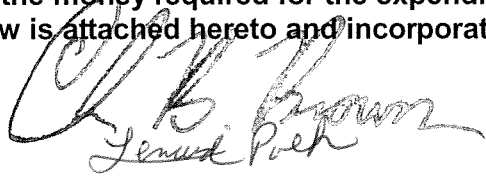


Controller's Office

To the Honorable Mayor and City Council of the City of Houston:

I hereby certify, with respect to the money required for the contract, agreement, obligation, or expenditure contemplated by the ordinance set out below that:

- () Funds have been encumbered out of funds previously appropriated for such purpose.
- () Funds have been certified and designated to be appropriated by separate ordinance to be approved prior to the approval of the ordinance set out below.
- () Funds will be available out of current or general revenue prior to the maturity of any such obligation.
- (X) No pecuniary obligation is to be incurred as a result of approving the ordinance set out below.
- () The money required for the expenditure or expenditures specified below is in the treasury, in the fund or funds specified below, and is not appropriated for any other purposes.
- () A certificate with respect to the money required for the expenditure or expenditures specified below is attached hereto and incorporated herein by this reference.
- () Other.



Genard Poeh

ms
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Date: 22, 2016. City Controller of the City of Houston, Texas

NA - 5000 -
FUND REF: _____ AMOUNT: -0- ENCUMB. NO.: NF50019-16

City of Houston, Texas, Ordinance No. 2016- 101

AN ORDINANCE APPROVING AND AUTHORIZING A TAX ABATEMENT AGREEMENT BETWEEN THE CITY OF HOUSTON, TEXAS, AND FAIRWAY ENERGY PARTNERS, LLC FOR PROPERTY LOCATED WITHIN THE FAIRWAY ENERGY PARTNERS, LLC REINVESTMENT ZONE; GRANTING A VARIANCE TO CERTAIN REQUIREMENTS OF CHAPTER 44 OF THE CODE OF ORDINANCES, HOUSTON, TEXAS; CONTAINING FINDINGS AND OTHER PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EMERGENCY.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. That the City Council hereby approves and authorizes the contract, agreement, or other undertaking (the "Agreement") described in the title of this Ordinance, in substantially the form of the document attached hereto and incorporated herein by this reference. The Mayor is hereby authorized to execute the Agreement described in the title of this Ordinance and all related documents on behalf of the City of Houston and to take all actions necessary to effectuate the City's intent and objectives in approving the Agreement in the event of changed circumstances. The City Secretary is hereby authorized to attest to all such signatures and to affix the seal of the City to all such documents.

Section 2. That the City Council hereby approves a variance pursuant to Section 44-125 of the Code of Ordinances (the "Code"), allowing a variance from the requirement in Code Section 44-128(9) that Fairway maintain a minimum of 25 permanent employees working in the Fairway Energy Partners, LLC Reinvestment Zone (the "Zone"). While Fairway will create a minimum of 25 full-time equivalent jobs, only 15 of those jobs will be in the Zone, and the remaining 10 jobs will be at Fairway's corporate headquarters outside of the Zone, with employees transferring between the corporate headquarters and the Zone, as needed. A variance from this requirement will be consistent with the general policy set forth in Code Section 44-120, providing a substantial investment and needed facility for use by the City's energy sector that will contribute to the economic development of the City.

Section 3. That the City Council hereby finds that the terms of the Agreement authorized by this Ordinance meet the guidelines and criteria of Chapter 44 of the Code of Ordinances, Houston, Texas, relating to tax abatement; that the property subject to abatement under the Agreement authorized by this Ordinance lies within the Fairway Energy Partners, LLC Reinvestment Zone, a designated reinvestment zone authorized by Chapter 312 of the Texas Tax Code and Section 44-122 of the Code of Ordinances, Houston, Texas; that this Agreement will result in no substantial potential adverse effect on the provision of City services or the tax base; and that the planned use of the property as an other basic industry facility to store and transport crude oil will not constitute a hazard to public safety, health, or morals.

Section 4. That the City Attorney is hereby authorized to take all actions necessary to enforce all legal obligations under such contracts, agreements, or other undertakings without further authorization from the City Council.

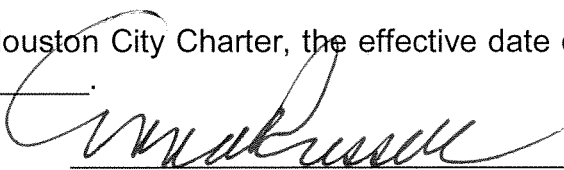
Section 5. That there exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 3rd day of February, 2016.

APPROVED this _____ day of _____, 2016.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is FEB - 9 2016.



City Secretary

Prepared by Legal Department _____

Donna Capps *6/10*

DRC:drc January 21, 2016

Senior Assistant City Attorney

Requested by Andrew Icken, Chief Development Officer, Office of the Mayor

L. D. File No. 04215500177001

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CAPTION PUBLISHED IN DAILY COURT

REVIEW

DATE: FEB - 9 2016

AYE	NO	
✓		MAYOR TURNER
....	COUNCIL MEMBERS
✓		STARDIG
✓		DAVIS
✓		COHEN
✓		BOYKINS
✓		MARTIN
✓		LE
✓		TRAVIS
✓		CISNEROS
✓		GALLEGOS
✓		LASTER
✓		GREEN
✓		KNOX
✓		ROBINSON
✓		KUBOSH
ADSENT		EDWARDS
✓		CHRISTIE
CAPTION	ADOPTED	

TAX ABATEMENT AGREEMENT

This Tax Abatement Agreement (the "Agreement") is made by and between the **CITY OF HOUSTON, TEXAS**, a municipal corporation and home-rule city (the "City"), and **FAIRWAY ENERGY PARTNERS, LLC**, a Texas-based company ("Fairway"). The City and Fairway may be referred to singularly as a "Party" and collectively as "the Parties." Capitalized terms have the meanings defined in the first section of this Agreement.

RECITALS

The Recitals are incorporated in this Agreement for all purposes.

WHEREAS, the creation and retention of job opportunities and the encouragement of new and existing development and investment in the City is paramount to the City's continued economic development; and

WHEREAS, in accordance with the requirements of Section 44-127(a)-(c) of the Code of Ordinances of the City of Houston, Texas, as amended, City of Houston, Texas Ordinance No. 2014-245 (the "Code"), Fairway desires to construct an "Other basic industry facility" as defined in Section 44-121 of the Code (the "Facility"), which includes salt caverns in the Pierce Junction area located south of NRG Stadium which will be used to store crude oil and condensate and approximately 15.2 miles of pipeline, all as more particularly described in **EXHIBIT 3**, in the Fairway Energy Partners, LLC Reinvestment Zone (the "Zone"); and

WHEREAS, Fairway leases, owns or has the right to use or will lease, own or have the right to use the real property upon which the Facility and the Improvements will be constructed; and

WHEREAS, in accordance with Section 44-123 of the Code, Fairway filed a written application for tax abatement dated October 18, 2013 and revised August 14, 2015; and

WHEREAS, in accordance with Section 44-125 of the Code, the Owner filed a variance request dated January 20, 2016, attached hereto as **EXHIBIT 5**, requesting a variance from Section 44-128(9) of the Code provision relating to job requirements; and

WHEREAS, the City Council finds that it is reasonably likely that this Agreement will contribute to the retention, expansion, and creation of primary employment and will attract major investment in the Zone that would be a benefit to property within the Zone and that would contribute to the economic development of the City; and

WHEREAS, the City Council finds that the buildings, structures, machinery and equipment, and related improvements necessary to the operation of the Facility that are developed, constructed, or installed in the Zone by or on behalf of Fairway and its affiliates subsequent to July 1, 2015 (the "Improvements"), are practical and will benefit the area within the Zone and the City; and

WHEREAS, the City Council finds that this Agreement will cause no substantial potential adverse effect on the provision of City services or on the tax base; and

WHEREAS, Fairway has represented that the Improvements will be designed, constructed, and installed in the Facility according to all applicable federal, state, and local environmental regulations; and

WHEREAS, the City Council finds that the terms of this Agreement meet the applicable requirements of Chapter 44, Article IV, of the Code;

NOW, THEREFORE, for and in consideration of the premises and mutual promises stated herein, the Parties agree as follows:

1. Definitions

The terms “Agreement,” “City,” “Code,” “Facility,” “Fairway,” “Improvements,” and “Zone” have the meanings given to such terms in the Recitals, and the following terms have the following meanings:

“Abated Property” means the Improvements.

“Abatement Period” means the ten (10) year time period that begins on the Effective Date of Abatement.

“Agreement Effective Date” means the date that the City Controller countersigns this Agreement.

“Base Year Value” means the appraised value, to be established and certified by HCAD, of the Real Property in the Zone as of January 1, 2015.

“Certificate” means a letter provided by Fairway to the City stating that the construction of the Improvements has been substantially completed and the Improvements are functional, operational, and the Facility has been placed in service. “In Service” means that the Facility and the Improvements are complete, functional, and operational. The Facility and the Improvements will be considered to be complete, functional, and operational when the construction of the pipeline, the brine ponds, the storage caverns, and the central control facility is complete and crude oil and condensate is flowing to and from the storage caverns.

“City Council” means the City Council of the City of Houston, Texas.

“Contract Employee” means an individual who is not a Permanent Employee of Fairway but who does work for Fairway in the Zone on a contract basis, either on a full-time or part-time basis.

“Department” means the City’s Office of the Mayor, Economic Development, or its successor.

“Director” means the Chief Development Officer of the Department, or his or her designee, or any person who may be designated in writing by the Mayor to perform the functions delegated to the Director in this Agreement, but only for so long as the designations remain in effect.

“Effective Date of Abatement” means the January 1st immediately following the date that the City has received the Certificate from Fairway.

“**EXHIBIT 1**” attached to and incorporated in this Agreement describes the boundaries of the Real Property in the Zone and includes approximately 15.2 miles of pipeline.

“**EXHIBIT 2**” attached to and incorporated in this Agreement lists the street addresses, HCAD tax account numbers, and legal descriptions of the Real Property in the Zone.

