

AN ORDINANCE **97650**

APPROVING THE PROJECT STARBRIGHT AGREEMENT BY AND AMONG THE CITY, CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION, TOYOTA MOTOR MANUFACTURING NORTH AMERICA, INC., THE STATE OF TEXAS, BEXAR COUNTY, TEXAS, TEXAS DEPARTMENT OF TRANSPORTATION, TEXAS WORKFORCE COMMISSION, ALAMO WORKFORCE DEVELOPMENT, INC., TEXAS DEPARTMENT OF ECONOMIC DEVELOPMENT, TEXAS COMMISSION ON ENVIRONMENTAL QUALITY, TEXAS COMPTROLLER OF PUBLIC ACCOUNTS, SAN ANTONIO WATER SYSTEM, CITY PUBLIC SERVICE, SAN ANTONIO ECONOMIC DEVELOPMENT FOUNDATION, GREATER KELLY DEVELOPMENT AUTHORITY, SOUTHWEST INDEPENDENT SCHOOL DISTRICT, BEXAR METROPOLITAN WATER DISTRICT, AND BEXAR COUNTY RAIL DISTRICT TO FACILITATE THE ESTABLISHMENT OF A MANUFACTURING AND ASSEMBLY FACILITY FOR MOTOR VEHICLES AND AUTOMOTIVE PARTS AND COMPONENTS IN ORDER TO ADVANCE THE PUBLIC PURPOSES OF DEVELOPING AND DIVERSIFYING THE ECONOMY OF THE CITY AND REDUCING UNEMPLOYMENT AND UNDER EMPLOYMENT IN THE CITY, AND AUTHORIZING THE CITY MANAGER TO MAKE NON-SUBSTANTIVE CHANGES TO THE PROJECT STARBRIGHT AGREEMENT (SUCH AS FILLING IN DATES, CORRECTING TYPOGRAPHICAL ERRORS, INSERTING ADDRESS INFORMATION, AND THE LIKE) AND TO EXECUTE THE PROJECT STARBRIGHT AGREEMENT, AND AUTHORIZING OTHER ACTIONS, AS NECESSARY; EFFECTIVELY IMMEDIATELY IF PASSED BY AT LEAST EIGHT (8) VOTES.

* * * * *

WHEREAS, the City of San Antonio ("City"); the State of Texas; Bexar County; other governmental entities; various utility providers and the City of San Antonio, Texas, Starbright Industrial Development Corporation ("Corporation") have been negotiating an agreement with the Toyota Motor Manufacturing North America, Inc. ("Toyota") under

which certain assistance would be provided to Toyota to assist it in development of a manufacturing and assembly facility in San Antonio; and,

WHEREAS, on February 10, 2003, Toyota announced that it planned to construct and operate a major manufacturing and assembly plant within the area annexed by the City of San Antonio for Limited Purposes on January 5, 2003, that, when completed could represent an investment of more than \$400,000,000.00 and provide 1,800 full-time jobs with a payroll that exceeds \$100,000,000.00 after the Start of Production in Phase I of the project; and,

WHEREAS, the representatives of the City, the San Antonio Economic Development Foundation and others have acquired title to or options to acquire title to property needed for the proposed project; and,

WHEREAS, San Antonio Water System ("SAWS") holds title in the name of the City to certain other parcels necessary for the project and it is the proposed purveyor of water and wastewater services to the project; and,

WHEREAS, the City Public Service Board ("CPS") will provide electricity and other services to the project; and,

WHEREAS, the State of Texas, acting through various state agencies will provide assistance and incentives to the project; and,

WHEREAS, the City of San Antonio formed the City of San Antonio, Texas, Starbright Industrial Development Corporation ("IDC") pursuant to the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Art. 5190.6 on February 20, 2003, to implement an Economic Development Agreement between the City and the IDC which was approved by the parties on February 27, 2003; and,

WHEREAS, all of the entities have negotiated the terms and conditions of the proposed project and have produced a written agreement entitled the Project Starbright Agreement ("Agreement"); and

WHEREAS, the City Council of the City of San Antonio, Texas after public comment and consideration of the terms and conditions of the Agreement finds that the Agreement is in the best interest of the City of San Antonio and that the Agreement implements the project goals to develop and diversify the economy of the City and reduce unemployment and under-employment in the City; **NOW THEREFORE**,

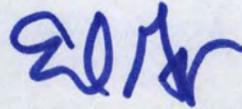
BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The Project Starbright Agreement is hereby approved on the terms and conditions set forth in the attached copy of the Agreement and the City Manager is authorized to execute the Agreement (with changes as described in Section 2, below) on behalf of the City of San Antonio. The obligations and duties of the City of San Antonio under the Agreement shall be effective no earlier than upon execution of the Agreement by the City Manager.

SECTION 2. The City Manager or her designee is authorized to take such steps as may be necessary to implement this ordinance and to negotiate the final terms of the Agreement. Specifically, without limiting the foregoing, the City Manager is authorized to make non-substantive changes to the Project Starbright Agreement (such as filling in dates, correcting typographical errors, inserting address information, and the like.)

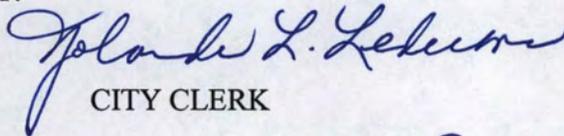
SECTION 3. This ordinance shall be immediately effective if passed by at least eight votes. Otherwise, it shall be effective on June 1, 2003.

PASSED AND APPROVED this 22nd day of May, 2003.



M A Y O R

ATTEST:



CITY CLERK

APPROVED AS TO FORM:



City Attorney

03-20

MEEING OF THE CITY COUNCIL

ALAMODOME
ASSET MANAGEMENT
AVIATION
CITY ATTORNEY
MUNICIPAL COURT
REAL ESTATE (FASSNIDGE)
REAL ESTATE (WOOD)
RISK MANAGEMENT
CITY MANAGER
SPECIAL PROJECTS
CITY PUBLIC SERVICE - GENERAL MANAGER
CITY PUBLIC SERVICE - MAPS AND RECORDS
CODE COMPLIANCE
COMMERCIAL RECORDER
COMMUNITY INITIATIVES
CONVENTION AND VISITORS BUREAU
CONVENTION CENTER EXPANSION OFFICE
CONVENTION FACILITIES
COUNCIL OFFICES
CULTURAL AFFAIRS
CUSTOMER SERVICE/311 SYSTEM
DEVELOPMENT SERVICES
HOUSE NUMBERING
LAND DEVELOPMENT SERVICES
TRAFFIC & DRAINAGE PLAN REVIEW
ECONOMIC DEVELOPMENT
ENVIRONMENTAL SERVICES
SOLID WASTE
EXTERNAL RELATIONS
PUBLIC INFORMATION OFFICE
FINANCE - DIRECTOR
FINANCE - ASSESSOR
FINANCE - CONTROLLER
FINANCE - GRANTS
FINANCE - PUBLIC UTILITIES SUPERVISOR
FINANCE- TREASURY
FIRE DEPARTMENT
HOUSING AND COMMUNITY DEVELOPMENT
HUMAN RESOURCES (PERSONNEL)
INFORMATION SERVICES
INTERNAL REVIEW
INTERNATIONAL AFFAIRS
LIBRARY
MANAGEMENT & BUDGET (OFFICE OF) OMB
MAYOR'S OFFICE
METROPOLITAN HEALTH DISTRICT
MUNICIPAL CODE CORPORATION
MUNICIPAL COURT
NEIGHBORHOOD ACTION
PARKS AND RECREATION
MARKET SQUARE
YOUTH INITIATIVES
PLANNING DEPARTMENT -NEIGHBORHOOD PLNG; URBAN DESIGN/HISTORIC PRESERVATION
DISABILITY ACCESS OFFICE
POLICE DEPARTMENT
GROUND TRANSPORTATION
PUBLIC WORKS DIRECTOR
CAPITAL PROJECTS
CENTRAL MAPPING
ENGINEERING
PARKING DIVISION
REAL ESTATE DIVISION
TRAFFIC ENGINEERING
PURCHASING AND GENERAL SERVICES
SAN ANTONIO WATER SYSTEMS (SAWS)
VIA

AGENDA ITEM NUMBER: _____

18
MAY 22 2003

DATE: _____

MOTION: Pass

Moorhouse

ORDINANCE NUMBER: _____

97650

RESOLUTION NUMBER: _____

ZONING CASE NUMBER: _____

TRAVEL AUTHORIZATION: _____

NAME	ROLL	AYE	NAY
BOBBY PEREZ District 1		/	
JOHN H. SANDERS District 2		/	
ANTONIETTE "TONI" MOORHOUSE District 3		/	
ENRIQUE "KIKE" MARTIN District 4		/	
NORA X. HERRERA District 5		/	
ENRIQUE M. BARRERA District 6		/	
JULIAN CASTRO District 7		/	
BONNIE CONNER District 8		/	
CARROLL SCHUBERT District 9		/	
DAVID CARPENTER District 10		/	
EDWARD D. GARZA Mayor		/	

FILE *Project Starbright Agreement*

(Copy in Starbright Industrial Development Corp.)

03-20

PROJECT STARBRIGHT AGREEMENT

May __, 2003

Attachment I

To Ordinance No. _____
Passed and Approved on
May 22, 2003

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PROJECT STARBRIGHT AGREEMENT

THIS PROJECT STARBRIGHT AGREEMENT is hereby made and entered into effective as of May __, 2003 (the "Effective Date"), by and among Toyota Motor Manufacturing North America, Inc., a Kentucky corporation, together with its successors and assigns permitted pursuant to Section 4.10 of this Agreement ("Toyota"), and the following parties:

1. State of Texas (the "State");
2. Bexar County, Texas (the "County");
3. City of San Antonio, Texas (the "City");
4. City of San Antonio, Texas, Starbright Industrial Development Corporation (the "IDC")
5. Texas Department of Transportation ("TxDOT");
6. Texas Workforce Commission ("TWC");
7. Alamo Workforce Development, Inc. ("AWD");
8. Texas Department of Economic Development ("TxED");
9. Texas Commission on Environmental Quality ("TCEQ");
10. Comptroller of Public Accounts ("CPA");
11. San Antonio Water System ("SAWS");
12. City Public Service ("CPS");
13. San Antonio Economic Development Foundation ("SAEDF");
14. Greater Kelly Development Authority ("GKDA");
15. Southwest Independent School District ("SWISD");
16. Bexar Metropolitan Water District ("BexarMet"); and
17. Bexar County Rail District (the "Rail District").

The parties identified in numbers (1) through (17) above, inclusive, are sometimes referred to herein individually as a "Participant", and collectively as "Participants". Toyota and the Participants are sometimes referred to herein individually as a "Party", and collectively as "Parties".

JOINT RECITALS OF ALL PARTIES

WHEREAS, Article III, Section 52-a of the Texas Constitution expressly authorizes the State of Texas and Local Governments (as defined below) to use public funds for the public purposes of development and diversification of the economy of the state, the elimination of unemployment or underemployment in the state, or the development or expansion of transportation or commerce in the state; and

WHEREAS, at some future date, at Toyota's sole and absolute discretion, Toyota may decide to establish in Bexar County in the State of Texas an industrial plant for the purpose of manufacturing motor vehicles and automotive parts and components which is estimated to initially employ at least 1,800 employees ("Phase I" or "Project"); and

WHEREAS, at some future date, depending upon Toyota's needs and market conditions, Toyota may decide to expand such industrial plant to employ an additional number of employees to raise the total number of employees at the facility to approximately 3,800 employees ("Phase II" or "Phase II Project"); and

WHEREAS, if Toyota decides to establish the Project, Toyota has determined to locate the Project on a certain tract of land out of an approximate 2,678.488 acre tract of land (the "Overall Tract") located in Bexar County, Texas, which Overall Tract is comprised of: (i) an approximate 2,565.175 acre tract that is bounded by Applewhite Road, Leon Creek, and the Medina River, and (ii) an approximate 113.313 acre tract located east of Leon Creek and bordered on the east by Pleasanton Road (which 113.313 acre tract is the subject of an acquisition agreement with the Cook Memorial Trusts) and the exact location and dimensions of the site for the Project will be determined by Toyota (not to exceed approximately 2,000 acres) and, thereafter, be more specifically described in a survey that will establish the property description of such site (the "Project Site"), and the County has requested, and hereby requests, pursuant to Section 23(a)(1) of the Development Corporation Act of 1979 (Article 5190.6 of Vernon's Annotated Texas Civil Statutes), that the City and the IDC issue the Bonds (as defined in Exhibit C) in connection with acquiring the Project Site; and

WHEREAS, the Participants are desirous of having Toyota locate the Project on the Project Site, and in furtherance thereof, are desirous of providing Toyota with the incentives described herein; and

WHEREAS, the Parties recognize that, in part due to Toyota's desire to be a good new corporate citizen in Texas, and in part due to Toyota's desire to be reasonable with respect to the overall economic incentives package hereunder in the context of the Southwest Independent School District and other landowners and businesses in the State of Texas, Bexar County, and the City of San Antonio, Toyota has voluntarily agreed: (i) not to pursue certain economic incentives that were offered to Toyota, and (ii) to make voluntary payments to certain Participants in order to facilitate this Agreement, including the following concessions:

- (1) Toyota's voluntary agreement to a potential loss of up to \$15,000,000.00 for job training and job training facilities due to a possible reallocation of such \$15,000,000.00 to the Rail District in order to provide competitive dual rail carrier service to the Project;
- (2) Toyota's voluntary agreement not to receive tax abatements from the Bexar County Road and Drainage District and the Bexar County Hospital District (the value of which is estimated to have exceeded \$18,000,000.00);
- (3) Toyota's voluntary agreement to pay \$2,000,000.00 to the City of San Antonio to aid in the acquisition of the Project Site;
- (4) Toyota's voluntary agreement to forego up to twelve (12) years of effective tax abatement (the value of which is estimated to have been in excess of \$28,900,000.00) from the City of San Antonio by virtue of Toyota's agreement not to enter into a full 15 year non-annexation arrangement with the City of San Antonio;
- (5) Toyota's voluntary agreement not to require that San Antonio Water System provide certain water quality above potable water standards to the proposed facility, the value of which is estimated to have exceeded \$1,000,000.00;
- (6) Toyota's voluntary agreement to expend, or allow the expenditure of, up to \$300,000.00 of the economic incentive monies offered to Toyota for use in Site Improvements for the purpose of relocating a cellular telephone transmission tower currently located on the Project Site; and
- (7) Toyota's voluntary commitment to pay to the Southwest Independent School District an amount estimated to be \$34,000,000.00 in order to protect the school district from any potential loss of State funding; and

WHEREAS, consistent with Article III, Section 52-a of the Texas Constitution, the Participants have made specific proposals to Toyota for the purpose of inducing Toyota to locate the Project on the Project Site, and thereby advance the public purposes of developing and diversifying the economy of the state, eliminating unemployment or underemployment in the state, and developing or expanding transportation or commerce in the state; and

WHEREAS, to ensure that the benefits the Participants provide under this Agreement are utilized in a manner consistent with Article III, Section 52-a of the Texas Constitution, and other law, Toyota has agreed to comply with certain conditions for receiving those benefits, including performance measures relating to capital investment and job creation relating to the Project and, if applicable, the Phase II Project; and

WHEREAS, Toyota and Participants are desirous of having such proposals set forth in valid, binding and enforceable agreements to establish a working partnership among the Participants and Toyota; and

WHEREAS, the Participants endorse and believe it is in the best public interest to enter into this Agreement with Toyota pursuant to which Toyota is induced to locate the Project on the Project Site; and

WHEREAS, on the Effective Date the commitments contained in this Agreement shall become legally binding obligations of the Participants, which commitments are made in consideration of Toyota's decision to locate the Project on the Project Site.

