxing unit may consider applicant's financial capacity in determining whether to enter into an abatement agreement. Established companies for which public information is available, or the wholly owned businesses of such companies, should include with the application a copy of their latest annual report to stockholders. Other applicants and new companies should attach a statement showing when the company was established; business references (name, contact and telephone number of principal bank, accountant and attorney) and may be required to submit an audited financial statement and business plan.

PROJECT INFORMATION

Only facilities listed in Section 3(a) of the Guidelines may receive abatement without applying for a variance. Check guideline definitions in Section 2 to confirm project qualification.

ECONOMIC INFORMATION

Permanent Employment Estimates – In estimating the permanent employment, include the total number of jobs retained or created at this site by your firm as well as known permanent jobs of service contractors required for operation.

Estimated Appraised Value on Site – The value January 1st preceding abatement should be the value established by the Chambers County Appraisal District. If the applicant must estimate value because the taxable value is not known or is combined with other properties under a single tax account, please so state. To qualify, the abated properties must be expected to result in an addition to the tax base of at least five hundred thousand dollars ($500,000.00) after the period of abatement expires. Projections of value should be a "best estimate" based on taxability in Texas. The projection of project values not abated should include personal property and ineligible project-related improvements such as office space in excess of that used for plant administration, housing, etc.

Detailed Project Description

Application for Tax Abatement

Chambers County, Texas

Proposed Project Description

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

Targa Resources, LLC requests that this application includes but is not limited to the following components of this project:

- Pre-treatment Systems
- De-Ethanizer Unit
- De-Propanizer Unit
- De-Butanizer Unit
- Associated Towers
- Additional Storage Facilities for Y-grade liquids and other components
- All Appurtenant Components
- Heat Medium
- Gasoline Treater
- Compression Equipment
- Butane Splitter

NGL Fractionation

The manufacturing process consists of first pre-treating the incoming NGL's with feed filter 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 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 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 gasoline are then sent off for purchase via pipeline.

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 manufacturing 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 a 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.

Tax Abatements as a Determining Factor:

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

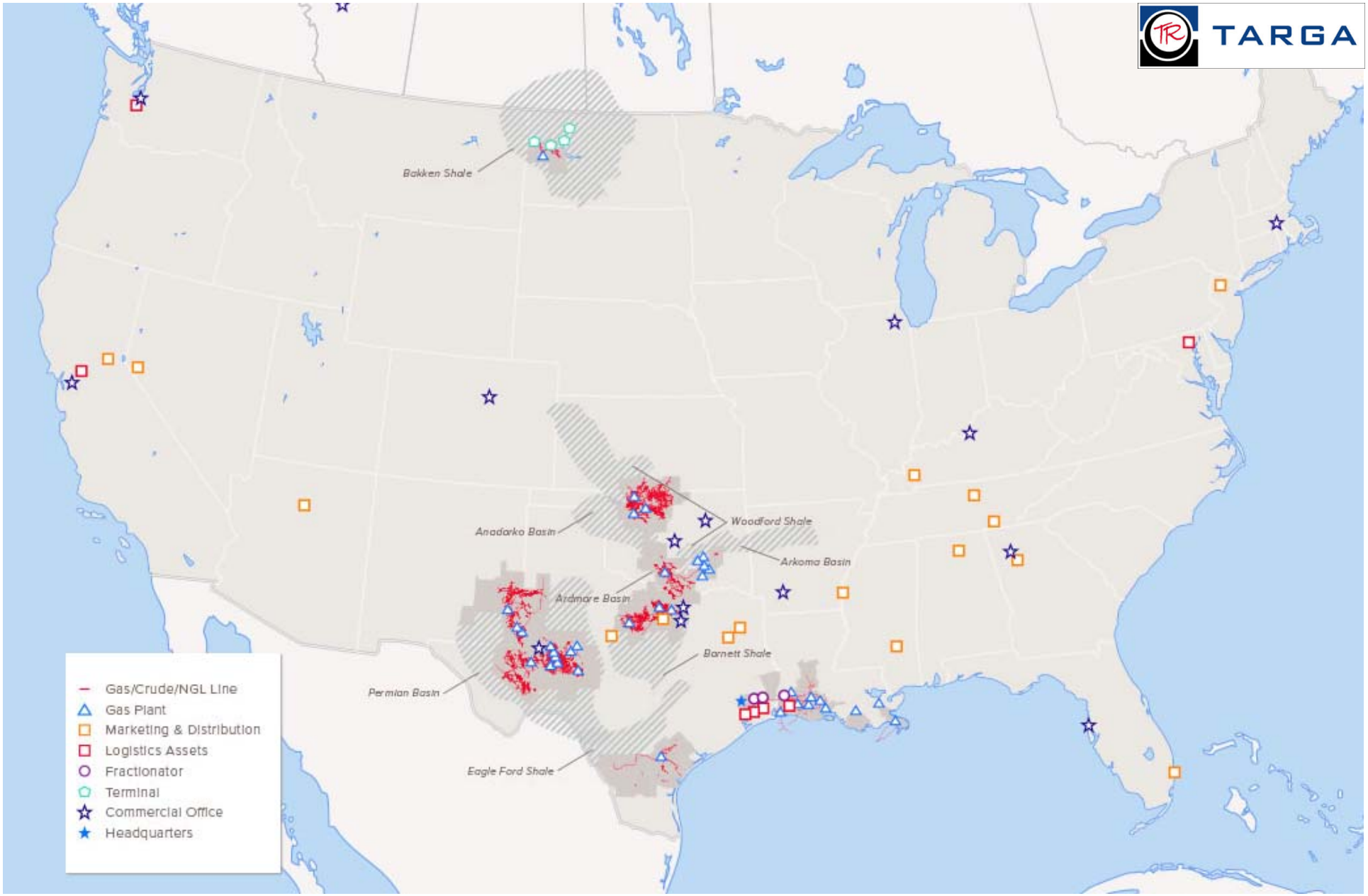
- Gathering, treating, processing, and transporting natural gas and natural gas liquids to a variety of markets and states
- Storing, fractionating, treating, transporting, and selling NGL's and NGL products, including services to LPG exporters
- Gathering, storing, and terminaling crude oil
- Storing,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