“**EXHIBIT 3**” attached to and incorporated in this Agreement describes the Abated Property.

“**EXHIBIT 4**” attached to and incorporated in this Agreement includes financial information related to the Abated Property.

“**EXHIBIT 5**” attached to and incorporated in this Agreement is Fairway’s variance request letter.

“Full-time Equivalent” means a job that is equivalent to 1,750 hours of work annually performed in the Zone by one or more contract employees or Part-time employees.

“HCAD” means the Harris County Appraisal District.

“Ordinance” means City Ordinance No. 2016-100 adopted on February 3, 2016¹ creating the Zone.

“Part-time Employee” means an individual who works for, and is an employee of, Fairway in the Zone, but is not a Permanent Employee.

“Permanent Employee” means an individual who works for, and is an employee of, either Fairway or an affiliate of Fairway, works a minimum of thirty-five (35) hours in a seven-day period, and reports to work in the Zone excluding any Contract Employee, seasonal employee, or Part-time Employee.

“Real Property” means the land in the Zone and all improvements existing prior to the Agreement Effective Date, which land is or will be leased, owned or used by Fairway. The Real Property is more specifically described on **EXHIBIT 1** and **EXHIBIT 2**.

¹ City Secretary to insert ordinance number and date adopted by City Council.

“Tax Code” means the Texas Tax Code, as amended.

“Zone” means the Fairway Energy Partners LLC Reinvestment Zone, which is more particularly described in Exhibit B of the Ordinance.

2. Authorization

This Agreement is authorized by Chapter 312 of the Tax Code, as amended, and Chapter 44, Article IV of the Code, which establishes the property tax abatement program for properties in designated reinvestment zones, and by the Ordinance.

3. Property

The street addresses, HCAD tax account numbers, and legal descriptions of the Real Property and the existing improvements on the Real Property are listed on **EXHIBIT 2**.

4. Termination of Abatement and Agreement

(a) The term of this Agreement shall be the Abatement Period. Upon expiration of the Abatement Period, this Agreement shall terminate automatically without further action by the Parties.

(b) Notwithstanding any other provision in this Agreement, in the event that Fairway is unable to comply with any applicable provisions of this Agreement prior to commencement of construction of the Facility and the Improvements, Fairway will provide to the City a written notice of termination (“Termination Notice”). Upon the City’s receipt of the Termination Notice, this Agreement and all rights and obligations of the Parties shall cease and terminate and Fairway shall not be entitled to any tax abatement pursuant to this Agreement.

(c) Subject to the provisions of paragraphs 8(e) and 10 of this Agreement, Fairway shall have the option and right at any time during the Abatement Period to give the City a Termination Notice that Fairway has elected to terminate this Agreement and its right to tax abatement on the Real Property, the Facility, and the Improvements effective as of the year Fairway gives the Termination Notice; provided, however, at the time Fairway gives the Termination Notice, no event of default shall exist which has not been cured. Upon the City’s receipt of a Termination Notice from Fairway and subject to the proviso of the preceding sentence, this Agreement and all rights and obligations of the Parties shall cease and terminate and Fairway shall not be entitled to any tax abatement pursuant to this Agreement for the year in which Fairway gives the Termination Notice and for all years remaining in the Abatement Period.

(d) In the case of either (a) or (b) above, the Parties must sign an agreement in a form reasonably acceptable to both Parties acknowledging the termination of this Agreement; provided, however, that neither Party shall impose any conditions upon the other Party as a prerequisite to that Party's execution of the termination agreement. The Director is authorized to sign the termination agreement on behalf of the City. Pursuant to Texas Tax Code Sec. 312.208(b), the Agreement must be terminated in the same manner that it was approved and executed. Representations and Warranties

5. Representations and Warranties

(a) Fairway represents that it owns, leases or has the right to use or will own, lease or have the right to use the Real Property.

(b) Fairway represents that the execution and delivery of this Agreement has been duly authorized by all requisite actions of its partners that are necessary for it to have force and effect and that the person signing this Agreement on behalf of Fairway has been and is authorized to do so.

(c) Unless terminated earlier pursuant to Section 4 of this Agreement, Fairway represents and warrants the construction and installation of the Improvements described in **EXHIBIT 3** will begin after July 1, 2015. Fairway represents that the Real Property comprises approximately 410 acres of land and approximately 15.2 miles of pipeline right of way.

(d) Fairway represents that, to the best of the knowledge of an employee or employees of Fairway who participated in the negotiation or internal analysis of this Agreement, no interest in the Real Property or the Improvements is held or leased by a member of the City Council or a member of the City's Planning Commission. Notwithstanding the foregoing, the Parties acknowledge Fairway makes no representations as to any interest any such member or the City may hold as a shareholder of Fairway.

(e) Unless terminated earlier pursuant to Section 4 of this Agreement, Fairway represents and warrants that it will invest a minimum of \$218 million in capital improvements to the Facility by the Effective Date of Abatement, and has provided a pro forma of projected annual Net Operating Income.

(f) Fairway represents and warrants that it will create at least 15 or more Full-time Equivalent jobs in the Zone, and 10 Full-time Equivalent jobs at Fairway's corporate headquarters, with employees transferring between corporate headquarters and the Zone as needed, by the Effective Date of Abatement.

(g) Fairway represents that developing, constructing, and installing the Improvements in the Zone are necessary because its existing facilities cannot efficiently and economically provide the required capacity needed by Fairway and its affiliates when reasonable allowance is made for necessary improvements to the existing facilities.

(h) Fairway represents and warrants that the Improvements will be constructed, installed, and operated in accordance with all applicable federal, state, and local environmental laws and regulations.

(i) Fairway represents and warrants that it will use commercially reasonable efforts to advertise for employment opportunities at the Facility in the greater Houston area, including the community immediately surrounding the Facility, and to consider qualified applicants from those areas for employment.

(j) Fairway is encouraged to review the City's Minority and Women Business Enterprise ("MWBE") program as set forth in Chapter 15, Article V of the City of Houston Code of Ordinances and the requirements for good faith efforts on file with the City's Office of Business Opportunity ("OBO"). Fairway shall make good faith efforts to award the maximum number of subcontracts or supply agreements to entities that are certified by the City as MWBEs.

5. Terms of the Agreement

(a) Fairway shall cause the Improvements to be developed, constructed, and installed substantially in conformity with the description, plans, and specifications described in **EXHIBITS 1 and 3** and applicable provisions of the City of Houston Building Code (the "Building Code"). If there is any conflict between **EXHIBITS 1 and 3** and the Building Code, the Building Code shall prevail. In addition, during the Abatement Period, Fairway shall comply with Chapter 42 (platting regulations) of the Code of Ordinances of the City, as amended, if applicable, and all other laws and regulations applicable to the construction and installation of the Improvements.

(b) Upon completion of the construction and installation of the Improvements, Fairway shall use the Facility or cause the Facility to be used for the proposed uses specified in this Agreement during the Abatement Period; provided, however, that the Director may approve a change from those proposed uses if the Director determines that the change is consistent with the Code and with the City's general purpose of encouraging development or redevelopment of the Zone during the Abatement Period. The proposed uses of the Facility (unless the Director approves a change in use) are to store and transport crude oil and condensate.

(c) Fairway shall maintain the Improvements in good repair and condition during the Abatement Period.

(d) Fairway shall allow City employees and its designated representatives full access to the Facility, both during and after the expiration or termination of this Agreement, for the purpose of inspecting the Improvements to ensure that the Improvements are completed, installed, maintained, and operated in accordance with the terms of this Agreement. All inspections will be made only after giving Fairway at least 24 hours' advance notice, and will be conducted in such manner as to not unreasonably interfere with the construction and operation of the Facility. All inspections will be made with one or more representatives of Fairway and in

accordance with Fairway's safety and security procedures. The above shall not act as a limitation on the City's ability to perform any inspections or to enter the Facility pursuant to the Code, the Building Code, or other applicable laws, rules, or regulations.

(e) Fairway shall provide and cause its affiliates to provide City employees and designated representatives full access to all records related to the Agreement and necessary for the purpose of determining, by audit or otherwise, that Fairway is and has been in full compliance with this Agreement. Any such inspection and audit shall be made only after giving Fairway at least 14 business days' advance notice, and will be conducted in such manner as to not unreasonably interfere with the construction, installation, maintenance, or operation of the Facility or Fairway's corporate headquarters. Documents and materials provided to the City by Fairway or its affiliates in connection with any audit or other inspections under this Agreement which contain information that is, or which themselves are, confidential or proprietary to Fairway, shall not be removed from the Facility, nor shall the information contained in them be used or disclosed by the City other than for the sole purpose of determining Fairway's compliance with the terms and conditions of this Agreement, unless disclosure is otherwise required by state or federal law.

(f) In the event that the City receives any request for information pursuant to the Texas Public Information Act or similar provision of federal law, the City agrees to promptly give Fairway notice of that request. If Fairway, for itself or one or more of its affiliates, advises the City that it believes that the right of the City to withhold such information from disclosure is allowed by the Texas Public Information Act or other applicable state or federal statute, rule, or regulation, the City agrees to withhold the information or to immediately request an opinion from the Texas Attorney General or other appropriate public official with legal authority to render such decision on the City's right to withhold such information. If the decision rendered is to the effect that disclosure is not required to be made, then the City agrees to withhold disclosure of such information unless Fairway authorizes the City disclose it. The City agrees that during any period after request but before the rendering of a decision by the Texas Attorney General or other appropriate public official regarding the obligation of the City to make disclosure of information deemed confidential, proprietary, or both by Fairway, it will not disclose the requested information unless ordered to do so by a court of competent jurisdiction.

(g) Commencing on the Effective Date of Abatement, and not later than February 1st of each year during the Abatement Period, Fairway shall submit to the Director a signed affidavit that includes a delineation of the number of Permanent Employees, Contract Employees, and Part-time Employees of Fairway and its affiliates as of the immediately preceding December 1st, who report to work in the Zone. The employee count submitted shall correspond to the employee count reported on behalf of or by Fairway in its "Employer's Quarterly Report" to the Texas Workforce Commission. The employee count submitted on behalf of or by Fairway shall be used to determine abatement eligibility for that year and be subject to audit, if requested by the Director, pursuant to the provisions of Section 44-135 of the Code.