AGREEMENTS

NOW, THEREFORE, upon and in consideration for the mutual promises and covenants contained herein and for other valuable consideration, the receipt, adequacy, and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE 1 DEFINITIONS

1.1 "Affiliate" shall mean (a) Toyota Motor Corporation, Toyota Motor North America, Inc., Toyota Motor Manufacturing, Texas, Inc., Toyota Motor Sales (U.S.A.), Inc., as well as any direct or indirect subsidiaries in control of, controlled by, or under common control with, any of the foregoing entities, and (b) any Toyota Group Company. A "Toyota Group Company", for purposes of this Agreement, shall mean a company identified by Toyota Motor Corporation as such in its publicly disseminated Annual Report and/or Corporate Profile, as may be revised from time to time, as well as any direct or indirect North American subsidiary in control of, controlled by, or under common control with, any Toyota Group Company, and shall include, without limitation, the following: (i) Toyota Tsusho Corporation, (ii) Toyota Gosei Co., Ltd., (iii) Denso Corporation, (iv) Hino Motors, Ltd., (v) Tokai Rika Co., Ltd., (vi) Araco Corporation, (vii) Toyota Iron Works Co., Ltd., (viii) Futaba Industrial Co., Ltd., (ix) Aisin Seiki Co., Ltd., (x) Central Motor Wheel Co., Ltd., and (xi) Aichi Steel Works, Ltd. The term "control" (including the terms "controlled by" and "under common control with"), for purposes of this Agreement shall mean the possession, directly or indirectly, or as trustee or executor, of the power to direct or cause the direction of the management policies of a person or entity, whether through the ownership of stock, as trustee or executor, by contract, credit arrangement, or otherwise.

1.2 "Environmental Laws" means any law, ordinance, rule, regulation, order, judgment, injunction or decree relating to pollution, Hazardous Substances, or environmental protection, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §§ 9601, et seq.) ("CERCLA"); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251, et seq.) ("CWA"); the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901, et seq.) ("RCRA"); the Atomic Energy Act of 1954, as amended

(42 U.S.C. §§ 2011, et seq.) (“AEA”); the Clean Air Act (42 U.S.C. §§ 7401, et seq.) (“CAA”); the Emergency Planning and Community Right to Know Act (42 U.S.C. §§ 11001, et seq.) (“EPCRA”); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136, et seq.) (“FIFRA”); the Oil Pollution Act of 1990 (33 U.S.C. §§ 2701, et seq.) (“OPA”); the Safe Drinking Water Act (42 U.S.C. §§ 300f, et seq.) (“SDWA”); the Surface Mining Control and Reclamation Act of 1974 (30 U.S.C. §§ 1201, et seq.) (“SMCRA”); the Toxic Substances Control Act (15 U.S.C. §§ 2601, et seq.) (“TSCA”); the Uranium Mill Tailings Radiation Control Act of 1978 (42 U.S.C. §§ 7901, et seq.) (“UMTRCA”), Texas Commission on Environmental Quality (Texas Water Code, Chapter 5), Sanitary Standards for Drinking Water (Texas Health and Safety Code Chapter 341, Subchapter C); the Solid Waste Disposal Act (Texas Health and Safety Code Chapter 361); the Comprehensive Municipal Solid Waste Management, Resource Recovery and Conservation Act (Texas Health and Safety Code Chapter 363); the Texas Clean Air Act (Texas Health and Safety Code Chapter 382); the Texas Radiation Control Act (Chapter 401); Water Quality Control (Texas Water Code Chapter 26); and the Injection Control Act (Texas Water Code Chapter 27), and all amendments and supplements to any of the foregoing and all rules (including procedural), regulations and publications promulgated or issued pursuant thereto; and all other governmental rules which govern Hazardous Substances, and the regulations adopted pursuant to all such laws.

1.3 “Environmental Permit Coordinator” means the specific individual designated by TCEQ in consultation with Toyota to coordinate with Toyota with respect to Toyota’s preparation and obtaining of all environmental permits or licenses within TCEQ’s jurisdiction that may from time to time be required by Project Starbright, for the purpose of facilitating the environmental permit process on an expedited basis and in accordance with all applicable laws. Such individual coordinator will devote such time as is reasonably necessary to perform such functions, however such individual is not required to be assigned full time to Project Starbright and does not necessarily have to be domiciled in San Antonio, Texas. Additionally, the Executive Director of TCEQ will continue to be available to coordinate and facilitate such process, as needed.

1.4 “Force Majeure” means the occurrence of any of the following events that results in the impossibility of performance: war, domestic terrorist acts, riots, strikes, embargoes, acts of God, earthquakes, fires, hurricanes, tornadoes, floods, wash outs, and unusually severe weather, interruption (not caused by Toyota or an Affiliate) or unavailability of utilities, or due to failure of performance by suppliers to Toyota.

1.5 “Foreign Trade Zone” means zones for specialized purposes or sub-zones in areas separate from existing free trade zones for one or more of the specialized purposes of storing, manipulating, manufacturing, or exhibiting goods when the Board of the Foreign Trade Zone finds that existing or authorized zones will not serve adequately the convenience of commerce with respect to the proposed purposes. See 15 C.F.R. Part 400 (1993).

1.6 “Functionally Usable” means the stage in the progress of any road or infrastructure construction such that such road or infrastructure is sufficiently complete as to allow utilization by the public for its intended use and satisfactory to handle the anticipated traffic flow.

1.7 "Hazardous Substances" means any and all pollutants, contaminants, toxic or hazardous waste or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any Environmental Law, including without limitation substances defined as a "hazardous substance," or a "pollutant" or a "contaminant" in Section 101 of CERCLA; those substances defined as "hazardous waste," "hazardous materials" or "regulated substances" by RCRA; those substances designated as a "hazardous substance" pursuant to Section 311 of the CWA; those substances defined as "hazardous materials" in Section 103 of the Hazardous Materials Transportation Act (49 U.S.C. §§1801, et seq. at §1802); those substances regulated as a hazardous chemical substance or mixture or as an imminently hazardous chemical substance or mixture pursuant to Sections 6 or 7 of TSCA; those substances defined as "contaminants" by Section 1401 of the SDWA if present, in excess of permissible levels; those substances regulated by the OPA; those substances defined as a "pesticide" pursuant to Section 2(u) of FIFRA; those substances defined as a "source material," "special nuclear material" or "by-product material", by Section 11 of the AEA; those substances defined as "residual radioactive material" by Section 101 of UMTRCA; those substances defined as "toxic materials" or "harmful physical agents" pursuant to Section 6 of the Occupational Safety and Health Act (29 U.S.C. § 651, et seq. At § 655); those substances defined as hazardous wastes in 40 C.F.R. Part 261.3; those substances defined as hazardous waste constituents in 40 C.F.R. Part 260.10, specifically including Appendix VII and VIII of Subpart D of 40 C.F.R. Part 261; those substances designated as hazardous substances in 40 C.F.R. Parts 116.4 and 302.4; those substances defined as hazardous substances or hazardous materials in 49 C.F.R. Part 171.8; those substances regulated as hazardous materials, hazardous substances, or toxic substances in 40 C.F.R. Part 1910; and in the regulations adopted pursuant to said laws, whether or not such regulations are specifically referenced herein.

1.8 "License and Permit Coordinator" means the specific individual designated by the City, County, or an agency thereof, to coordinate with, and advise Toyota with respect to the preparation and obtaining of all local permits and licenses that may from time to time be required by Toyota in connection with any facet of Project Starbright, including, without limitation, building and construction permits for Toyota and, upon request of Toyota, any of its contractors, vendors or agents.

1.9 "Local Governments" means the City and the County.

1.10 "Project Construction" means the development, design, engineering, construction, equipping, start-up, and completion of the Project, and the Phase II Project, if any.

1.11 "Project Coordinator" means the specific individual designated by TxED in consultation with Toyota to represent the State in coordinating with Toyota regarding the needs and requirements of Project Starbright as set forth in this Agreement and as may from time to time arise in a communications and facilitation context. Additionally, the Executive Director of TxED will continue to be available to coordinate and facilitate such process, as needed.

1.12 “Project Starbright” means (i) Project Construction, and (ii) the fully operational facility for the manufacture and assembly of motor vehicles and automotive parts and components, together with all related facilities necessary and appurtenant thereto to be located on the Project Site, as well as all aspects of the development, construction, use, and operation of such facility.

1.13 “Rail Extension Costs” means any and all costs and expenses incurred by Toyota, the Rail District, or any other entity (including existing rail carriers) in connection with: (i) all on-site or off-site rail improvements and/or third party agreements reasonably necessary to provide dual competitive rail service and/or rail access to the Project (and the Phase II Project, if any), in a manner to be determined with the guidance and assistance of Toyota; (ii) all other related or associated infrastructure improvements necessary or appropriate to support such rail improvements; (iii) reasonable, documented, and actual out-of-pocket initial start-up and administrative costs and expenses associated with or incurred by the Rail District or any other entity providing rail service to the Project (and the Phase II Project, if any); (iv) costs, expenses, and fees associated with the following: engineering, service, maintenance, inspection, operations, and use (including, without limitation, service fees, user fees, incentive fees, engineering fees, inspection fees, and maintenance fees); and (v) any and all other direct or indirect costs, expenses, or fees related to or associated with the provision of dual competitive rail service and/or rail access to the Project (and the Phase II Project, if any), in a manner to be determined with the guidance and assistance of Toyota.

1.14 “Site Preparation” means, with respect to the Project Site, performing necessary clearing and grubbing, grading, earthwork, and other initial improvements, including but not limited to, necessary cut and fill, earthwork compaction, a gravel working surface for the building foot print and the road surrounding same containing not less than six inches of number 24 course aggregate, drainage ditches and structure for stormwater management, erosion control, retention ponds, demolition as per Toyota’s specifications to level and grade the Project Site, site preparation engineering and management of the site preparation contractor, as well as installation of fencing, lighting and temporary construction access and the stabilization of interior and perimeter roads and building pads for the Project and the Phase II Project, if any. The meaning of “Site Preparation” shall also include the installation of fencing for which the costs are required to be reimbursed by the City pursuant to the City Agreement, and the construction and installation of public storm runoff and piping systems for which the costs are required to be reimbursed by the City pursuant to the City Agreement, and, to the extent permissible under the rules that govern the use of the City’s source of funds, the construction of any necessary on-site or off-site rail improvements and any related or associated infrastructure improvements necessary to provide dual competitive rail service and/or rail access to the Project (and the Phase II Project, if any), in a manner to be determined with the guidance and assistance of Toyota.

1.15 “Start of Production” means the date upon which the first vehicle bound for consumer sale is completed at Project Starbright with respect to a particular Phase.

1.16 “Tax Coordinator” means the specific individual designated by CPA in consultation with Toyota to coordinate with and assist Toyota with respect to all matters relating to taxes within the State of Texas, including providing information regarding matters of compliance and assistance

regarding exemptions for which Toyota may be eligible under applicable law (to the extent such assistance does not conflict with the audit or enforcement functions of CPA).

1.17 “Training Coordinator” means the specific individual designated by TWC in consultation with Toyota to coordinate with and assist Toyota with respect to all matters relating to the provision of necessary start-up training and services for the intended workforce for the Project Starbright, including the reimbursement of sums as provided for herein.

1.18 “Trigger Date” means the date that is the later to occur of: (A) the Effective Date, or (B) the date upon which both (i) the conditions set forth in Section 4.1 hereof have been fully satisfied and (ii) the selection of the Project has been publicly announced by Toyota.

ARTICLE 2 ALL PARTICIPANTS’ OBLIGATIONS

2.1 State Agreement. The State, TxDOT, TWC, TxED, TCEQ, and CPA hereby agree to the terms, provisions, and obligations set forth in Exhibit A attached hereto and made a part hereof for all purposes (the “State Agreement”).

2.2 County Agreement. The County and the Rail District hereby agree to the terms, provisions, and obligations set forth in Exhibit B attached hereto and made a part hereof for all purposes.

2.3 City Agreement. The City, SAWS, CPS, IDC, SAEDF, AWD, GKDA and BexarMet hereby agree to the terms, provisions, and obligations set forth in Exhibit C attached hereto and made a part hereof for all purposes (the “City Agreement”).

2.4 SWISD Agreement. SWISD hereby agrees to the terms, provisions, and obligations set forth in Exhibit D attached hereto and made a part hereof for all purposes.

2.5 Cooperation of Participants. The Participants agree that it is in the best interests of the Participants and Toyota for the development, design, engineering, construction, equipping, start-up and completion of the Project to proceed on an expeditious timetable and that time is of the essence to achieve the timetable contemplated by this Agreement, and in that regard each of the Participants agrees to fully and completely cooperate and support the other Participants in furtherance of this Agreement.