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

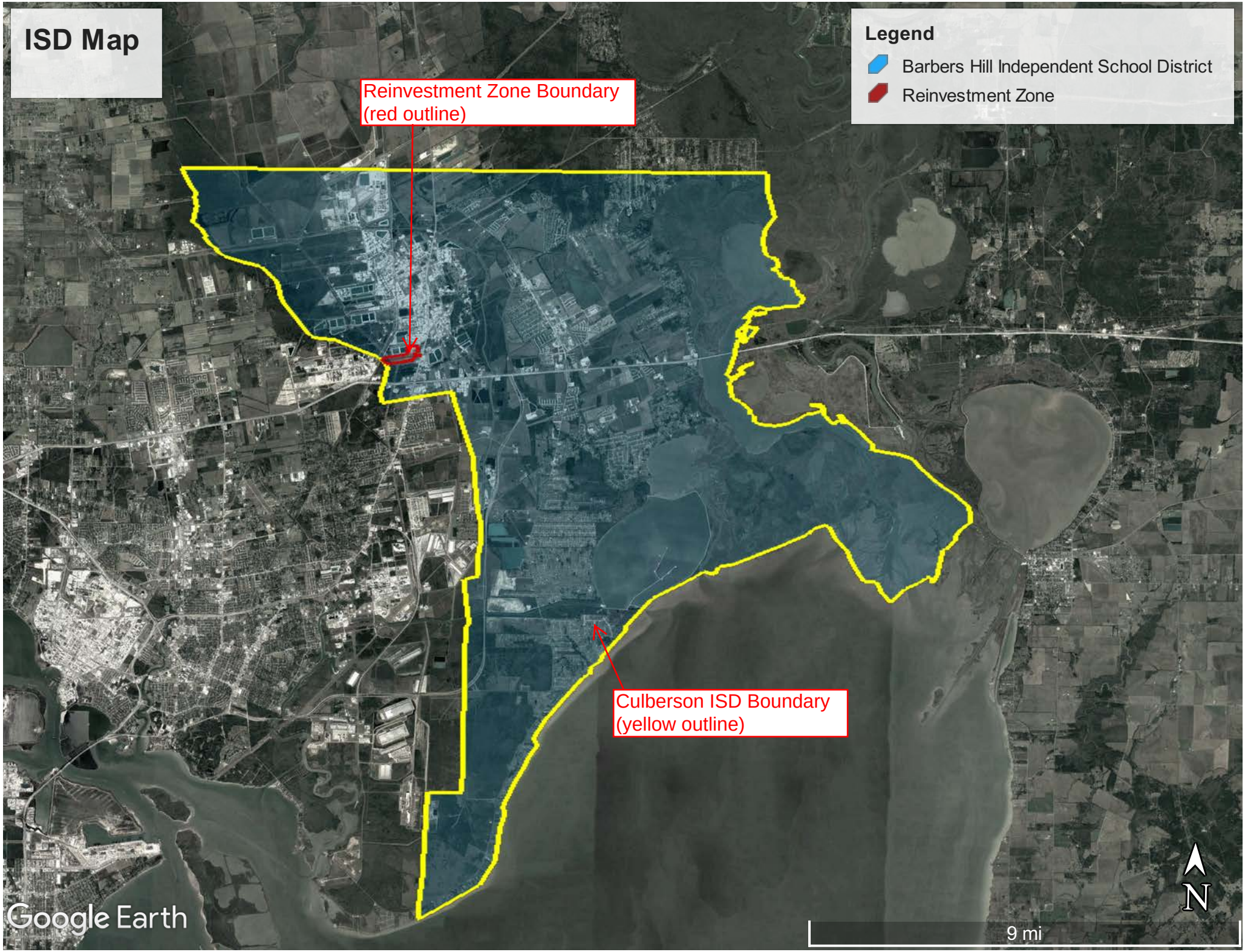
Targa's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Effectively, there will always be infrastructure available to pipe product in and out of anywhere a facility of this type is chosen to sit, regardless of state.

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

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


TARGA
Bakken Shale
Anadarko Basin
Woodford Shale
Arkoma Basin
Ardmore Basin
Barnett Shale
Permian Basin
Eagle Ford Shale
Gas/Crude/NGL Line
Gas Plant
Marketing & Distribution
Logistics Assets
Fractionator
Terminal
Commercial Office
Headquarters

Legal Description of Parcels


ISD Map
Legend
Barbers Hill Independent School District
Reinvestment Zone
Reinvestment Zone Boundary
(red outline)
Culberson ISD Boundary
(yellow outline)
Google Earth
9 mi
N

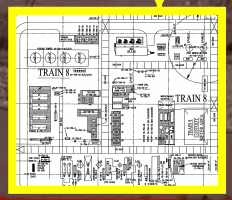
Reinvestment Zone

With Proposed Project Boundary

Legend

Reinvestment Zone

Proposed Project Boundary (Yellow Outline)



Reinvestment Zone (red boundary)

Pabst Rd

Warren Rd

State Hwy 146 S

Cedar Hill Dr

146

N

1000 ft

Google Earth

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