(h) Not later than March 31st of each year during the Abatement Period, the Director shall certify to the Chief Appraiser of HCAD whether or not Fairway is in compliance with the employment requirements of this Agreement.

(i) Not later than April 15th or such other date as required by HCAD of each year during of the Abatement Period, Fairway shall file the appropriate form with HCAD to qualify for the tax abatement granted under this Agreement for that year.

(j) Contract Employees and Part-time Employees may be used to comply with Fairway's contractual obligation to create and retain jobs on a Full-Time Equivalency basis, provided, however, that Fairway must maintain a minimum of 25 Permanent Employees, at least 15 of who will work in the Zone, and 10 who will work at Fairway's corporate headquarters.

(k) Commencing on the Effective Date of Abatement, and on or before January 1st, or February 1st if the information is not reasonably available, of each subsequent year during the Abatement Period, the chief financial officer, tax director, or other corporate officer of Fairway, or his or her designee, shall provide the Director an affidavit attesting that Fairway is and has been in compliance with all provisions of this Agreement during the prior year.

(l) A chief financial officer or a designated representative of Fairway who cannot make the affidavit required by paragraph (k) above on any January 1st shall provide the Director with a written statement identifying any provision of the Agreement with which Fairway is not or has not been in full compliance.

(m) Failure by the chief financial officer or a designated representative of Fairway to timely provide the Director with either the affidavit required by paragraph (k) above or the statement required by paragraph (l) will result in automatic default under this Agreement for which no notice of default or opportunity to cure shall be required.

(n) By April 1st annually, beginning after the Effective Date of Abatement, the City has the right to review Fairway's certified financial records prepared in accordance with GAAP standards for the fiscal year ending December 31st before such April 1st date, reflecting Fairway's operating performance for the prior fiscal year.

6. Tax Abatement

(a) The Base Year Value as of January 1, 2015 and improvement value in subsequent years will be established and certified by HCAD.

(b) In consideration of Fairway's commitment to invest at least \$218 million in capital improvements at the Facility, the City agrees to grant a 50% abatement of the ad valorem taxes on the Improvements in the Zone during the Abatement Period. The estimated benefit of the tax abatement is reflected on **EXHIBIT 4**. In addition, the abatement of the ad valorem taxes granted by this Agreement is specifically subject to the rights of the holders of outstanding bonds of the City as of the effective date of this

Agreement. The Abatement Period begins on the January 1st following the Effective Date of Abatement. In no case shall the Abatement Period exceed ten years from the Effective Date of Abatement.

(c) From the Agreement Effective Date to the Effective Date of Abatement, ad valorem taxes levied on ineligible property, as that term is defined in Section 44-127(e) of the Code, including the Real Property, shall be fully payable.

(d) From the Effective Date of Abatement to the end of the Abatement Period:

i. Ad valorem taxes levied on "ineligible property," as that term is defined in Section 44-127(e) of the Code, including the Real Property, shall be fully payable to the City.

ii. Ad valorem taxes levied on the Base Year Value of "eligible property," as that term is defined in Section 44-127(d) of the Code, shall be fully payable to the City.

iii. Fifty percent of the ad valorem taxes levied on the Improvements, as determined each year, shall be fully payable to the City.

iv. The City shall enter into only one tax abatement agreement for the Facility described in this Agreement during the existence of the Zone. Fairway contemplates the construction of a second phase of the Facility which will add additional Improvements and expand the capacity of the Facility by approximately 9 million barrels and include an additional investment of \$100 million in capital. In the event that Fairway constructs a second phase, the ad valorem taxes on the Improvements will be abated in accordance with the terms and conditions of this Agreement.

7. Default and Recapture

(a) Events of Default

Fairway shall be in default under this Agreement if any of the following occur at any time from the Agreement Effective Date until the expiration of the Abatement Period or such earlier date on which this Agreement may expire or be terminated:

i. The Facility is completed and is occupied, but subsequently is wholly vacated or abandoned for any reason other than a taking by an entity's use of the power of eminent domain, the occurrence of a fire, explosion, or other casualty or accident or natural disaster;

ii. Fairway fails to comply timely with job creation, investment, or payment requirements pursuant to this Agreement;

iii. Fairway fails to comply timely with any material term of this Agreement;

iv. Fairway fails to timely file any required report or statement/affidavit or to timely give any required notice pursuant to this Agreement; or

v. Employees or designated representatives of the City determine pursuant to an inspection under Section 44-135 of the Code that Fairway has not complied with this Agreement.

(b) Notice

i. If the Director determines that an event of default has occurred, except for an automatic default for which no notice is required, the Director shall notify Fairway in writing at the address stated in the Agreement, and if the condition of default is not cured within 30 days from the date of the notice, then the City may take any one or more of the following actions set forth in Section 8(d) of this Agreement; provided, however, that the City shall only be required to give a 30-day notice of default for failure to comply with job creation or investment requirements. Fairway's failure to comply with job creation or investment requirements is an "incurable default." Within such 30-day notice period, Fairway shall be entitled to question the accuracy of the City's determination of the incurable default but shall not be entitled to cure the default. After the 30-day notice period, if the City concludes that its determination of the incurable default is correct ("noticed incurable default"), then the City shall be entitled to pursue any one or more of the remedies set forth in Section 8(d) of this Agreement.

ii. If Fairway is in default under Section 8(a) of this Agreement, Fairway shall notify the City within 30 days of the default, and if the default is one that can be cured (and is not an incurable default or an automatic default) as provided in this Agreement, the default shall be cured within 30 days following the date of the notice of default. If Fairway fails to cure the curable default within such 30-day period, then the City may pursue any one or more of the remedies listed in Section 8(d) of this Agreement.

(c) Cure

i. In curing an event of default based on any of the items set forth in Section 8(a) of this Agreement, and assuming the event of default is curable and is not an incurable default or an automatic default, Fairway shall provide sufficient evidence to the Director that the default has been cured within 60 days following the date of the notice of default. Sufficient evidence shall include providing the information not timely provided and/or providing evidence of the completion of the act(s) not timely performed. The City shall have the right to ask for additional information to confirm the adequate cure of any default.

(d) City Remedies for Default

i. In the event of a noticed incurable default or a curable default which has not been cured after notice and an opportunity to cure, or an automatic default, no tax abatement shall be allowed for the calendar year in which the

default occurs (and thereafter), and the City shall have the right to pursue any one or more of the following remedies: (i) terminate the Agreement; (ii) terminate Fairway's right to any future abatement under the Agreement without terminating the Agreement; (iii) pursue any and all remedies allowed under the Agreement; and (iv) pursue any and all remedies allowed under Texas law.

ii. In addition to the foregoing, in the event of a noticed incurable default or a curable default which has not been cured after notice and an opportunity to cure or an automatic default, the City, in its sole discretion, may recover all or any part of the taxes abated at any time under the Agreement. Fairway shall pay to the City all such previously abated taxes within 30 days of the City's written demand therefor. Any taxes or economic incentive not paid timely shall bear interest at the rate of 12% annually.

iii. Notwithstanding the foregoing, the Director and the City Attorney are authorized to negotiate and enter into amendments and revisions to the Agreement under which there are noticed incurable defaults or curable defaults which have not been cured after notice and an opportunity to cure or an automatic default. In the foregoing circumstances, the Parties are also authorized to negotiate and enter into any other agreements they determine best protect the City's interests.

(e) The City's right and authority to pursue any default and to recover abated taxes granted under this Section 8 shall survive the amendment, revision, expiration, or termination of this Agreement other than a termination pursuant to Section 4.

8. Administration

(a) The Chief Appraiser of HCAD shall annually determine the taxable value of the Improvements listed in **EXHIBIT 3**. Each year, Fairway shall furnish the City with any additional information applicable to the tax abatement that may be necessary for the administration of the abatement. Once the taxable values of the Improvements have been established and the amount of the tax abatement calculated, the Chief Appraiser of HCAD shall notify the eligible jurisdictions that levy taxes on the Improvements of the amounts of the taxable values of the Improvements.

(b) Upon completion of construction or installation of the Improvements, the Director shall annually evaluate the Facility to ensure compliance with this Agreement and prepare a report of any violations of this Agreement.

9. **Assignment.** This Agreement may be assigned to a new owner or lessee of the Facility with the written consent of the Director, which consent shall not be unreasonably withheld, conditioned, or delayed. The Director will use reasonable efforts to review or respond in writing to a written request for consent within 30 business days of receipt. If the proposed assignee is an affiliated entity under the common control of the assignor or a lender (by way of collateral assignment), the Director shall consent to an assignment if the assignor is in compliance with all terms of this Agreement. Any assignment of this Agreement shall not relieve the assignor of continuing liability under this Agreement unless specifically agreed to in a writing signed by both the Director and the City Attorney. 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 of the Agreement shall be to an entity that contemplates the same improvements to the Real Property, except to the extent such improvements have been completed. No assignment shall be approved if either the assignor or the assignee is indebted to the City for ad valorem taxes or other obligations.

10. **Amendment.** This Agreement may be amended at any time upon the mutual written consent of Fairway and the City, subject to approval by the City Council.

11. **Compliance with Applicable Government Regulations.** Except as specifically provided herein, nothing in this Agreement shall be construed to alter or affect the obligation of Fairway to comply with any ordinance, rule, or regulation of the City, or the laws and regulations of the State of Texas and the United States.

12. **Merger.** The Parties agree that 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.

13. **Notices.** All notices shall be in writing and, unless hand-delivered, shall be sent by U.S. Mail certified, return receipt requested. Unless otherwise provided in this Agreement, all notices shall be delivered to the following addresses:

To FAIRWAY: Fairway Energy Partners, LLC
3 Riverway, Suite 1550
Houston, Texas 77056
Attention: Chief Financial Officer

Copy to: William C. McDonald
Andrews Kurth LLP
Waterway Plaza Two, Suite 200
10001 Woodloch Forest Drive
The Woodlands, Texas 77380

To the City:

Mailing Address:

Chief Development Officer
Office of the Mayor, Economic Development
P. O. Box 1562
Houston, Texas 77251

Physical Address:

Chief Development Officer
Office of the Mayor, Economic Development
901 Bagby, 4th Floor
Houston, Texas 77002

Each Party may designate a different address by giving the other Party written notice ten days in advance of such designation.