2.6 Non-Educational Sales and Use Tax Exemptions. The applicable Participants hereby agree to facilitate the processing and obtainment of the following non-educational sales and use tax exemptions to Toyota and its suppliers:

- (a) Manufacturing machinery, equipment, accessories, repair parts and materials as provided under Tex. Tax Code §151.318, 34 Tex. Admin. Code § 3.300.
- (b) New construction labor as provided under 34 Tex. Admin. Code §3.291.

- (c) Electricity and natural gas used in manufacturing as provided under applicable State laws and regulations, such as Tex. Tax Code §151.317, 34 Tex. Admin. Code §3.295.

2.7 Empowerment Zone; Enterprise Zone. While the Participants do not warrant or represent to Toyota that the inclusion of the Project Site in an Empowerment Zone or an Enterprise Zone will result in any particular economic benefits to Toyota, the applicable Participants shall enter into good faith negotiations with the Secretary of the U.S. Department of Housing and Urban Development to designate the Project Site as a developable site in connection with the existing federal empowerment zone located in San Antonio, Texas. Alternatively, or to the extent that such action shall provide Toyota with additional economic benefits, the applicable Participants, agree, at no cost or expense to Toyota, to undertake the creation of an “enterprise zone”, as such term is defined in Chapter 2303, Texas Government Code, including without limitation, (i) the nomination of an area inclusive of the Project Site to be designated as an enterprise zone; (ii) the negotiation of a designation agreement with TxED which provides the enterprise zone with the maximum amount of economic incentives permitted by applicable law and available by virtue of the Project Site being in an enterprise zone; (iii) the certification of Toyota as a qualified business within the enterprise zone; and (iv) the nomination and designation of the Project Starbright, and the Phase II Project, if any, as an “enterprise project”, as such term is described in Chapter 2303, Texas Government Code. The Parties acknowledge that the inclusion of the Project Site in an Empowerment Zone or an Enterprise Zone will not necessarily confer to Toyota any direct economic benefits or incentives from the Participants.

2.8 Authorization; Binding Effect. Each Participant warrants and represents to Toyota that this Agreement is enforceable against such Participant in accordance with its terms, and the individual executing this Agreement on behalf of such Participant is authorized to act for and on behalf of and to bind such Participant in connection with this Agreement. In furtherance thereof, each Participant shall within twenty-one (21) calendar days following the Trigger Date deliver to Toyota written evidence from the Participant to the effect that the Participant has taken all necessary steps and is authorized to enter into this Agreement and to undertake its obligations contemplated hereunder. Within such twenty-one (21) day period, at the request of Toyota, the Participants shall each also deliver to Toyota opinion letters from each of their respective counsels to the effect that (i) the entity with respect to which the opinion is given has the legal power and authority to enter into this Agreement and to make the respective commitments made in this Agreement in accordance with applicable law and procedures, and (ii) the Agreement is a legal, valid and binding obligation of the individual Participants and is enforceable against the same in accordance with its terms, subject to the Constitution and laws of the State.

ARTICLE 3 TOYOTA OBLIGATIONS

3.1 Job Creation and Wage Targets. Toyota’s receipt of the benefits contemplated by this Agreement are subject to the following commitments:

(a) Number of Jobs Created and Wage Targets.

(i) Phase I.

- (1) One (1) year after the Start of Production of Phase I, Toyota and/or Affiliates shall have created on the Project Site at least 1,800 full-time jobs. After Grow in Date I (as defined in Section 3.1(a)(i)(2)), such 1,800 full-time jobs shall (i) fall within one of the average wage categories set forth in Section 3.1(a)(i)(2)(a) below, or (ii) in the aggregate meet or exceed the aggregate annual wage alternative set forth in Section 3.1(a)(i)(2)(b) below.
- (2) After three (3) years from the Start of Production of Phase I (“Grow in Date I”), Toyota shall meet or exceed one or the other of the following wage levels: (a) those Toyota hourly employees referenced in Section 3.1(a)(i)(1) shall have average hourly wages, including benefits, of \$24.00 for hourly workers (other than hourly skilled workers and hourly non-exempt administrative workers), \$26.00 for hourly skilled workers, and \$19.00 for hourly non-exempt administrative workers;¹ or b) the aggregate annual wages (including benefits calculated on an annualized basis) attributable to the Phase I Project shall meet or exceed \$100,000,000.00.

(ii) Phase II.

- (1) If Toyota decides to implement a Phase II expansion, one (1) year after the Start of Production of Phase II, Toyota and/or Affiliates shall have created on the Project Site at least 3,800 full-time jobs (including the jobs created from Phase I). After Grown in Date II (as defined in Section 3.1(a)(ii)(2)), such 3,800 full-time jobs shall (i) fall within one of the average wage categories set forth in Section 3.1(a)(ii)(2)(a) below, or (ii) in the aggregate meet or exceed the aggregate annual wage alternative set forth in Section 3.1(a)(ii)(2)(b) below.
- (2) After three (3) years from the Start of Production of Phase II (“Grow in Date II”), Toyota shall meet one or the other of the

¹ The minimum salary targets stated above shall be adjusted at the Grow in Date I for inflation and cost of living based on The Texas Consumer Price Index, as published by the Comptroller of Public Accounts using January 1, 2003, as the base comparative date.

following wage levels: (a) those Toyota hourly employees referenced in Section 3.1(a)(ii)(1) shall have average hourly wages, including benefits, of \$24.00 for hourly workers (other than hourly skilled workers and hourly non-exempt administrative workers), \$26.00 for hourly skilled workers, and \$19.00 for hourly non-exempt administrative workers;² or (b) the aggregate annual wages (including benefits calculated on an annualized basis) attributable to the Phase I Project and the Phase II Project shall meet or exceed \$200,000,000.00.

(b) Documentation. Upon the request of TxED, Toyota shall submit documentation (including payroll records or similar documentation) to TxED as reasonably necessary to evidence satisfaction of the conditions set forth in this Section 3.1.

(c) Return of Certain Funds. If the job creation requirement under Section 3.1(a) is not satisfied, the same shall result in the return of actual funds disbursed to Toyota or on Toyota's behalf pursuant to the State Agreement. The amount of any funds to be returned or withheld under this Section 3.1(c) because the job creation targets are not met in accordance with Section 3.1(a) shall be determined in the manner set forth below:

(i) To the extent the Phase I job creation requirement under Section 3.1(a)(i)(1) hereof is not met, the funds to be provided by TxED pursuant to Section 12 of the State Agreement shall be subject to a proportionate reduction based on the percentage of employee targets not fulfilled, unless Toyota proceeds to Phase II, in which event such funds will continue to be available for Phase II employees.

(ii) To the extent the Phase I job creation requirement under Section 3.1(a)(i)(1) hereof is not met, the funds to be provided by TWC pursuant to Section 13(a) of the State Agreement shall be subject to a proportionate reduction based on the percentage of employee targets not fulfilled, unless Toyota proceeds to Phase II, in which event such funds will continue to be available for Phase II employees.

(iii) To the extent the Phase II job creation requirement under Section 3.1(a)(ii)(1) hereof is not met, the funds to be provided by TWC pursuant to Section 13(b) of the State Agreement shall be subject to a proportionate

² The minimum salary targets stated above shall be adjusted at the Grow in Date II for inflation and cost of living based on The Texas Consumer Price Index, as published by the Comptroller of Public Accounts using January 1, 2003, as the base comparative date.

reduction based on the percentage of employee targets not fulfilled. The inability of Toyota to meet the Phase I job creation requirement shall not reduce the availability of the funds earmarked for training and development of Phase II employees. Furthermore, to the extent Toyota exceeds the Phase I job creation requirement, then those funds earmarked for training and development of Phase II employees may be used for the training and development of Phase I employees.

3.2 Job Creation Requirements Inclusive. The job creation requirements set forth in Section 3.1(a) may include jobs created pursuant to similar statutory requirements for job training, tax rebate, or other state incentive programs.

3.3 Retention of Contractors. Toyota will use good faith efforts to use qualified Texas-based vendors and to hire qualified Texas residents to provide products and services in the construction and operation of the Project.

3.4 Employment of Texas Residents. Toyota will use good faith efforts to employ qualified Texas residents at Project Starbright to the fullest extent possible, with a goal that Texas residents comprise at least ninety percent (90%) of the hourly workforce of Toyota and its Affiliates, subject in all cases to Toyota's then existing hiring needs and hiring policies.

3.5 Assistance with Funding and Tax Exempt Financing. Toyota understands that some of the Participants may apply for certain grants or certain private letter rulings from the Internal Revenue service in connection with the funding or tax exempt financing of their respective obligations hereunder. Toyota agrees to assist such Participants with the preparation of documentation to the extent reasonably necessary for such purposes.

3.6 Construction and Operating of Project Starbright. Phase I capital investment located on and off the Project Site will consist of a total capital investment by Toyota and its Affiliates of at least \$800,000,000.00, and will consist of a capital investment on the Project Site of at least \$400,000,000.00.

3.7 Reconveyance. In the event Start of Production for Phase I does not occur within fifteen (15) years after the Project Site is conveyed to Toyota, upon request of the City, Toyota hereby agrees to convey by special warranty deed the Project Site to the City or to the City's designee as-is, where-is and with all faults, subject only to restrictions, easements, and other matters affecting title to which the transfer to Toyota was subject, and restrictions, easements, and other matters affecting title that do not substantially impair the value or use of the Project Site; provided, that nothing contained herein shall in any way limit Toyota's ability to use, own, operate, sell, assign, hypothecate, or otherwise encumber the Project Site, and any lien on the Project Site shall not be impaired, affected or subject to the foregoing conveyance obligation, it being understood and agreed to by the City that such reconveyance right is subject and subordinate to any lien(s) granted by Toyota covering the Project Site; further provided that Toyota would have a contractual obligation to discharge any such lien prior to any conveyance by Toyota pursuant to this Section 3.7.

3.8 Utilities. Toyota agrees to obtain electricity and natural gas transportation service for customer purchased gas for the Project Site exclusively from CPS, or its successors or assigns, and water and wastewater service exclusively from SAWS, or its successors or assigns, for fifteen (15) years from the Start of Production of Phase I of the Project.

3.9 Processing of Environmental Permits. To ensure that TCEQ can expedite the environmental permit process in accordance with Environmental Laws, Toyota agrees to promptly submit to TCEQ all information required for processing of environmental permits.

ARTICLE 4 MISCELLANEOUS

4.1 Conditions Precedent. This Agreement shall be contingent upon (i) the approval of this Agreement by the Board of Directors of Toyota, and (ii) the commitment by Toyota to locate the Phase I Project on the Project Site. Such contingencies shall be met on or before May 31, 2003. If such conditions precedent are not fulfilled on or before May 31, 2003, then this Agreement shall terminate and the Parties shall have no further obligations hereunder. Upon request of one of the Participants, Toyota will notify such Participant whether, at the time of such notification, the foregoing contingencies have been satisfied.

4.2 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

4.3 Governing Law. The governing law of this Agreement shall be the law of the State of Texas, without giving effect to any choice-of-law standards that may require the application of the laws of another jurisdiction.

4.4 Venue. Venue for any litigation brought by the State or authorized by law to be filed against the State shall be in Travis County, Texas. Venue for any other litigation under this Agreement shall be in Bexar County, Texas.

4.5 Severability. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect and for any reason whatsoever, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. In the event any such provision is held to be invalid, illegal or unenforceable, the parties hereto shall make their best efforts to agree on a provision in substitution for such invalid, illegal or unenforceable provision that is as near in economic benefit as possible to the provision found to be invalid, illegal or unenforceable.

4.6 Notices. All communications and notices expressly provided herein shall be sent, by registered first class mail, postage prepaid, by a nationally recognized overnight courier for delivery on the following business day or by facsimile (with such facsimile to be confirmed promptly in writing sent by mail or overnight courier as aforesaid), as follows, unless and until changed as described below:

State of Texas:

Governor Rick Perry
c/o General Counsel
P.O. Box 12428
Austin, TX 78711
Fax: (512) 463-1932

With a copy to:

Lieutenant Governor David Dewhurst
c/o General Counsel
P.O. Box 12068
Austin, TX 78711
Fax: (512) 936-6700

With a copy to:

Speaker Tom Craddick
Speaker of the House of Representatives of the
State of Texas
P.O. Box 2910
Austin, TX 78768
Fax: (512) 463-0675

County of Bexar, Texas:

County Judge Nelson W. Wolff
Bexar County Courthouse
100 Dolorosa, Suite 120
San Antonio, Texas 78205
Fax: (210) 335-2926

With a copy to:

Mr. Edward Schweningen
Assistant District Attorney
Justice Center, 5th Floor
300 Dolorosa
San Antonio, Texas 78205
Fax: (210) 335-2151

City of San Antonio, Texas:

Mayor Ed Garza
City Hall Office
P.O. Box 839966
San Antonio, Texas 78283-3966
Fax: (210) 207-4168

With a copy to:

Ms. Terry M. Brechtel,
San Antonio City Manager
City Hall Office
P.O. Box 839966
San Antonio, Texas 78283-3966
Fax: (210) 207-4217

With a copy to:

Mr. Andrew Martin
City Attorney
100 Military Plaza
San Antonio, Texas 78205
Fax: (210) 207-4004

Texas Department of
Transportation

Mr. Michael W. Behrens, P.E.
Executive Director
125 E. 11th Street
Austin, TX 78701
Fax: (512) 463-9896

Texas Workforce Commission

Ms. Cassie Carlson Reed
Executive Director
101 E. 15th St., Room 614
Austin, TX 78778-0001
Fax: (512) 936-8118

Alamo Workforce Development,
Inc.:

Mr. Alan D. Miller
Executive Director
115 E. Travis, Suite 220
San Antonio, Texas 78205
Fax: (210) 272-3290

Texas Department of Economic
Development:

Judge Jeff Moseley
Executive Director
P.O. Box 12728
Austin, TX 78711
Fax: (512) 939-0193

Texas Commission on
Environmental Quality:

Ms. Margaret Hoffman
Executive Director
12100 Park 35 Circle, Bldg. F
Austin, TX 78753
Fax: (512) 239-3939

Comptroller of Public Accounts:

Ms. Carole Keeton Strayhorn
Comptroller of Public Accounts
P.O. Box 13528
Austin, TX 78711-3528
Fax: (512) 475-0450

With a copy to:

Mr. Jesse Ancira, Jr.
General Counsel
P.O. Box 13528
Austin, TX 78711-3528
Fax: (512) 475-0279

San Antonio Water System:

General Eugene E. Habiger, USAF (Retired)
President and Chief Executive Officer
1001 E. Market Street
San Antonio, Texas 78298-2449
Fax: (210) 271-0529

City Public Service:

Mr. Milton B. Lee
General Manager & CEO
City Public Service
Post Office Box 1771
San Antonio, TX 78296
Fax: (210) 353-5676

With a copy to:

Mr. Tom Long
Economic & Business Development Department
City Public Service
Post Office Box 1771
San Antonio, TX 78296
Fax: (210) 353-2909

IDC: City of San Antonio, Texas,
Starbright Industrial Development Corporation
c/o Mr. Christopher J. Brady
Executive Director
City Hall Office
P.O. Box 839966
San Antonio, Texas 78283-3966
Fax: (210) 207-4217

San Antonio Economic
Development Foundation: Mr. Mario Hernandez
President
602 E. Commerce Street
San Antonio, Texas 78205
Fax: (210) 223-3386

With a copy to: Mr. Robert Peche
Vice President
602 E. Commerce Street
San Antonio, Texas 78205
Fax: (210) 223-3386

Greater Kelly Development
Authority: Mr. Bruce Miller
Executive Director
143 Billy Mitchell Blvd.
Building 43, Suite 6
San Antonio, Texas 78226-1816
Fax: (210) 362-7807

Southwest Independent School
District: Dr. Pete Anthony
Southwest Independent School District
11914 Dragon Lane
San Antonio, Texas 78252
Fax: (210) 622-4301

With a copy to: Mr. Jim Shelton
Southwest Independent School District
11914 Dragon Lane
San Antonio, Texas 78252
Fax: (210) 622-4301

With a copy to:

Mr. Kevin O'Hanlon
O'Hanlon & Associates
808 West Avenue
Austin, Texas 78701
Fax: (512) 494-9919

Bexar Metropolitan Water
District

Mr. Ronald C. Williamson
Bexar Metropolitan Water District
2047 West Malone
San Antonio, Texas 78225

Bexar County Rail District

Mr. Bruce Flohr
President
c/o County Judge Nelson W. Wolff
Bexar County Courthouse
100 Dolorosa, Suite 120
San Antonio, Texas 78205
Fax: (210) 335-2926

Toyota Motor Manufacturing
North America, Inc.

Mr. Dennis Cuneo
Senior Vice President
Toyota Motor Manufacturing North America, Inc.
Mail Code: Legal-NA
25 Atlantic Avenue
Erlanger, Kentucky 41018-3188
Fax: (859) 746-4190

With a copy to:

General Counsel
Toyota Motor Manufacturing North America, Inc.
Mail Code: Legal-NA
25 Atlantic Avenue
Erlanger, Kentucky 41018-3188
Fax: (859) 746-4190

With a copy to:

Mr. James M. Summers
Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200
San Antonio, Texas 78205-3792
Fax: (210) 270-7205

However, if a recipient listed above provides written notice to all other recipients, by registered

or certified mail, of a change in their address or contact information, that information (and any subsequent changes of which the recipient gives such notice) controls.

4.7 Cost and Expenses. Each Participant agrees to pay its own costs incurred in connection with the Project Starbright proposal, including attorneys' fees and all costs and expenses incurred in connection with the preparation of any studies or reports, surveys or approvals, this Agreement or otherwise.

4.8 Confidentiality. The Parties understand the importance to themselves, Toyota and the goodwill of Project Starbright to keep the subject matter of this Agreement strictly confidential until any such matter is publicized by or with the consent of Toyota. Accordingly, each Party hereto agrees to treat, and to cause their respective directors, officers, employees and agents to treat, as strictly confidential to the fullest extent permitted by law (including the federal Freedom of Information Act, and the Texas Public Information Act), the contents of this Agreement and all attachments hereto, all documents executed in connection herewith and therewith, and all information provided by or to the Parties in connection with Project Starbright. The Parties understand and agree that copies of this Agreement will be distributed to certain elected officials and certain other persons related to the Parties in connection with the approval process for this Agreement, and may be distributed to members of the news media immediately following the formal approval of this Agreement by a governing body of a Participant.

4.9 Press Releases. In full consideration of Section 4.8, the Parties agree to cooperate fully to coordinate with each other in connection with all press releases and publications concerning Project Starbright.

4.10 Assignment. This Agreement is not assignable except that Toyota shall have the right at any time to assign all its rights and obligations in and to Project Starbright and to transfer this Agreement or any part thereof to any Affiliate that agrees to assume the assigned obligations of Toyota in and to Project Starbright. If so assigned, Toyota shall, upon such assumption, have no further obligation under this Agreement to the extent of such assignment and assumption.

4.11 Further Actions; Equivalent Incentives. In the event that provisions of the Constitution and laws of the State of Texas limit the ability of a Participant to perform its functions hereunder in any way, then such Participant (and, if necessary, other applicable or appropriate Participants, without additional cost or liability to such other Participants that is not offset by new and additional sources of revenue or funds that arise in connection with such limitation) shall work with Toyota to identify and provide Toyota with a substitute incentive of equivalent economic value, and to the extent necessary, such Participants will make a good faith effort to seek and obtain appropriate legislation or other appropriative action to the extent necessary to allow performance hereunder or with respect to a substitute incentive of equivalent economic value.

4.12 Further Assurances. The Participants agree to do all things and take all actions required, consistent with and subject to this Agreement, to establish Project Starbright (including Phase I and Phase II), including, without limitation, the obtaining, negotiation, execution and

delivery of all necessary or desirable agreements, filings, consents, authorizations, approvals, licenses or deeds.

4.13 Section Titles and Headings. The Section titles and headings are for convenience only and do not define, modify or limit any of the terms and provisions hereof.

4.14 Survival of Representations and Warranties. The representations, warranties and covenants made by each of the Parties hereto and contained herein shall survive the performance of any obligations to which such representations, warranties and covenants relate.

4.15 Term of Agreement. The term of this Agreement shall commence on the Effective Date and continue in effect through the earlier to occur of the date upon which Toyota shall cease to operate the Project or the date which is 99 years after the Effective Date.

4.16 Binding Effect. This Agreement and all terms, provisions and obligations set forth herein shall be binding upon and shall inure to the benefit of Toyota and its successors and assigns and shall be binding upon and shall inure to the benefit of the Participants and their respective successors and assigns and all other state agencies and any other agencies, departments, divisions, governmental entities, public corporations and other entities which shall be successors to each of the Parties or which shall succeed to or become obligated to perform or become bound by any of the covenants, agreements or obligations hereunder of each of the Participants which are parties hereto.

4.17 Time is of the Essence. The Participants acknowledge that a delay in the completion of the Project Construction will cost Toyota substantial amounts of money and therefore, time is of the essence as to all terms and conditions of this Agreement. It is the intent of the Parties that construction of the Project will proceed so that Phase I will be substantially completed during 2006. The Parties agree that they will use their best efforts in their attempt to have Project Starbright proceed on that schedule. The provisions of this Section are subject to Force Majeure.

4.18 Cooperation in Event of Dispute. In the event of a dispute concerning this Agreement or the Parties' obligations hereunder, the Parties shall endeavor in good faith to settle the dispute through negotiation. If the dispute cannot be resolved through negotiation, or another mutually agreeable dispute resolution process, the Parties agree to submit the matter in dispute to mediation. Written notice of the intent to submit a matter to mediation shall be given by the party requesting the same. Only one mediator (selected jointly by the Parties to the dispute) shall be used to mediate the outcome. Such mediation shall be held in San Antonio, Texas or if the parties agree upon another location, that other location.

4.19 Recitals. The Recitals above are hereby incorporated into this Agreement for any and all purposes.

4.20 Merger. This document constitutes the final entire agreement between the Parties and supersedes any and all oral or written agreements relating to the subject matter of this Agreement, except for the individual work force services contracts contemplated by the State Agreement, and the other agreements expressly contemplated to be entered into under this Agreement.

[Signatures and Acknowledgments Begin on Following Page]

WHEREFORE, the Parties hereto have executed this Agreement and have agreed to the terms and conditions stated above as of the Effective Date.

ATTEST:

By: Gwen Shea
Gwen Shea
Secretary of State

STATE OF TEXAS
By: Rick Perry
Rick Perry
Governor

[SEAL OF THE STATE OF TEXAS]

By: David Dewhurst
David Dewhurst
Lieutenant Governor

By: Tom Craddick
Tom Craddick
Speaker of the House

By: Carole Keeton Strayhorn
Carole Keeton Strayhorn
Comptroller of Public Accounts

By: M. W. Behrens
Michael W. Behrens, P.E.
Texas Department of Transportation

By: Cassie Carlson Reed
Cassie Carlson Reed
Texas Workforce Commission

By: Jeff Moseley
Jeff Moseley
Texas Department of Economic
Development

By: Margaret Hoffman
Margaret Hoffman
Texas Commission on
Environmental Quality

BEXAR COUNTY, TEXAS

By: Nelson W. Wolff
Name: Nelson W. Wolff
Title: County Judge

ATTEST:

By: Gerry Rickhoff
Name: Gerry Rickhoff
Title: Bexar County Clerk

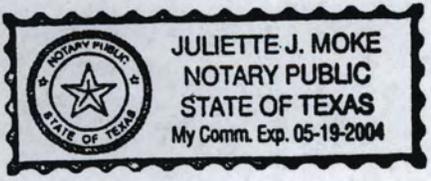
APPROVED AS TO FORM:

By: Susan Reed
Name: Susan Reed
Title: Bexar County Criminal District Attorney

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 20th day of May, 2003, by Nelson W. Wolff, County Judge of the County of Bexar, Texas, on behalf of said entity.



Juliette J. Moke
Notary Public in and for the State of Texas
Print Full Name: JULIETTE J. MOKE
My Commission Expires: 5/19/2004

BEXAR COUNTY, TEXAS

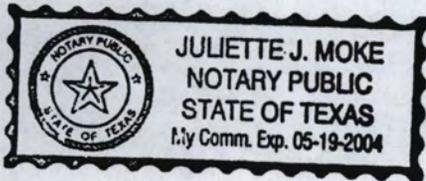
By: [Signature]
Name: Robert Tejada
Title: County Commissioner, Precinct 1

ATTEST:
By: [Signature]
Name: Gerry Rickhoff
Title: Bexar County Clerk

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 20~~th~~ day of May, 2003, by Robert Tejada, County Commissioner, Precinct 1 of the County of Bexar, Texas, on behalf of said entity.



[Signature]
Notary Public in and for the State of Texas
Print Full Name: JULIETTE J. MOKE
My Commission Expires: 5/19/04

BEXAR COUNTY, TEXAS

By: Paul Elizondo
Name: Paul Elizondo
Title: County Commissioner, Precinct 2

ATTEST:

By: [Signature]
Name: Gerry Rickhoff
Title: Bexar County Clerk

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 20th day of May, 2003, by Paul Elizondo, County Commissioner, Precinct 2, of the County of Bexar, Texas, on behalf of said entity.



[Signature]
Notary Public in and for the State of Texas
Print Full Name: JULIETTE J. MORE
My Commission Expires: 5/19/04

BEXAR COUNTY, TEXAS

By: [Signature]
Name: Lyle Larson
Title: County Commissioner, Precinct 3

ATTEST:

By: [Signature]
Name: Gerry Rickhoff
Title: Bexar County Clerk

STATE OF TEXAS §
COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 20th day of May, 2003, by Lyle Larson, County Commissioner, Precinct 3 of the County of Bexar, Texas, on behalf of said entity.



[Signature]
Notary Public in and for the State of Texas
Print Full Name: JULIETTE J. MOKE
My Commission Expires: 5/19/04

BEXAR COUNTY, TEXAS

By: Tommy Adkisson
Name: Tommy Adkisson
Title: County Commissioner, Precinct 4

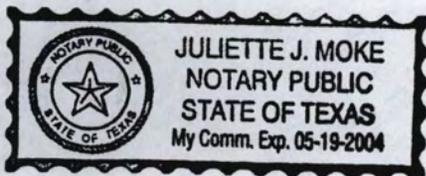
ATTEST:

By: Gerry Rickhoff
Name: Gerry Rickhoff
Title: Bexar County Clerk

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 20th day of May, 2003, by Tommy Adkisson, County Commissioner, Precinct 4 of the County of Bexar, Texas, on behalf of said entity.



Juliette J. Moke
Notary Public in and for the State of Texas

Print Full Name: JULIETTE J. MOKE
My Commission Expires: 5/19/04

CITY OF SAN ANTONIO, TEXAS

By: Ed Garza
Name: Ed Garza
Title: Mayor

By: Terry M. Brechtel
Name: Terry Brechtel
Title: City Manager

APPROVED AS TO FORM:

Andrew Martin
Andrew Martin, City Attorney
City of San Antonio

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 26th day of June, 2003,
by Ed Garza, Mayor of the City of San Antonio, Texas, on behalf of said entity.



Yolanda L. Ledesma
Notary Public in and for the State of Texas

Print Full Name: YOLANDA L. LEDESMA
My Commission Expires: 9-22-05

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 26th day of June, 2003,
by Terry Brechtel, City Manager of the City of San Antonio, Texas, on behalf of said entity.



Yolanda L. Leidesma
Notary Public in and for the State of Texas

Print Full Name: YOLANDA L. LEIDESMA
My Commission Expires: 9-22-05

CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT
CORPORATION

By: *Christopher S. Brady*
Name: Christopher S. Brady
Title: Executive Director

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 15th day of July, 2003,
by Christopher S. Brady, Exec. Dir. Starbright of the City of San Antonio, Texas, Starbright
Industrial Development Corporation, on behalf of said entity.



Yolanda L. Ledesma
Notary Public in and for the State of Texas

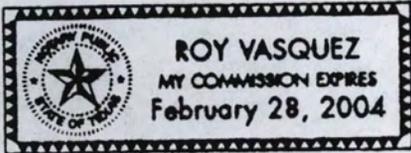
Print Full Name: YOLANDA L. LEDESMA
My Commission Expires: 9-22-05

ALAMO WORKFORCE DEVELOPMENT, INC.

By: *Alan D. Miller*
Name: Alan D. Miller
Title: Executive Director

STATE OF TEXAS §
COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 17TH day of July, 2003, by Alan D. Miller, Executive Director of the Alamo Workforce Development, Inc., on behalf of said entity.



Roy Vasquez
Notary Public in and for the State of Texas
Print Full Name: Roy Vasquez
My Commission Expires: FEBRUARY 28, 2004

SAN ANTONIO WATER SYSTEM

By: [Signature]
Name: General Eugene E. Habiger, USAF (Retired)
Title: President and Chief Executive Officer

STATE OF TEXAS §

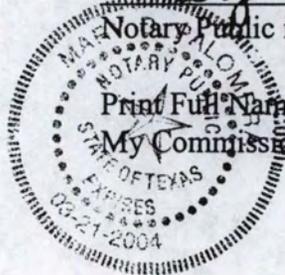
COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 20th day of June, 2003, by General Eugene E. Habiger, USAF (Retired), President and Chief Executive Officer of the San Antonio Water System, on behalf of said entity.

[Signature]
Notary Public in and for the State of Texas

Print Full Name: MARY D. PALOMERA

My Commission Expires: 3-21-04



CITY PUBLIC SERVICE

By: *Milton B. Lee*
Name: Milton B. Lee
Title: General Manager and CEO

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 11 day of JUNE, 2003, by Milton B. Lee, General Manager and CEO of City Public Service, on behalf of said participant.

Melissa S. Piña
Notary Public in and for the State of Texas

Print Full Name: MELISSA S. PIÑA
My Commission Expires: 3-15-06



SAN ANTONIO ECONOMIC DEVELOPMENT
FOUNDATION

By: *Robert Peche*
Name: Robert Peche
Title: Senior Vice President

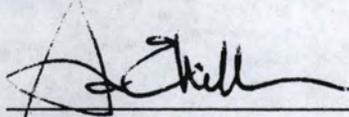
STATE OF TEXAS §
COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 29th day of August, 2003,
by Robert Peche, Senior Vice President of the San Antonio Economic Development Foundation, on
behalf of said entity.

Joan Smith
Notary Public in and for the State of Texas
Print Full Name: JOAN SMITH
My Commission Expires: _____



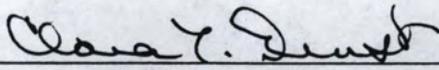
GREATER KELLY DEVELOPMENT
AUTHORITY

By: 
Name: Bruce Miller
Title: Executive Director

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 26 day of June, 2003,
by Bruce Miller, Executive Director of the Greater Kelly Development Authority, on behalf of said
entity.


Notary Public in and for the State of Texas

Print Full Name: Clara T. Ernst
My Commission Expires: February 10, 2005



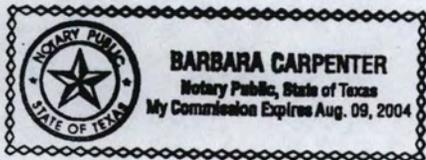
SOUTHWEST INDEPENDENT SCHOOL
DISTRICT

By: *Pete Anthony*
Name: Dr. Pete Anthony
Title: Superintendent

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 12th day of June, 2003,
by Dr. Pete Anthony, Superintendent of the Southwest Independent School District, on behalf of said
entity.



Barbara Carpenter
Notary Public in and for the State of Texas

Print Full Name: Barbara Carpenter
My Commission Expires: August 9, 2004

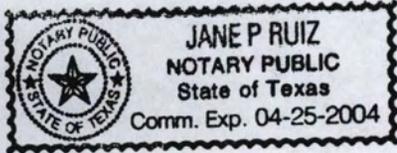
BEXAR METROPOLITAN WATER DISTRICT

By: *Thomas C. Moreno*
Name: Thomas C. Moreno
Title: General Manager/CEO

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 27th day of July, 2003, by Thomas C. Moreno, General Manager/CEO of the Bexar Metropolitan Water District, on behalf of said entity.



Jane P Ruiz
Notary Public in and for the State of Texas

Print Full Name: Jane P Ruiz
My Commission Expires: 4-25-04

BEXAR COUNTY RAIL DISTRICT

By: *Bruce Flohr*
Name: Bruce Flohr
Title: President

ATTEST:

By: *Gerry Rickhoff*
Name: Gerry Rickhoff
Title: Bexar County Clerk

STATE OF TEXAS §

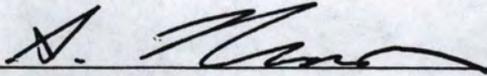
COUNTY OF BEXAR §

This instrument was acknowledged before me, on the 19th day of August, 2003, by Bruce Flohr, President of the Bexar County Rail District, on behalf of said entity.



Juliette J. Moke
Notary Public in and for the State of Texas
Print Full Name: JULIETTE J. MOKE
My Commission Expires: 5/19/2004

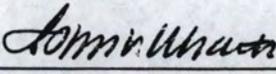
TOYOTA MOTOR MANUFACTURING
NORTH AMERICA, INC.

By: 
Atsushi Niimi
President

STATE OF KENTUCKY §

COUNTY OF BOONE §

This instrument was acknowledged before me, on the 5TH day of June, 2003,
by Atsushi Niimi, President of Toyota Motor Manufacturing North America, Inc., a Kentucky
corporation, on behalf of said entity.


Notary Public in and for the State of Kentucky

Print Full Name: JOHN V. WHARTON
My Commission Expires: MAY 22, 2006

WHEREFORE, the Parties hereto have executed this Agreement and have agreed to the terms and conditions stated above as of the Effective Date.

ATTEST:

STATE OF TEXAS

By: _____
Gwen Shea
Secretary of State

By: _____
Rick Perry
Governor

[SEAL OF THE STATE OF TEXAS]

By: _____
David Dewhurst
Lieutenant Governor

By: _____
Tom Craddick
Speaker of the House

By: _____
Carole Keeton Strayhorn
Comptroller of Public Accounts

By: _____
Michael W. Behrens, P.E.
Texas Department of Transportation

By: _____
Cassie Carlson Reed
Texas Workforce Commission

By: _____
Jeff Moseley
Texas Department of Economic
Development

By: _____
Margaret Hoffman
Texas Commission on
Environmental Quality

BEXAR COUNTY, TEXAS

By: _____
Name: Nelson W. Wolff
Title: County Judge

ATTEST:

By: _____
Name: Gerry Rickhoff
Title: Bexar County Clerk

APPROVED AS TO FORM:

By: _____
Name: Susan Reed
Title: Bexar County Criminal District Attorney

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Nelson W. Wolff, County Judge of the County of Bexar, Texas, on behalf of said entity.

Notary Public in and for the State of Texas

Print Full Name: _____

My Commission Expires: _____

BEXAR COUNTY, TEXAS

By: _____
Name: Robert Tejada
Title: County Commissioner, Precinct 1

ATTEST:

By: _____
Name: Gerry Rickhoff
Title: Bexar County Clerk

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Robert Tejada, County Commissioner, Precinct 1 of the County of Bexar, Texas, on behalf of said
entity.

Notary Public in and for the State of Texas

Print Full Name: _____
My Commission Expires: _____

BEXAR COUNTY, TEXAS

By: _____
Name: Paul Elizondo
Title: County Commissioner, Precinct 2

ATTEST:

By: _____
Name: Gerry Rickhoff
Title: Bexar County Clerk

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Paul Elizondo, County Commissioner, Precinct 2, of the County of Bexar, Texas, on behalf of
said entity.

Notary Public in and for the State of Texas

Print Full Name: _____

My Commission Expires: _____

BEXAR COUNTY, TEXAS

By: _____
Name: Lyle Larson
Title: County Commissioner, Precinct 3

ATTEST:

By: _____
Name: Gerry Rickhoff
Title: Bexar County Clerk

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Lyle Larson, County Commissioner, Precinct 3 of the County of Bexar, Texas, on behalf of said
entity.

Notary Public in and for the State of Texas

Print Full Name: _____

My Commission Expires: _____

BEXAR COUNTY, TEXAS

By: _____

Name: Tommy Adkisson

Title: County Commissioner, Precinct 4

ATTEST:

By: _____

Name: Gerry Rickhoff

Title: Bexar County Clerk

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003, by Tommy Adkisson, County Commissioner, Precinct 4 of the County of Bexar, Texas, on behalf of said entity.

Notary Public in and for the State of Texas

Print Full Name: _____

My Commission Expires: _____

CITY OF SAN ANTONIO, TEXAS

By: _____

Name: Ed Garza

Title: Mayor

By: _____

Name: Terry Brechtel

Title: City Manager

APPROVED AS TO FORM:

Andrew Martin, City Attorney
City of San Antonio

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Ed Garza, Mayor of the City of San Antonio, Texas, on behalf of said entity.

Notary Public in and for the State of Texas

Print Full Name: _____

My Commission Expires: _____

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Terry Brechtel, City Manager of the City of San Antonio, Texas, on behalf of said entity.

Notary Public in and for the State of Texas

Print Full Name: _____

My Commission Expires: _____

CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT
CORPORATION

By: _____
Name: _____
Title: _____

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by _____, _____ of the City of San Antonio, Texas, Starbright
Industrial Development Corporation, on behalf of said entity.

Notary Public in and for the State of Texas

Print Full Name: _____
My Commission Expires: _____

ALAMO WORKFORCE DEVELOPMENT, INC.

By: _____
Name: Alan D. Miller
Title: Executive Director

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Alan D. Miller, Executive Director of the Alamo Workforce Development, Inc., on behalf of said
entity.

Notary Public in and for the State of Texas

Print Full Name: _____
My Commission Expires: _____

SAN ANTONIO WATER SYSTEM

By: _____
Name: General Eugene E. Habiger, USAF (Retired)
Title: President and Chief Executive Officer

STATE OF TEXAS §
COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003, by General Eugene E. Habiger, USAF (Retired), President and Chief Executive Officer of the San Antonio Water System, on behalf of said entity.

Notary Public in and for the State of Texas
Print Full Name: _____
My Commission Expires: _____

CITY PUBLIC SERVICE

By: _____
Name: Milton B. Lee
Title: General Manager and CEO

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003, by Milton B. Lee, General Manager and CEO of the City Public Service, on behalf of said participant.

Notary Public in and for the State of Texas

Print Full Name: _____

My Commission Expires: _____

SAN ANTONIO ECONOMIC DEVELOPMENT
FOUNDATION

By: _____
Name: Mario Hernandez
Title: President

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Mario Hernandez, President of the San Antonio Economic Development Foundation, on behalf
of said entity.

Notary Public in and for the State of Texas

Print Full Name: _____
My Commission Expires: _____

GREATER KELLY DEVELOPMENT
AUTHORITY

By: _____
Name: Bruce Miller
Title: Executive Director

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Bruce Miller, Executive Director of the Greater Kelly Development Authority, on behalf of said
entity.

Notary Public in and for the State of Texas

Print Full Name: _____
My Commission Expires: _____

SOUTHWEST INDEPENDENT SCHOOL
DISTRICT

By: _____
Name: Dr. Pete Anthony
Title: Superintendent

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the _____ day of _____, 2003,
by Dr. Pete Anthony, Superintendent of the Southwest Independent School District, on behalf of said
entity.

Notary Public in and for the State of Texas

Print Full Name: _____
My Commission Expires: _____

BEXAR METROPOLITAN WATER DISTRICT

By: _____
Name: Ronald C. Williamson
Title: President

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003, by Ronald C. Williamson, President of the Bexar Metropolitan Water District, on behalf of said entity.

Notary Public in and for the State of Texas

Print Full Name: _____

My Commission Expires: _____

BEXAR COUNTY RAIL DISTRICT

By: _____
Name: Bruce Flohr
Title: President

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Bruce Flohr, President of the Bexar County Rail District, on behalf of said entity.

Notary Public in and for the State of Texas

Print Full Name: _____
My Commission Expires: _____

TOYOTA MOTOR MANUFACTURING
NORTH AMERICA, INC.

By: _____
Atsushi Niimi
President

STATE OF KENTUCKY §

COUNTY OF KENTON §

This instrument was acknowledged before me, on the ____ day of _____, 2003,
by Atsushi Niimi, President of Toyota Motor Manufacturing North America, Inc., a Kentucky
corporation, on behalf of said entity.

Notary Public in and for the State of Kentucky

Print Full Name: _____
My Commission Expires: _____

EXHIBIT A

STATE AGREEMENT

1. Designation of Coordinators. In order for the Project to commence as soon as possible and to proceed in an orderly and expeditious manner and to meet applicable timetables, the following state agencies shall perform the functions described below and shall agree to do all things and take all actions necessary, in cooperation with Toyota, and to cause the following to occur:

(a) TxED shall designate the individual Project Coordinator (i) for the duration of the Project Construction and (ii) as appropriate or necessary thereafter;

(b) TCEQ shall designate the individual Environmental Permit Coordinator (i) for the duration of Project Construction and (ii) as appropriate or necessary thereafter;

(c) CPA shall designate the individual Tax Coordinator (i) for the duration of Project Construction and (ii) as appropriate or necessary thereafter; and

(d) TWC shall designate the individual Training Coordinator (i) for the duration of Project Construction and (ii) as appropriate or necessary thereafter.

2. Assistance with Permits/Licenses. The State agrees, with the cooperation of Toyota, for so long as Toyota, or any Affiliates of Toyota, shall own or lease the Project Site or operate the Project, to do all things and take all actions necessary to assist Toyota in the expeditious processing of all of Toyota's applications for obtaining and maintaining the permits relating to and timely renewal of all applicable permits, licenses, authorizations and approvals of or with the State or directly related agencies. All such permits shall be processed in an expeditious and timely manner in order to permit Toyota to proceed with its timetable for Project Construction.

3. Assistance with Tax Exemptions and Refunds. The State, through the Tax Coordinator, agrees to cooperate with and assist Toyota in obtaining, on an ongoing basis, such tax exemptions or tax refunds to which Toyota may be entitled under applicable State tax laws.

4. Sales and Use Tax Exemption. The State, through the Tax Coordinator, hereby agrees to cooperate with and assist Toyota in obtaining on an ongoing basis, the following sales and use tax exemptions for which Toyota and its suppliers may be entitled under applicable State laws:

(a) Manufacturing machinery, equipment, accessories, repair parts and materials as provided under Tex. Tax Code §151.318, 34 Tex. Admin. Code § 3.300.

(b) New construction labor as provided under 34 Tex. Admin. Code §3.291.

(c) Electricity and natural gas used in manufacturing as provided under applicable State laws and regulations, such as Tex. Tax Code §151.317, 34 Tex. Admin. Code §3.295.