This Agreement may be executed by the Parties in multiple originals, each having full force and effect.

[Execution page follows]

FAIRWAY ENERGY PARTNERS, LLC

CITY OF HOUSTON, TEXAS

By: _____

Mayor

ATTEST:

ATTEST/SEAL:

By: _____

City Secretary

Name: _____

Title: _____

COUNTERSIGNED:

City Controller

APPROVED:

DATE COUNTERSIGNED:

Chief Development Officer,
Office of the Mayor, Economic
Development

APPROVED AS TO FORM:

Senior Assistant City Attorney

EXHIBIT 1

Boundaries of the Real Property in the Zone

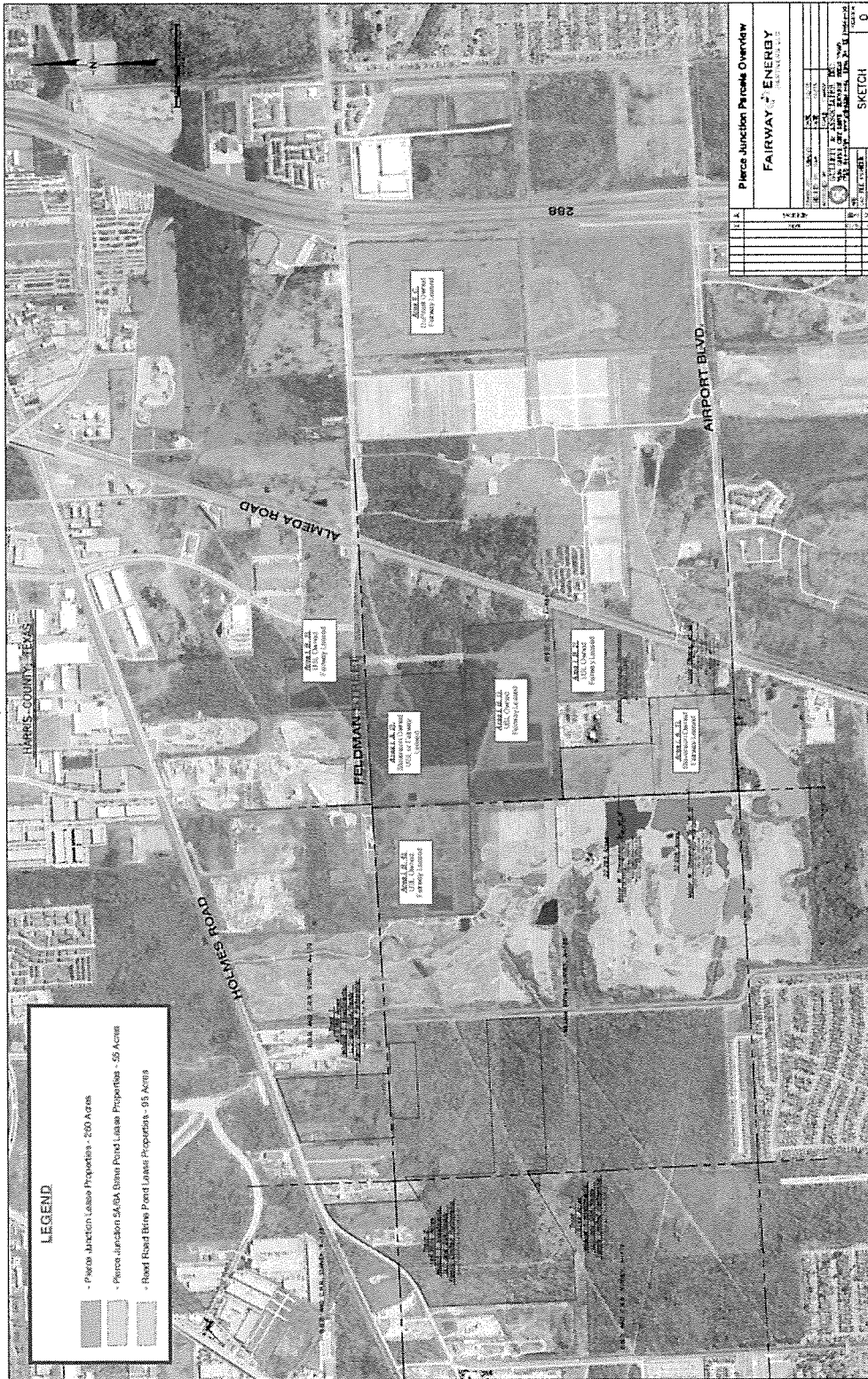


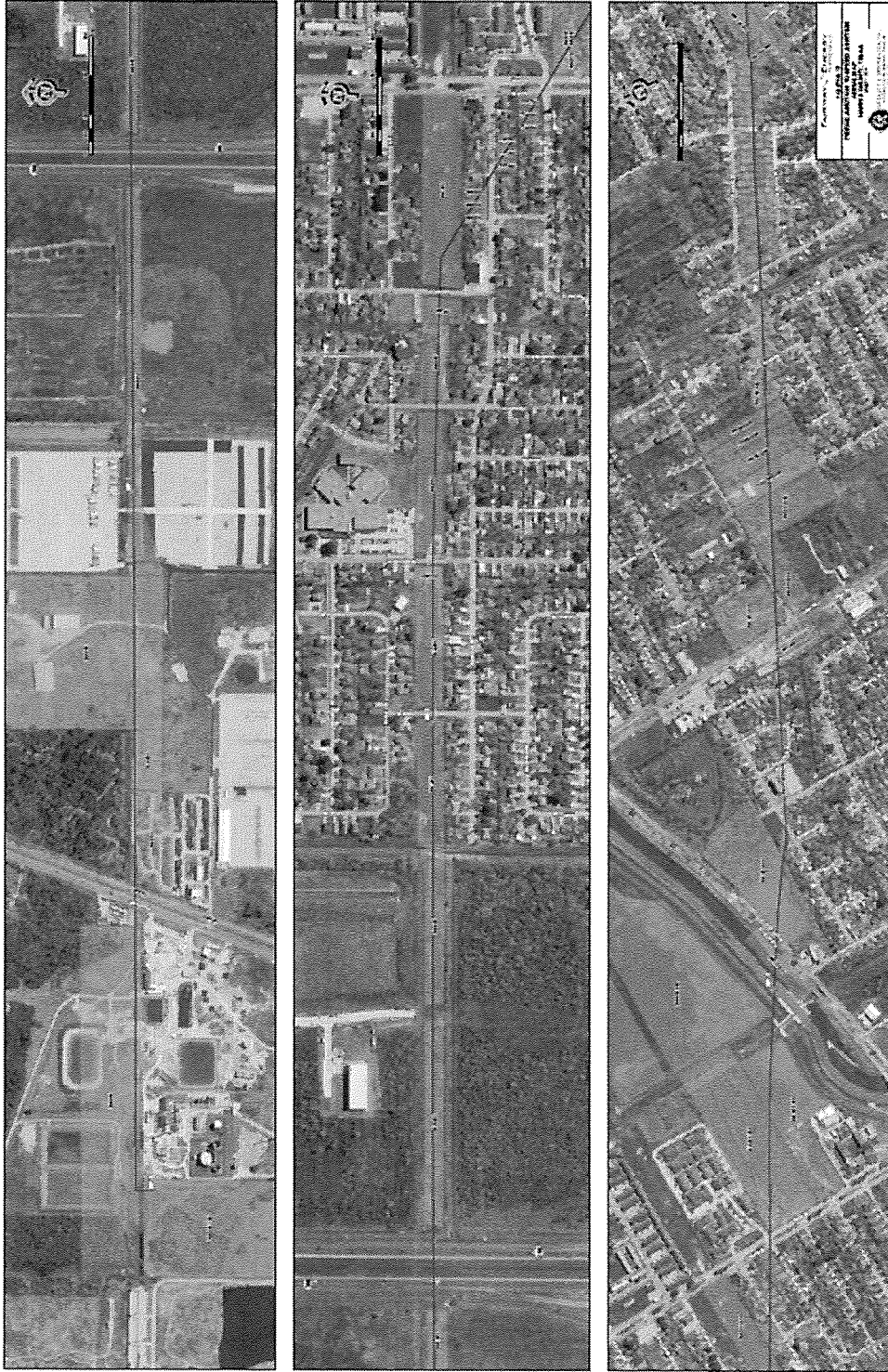
EXHIBIT 1

Pipeline Route in the Zone



EXHIBIT 1

Pipeline Route Details in the Zone



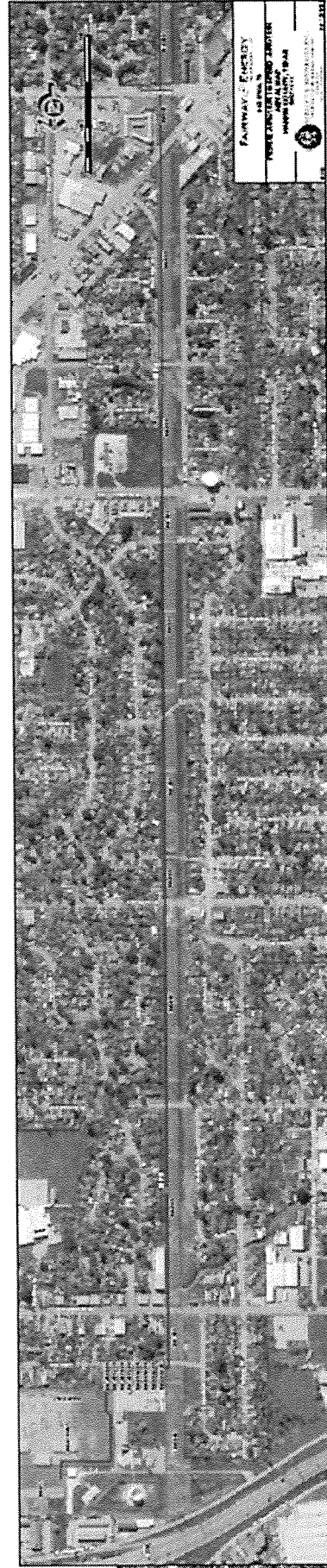


EXHIBIT 2

Street Addresses, HCAD Account Numbers, and Legal Descriptions for the Real Property in the Zone