5. Franchise Tax Credits. The State, through the Tax Coordinator, hereby agrees to cooperate with and assist Toyota in obtaining on an ongoing basis, the following tax credits for which Toyota may be entitled under applicable State laws:

(a) Tax credit for certain research and development activities as provided under Tex. Tax Code Subchapter O, §171.721-171.729, 34 Tex. Admin. Code § 3.578.

(b) Tax credits for certain job creation activities as provided under Tex. Tax Code Subchapter P, §171.751-171.761, 34 Tex. Admin. Code § 3.578.

(c) Tax credits for certain capital investments as provided under Tex. Tax Code Subchapter Q, §171.801-171.811, 34 Tex. Admin. Code § 3.578.

(d) Tax credit for wages paid to persons with certain disabilities as provided under Tex. Tax Code Subchapter S, §171.851-171.856, 34 Tex. Admin. Code § 3.580.

6. Economic Impact Report. CPA, in cooperation with other State agencies and Toyota hereby agree to collaborate in the preparation of an economic impact report and analysis to highlight the economic benefits to the State and its citizens associated with the realization of Project Starbright. Such report will be prepared at no cost to Toyota.

7. Road Access/Improvements. The State, through TxDOT, hereby agrees to provide without cost or charge to Toyota the following road construction improvements for access to the Project Site, which shall be completed as provided below, and which shall be completed by TxDOT using all available contracting options to expedite the work and complete the improvements prior to the dates set forth below:

(a) Immediately after the Trigger Date, State shall acquire the necessary right of way to realign and reconstruct an at-grade intersection at the intersection of State Highway 16 ("SH16") and Watson Road, including dual left turns from southbound SH16 to eastbound Watson Road and dual right turns from westbound Watson Road to northbound SH16. The project and improvements outlined in this Section 7(a) shall be completed as soon as possible, but in any event shall be substantially complete and Functionally Usable no later than December 1, 2004, subject to Force Majeure.

(b) Immediately after the Trigger Date, State shall acquire the necessary right of way to facilitate the realignment and reconstruction of Watson Road as a four lane, divided roadway with turn lanes from SH16 to Applewhite Road. The projects and improvements

outlined in this Section 7(b) shall proceed with all reasonable dispatch, so as to be substantially complete and Functionally Usable no later than September 30, 2005, subject to Force Majeure. Notwithstanding the foregoing, and notwithstanding the progress of the design and construction of the road improvements described above, the State agrees that fully functional semi-tractor trailer ingress and egress access (with no delays) will be available to the Project Site through and across Watson Road, from and after August 1, 2005, on a twenty-four hour basis, seven days per week.

(c) As soon as practicable after the Trigger Date, State shall acquire the necessary right of way and reconstruct a grade-separated interchange (including turnarounds and accommodating three or four lanes at all approaches) at the intersection of Loop 410 and Zarzamora Road. The project and improvements outlined in this Section 7(c) shall be completed as soon as possible, but in any event shall be substantially complete and Functionally Usable no later than January 1, 2006, subject to Force Majeure.

(d) As soon as practicable after the Trigger Date, State shall construct a west turnaround under Loop 410 at the intersection of Loop 410 and SH16. The project and improvements outlined in this Section 7(d) shall be completed as soon as possible, but in any event shall be substantially complete and Functionally Usable no later than June 1, 2004, subject to Force Majeure.

(e) As soon as practicable after the Trigger Date, State shall construct an eastbound exit from Loop 1604 to SH16 and westbound Loop 1604 entrance from SH16. The project and improvements outlined in this Section 7(e) shall be completed as soon as possible, but in any event shall be substantially complete and Functionally Usable no later than June 1, 2005, subject to Force Majeure.

(f) As soon as practicable after the Trigger Date, State shall reconstruct an at-grade intersection and install signals at the intersection of Loop 1604 and Applewhite Road. The project and improvements outlined in this Section 7(f) shall be completed as soon as possible, but in any event shall be substantially complete and Functionally Usable no later than June 1, 2005, subject to Force Majeure.

(g) As soon as practicable after the Trigger Date, State shall construct sections of passing lanes along Loop 1604.

In order to achieve the deadlines stated above, work on the design of the road construction improvements shall be coordinated with Toyota and commenced by the State immediately after the Trigger Date, and work on the actual road construction improvements shall commence as soon as practicable after the designs are complete. The State, through TxDOT, represents that all design and construction work to be performed pursuant to this Section 7 shall be accorded a high priority.

8. Availability of Funds. The State, through TxDOT, represents that it presently has or will have the funds from the existing highway and bridge improvement fund available to permit the work described in Section 7 to be completed on a timely basis. If funds are not available, sufficient funds shall be allocated in the appropriate budget for 2003 and immediately subsequent years in order to accomplish completion of all road construction work in accordance with the aforesaid timetable. TxDOT also agrees to perform on an ongoing basis all appropriate maintenance and repairs to any and all State roads described in Section 7 so as to keep such roads at all times in compliance with then-prevailing state maintenance policies.

9. Approval of Permits.

(a) The State, through TCEQ, commits to process with all possible diligence and speed an administratively and technically complete air permit applications for authorization or approvals necessary to construct or operate Project Starbright. The Executive Director (ED) of TCEQ shall complete its review of the PSD air permit in accordance with applicable Environmental Laws within five (5) calendar months of complete application submittal unless the ED is deprived of jurisdiction to do so by operation of law or statute. If Toyota applies for a federal Plantwide Applicability Limit PSD permit and state flexible permit, the ED of TCEQ shall complete its review of both simultaneously in accordance with applicable Environmental Laws within six (6) calendar months of complete application submittal unless the ED is deprived of jurisdiction to do so by operation of law or statute. The State shall facilitate the reimbursement of Toyota for all related initial permit fees (not including any attorneys' fees) associated with the Project Site, the Project, and Toyota. If preconstruction air monitoring is required, TCEQ will accept monitoring data from existing area monitors.

(b) TCEQ will process Toyota's applications for the permits referenced in subsection (a) above (covering both Phase I and Phase II) under the current Environmental Laws to the fullest projected emissions by Toyota. Therefore, Toyota will be permitted for its maximum anticipated emissions rate.

10. Financing of Offsets. In the event that the Project Site is designated as non-attainment for certain criteria pollutants listed under the National Ambient Air Quality Standards, and, if emissions "offsets" are ever required in order to obtain permit authorization under the CAA, the State shall facilitate the provision to Toyota, free of charge to Toyota and/or through acquisition on Toyota's behalf by an area emissions credit organization, any such offsets as may be required for the construction, operation or continued operation of Project Starbright or the Project Site and any modification or expansion thereof. This shall apply for a period of ten (10) years from the start of facility construction. The site is currently in an attainment area. Infrastructure for an "air off-set market" for the purchase of such offsets shall become available immediately upon designation of nonattainment.

11. Wetlands. In the event a federal Clean Water Act Section 404 permit is required and a nationwide permit is not appropriate, the State, through TCEQ, commits to conduct an individual

Section 401 water quality certification with all possible diligence and speed. See 30 TAC 279. Depending upon Project impacts (less than three acres of waters of the U.S. or less than 1500 linear feet of a stream), the project may be eligible for "Tier I" review. Procedures (federal and state) for legally required opportunities for public participation apply.

12. TxED Financial Commitments. The State, through TxED, commits to providing funding for the following training costs and activities and/or other uses set forth in this Section in an amount up to Fifteen Million Dollars (\$15,000,000.00). To the extent the Phase I job creation requirement under Section 3.1(a)(i)(1) of the Agreement is not met, such funds (to the extent used for training costs) shall be subject to a proportionate reduction based on the percentage of employee targets not fulfilled, unless Toyota proceeds to Phase II, in which event such funds used for training costs will continue to be available for Phase II employees. Reference is made to Senate Bill No. 15 ("S.B. 15") passed by the Texas Legislature and signed into law by Governor Rick Perry on April 11, 2003, which S.B. 15 became effective immediately. Pursuant to S.B. 15, by TxED funding through grants to local governmental entities for further funding to Toyota, the Rail District, or any other applicable entity, the foregoing \$15,000,000.00 is hereby allocated for and shall be used for one or more of the following purposes and uses:

(a) Reimbursement of and/or payment to Toyota, the Rail District, if applicable (or any other applicable entity) for infrastructure costs, Site Preparation costs and Rail Extension Costs, as may be requested by Toyota pursuant to Section 6 of the County Agreement. In that regard, in the event that it is necessary to construct any on-site or off-site rail improvements or any related or associated infrastructure improvements necessary to provide rail access to the Project (or the Phase II Project, if any), in a manner acceptable to Toyota, it is specifically recognized and agreed that the Rail District shall be entitled to reimbursement and/or payment of an amount up to such \$15,000,000 for such infrastructure costs, Site Preparation costs, and Rail Extension Costs; provided, however, that upon notice to the Rail District from Toyota that such rail improvements and associated infrastructure improvements shall not be required, the Rail District shall only be entitled to reimbursement of Rail Extension Costs incurred from the inception of the Rail District until the date upon which such notice from Toyota is received.

(b) Subject to Section 12(a), reimbursement of Toyota for training center equipment costs. The training facility equipment shall be acceptable to Toyota for testing/assessing candidates and training for production/skilled employees. The training facility shall be designed and equipped in a manner acceptable to Toyota.

(c) Subject to Section 12(a), reimbursement of Toyota for the actual costs of domestic and non-domestic travel expenses (including airfare, meals and lodging of Toyota employees and employees of any Affiliates that are necessary to support the activities of the Project), subject to the travel allowance limits placed on state employees in the General Appropriations Act and Government Code, Chapter 660.

13. Workforce Development.

(a) The State, through TWC, commits to providing workforce development services, in an amount up to a total of Twenty-Seven Million Two Hundred Fifty Thousand Dollars (\$27,250,000.00) for costs for the intended workforce development services for the Project. Such funds shall be made available on an ongoing rolling basis as jobs are created for workforce services for Phase I employees (including Allowable and Appropriate Workforce Services [as defined below]). Notwithstanding the foregoing, expenses for Allowable and Appropriate Training Activities which would be incurred prior to hiring any employee, such as training equipment, employee recruitment and employee pre-selection, shall be paid by TWC at such time regardless of the number of jobs then created. To the extent the Phase I job creation requirement under Section 3.1(a)(i)(1) of the Agreement is not met, such funds shall be subject to a proportionate reduction based on the percentage of employee targets not fulfilled, unless Toyota proceeds to Phase II, in which event such funds will continue to be available for Phase II employees.

(b) If Toyota implements Phase II, an additional Twenty-Seven Million Two Hundred Fifty Thousand Dollars (\$27,250,000.00) shall be made available on an ongoing rolling basis as jobs are created for workforce services for Phase II employees (including Allowable and Appropriate Training Activities). Notwithstanding the foregoing, expenses for Allowable and Appropriate Workforce Services which would be incurred prior to hiring any employee, such as training equipment, employee recruitment and employee pre-selection, shall be paid by TWC at such time regardless of the number of jobs then created. To the extent the Phase II job creation requirement under Section 3.1(a)(ii)(1) of the Agreement is not met, such funds shall be subject to a proportionate reduction based on the percentage of employee targets not fulfilled. Additionally, the inability of Toyota to meet the Phase I job creation requirement shall not reduce the availability of the funds earmarked for workforce services for Phase II employees. Furthermore, to the extent Toyota exceeds the Phase I job creation requirement, then those funds earmarked for workforce services for Phase II employees may be used for workforce services for Phase I employees.

(c) Allowable and appropriate workforce services (“Allowable and Appropriate Workforce Services”) may include, but are not limited to:

- (i) the training costs of the wages and benefits for trainers;
- (ii) necessary equipment, materials, training aides, manuals and/or other relevant training materials for training purposes;
- (iii) providing pre-employment training pursuant to specification provided by Toyota;
- (iv) providing necessary facilitation and equipment needs for training;

- (v) providing assistance in design and development of necessary pre-hire training in North America, subject to the travel cost limitations of Texas Government Code, Chapter 660 and the General Appropriations Act;
- (vi) cultural training;
- (vii) on-the-job training (training for specific job responsibilities);
- (viii) vendor training (specific equipment training);
- (ix) skill trades training (training to meet maintenance qualifications and requirements);
- (x) training costs may also include, subject to the limitations of Texas Government Code, Chapter 660 and the General Appropriations Act, the following items:
 - (A) the charges of any Toyota Affiliates which relate to the wages and benefits and air fare and other travel expenses of trainers provided by Toyota Affiliates,
 - (B) domestic round trip airfare for trainees traveling to Toyota Affiliates, and
 - (C) domestic round trip airfare for those employees of Toyota and Toyota's Affiliates who are necessary to support the training activities of the Project start up;
- (xi) administration of recruiting candidates in the local area (50-100 miles from the Project Site), which includes but is not limited to: (i) provision of a location to complete job applications, (ii) assistance in screening applications based on Toyota criteria, (iii) maintenance of a database to track candidates' applications, (iv) correspondence with candidates, including advertising, and (v) providing space to establish a Toyota Outreach and Screening Center for use until permanent training facilities are occupied by Toyota during the Project ramp up.

14. Skills Development Funds. Any use of Skills Development funds to provide workforce services under this Agreement will comply with all regulations, policies, guidelines and requirements as specified in Chapter 303, Texas Labor Code, and 40 Texas Administrative Code (TAC) Chapter 803. The delivery of any Skills Development services shall be through a public community or technical college or the Texas Engineering Extension Service as provided in 40 TAC

Chapter 803, and shall be contingent upon approval of a Customized Training Program, including measurable objectives and outcomes.

15. Appropriations. All funding by the State, through TWC, described in this Agreement must be fully expended no later than August 31, 2012. Notwithstanding the foregoing, should Toyota provide notice to TWC of a delay past this deadline, TWC agrees to negotiate in good faith a new timeline beyond 2012 and to use its best efforts to secure the necessary spending authority.

16. Statutory and Regulatory Provisions. All funding by the State, through TWC, is subject to applicable statutory and regulatory provisions, including for Workforce Investment Act (WIA) Statewide Activity Funds, WIA law 29 U.S.C.A. Section 181 (e); and WIA Final Rules, 20 CFR Sections 667.262, 667.264, 667.268, 667.560, 663.700, 663.715, 663.800 and 663.815; Title 48 – Federal Acquisition Regulations, Chapter I, Part 31, Contract Cost Principles and Procedures; and Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments 29 CFR Section 97.36(c); for the Skills Development Funds, TAC Title 40, Part 20, Chapter 803 Subchapter A; and Texas Labor Code, Chapter 303, Section 303.003; and for the Welfare to Work Funds, 20 CFR Sections 645.212, 645.213, 645.220, and 645.265. Reference is made to the fact that funding may be made through individual arrangements and contracts with public community or technical colleges, or the Texas Engineering Extension Service, or similar agencies, and such individual contracts may contain performance measures and criteria that will be negotiated in good faith on an individual contract basis with such agencies.