1. Pierce Junction Lease Properties:

Street Addresses:

11202 Feldman Street, Houston, Texas 77045
11210 Almeda Road, Houston, Texas 77045
11522 Almeda Road, Houston, Texas 77045
11624 Almeda Road, Houston, Texas 77045
11600 Almeda Road #1, Houston, Texas 77045

HCAD Account Numbers:

0451880000010
0451880000011
0451880000020
0451880000181
0451880000182
0451880000183
0451880000184
0451880000185
0451880000186
0451880000202
0451880000203
0451880000204
0451880000205
0451880000206
0451880000207
0451880000208
0451880000230
0451880000231
0451880000232
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0451880000326
0451880000327
0451880000328
0451880000329
0451880000335
0451880000336
0451880000337
0451880000338
0451880000339
0451880000361
0451880000362
0451880000363
0451880000364
0451880000365
0451880000385
0451880000386
0451880000387
0451880000397

Legal Description:

Metes and bounds description of approximately 248.5 acres, being comprised of a called 53.849 acre tract, being conveyed in File Number V215574, Film Code 542-68-2074, a called 15.637 acre tract, a called 1.0 acre tract, a called 3.5 acre tract, a called 8.0 acre tract, a called 4.5 acre tract, a called 7.0933 acre tract and a called 1.827, all being conveyed in File Number V215575, Film Code 542-68-2080, a called 21.50 acre tract, being conveyed in File Number 20060257145, Film Code 035-71-0187, a called 52.466 acre tract, being conveyed in File Number 20060202207, Film Code 033-87-0749, the residue of a 28.428 acre tract, being conveyed in File Number 20090290511, Film Code 065-93-0808, File Number 20070758851, Film Code 052-99-1245, File Number 20070482339, Film Code 003-68-0402, and File Number 20070758841, Film Code 052-99-1220, Official Public Records of Real Property, Harris County, Texas and a portion of a called 112.79 acre tract, being conveyed in Volume 810, Page 695, Deed Records of Harris County, Texas, said tracts being situated in the James Hamilton Survey, Abstract 884, the James Hamilton Survey, Abstract 885, the BBB&C RR Co Survey, Abstract 179 and the William Bryan Survey, Abstract 185, Harris County, Texas, being more fully described by metes and bounds as follows:

Bearings and coordinates are based on the Texas Coordinate System, South Central Zone, NAD 83 (in feet).

BEGINNING at a 4"x4" concrete monument found for the Northwest corner of said 53.849 acre tract, said "POINT OF BEGINNING" having coordinates N=13,803,922.51, E=3,105,600.75;

THENCE, North 87°08'52" East along the common line between said Bryan Survey, Abstract 185 and said BBB&C Survey, Abstract 179, a distance of 707.75 feet to a found 4"x4" concrete monument;

THENCE, North 02°50'02" East, a distance of 58.73 feet to a point;

THENCE, North 27°18'37" East, a distance of 40.80 feet to a 5/8" iron rod found in the South right-of-way line of Feldmon Street;

THENCE, North 86°06'46" East, along the South right-of-way line of Feldmon Street, a distance of 860.43 feet to a found 5/8" iron rod;

THENCE, South 02°55'14" East, a distance of 109.67 feet to a 1" iron pipe found for the Northwest corner of said portion of a 112.79 acre tract;

THENCE, North 87°13'58" East, along the common line between said Hamilton Surveys, Abstract 884 and Abstract 885, a distance of 1,465.84 feet to a 1" iron pipe found for the Southwest corner of said 21.50 acre tract;

THENCE, North 02°46'02" West, a distance of 1,101.02 feet to a point;

THENCE, North 87°13'58" East, a distance of 712.10 feet to a point;

THENCE, South 02°46'02" East, a distance of 1,101.02 feet to a 4"x4" concrete monument found for the Southeast corner of said 21.50 acre tract and being in said common line between said Hamilton Surveys, Abstract 884 & Abstract 885;

THENCE, South 87°13'58" West, along the common line between said Hamilton Surveys, Abstract 884 and Abstract 885, a distance of 337.75 feet to a point;

THENCE, South 02°35'23" East, a distance of 1,459.69 feet to a point;

THENCE, North 87°13'34" East, a distance of 811.28 feet to a point;

THENCE, South 02°46'43" East, a distance of 1,332.63 feet to a point;

THENCE, North 87°01'48" East, a distance of 80.06 feet to an iron rod found for the Northeast corner of said 15.637, said iron rod being in the West right-of-way line of Alameda Road;

THENCE, South 17°26'23" West, along said West right-of-way line of Alameda Road, a distance of 1,338.19 feet to a point;

THENCE, South 87°01'48" West, a distance of 926.60 feet to a point;

THENCE, North 02°58'12" West, a distance of 1,254.64 feet to a point;

THENCE, South 87°00'52" West, a distance of 1,343.42 feet to a 5/8" iron rod found for the Southwest corner of said 1.827 acre tract and being in the common line between said Hamilton Survey, Abstract 884 and said Bryan Survey, Abstract 185;

THENCE, North 02°32'35" West, along said common line between said Hamilton Survey, Abstract 884 and said Bryan Survey, Abstract 185, a distance of 1,375.50 feet to a point;

THENCE, South 87°55'05" West, a distance of 1,592.03 feet to a point;

THENCE, North 02°42'30" West, a distance of 1,405.06 feet to the **POINT OF BEGINNING** and containing approximately 248.5 acres of land.

2. Pierce Junction 5A/6A Brine Pond Lease Properties:

Street Address:

11646 Almeda Road, Houston, Texas

HCAD Account Numbers:

0451880000055
0451880000090
0451880000091
0451880000260

Legal Description:

Metes and bounds description of a 22.293 acre tract of land being out of and part of Share 5A of the Partition of the E. R. Taylor Estate, a plat of which is recorded in Volume 10, Page 28, Harris County Map Records, said 22.293 acre tract being comprised of a called 21.3163 acre tract and a called 0.87 acre tract, both as recorded in File Number Y503368, Film Code 006-21-1947, Harris County Official Public Records of Real Property (H.C.O.P.R.R.P.), Harris County, Texas, said 22.293 acre tract being situated in the James Hamilton Survey, Abstract 884, Harris County, Texas, said metes and bounds being more fully described as follows:

Bearings and coordinates are based on the Texas Coordinate System, South Central Zone (NAD 83 in feet).

BEGINNING at a 1" iron pipe found at the Northeast corner of said 22.293 acre tract, said Northeast corner being the Northwest corner of a called 10 acre lease tract as recorded in File Number C256362, Film Code 047-38-0557, H.C.O.P.R.R.P., said "POINT OF BEGINNING" having coordinates N=13,801,241.11, E=3,108,055.19;

THENCE, along the West line of said 10 acre lease tract and a second 10 acre lease tract as recorded in File Number E338813, Film Code 114-18-0937, H.C.O.P.R.R.P., South 02°44'30" East, a distance of 1,315.87 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Southeast corner of said 22.293 acre tract;

THENCE, along the South line of said Share 5A, same being the North line of Share 6A, South 87°04'42" West, at a distance of 11.92 feet pass a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northwest corner of the most Westerly called 1 acre tract as described in File Number E295235, Film Code 112-06-0246, H.C.O.P.R.R.P., and continuing for a total distance of 739.39 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Southwest corner of said Share 5A and the herein described 22.293 acre tract;

THENCE, along the West line of said Share 5A, said West line being the West line of said James Hamilton Survey, North 02°38'18" West, at a distance of 1,246.97 feet pass a concrete monument with brass disk found at the Southeast corner of a called 1.485 acre tract conveyed to Houston Lighting & Power as recorded in Volume 3491, Page 182, Harris county Deed Records (H.C.D.R.), and continuing for a total distance of 1,315.07 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set at the Northwest corner of said Share 5A, said Northwest corner being the Southwest corner of a called 1.827 acre tract conveyed to Texas

Brine Corporation as recorded in File Number D988077, Film Code 168-30-0587, H.C.O.P.R.R.P.;

THENCE, along the North line of said Share 5A, same being the South line of the above said 1.827 acre tract, North 87°00'52" East, a distance of 737.02 feet to the **POINT OF BEGINNING** and containing 22.293 acres of land.

and

Metes and bounds description of a 32.926 acre tract of land being out of and part of Share 6A of the Partition of the E. R. Taylor Estate, a plat of which is recorded in Volume 10, Page 28, Harris County Map Records, said 32.926 acre tract being the same tract as a called 33.0400 acre Tract 6A-2 as recorded in File Number Y503368, Film Code 006-21-1947, Harris County Official Public Records of Real Property (H.C.O.P.R.R.P.), Harris County, Texas, said 32.926 acre tract being situated in the James Hamilton Survey, Abstract 884, Harris County, Texas, said metes and bounds being more fully described as follows:

Bearings and coordinates are based on the Texas Coordinate System, South Central Zone (NAD 83 in feet).