17. Labor Market Information. The State, through TWC's Labor Market Information Department, agrees to provide Toyota with current and detailed Labor Market Information data and statistics, and information concerning the Texas economy.

18. Work Opportunity Tax Credit Information and Services. The State, through TWC, will efficiently and effectively provide Toyota with Work Opportunity Tax Credit services and processing.

19. Nonresident Student Tuition Waiver. Project Starbright shall be part of a program of economic development and diversification authorized by the constitution and laws of the State, and the State hereby agrees that employees of Toyota and its Affiliates who work at Project Starbright and their immediate family members will be eligible for a nonresident student tuition waiver at Texas colleges and universities in accordance with Section 54.052(h) of the Texas Education Code.

20. Visa Assistance. The State hereby agrees to use its best efforts to provide visa assistance for Toyota employees moving into the State.

21. Expedited Truck Permits. The State, through the Motor Carrier Division of TxDOT, agrees to provide expedited processing of all applications for oversize/overweight permits for all loads and all oversize/overweight vehicles (including trucks) that may provide service to and from the Project Site in connection with Project Construction or in connection with the on-going operation of the Project.

EXHIBIT B

COUNTY AGREEMENT

1. Tax Abatements. The County hereby agrees, to the extent permitted under applicable law, to abate all real estate and personal property ad valorem taxes (other than those imposed on behalf of the Bexar County Hospital District and the Flood Control District relating to the Project Site) for a period of ten (10) years from the calendar year commencing on January 1 of the year immediately following substantial completion of construction of each of (i) the Project; and (ii) the Phase II Project, in the event that Toyota determines to construct such Phase II Project. The terms of such tax abatement are set forth in the form of Tax Phase-In Agreement that is attached hereto as Addendum B-1 and made a part hereof for all purposes.

2. Change in Incentive Laws. The County represents and warrants that the statutory tax-based and fiscal incentives expressly referenced above in Section 1 are available to Toyota to the extent Toyota satisfies the currently existing statutory requirements to obtain such incentives. In the event of a change in law after the Effective Date, the result of which would be to lessen or remove from the Project or the Phase II Project, the economic benefit of any such incentive referenced above in Section 1, the County, through the Tax Coordinator and to the extent permitted by law, shall use good faith efforts to provide Toyota either with an exemption from the law as so changed or another incentive having equivalent economic effect to the statutory benefit so lessened or removed by the legislative change.

3. Road Access / Improvements. The County, either individually, or with the assistance of one or more Participants, hereby agrees to provide without cost or charge to Toyota the following road construction improvements for access to the Project Site, which shall be completed as provided below, and which shall be completed by the County using all available contracting options to expedite the work and complete the improvements prior to the date set forth below:

(a) Immediately after the Trigger Date, County shall acquire the necessary right of way to realign and reconstruct Applewhite Road as a four lane, divided roadway with appropriately located turn lanes between Loop 1604 and Zarzamora Road, to be accomplished in two (2) phases. The first phase shall cover the area from the intersection of Zarzamora Road and Applewhite Road to an approximate point just north of the Medina River. The second phase shall cover the area from the point where the first phase concluded and continue south to Loop 1604, and shall also include the construction of a bridge to replace the low water crossing over the Medina River. The first phase of the projects and improvements outlined in this Section 3(a) shall proceed with all reasonable dispatch, so as to be substantially complete and Functionally Usable no later than September 30, 2005. The second phase of the projects and improvements outlined in this Section 3(a) shall proceed with all reasonable dispatch, so as to be substantially complete and Functionally Usable no later than December 31, 2005, subject to Force Majeure.

(b) Immediately after the Trigger Date, County shall acquire the necessary right of way to realign and reconstruct Zarzamora Road as a four lane, divided roadway with appropriately located turn lanes between Applewhite and Loop 410. The projects and improvements outlined in this Section 3(b) shall proceed with all reasonable dispatch, so as to be substantially complete and Functionally Usable no later than September 30, 2005, subject to Force Majeure.

In order to achieve the deadlines stated above, work on the design of the road construction improvements shall be coordinated with Toyota and commenced by the County immediately after the Trigger Date and work on the actual road construction improvements shall commence as soon as practicable after the designs are complete. Further, the County shall coordinate the construction activity related to the contemplated projects and improvements to permit and facilitate the ongoing development of the Project Site. The County represents that all design and construction work to be performed pursuant to this Section 3 shall be accorded a high priority. Notwithstanding the foregoing, and notwithstanding the progress of the design and construction of the road improvements described above, the County agrees that fully functional semi-tractor trailer ingress and egress access (with no delays) will be available to the Project Site through and across Applewhite Road, from and after August 1, 2005, on a twenty-four hour basis, seven days per week.

4. Availability of Funds. The County represents that it presently has or will have the funds available to permit the work described in Section 3 to be completed on a timely basis; provided that the County receives from the State, through TxDOT, certain funds the State has agreed to provide to the County to permit the work described in Section 3, to be completed on a timely basis, such funds to be provided to County as follows: a grant in the amount not less than Nine Million One Hundred Thousand Dollars (\$9,100,000) and a loan in the amount not less than Nine Million One Hundred Thousand Dollars (\$9,100,000) upon terms and conditions to be determined between the State and the County. The County agrees to perform on an ongoing basis all appropriate maintenance and repairs to any and all county roads described in Section 3 so as to keep such roads at all times in compliance with then-prevailing state maintenance policies, until such time as the maintenance of such roads are taken over by the City as a result of full purpose annexation by the City.

5. Assistance with Permits/Licenses. The County hereby agrees, with the cooperation of Toyota, for so long as Toyota, or any Affiliates of Toyota, shall own or lease the Project Site or operate the Project, to do all reasonable things and take all reasonable actions within the County's control so as to assist Toyota in the expeditious processing of all applications for obtaining and maintaining the permits relating to and timely renewal of all applicable permits, licenses, authorizations, and approvals of or with the United States government, the State, the Local Governments, and any other applicable agencies. These include, as applicable, but without limitation, the issuance of all construction and operating permits, process and potable water construction and supply permits, wastewater discharge permits, wetlands siting and grading, clearing, stormwater construction and operating permits and wetlands mitigation or delineation permits all to

be issued in an expeditious and timely manner in order to permit Toyota to proceed with its timetable for construction of the Project, and if so determined by Toyota to proceed, the Phase II Project.

6. Railroad Access. The County has heretofore caused to be created the Rail District, which is a rural rail transportation district as defined in Article 6550c of Vernon's Annotated Texas Civil Statutes. After the Trigger Date, and upon the request of Toyota, the Rail District, shall construct and complete railroad improvements (including rail lines, tracks, and related infrastructure) to and from the Project (and the Phase II Project, if any), in such locations and in such manner as is reasonably necessary to provide dual competitive rail service and/or rail access to the Project (and the Phase II Project, if any) in a manner to be determined with the guidance and assistance of Toyota; provided that (a) the Rail District receives from the State, through TxED, the Fifteen Million Dollars (\$15,000,000) in funds the State has agreed to provide to the Rail District for such purposes, as described in Section 12(a) of the State Agreement, and (b) the Rail District secures the necessary additional financing through the sale of revenue bonds backed by freight and track usage agreements.

ADDENDUM B-1

STATE OF TEXAS

§

§

TAX PHASE-IN AGREEMENT

COUNTY OF BEXAR

§

THIS TAX PHASE-IN AGREEMENT (the "Agreement") is entered into by and between **BEXAR COUNTY**, a political subdivision of the State of Texas ("COUNTY"), duly acting herein by and through the Bexar County Commissioners Court (the "Commissioners Court") for and on behalf of COUNTY, and **TOYOTA MOTOR MANUFACTURING, TEXAS, INC.**, a Texas corporation ("TOYOTA"), being an indirect subsidiary of Toyota Motor Corporation. COUNTY and TOYOTA may hereinafter be referred to collectively as the "Parties."

WITNESSETH:

WHEREAS, COUNTY established the Toyota Reinvestment Zone for commercial/industrial tax phase-in (the "Reinvestment Zone"), as authorized by the Texas Property Redevelopment and Tax Abatement Act (Texas Tax Code Chapter 312), which Reinvestment Zone is more fully described in Exhibit "A", attached hereto and incorporated herein for all purposes; and

WHEREAS, TOYOTA will acquire property located in the Reinvestment Zone to construct an industrial plant for the purpose of manufacturing motor vehicles and automotive parts and components, together with all related facilities necessary or appurtenant thereto, and may expand its manufacturing capabilities at the site at a later date, in its sole and absolute discretion; and

WHEREAS, COUNTY has approved Tax Phase-In Program Guidelines and Criteria (the "Guidelines"), which govern tax abatement agreements entered into by COUNTY, a copy of which is on file with the Commissioners Court, and incorporated herein for all purposes; and

WHEREAS, TOYOTA has requested from Commissioners Court a tax abatement relating to proposed improvements to the property located in the Reinvestment Zone and has requested a waiver from the requirements of the Guidelines to the extent any of the terms and conditions herein are inconsistent with such Guidelines; and

WHEREAS, the Commissioners Court finds that the proposed improvements to the property, as described in this Agreement, are consistent with the purpose of the designation of the Reinvestment Zone, and also are consistent with the expansion of primary employment and the attraction of major investment in the Reinvestment Zone, which contributes to economic development in Bexar County and the enhancement of the tax base; and

WHEREAS, in order to maintain and enhance the commercial and industrial economic and employment base, the Commissioners Court granted the tax abatement, authorized execution of this Agreement, and waived any requirements of the Guidelines to the extent that any of the terms and conditions of this Agreement are inconsistent with the Guidelines, all in accordance with the Guidelines and all other applicable laws.

NOW, THEREFORE, for good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, the parties do hereby contract, covenant, and agree as follows:

ARTICLE I

DEFINITIONS

- 1.01 "Base Value" for purposes of this Agreement shall mean the assessed value, as of January 1, 2003, of the Real Property (as defined in Article 1.11 hereof) and any Improvements (as defined in Article 1.07 hereof) and Personal Property (as defined in Article 1.08 hereof), plus the value of any Improvements made or Personal Property acquired after such date and prior to execution of this Agreement. Such values shall be determined by the Bexar Appraisal District (the "Appraisal District") under applicable Texas law.
- 1.02 "Business Activities" for purposes of this Agreement shall mean:
- (a) the normal business activities conducted by TOYOTA relating to the manufacture and assembly of motor vehicles and automotive parts and components, together with all related facilities necessary or appurtenant thereto, including, without limitation, such incidental uses as athletic facilities and fields, picnic areas, and other similar uses;
 - (b) the business activities of a Related Organization (as defined in Article 1.13 hereof), so long as such business activities would relate to the normal business activities of TOYOTA, as described in Article 1.02(a) above; and
 - (c) the business activities of an organization other than Toyota and/or a Related

Organization, so long as such business activities would relate to the normal business activities of TOYOTA and/or a Related Organization, as described in Article 1.02(a).

- 1.03 "Eligible Improvements" for purposes of this Agreement shall mean the construction by TOYOTA and/or a Related Organization of the Improvements to the Real Property during Phase I (as defined in Article 1.09 hereof), and the proposed expansion of the motor vehicle manufacturing plant and related facilities by TOYOTA and/or a Related Organization, consisting of the construction of additional Improvements to the Real Property during Phase II (as defined in Article 1.10 hereof), such expansion to be determined by TOYOTA and/or a Related Organization in its sole and absolute discretion.
- 1.04 "Employment Positions" for purposes of this Agreement shall mean non-temporary full-time employment positions of TOYOTA and/or Related Organizations at the Facility (as defined in Article 1.05 hereof) eligible for employee benefits. The foregoing does not preclude or impair TOYOTA and/or Related Organizations from employing persons for such Employment Positions on an at-will basis. The foregoing also does not preclude TOYOTA and/or Related Organizations from employing persons in temporary employment positions at the Facility, or from engaging contractors, it being understood that (a) TOYOTA and/or Related Organizations shall not be obligated to provide benefits to such temporary employees or contractors; and (b) such temporary employees or contractors shall not be included in "Employment Positions" for purposes of this Agreement.
- 1.05 "Facility" for purposes of this Agreement shall mean the industrial plant for manufacturing motor vehicles and automotive parts and components, together with all related facilities necessary or appurtenant thereto, to be constructed by TOYOTA and/or a Related Organization on the Real Property, and shall consist of, collectively, the building or buildings to be constructed by TOYOTA and/or a Related Organization during Phase I and, if TOYOTA and/or a Related Organization determines to expand its manufacturing capabilities as described herein, the building or buildings proposed to be constructed by TOYOTA and/or a Related Organization during Phase II.
- 1.06 "Force Majeure" for purposes of this Agreement shall mean the occurrence of any of the following events that results in the impossibility of performance: war, domestic terrorist acts, riots, strikes, embargoes, acts of God, earthquakes, fires, hurricanes, tornadoes, floods, wash outs, and unusually severe weather, and interruption (not caused by TOYOTA or a Related Organization) or unavailability of utilities.