BEGINNING at a 1-1/4" iron pipe found at the Southwest corner of said Share 6A, said Southwest corner being the Southwest corner of said James Hamilton Survey, Abstract 884, said "POINT OF BEGINNING" having coordinates N=13,798,679.18, E=3,107,432.09;

THENCE, along the West line of Share 6A, as fenced, said West line being the West line of said James Hamilton Survey, North 02°28'16" West, a distance of 1150.73 feet to a 4" x 4" concrete monument found for an angle corner, said corner being the Southeast corner of a called 49.7570 acre tract as recorded in File Number 20080619533, Film Code 061-85-1702, H.C.O.P.R.R.P.;

THENCE, along the West line of said Share 6A, said West line being the West line of said James Hamilton Survey, North 02°38'18" West, a distance of 60.27 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northwest corner of said Share 6A and the Northwest corner of the herein described 32.926 acre tract, said Northwest corner being the Southwest corner of Share 5A;

THENCE, along the North line of said Share 6A, North 87°04'42" East, a distance of 727.47 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for a corner of the herein described 32.926 acre tract, said corner being the Northwest corner of the most Westerly called 1 acre tract as described in File Number E295235, Film Code 112-06-0246, H.C.O.P.R.R.P.;

THENCE, along the West line of said Westerly 1 acre tract, South 02°55'17" East, a distance of 131.69 feet (call=130 feet) to a 1" iron pipe found at the Southwest corner of said 1 acre tract;

THENCE, along the South line of said Westerly 1 acre tract and a second 1 acre tract, both as recorded in said File Number E295235, North 87°04'42" East, a distance of 667.77 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set in the East line of said Share 6A;

THENCE, along the East line of said Share 6A, South 02°40'01" East, at a distance of 220.02 feet pass a found 1/2" iron pipe, and continuing for a total distance of 570.90 feet to a 2" iron pipe

(6' high) found at the Northeast corner of a called 3.896 acre tract as recorded in File Number D537604, Film Code 141-24-1842, and in File Number E998201, Film Code 156-01-0097, H.C.O.P.R.R.P.,

THENCE, along the North line of said called 3.896 acre tract, South 87°04'42" West, a distance of 335.08 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northwest corner of said called 3.896 acre tract;

THENCE, along the West line of said called 3.896 acre tract, South 02°40'01" East, a distance of 508.40 (call=506.57 feet) to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the most Southerly Southeast corner of the herein described 32.926 acre tract, said Southeast corner being the Southwest corner of said called 3.896 acre tract, said corner being in the South line of said Share 6A;

THENCE, along the South line of said Share 6A, said South line being the South line of said James Hamilton Survey, same being the North line of a called 4.833 acre tract as recorded in File Number 20100411727, Film Code 019-30-1567, H.C.O.P.R.R.P., South 87°04'42" West, a distance of 1,064.72 feet to the **POINT OF BEGINNING** and containing 32.926 acres of land.

and

Metes and bounds description of a 2.0197 acre tract of land being out of and part of Share 6A of the Partition of the E. R. Taylor Estate, a plat of which is recorded in Volume 10, Page 28, Harris County Map Records, said 2.0197 acre tract being comprised of 2 called 1 acre tracts of land as recorded in File Number 20080193660, Film Code 055-85-1243, Harris County Official Public Records of Real Property (H.C.O.P.R.R.P.), Harris County, Texas, said called 1 acre tracts are described in File Number E295235, Film Code 112-06-0246, H.C.O.P.R.R.P., said 2.0197 acre tract being situated in the James Hamilton Survey, Abstract 884, Harris County, Texas, said metes and bounds being more fully described as follows:

Bearings and coordinates are based on the Texas Coordinate System, South Central Zone (NAD 83 in feet).

BEGINNING at a 1" iron pipe found at the Southwest corner of the most Westerly 1 acre tract as described in said File Number E295235, said "POINT OF BEGINNING" having coordinates N=13,799,794.62, E=3,108,112.94;

THENCE, along the West line of said Westerly 1 acre tract, North 02°55'17" West, a distance of 131.69 feet (call=130 feet) to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northwest corner of said Westerly 1 acre tract;

THENCE, along the North line of said Share 6A and the South line of a 10 acre lease tract as recorded in File Number E338813, Film Code 114-18-0937, H.C.O.P.R.R.P., North 87°04'42" East, at 11.92 feet pass a set 5/8" iron rod with plastic cap stamped "Gullett & Assoc", and continuing for a total distance of 668.36 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northeast corner of the most Easterly 1 acre tract as described in said File Number E295235, said Northeast corner being the Northeast corner of said Share 6A;

THENCE, along the East line of said Share 6A, South 02°40'01" East, a distance of 131.69 feet (call=130 feet) to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Southeast corner of the most Easterly called 1 acre tract;

THENCE, along the South line of both 1 acre tracts, South 87°04'42" West, a distance of 667.77 feet to the **POINT OF BEGINNING** and containing 2.0197 acres of land.

and

Metes and bounds description of a 3.911 acre tract of land being out of and part of Share 6A of the Partition of the E. R. Taylor Estate, a plat of which is recorded in Volume 10, Page 28, Harris County Map Records, said 3.911 acre tract being the same called 3.896 acre tract as recorded in File Number D537604, Film Code 141-24-1842, and in File Number E998201, Film Code 156-01-0097, Harris County Official Public Records of Real Property (H.C.O.P.R.R.P.), Harris County, Texas, said 3.911 acre tract being situated in the James Hamilton Survey, Abstract 884, Harris County, Texas, said metes and bounds being more fully described as follows:

Bearings and coordinates are based on the Texas Coordinate System, South Central Zone (NAD 83 in feet).

BEGINNING at a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set at the Southeast corner of said Share 6A, said "POINT OF BEGINNING" having coordinates N=13,798,750.53, E=3,108,830.07;

THENCE, along the South line of said Share 6A, said South line being the South line of said James Hamilton Survey, same being the North line of a called 4.833 acre tract as recorded in File Number 20100411727, Film Code 019-30-1567, H.C.O.P.R.R.P., South 87°04'42" West, a distance of 335.08 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Southwest corner of the herein described 3.911 acre tract;

THENCE, North 02°40'01" West, a distance of 508.40 feet (call=506.57 feet) to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northwest corner of the herein described 3.911 acre tract;

THENCE, North 87°04'42" East, a distance of 335.08 feet to a 2" iron pipe (6' high) found at the Northeast corner of the herein described 3.911 acre tract and of said called 3.896 acre tract;

THENCE, along the East line of Share 6A, South 02°40'01" East, at a distance of 208.39. feet pass a found 1/2" iron pipe, and continuing for a total distance of 508.40 feet (call=506.57 feet) to the **POINT OF BEGINNING** and containing 3.911 acres of land.

3. Reed Road Brine Pond Lease Properties:

Street Address:

0 South Freeway, Houston, Texas 77045
0 Reed Road, Houston, Texas 77045
2304 Reed Road, Houston, Texas 77045
2050 Reed Road, Houston, Texas 77045

HCAD Account Numbers:

0451830000068
0451830000079
0451830000040
0451830000047

Legal Description:

Metes and bounds description of a 5.00 acre tract of land out of a tract of land described as Parcel B as recorded in File Number W900081, Film Code 572-66-8161, and out of a called 77.1809 acre tract of land as recorded in File Number X264685, Film Code 579-64-2285, Harris County Official Public Records of Real Property (H.C.O.P.R.R.P.), Harris County, Texas, said 5.00 acre tract being situated in the James Hamilton Survey, Abstract 879, Harris County, Texas, said metes and bounds being more fully described as follows:

Bearings and coordinates are based on the Texas Coordinate System, South Central Zone (NAD 83 in feet).

BEGINNING at a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northwest corner of the herein described 5.00 acre tract, said Northwest corner being at the intersection of the West line of Parcel B with the South right-of-way line of Reed Road (width varies), said Northwest corner being the intersection of the East line of a called 7.737 acre tract conveyed to the City Of Houston as recorded in File Number P676570, Film Code 198-60-1507, H.C.O.P.R.R.P., with said South right-of-way line, said "POINT OF BEGINNING" having coordinates N=13,804,236.58, E=3,113,662.77;

THENCE, along the South right-of-way line of Reed Road, North 86°54'04" East, a distance of 466.70 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northeast corner of the herein described 5.00 acre tract;

THENCE, South 03°05'56" East, a distance of 465.18 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Southeast corner of said 5.00 acre tract;

THENCE, South 86°54'04" West, a distance of 469.72 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc." set for the Southwest corner of said 5.00 acre tract, said Southwest corner being in the West line of said Parcel B;

THENCE, along the West line of said Parcel B, said West line being the East line of said called 7.737 acre City of Houston tract, North 02°43'37" West, a distance of 465.19 feet to the **POINT OF BEGINNING** and containing 5.00 acres of land.

Metes and bounds description of a 95.396 acre tract of land out of and a part of 4 tracts of land, a tract of land described as Parcel B as recorded in File Number W900081, Film Code 572-66-8161, Harris County Official Public Records of Real Property (H.C.O.P.R.R.P.), a called 77.1809 acre tract of land as recorded in File Number X264685, Film Code 579-64-2295, H.C.O.P.R.R.P., a called 6.3130 acre tract of land and a called 9.4056 acre tract of land, both as recorded in File Number U345043, Film Code 531-86-1289, H.C.O.P.R.R.P., Harris County, Texas, said 95.396 acre tract being situated in the James Hamilton Survey, Abstract 879, Harris County, Texas, said metes and bounds being more fully described as follows:

Bearings and coordinates are based on the Texas Coordinate System, South Central Zone (NAD 83 in feet).

and

BEGINNING at a 5/8" iron rod found at the Southwest corner of said Tract B, said Southwest corner being the Northwest corner of a called 0.118 acre tract conveyed to Houston Lighting & Power as recorded in Volume 3054, Page 306, Harris County Deed Records (H.C.D.R.), said "POINT OF BEGINNING" having coordinates N=13,801,706.90, E=3,113,783.26;

THENCE, along the West line of said Parcel B, said West line being the East line of a called 7.737 acre tract conveyed to the City Of Houston as recorded in File Number P676570, Film Code 198-60-1507, H.C.O.P.R.R.P., North 02°43'37" West, a distance of 2067.37 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northwest corner of said 6.264 acre tract;

THENCE, along the South line of a proposed 5.00 acre drill site tract, North 86°54'04" East, a distance of 469.72 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Southeast corner of said proposed 5.00 acre tract;

THENCE, along the East line of said proposed 5.00 acre tract, North 03°05'56" West, a distance of 465.18 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set in the North line of said 77.1809 acre tract for the most Northerly Northwest corner of the herein described 95.396 acre tract, said North line being the South right-of-way line of Reed Road (width varies);

THENCE, along the North line of said 77.1809 acre tract, said North line being the South right-of-way line of Reed Road, North 86°54'04" East, a distance of 766.83 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set at the beginning of a curve to the right;

THENCE, along the South right-of-way line of Reed Road, 92.06 feet along said curve to the right having a radius of 1043.15 feet, a delta angle of 05°03'23", and a chord bearing North 89°25'45" East, a distance of 92.03 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set at the beginning of a curve to the left;

THENCE, along the South right-of-way line of Reed Road, 108.17 feet along said curve to the left having a radius of 1043.15 feet, a delta angle of 05°56'29", and a chord bearing North 88°59'12" East, a distance of 108.12 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for corner;

THENCE, along the South right-of-way line of Reed Road, North 86°00'58" East, a distance of 187.97 feet (call = 185.57') to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for corner;

THENCE, along the South right-of-way line of Reed Road, South 52°43'19" East, a distance of 22.56 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for corner, said corner being in the West right-of-way line of State Highway 288 (width varies);

THENCE, along the West right-of-way line of Highway 288, 86.26 feet along a curve to the left having a radius of 288.00 feet, a delta angle of 17°09'39", and a chord bearing South 22°29'56" East, a distance of 85.94 feet to a 4" X 4" TXDOT concrete ROW monument found at the beginning of a curve to the right;

THENCE, along the West right-of-way line of Highway 288, 168.59 feet along said curve to the right having a radius of 288.00 feet, a delta angle of 33°32'26", and a chord bearing South 14°18'33" East, a distance of 166.20 feet to a 4" X 4" TXDOT concrete ROW monument found at the beginning of a curve to the left;

THENCE, along the West right-of-way line of Highway 288, 708.20 feet along said curve to the left having a radius of 7964.49 feet, a delta angle of 05°05'41", and a chord bearing South 00°05'10" East, a distance of 707.99 feet to a broken 4" X 4" TXDOT concrete ROW monument found for corner;

THENCE, along the West right-of-way line of Highway 288, South 08°39'12" East, a distance of 265.05 feet to a broken 4" X 4" TXDOT concrete ROW monument found for corner, said corner being the Southeast corner of said 6.3130 acre tract;

THENCE, along the North line of said 9.4056 acre tract, said line being a right-of-way line of Highway 288, North 85°43'05" East, a distance of 60.32 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for corner, from which a disturbed found 4" X 4" TXDOT concrete ROW monument bears South 18°25' East, a distance of 1.4 feet, said corner being the Northeast corner of said 9.4056 acre tract;

THENCE, along the West right-of-way line of Highway 288, South 08°47'41" East, a distance of 239.53 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc." set at an angle corner of the herein described 15.639 acre tract, said angle corner being a corner of said 9.4056 acre tract;

THENCE, along the West right-of-way line of Highway 288, South 02°36'35" East, a distance of 1053.87 feet to a 4" X 4" TXDOT concrete ROW monument found at the Southeast corner of the herein described 95.396 acre tract, said Southeast corner being the Southeast corner of said 9.4056 acre tract;

THENCE, along the South line of said 9.4056 acre tract, said 77.1809 acre tract, and said Parcel B, South 86°40'36" West, a distance of 1779.47 feet to the **POINT OF BEGINNING** and containing 95.396 acres of land.

3. Fairway Energy Partners, LLC Fee Properties:

Street Address:

0 Frey Road, Houston, Texas 77034 (Genoa Junction)
11351 Forbes Road, Houston, Texas 77075 (Mykawa Valve Site)

HCAD Account Numbers:

0031390020050
0131390000014

Legal Description:

Genoa Junction

A metes and bounds description of a 2.2116 acre tract of land being part of lands conveyed and described as recorded in File Number W595057, Film Code 566-30-2328, Harris County Official Public Records of Real Property (H.C.O.P.R.P.), Harris County, Texas, said 2.2116 acre tract being out of and a part of Lot 30, Lot 31, and Lot 32, Block 2, Acre Home Addition, a plat of which is recorded in Volume 4, Page 28, Harris County Map Records, said 2.116 acre tract being further described as Lots 30, 31, and 32, save and except the West 30 feet of said lots, said 2.2116 acre tract being situated in the Juan Sutton Survey, Abstract 751, Harris County, Texas, said 2.2116 acre tract being more fully described as follows:

All bearings and coordinates are based on the Texas Coordinate System, South Central Zone, NAD 83 in feet.

BEGINNING at a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for a Northeast corner of the herein described 2.2116 acre tract and a corner of said Lot 31, said Northeast corner being the intersection of the West right-of-way line of Curlee Road (60' wide) with the Southwest right-of-way line of a 52' wide abandoned road, said 52' wide road abandonment being recorded in File Number E338499, Film Code 114-17-2437, from said set 5/8" iron rod a found 1/2" iron rod bears North 01°21' West, 2.49 feet;

THENCE, along the East line of said Lot 31 and Lot 30, said East line being the West right-of-way line of Curlee Road, South 04°10'45" East, a distance of 216.71 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set at the Southeast corner of said Lot 30, and of the herein described 2.2116 acre tract;

THENCE, along the South line of said Lot 30, South 87°21'46" West, a distance of 280.46 feet to a 1" iron pipe found at the Southwest corner of the herein described 2.2116 acre tract, said corner being in the East line of a strip of land being the West 30 feet of Lots 29, 30, 31, and 32, said strip of land being conveyed to Magellan Pipeline Company, L.P. as recorded in File Number 20100416285, Film Code 019-35-0393;

THENCE, along the East line of said Magellan strip, North 04°10'45" West, a distance of 383.54 feet to a 1" iron pipe found at the Northwest corner of the herein described 2.2116 acre tract, said Northwest corner being in the North line of said Lot 32;

THENCE, along the North line of said Lot 32, North 87°21'46" East, a distance of 146.22 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for corner in the Southwest line of said 52' wide abandoned road, from said corner a found 1" iron pipe bears South 86°59'56" East, 2.84 feet;

THENCE, along the Northeast line of said Lot 32 and Lot 31, said line being the Southwest line of said 52' wide abandoned road, South 42°23'32" East, a distance of 216.93 feet to the **POINT OF BEGINNING** and containing 2.2116 acres of land.

A metes and bounds description of a 0.1183 acre tract of land being part of lands conveyed and described as recorded in File Number W595057, Film Code 566-30-2328, Harris County Official Public Records of Real Property (H.C.O.P.R.R.P.), Harris County, Texas, said 0.1183 acre tract being out of and a part of Lot 33, Block 2, Acre Home Addition, a plat of which is recorded in Volume 4, Page 28, Harris County Map Records, said 0.1183 acre tract being further described as Lot 33, save and except the South 50 feet, said 0.1183 acre tract being situated in the Juan Sutton Survey, Abstract 751, Harris County, Texas, said 0.1183 acre tract being more fully described as follows:

All bearings and coordinates are based on the Texas Coordinate System, South Central Zone, NAD 83 in feet.

BEGINNING at a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Southeast corner of the herein described 0.1183 acre tract, said corner being in the Southwest right-of-way line of a 52' wide abandoned road, said 52' wide road abandonment being recorded in File Number E338499, Film Code 114-17-2437, said Southeast corner being the Northeast corner of the South 50' of said Lot 33, said South 50' strip of land being conveyed to Magellan Pipeline company, L.P. as recorded in File Number 20100416285, Film Code 019-35-0393, from said 5/8" iron rod a found 1" iron pipe bears North 87°21'46" East, 2.99 feet;

THENCE, along the North line of the South 50 feet of said Lot 33, South 87°21'46" West, a distance of 136.41 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set at the Southwest corner of the herein described 0.1183 acre tract;

THENCE, along the West line of said Lot 33, North 04°10'45" West, a distance of 78.15 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northwest corner of said Lot 33 and the herein described 0.1183 acre tract;

THENCE, along the North line of said Lot 33, North 87°21'46" East, a distance of 73.52 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northeast corner of Lot 33 and the herein described 0.1183 acre tract, said Northeast corner being in the Southwest right-of-way line of said 52' wide abandoned road, from said Northeast corner a found 1" iron pipe bears North 87°24'24" East, 1.32 feet;

THENCE, along the Northeast line of said Lot 33, said Northeast line being the Southwest line of said 52' wide abandoned road, South 42°23'32" East, a distance of 101.62 feet to the **POINT OF BEGINNING** and containing 0.1183 acres of land.

A metes and bounds description of a 0.0607 acre tract of land being out of and a part of a 52' wide abandoned road, said 52' wide road abandonment being recorded in File Number E338499, Film Code 114-17-2437, Harris County Official Public Records of Real Property (H.C.O.P.R.R.P.), Harris County, Texas, said 0.0607 acre tract being the South half of said 52'

wide abandoned road adjacent to Lot 33, Block 2, Acre Home Addition, a plat of which is recorded in Volume 4, Page 28, Harris County Map Records, said 0.0607 acre tract being situated in the Juan Sutton Survey, Abstract 751, Harris County, Texas, said 0.0607 acre tract being more fully described as follows:

All bearings and coordinates are based on the Texas Coordinate System, South Central Zone, NAD 83 in feet.

BEGINNING at a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Southwest corner of the herein described 0.0607 acre tract, said corner being in the Southwest right-of-way line of said 52' wide abandoned road, said Southeast corner being the Northeast corner of the South 50' of said Lot 33, said South 50' strip of land being conveyed to Magellan Pipeline company, L.P. as recorded in File Number 20100416285, Film Code 019-35-0393, from said 5/8" iron rod a found 1" iron pipe bears North 87°21'46" East, 2.99 feet;

THENCE, along the Southwest line of said 52' wide abandoned road, said Southwest line being the Northeast line of said Lot 33, North 42°23'32" West, a distance of 101.62 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set at the Northwest corner of the herein described 0.0607 acre tract, from said Northwest corner a found 1" iron pipe bears North 87°24'24" East, 1.32 feet;

THENCE, along a projection of the North line of said Lot 33, North 87°21'46" East, a distance of 33.82 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Northeast corner of the herein described 0.0607 acre tract;

THENCE, along the centerline of said 52' wide abandoned road, South 42°23'32" East, a distance of 101.62 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Southeast corner the herein described 0.0607 acre tract;

THENCE, along a projection of the North line of the South 50' of said Lot 33, South 87°21'46" West, a distance of 33.82 feet to the **POINT OF BEGINNING** and containing 0.0607 acres of land.

A metes and bounds description of a 0.1132 acre tract of land being out of and a part of a 52' wide abandoned road, said 52' wide road abandonment being recorded in File Number E338499, Film Code 114-17-2437, Harris County Official Public Records of Real Property (H.C.O.P.R.R.P.), Harris County, Texas, said 0.1132 acre tract being the South half of said 52' wide abandoned road adjacent to Lots 32 and 31, Block 2, Acre Home Addition, a plat of which is recorded in Volume 4, Page 28, Harris County Map Records, said 0.1132 acre tract being situated in the Juan Sutton Survey, Abstract 751, Harris County, Texas, said 0.1132 acre tract being more fully described as follows:

All bearings and coordinates are based on the Texas Coordinate System, South Central Zone, NAD 83 in feet.

BEGINNING at a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the Southernmost corner of the herein described 0.1132 acre tract, said corner being in the Southwest right-of-way line of said 52' wide abandoned road, said Southeast corner being a corner of said Lot 31, from said 5/8" iron rod a found 1/2" iron rod bears North 01°21'20" East, 2.49 feet;

THENCE, along the Southwest line of said 52' wide abandoned road, said Southwest line being the Northeast line of said Lot 31 and Lot 32, North 42°23'32" West, a distance of 216.93 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set at the most Westerly corner of the herein described 0.1132 acre tract, from said corner a found 1" iron pipe bears North 89°59'56" East, 1.32 feet;

THENCE, along a projection of the North line of said Lot 32, North 87°21'46" East, a distance of 33.82 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for the a corner of the herein described 0.1132 acre tract;

THENCE, along the centerline of said 52' wide abandoned road, South 42°23'32" East, a distance of 162.28 feet to a 5/8" iron rod with plastic cap stamped "Gullett & Assoc" set for a corner of the herein described 0.1132 acre tract;

THENCE, along a projection of the East line of said Lot 31, South 04°10'45" East, a distance of 42.03 feet to the **POINT OF BEGINNING** and containing 0.1132 acres of land.

Mykawa Valve Site

Being the North half (4.207 acres) of the residue of a called 10.0024 acre tract of land conveyed to Dr. Anping Yang, recorded in File Number 20080391114, of the Official Public Record of Real Property of Harris County, Texas, said North half also being out of Lot 14 of Erin Gardens, a subdivision recorded in Volume 2, Page 44 of the Map Records of Harris County, Texas, situated in the F.J. Rothhaas Survey, Abstract 667, in Harris County, Texas, said North half being more particular described by metes and bound as follows:

BEGINNING at a found 5/8 inch iron rod ($Y=13,789,282.78$, $X=3,146,994.70$) for the Northeast corner of said residual tract, the Northeast corner of said Lot 14, the Southeast corner of Lot 11 of said Erin Gardens, the Southeast corner of a 1.2499 acre tract of land, property of Rodolfo Trevino, Jr., and wife Louisiana Trevino, and Arturo Caballero, recorded in File Number 20080078252, of the Official Public Record of Real Property of Harris County, Texas, also being in the West margin of Peach Blossom Street, the West line of Val Verde Estates, a subdivision recorded in Volume 32, Page 34, of the Map Records of Harris County, Texas, and being the Northwest corner of herein described tract;

THENCE, with the East line of said residual tract, the East line of said Lot 14, the West line of said Val Verde Subdivision, and continuing with the West line of the G.D. Samuell Subdivision, recorded in Volume 2, Page 53, of the Map Records of Harris County, Texas, **South 03°04'31" East, a distance of 227.17 feet** to a 5/8 inch iron rod with plastic cap "Gullett & Associates" set for the Southeast corner of herein described tract, from which a found 5/8 inch iron rod with plastic cap "ROE Survey" for the Northeast corner of a 1.606 acre tract of land, property of The City of Houston, recorded in File Number 20070160612, of the Official Public Record of Real Property of Harris County, Texas, bears South 03°04'31" East, a distance of 278.40 feet;

THENCE, parallel with the North line of said residual tract and the North line of said Lot 14, **South 86°53'25" West, a distance of 807.02 feet** to a 5/8 inch iron rod with plastic cap "Gullett & Associates" set in the West line of said residual tract, the West line of said Lot 14, and the East margin of Forbes Street, for the Southwest corner of herein described tract, from which a found 5/8 inch iron rod with plastic cap "ROE Survey" for the Northwest corner of said 1.606 acre tract bears South 02°56'36" East, a distance of 198.49 feet;

THENCE, with the West line of said residual tract, the West line of said Lot 14, and the East margin of Forbes Street, **North 02°56'36" West, a distance of 227.17 feet** to a found 5/8 inch iron rod at the Northwest corner of said residual tract, the Northwest corner of said Lot 14, the Southwest corner of said Lot 11, the Southwest corner of another called 1.2499 acre tract of land, property of Filiberto Vega and wife Iscela Vega, recorded in File Number 20080078250, of the Official Public Record of Real Property of Harris County, Texas and the Northwest corner of herein described tract;

THENCE, with the North line of said residual tract, the North line of said Lot 14, the South line of said Lot 11, the South line of said Vega tract, and continuing with the South line of said Trevino tract, **North 86°53'25" East, a distance of 806.49 feet** to the **POINT OF BEGINNING** containing, within these metes and bounds, 4.207 acres or 183,273 square feet, more or less.

All bearings and coordinates are based on the Texas State Plane Coordinate System, NAD '83, South Central Zone, in feet.

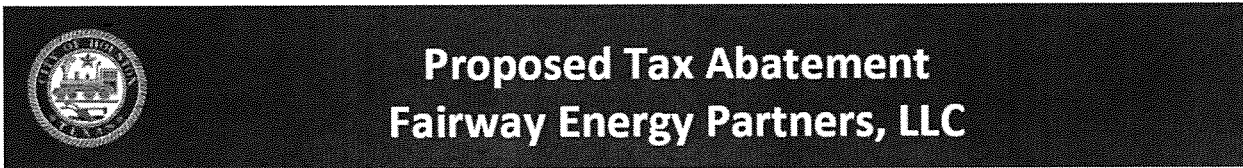
EXHIBIT 3

Abated Property/Improvements

The proposed use of the Improvements/Abated Property is for an “Other basic industry facility” as defined in Section 44-121 of the Code. Fairway will store crude oil and condensate in existing salt caverns in the Pierce Junction area located south of NRG Stadium in Houston, Texas. The Improvements include drilling additional wells into the existing caverns and constructing brine ponds on the surrounding acreage, as well as constructing approximately 15.2 miles of dual pipelines to connect the Facility to two major crude oil hubs across the Houston area. The Improvements also include the construction of a central control facility with an electric pumping station, onsite piping, and a control room to handle the brine and crude oil.

EXHIBIT 4

Financial Information Related to the Tax Abatement



Fairway Energy Partners, LLC – Mid Case

- Average annual abatement projected to be ~\$594,000
- 10 year abatement projected to be ~\$5.9 million

Tax Year	COH Tax Rate	Estimated Taxable Value Range	Estimated Ad Valorem Revenue	Estimated COH Abatement 50%
2017	0.0060112	\$137,000	5824	\$412
2018	0.0060112	137,000	824	412
2019	0.0060112	217,000	1,304	652
2020	0.0060112	216,000	1,298	649
2021	0.0060112	215,000	1,292	646
2022	0.0060112	214,000	1,286	643
2023	0.0060112	213,000	1,280	640
2024	0.0060112	211,000	1,268	634
2025	0.0060112	210,000	1,262	631
2026	0.0060112	208,000	1,250	625
<i>(all number in thousands)</i>			10 Year Abatement	\$5,944

Phase 2 becomes effective →

Assumptions:

Taxable value is variable and subject to economic conditions each year; Projection is based on 2016 indicators
 Estimate based on estimated ad valorem value and considers depreciation and inflation factors (as determined by consultants/HCAD)
 Actual annual abatement will be based on the actual appraised value of the improvements per HCAD
 Approximately 25% of the pipeline route is outside of Houston City limits

EXHIBIT 5

Variance Request



Three Riverway
Suite 350
Houston, Texas 77056
Fax 713-849-1447
www.fairwaynfdstream.com

January 20, 2016

Mr. Andy Icken
Chief Development Officer
City of Houston
4th Floor City Hall
P O Box 1562
Houston, Texas 77251-1562

Re: *Request for Variance from Section 44-128(9) of the City of Houston Code of Ordinance*

Dear Mr. Icken:

Fairway Energy Partners, LLC ("Fairway") is requesting a tax abatement for a proposed crude oil and condensate storage facility consisting of brine ponds, storage caverns, a central control facility and associated pipelines in the Pierce Junction area located south of Reliant Stadium in Houston, Texas. The crude oil will be transported to the caverns from domestic and Canadian sources via pipelines and vessels. The crude oil will be stored in the caverns and then transported primarily to various refineries in Texas, Louisiana and across the United States Gulf Coast.

Section 44-128(9) of the City of Houston Code of Ordinances ("Code") states that full time equivalent jobs shall only be used to satisfy the abatement recipient's contractual obligation if the abatement recipient maintains a minimum number of 25 permanent employees who work on the project in the reinvestment zone. While Fairway will create a minimum of 25 full time equivalent jobs, only 15 of those jobs will be in the reinvestment zone; the remaining 10 jobs will be at Fairway's corporate headquarters outside of the reinvestment zone with employees transferring between the corporate headquarters and the zone, as needed. Therefore, as permitted by Section 44-125 of the Code, Fairway is requesting a variance from Section 44-128(9). The grant of the variance and the abatement will be consistent with the general policy set forth in Section 44-120 of the Code in that it will provide a substantial investment and a needed facility for use by the city's energy sector.

Sincerely,

A handwritten signature in black ink that reads "Robert M. Flavin". The signature is written in a cursive style and is positioned above a horizontal line.

Robert M. Flavin
Chief Financial Officer