- 1.07 "Improvements" for purposes of this Agreement shall have the meaning assigned by Texas Tax Code §1.04(3).
- 1.08 "Personal Property" for purposes of this Agreement shall mean identifiable portable objects that can be seen, weighed, measured, felt, or otherwise perceived by the senses, which are located in the Reinvestment Zone, and which are owned by TOYOTA and/or a Related Organization, including, but not limited to, machinery, equipment, furniture, fixtures, inventory, and supplies.
- 1.09 "Phase I" for purposes of this Agreement shall mean the construction by TOYOTA and/or a Related Organization of an industrial plant on the Real Property for manufacturing motor vehicles and automotive parts and components, together with all related facilities necessary or appurtenant thereto.
- 1.10 "Phase II" for purposes of this Agreement shall mean the proposed expansion by TOYOTA and/or a Related Organization of its manufacturing capabilities, and shall consist of: (a) the refurbishment by TOYOTA and/or a Related Organization of existing buildings; (b) the addition by TOYOTA and/or a Related Organization in existing buildings or in new buildings of new assembly lines or expansion of manufacturing capacity, including the addition of new, refurbished, or modified Personal Property; or (c) the construction by TOYOTA and/or a Related Organization of an additional building or buildings on the Real Property to expand its manufacturing plant, such expansion to be determined by TOYOTA and/or a Related Organization in its sole and absolute discretion.
- 1.11 "Real Property" for purposes of this Agreement shall mean the parcel of land on which the Facility is to be located, and shall include any other Improvements on the land that were in existence prior to the execution of this Agreement, such land consisting of approximately two thousand six hundred seventy-eight and five/tenths (2,678.5) acres of land described in the metes and bounds description of the Real Property, attached as Exhibit "A", which description is identical to the description of the Reinvestment Zone.
- 1.12 "Recapture Period" for purposes of this Agreement shall mean the period beginning on January 1st of the year immediately following the year in which the Tax Phase-In Period—Phase I (as defined in Article 1.15 hereof) and Tax Phase-in Period—Phase II (as defined in Article 1.16 hereof) each end, respectively, and continuing for a period of six (6) years through December 31st of that sixth year.
- 1.13 "Related Organization" for purposes of this Agreement shall mean (a) Toyota Motor Corporation, Toyota Motor North America, Inc., Toyota Motor Manufacturing North America, Inc., Toyota Motor Sales (U.S.A.), Inc., as well as any direct or indirect

subsidiaries in control of, controlled by, or under common control with, any of the foregoing entities, and (b) any Toyota Group Company. A "Toyota Group Company", for purposes of this Agreement, shall mean a company identified by Toyota Motor Corporation as such in its publicly disseminated Annual Report and/or Corporate Profile, as may be revised from time to time, as well as any direct or indirect North American subsidiary in control of, controlled by, or under common control with, any Toyota Group Company, and shall include, without limitation, the following: (i) Toyota Tsusho Corporation, (ii) Toyota Gosei Co., Ltd., (iii) Denso Corporation, (iv) Hino Motors, Ltd., (v) Tokai Rika Co., Ltd., (vi) Araco Corporation, (vii) Toyota Iron Works Co., Ltd., (viii) Futaba Industrial Co., Ltd., (ix) Aisin Seiki Co., Ltd., (x) Central Motor Wheel Co., Ltd., and (xi) Aichi Steel Works, Ltd. The term "control" (including the terms "controlled by" and "under common control with"), for purposes of this Agreement shall mean the possession, directly or indirectly, or as trustee or executor, of the power to direct or cause the direction of the management policies of a person or entity, whether through the ownership of stock, as trustee or executor, by contract, credit arrangement, or otherwise.

- 1.14 "Tax Phase-In" for purposes of this Agreement shall mean the percentage of the assessed value of the Eligible Improvements and Personal Property, above the Base Value, that are exempt from ad valorem taxation, subject to the terms and conditions of this Agreement.
- 1.15 "Tax Phase-In Period—Phase I" for purposes of this Agreement shall mean the period beginning on January 1 following the date of substantial completion of the building constructed during Phase I, and continuing for a period of ten (10) years thereafter through December 31 of that tenth year.
- 1.16 "Tax Phase-In Period—Phase II" for purposes of this Agreement shall mean, if TOYOTA and/or a Related Organization determines to expand its manufacturing capabilities as described herein, the period beginning on January 1 following the date of substantial completion of the building constructed during Phase II, and continuing for a period of ten (10) years thereafter through December 31 of that tenth year.

ARTICLE II

TERMS OF TAX PHASE-IN

- 2.01 A Tax Phase-In of one hundred percent (100%) shall be granted during each year of Tax Phase-In Period Phase I and Tax Phase-In Period Phase II, as described below, provided TOYOTA is in compliance with the terms and conditions of this Agreement.

- 2.02 The property eligible for Tax Phase-In under this Agreement shall be the Eligible Improvements and the Personal Property.
- 2.03 The ad valorem taxes eligible for Tax Phase-In under this Agreement shall be the ad valorem taxes levied by Commissioners Court for and on behalf of Bexar County, but shall not include taxes levied by Commissioners Court for and on behalf of the Bexar County Hospital District operating as University Health System or the Bexar County Flood Control District.
- 2.04 The effective date of this Agreement shall begin on the date of execution by COUNTY and continue until the end of the Recapture Period described in Article VI hereof (the "Term").
- 2.05 TOYOTA agrees that during the Term of this Agreement it shall not:
- (a) discontinue and/or cease its Business Activities at the Facility which results in the number of Employment Positions at the Facility being reduced to less than one thousand (1,000) Employment Positions for a period of one hundred twenty (120) days for any reason, excepting a Force Majeure event;
 - (b) relocate all, or substantially all of, its Business Activities and/or Employment Positions to a location outside of the Reinvestment Zone which results in the number of Employment Positions at the Facility being reduced to less than one thousand (1,000) Employment Positions; or
 - (c) utilize a substantial portion of the Facility for any purpose other than the Business Activities for a period of one hundred twenty (120) days which results in the number of Employment Positions at the Facility being reduced to less than one thousand (1,000) Employment Positions, unless prior written consent has been obtained from Commissioners Court.
- 2.06 TOYOTA agrees to certify to COUNTY, on or before January 1 of each year during the Term of this Agreement, that it is in compliance with all of the terms and conditions of this Agreement, as required by Texas Tax Code §312.205(a)(6).
- 2.07 TOYOTA agrees to pay before the applicable delinquency date all ad valorem taxes due with respect to any other property owned by TOYOTA located in Bexar County that is not subject to Tax Phase-In under this Agreement, subject to the right of TOYOTA to protest and/or contest such taxes.
- 2.08 TOYOTA understands and agrees that the Base Value of the Real Property, and the tax levy based on said Base Value, shall not decrease, but taxes may increase

and that the amount of ad valorem taxes paid by TOYOTA attributable to the Real Property shall not be less than the amount of taxes attributable to the Real Property paid for the tax year this Agreement was executed. However, TOYOTA shall have the right to protest and/or contest appraisals over and above the Base Value.

- 2.09 TOYOTA agrees to furnish the Appraisal District with such information outlined in Tax Code Chapter 22 as is necessary for abatement and appraisal purposes, as well as any accounting or tax records deemed necessary by the Appraisal District for abatement compliance purposes, the provision of which information will be in a manner that, to the extent permissible under applicable law, will preserve the confidentiality of such information.
- 2.10 TOYOTA agrees to maintain the Facility in commercially reasonable condition during the Term of this Agreement.

ARTICLE III

CAPITAL INVESTMENT COMMITMENTS

- 3.01 This Agreement, and the Tax Phase-In granted hereunder, is conditioned on TOYOTA and/or Related Organizations complying with the capital investment commitments described in this Article III.
- 3.02 TOYOTA agrees that the capital investment of TOYOTA and/or Related Organizations in the Eligible Improvements for Improvements made during Phase I shall exceed Four Hundred Million Dollars (\$400,000,000) in the aggregate (the "Capital Investment Threshold"). The Parties agree that this proposed capital investment by TOYOTA qualifies for the Exceptional Investment Incentive as described in the Guidelines.
- 3.03 TOYOTA agrees to provide COUNTY with written notice of the date that substantial completion of the Eligible Improvements attributable to Phase I and Phase II (if applicable) has occurred, respectively, within thirty (30) days after such date. Such notice shall include a description of the Eligible Improvements.
- 3.04 TOYOTA agrees that the Eligible Improvements and Personal Property shall be located entirely within Bexar County and solely within the Reinvestment Zone.
- 3.05 TOYOTA agrees that the Eligible Improvements shall comply with:
- (a) all applicable building codes and ordinances, including but not limited to flood, subdivision, building, electrical, plumbing, fire, and life safety codes

and ordinances, as amended, or as allowed pursuant to any variances obtained by TOYOTA; and

- (b) all applicable city, county, state, and federal laws, rules, regulations, statutes, ordinances, orders, and codes, as amended.
- 3.06 TOYOTA agrees that, except as provided in Article 2.03 hereof, no other portion of the Real Property or any Improvements presently located thereon shall be eligible for Tax Phase-In under this Agreement.
- 3.07 TOYOTA agrees to furnish COUNTY with annual reports in a form satisfactory to COUNTY that is substantially similar to Exhibit "B", attached hereto and incorporated herein for all purposes, certifying as to compliance with the capital investment commitments herein and shall include information on the extent and amount of its investments in the Eligible Improvements, and the acquisition of Personal Property, that occurred during the calendar year preceding the submission of such reports. TOYOTA agrees to submit the report by March 1st (covering the preceding calendar year) of each year until such time as it has certified that all of the Eligible Improvements, and the acquisition of all the Personal Property contemplated by this Agreement, have been made. COUNTY may require that the reports include information on capital expenditures, to include purchase order numbers, vendor names, and dollar amounts paid for all of the capital investments, actual costs, and book values. These reports must be prepared and administered in accordance with generally accepted accounting principles. COUNTY and its employees and agents shall have access to the Real Property and the Facility for the specific purpose of inspecting same to ensure that the Eligible Improvements have been constructed and that the Personal Property has been acquired in accordance with the terms and conditions of this Agreement, and to ensure that the use of the Facility is consistent with this Agreement; provided that COUNTY and its employees and agents may be accompanied by TOYOTA and/or Related Organization representatives and such inspections shall be conducted in such a manner as to (a) not unreasonably interfere with the operation of the Facility; and (b) comply with TOYOTA's and/or a Related Organization's reasonable security or confidentiality requirements.

ARTICLE IV

EMPLOYMENT COMMITMENTS

- 4.01 Recognizing that TOYOTA and/or Related Organizations will endeavor to create between 1,800 and 2,200 Employment Positions in connection with Phase I, TOYOTA agrees that this Agreement, and the Tax Phase-In granted hereunder, is

conditioned on TOYOTA creating and maintaining certain levels of Employment Positions at the Facility as described in Article 4.02 (as may be adjusted pursuant to Article 6.01), and complying with the additional employment commitments described in this Article IV.

- 4.02 TOYOTA covenants and agrees that it and/or a Related Organization will create at least one thousand eight hundred (1,800) Employment Positions at the Facility (the "Employment Commitment-Phase I"), on or before the first year after the start of production, which shall be the date upon which the first vehicle bound for consumer sale is completed at the Facility related to the completion of Phase I ("Start of Production-Phase I"). In addition, if TOYOTA determines to expand its manufacturing capabilities as described herein, TOYOTA covenants and agrees that it and/or a Related Organization will create at least two thousand (2,000) additional Employment Positions at the Facility (the "Employment Commitment-Phase II"), on or before the first year after the start of Phase II production, which shall be the date upon which the first vehicle bound for consumer sale is completed at the Facility related to the completion of Phase II ("Start of Production-Phase II").
- 4.03 TOYOTA agrees that after three (3) years from the Start of Production-Phase I, TOYOTA shall meet one or the other of the following wage targets: (a) the employees hired to satisfy its Employment Commitment-Phase I shall have hourly average salaries, including benefits, of Twenty Four Dollars (\$24.00) for hourly workers, Twenty Six Dollars (\$26.00) for skilled workers, and Nineteen Dollars (\$19.00) for non-exempt administrative workers; or (b) the aggregate annual wages (including benefits calculated on an annualized basis) attributable to its Employment Commitment-Phase I shall meet or exceed One Hundred Million Dollars (\$100,000,000).
- 4.04 If TOYOTA determines to implement Phase II to expand its manufacturing capabilities as described herein, TOYOTA agrees that after three (3) years from the Start of Production-Phase II, TOYOTA shall meet one or the other of the following wage targets: (a) the employees hired to satisfy its Employment Commitment-Phase II shall have hourly average salaries, including benefits, of Twenty Four Dollars (\$24.00) for hourly workers, Twenty Six Dollars (\$26.00) for skilled workers, and Nineteen Dollars (\$19.00) for non-exempt administrative workers; or (b) the aggregate annual wages (including benefits calculated on an annualized basis) attributable to its Employment Commitment-Phase I and Employment Commitment-Phase II shall meet or exceed Two Hundred Million Dollars (\$200,000,000).
- 4.05 The Parties agree that these wages to be offered by TOYOTA qualify for the Superior Wage Incentive as described in the Guidelines.

- 4.06 TOYOTA will use good faith efforts to employ qualified Texas residents at the Facility to the fullest extent possible, with the goal that Texas residents comprise at least ninety percent (90%) of its hourly workforce, subject in all cases to TOYOTA's then existing hiring needs and hiring policies.
- 4.07 The Employment Positions shall include employee benefits which are substantially similar to those employee benefits provided to full-time employees at other "Toyota" automobile manufacturing plants, or in the case of a Related Organization, similar "Toyota" facilities in the United States.
- 4.08 TOYOTA will endeavor not to engage in employment practices which have the effect of discriminating against any employee or applicant for employment at the Facility, and TOYOTA intends to comply with all federal employment discrimination laws applicable to employment at the Facility, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Equal Pay Act of 1963, the Family and Medical Leave Act, and Title I and V of the Americans with Disabilities Act. A violation of any of the foregoing laws shall not be considered a default by TOYOTA and/or a Related Organization under this Agreement, unless, after a formal finding by an appropriate administrative or judicial body that an actual violation of such laws exist, TOYOTA and/or a Related Organization fails to institute mandated remedial or other mandated corrective measures, or fails to pay any mandated assessments or fines, as directed by such administrative or judicial body.
- 4.09 TOYOTA agrees to furnish COUNTY with annual reports in a form satisfactory to COUNTY that is substantially similar to Exhibit "B", certifying as to its compliance with the Employment Commitment—Phase I and the Employment Commitment—Phase II (if TOYOTA proceeds with Phase II) and shall include information on the number of new Employment Positions created, and the total Employment Positions retained and maintained. TOYOTA further agrees that the report shall certify as to the number of Texas residents employed by TOYOTA and/or Related Organizations and the salaries of the individuals in the created Employment Positions. TOYOTA agrees to submit the report by March 1st (covering the preceding calendar year) of each year during the Term of this Agreement. COUNTY and its employees and agents shall have access to the Real Property and the Facility for the purpose of viewing the payroll registers and related backup information to verify the information provided in the reports; provided that COUNTY and its employees and agents may be accompanied by TOYOTA and/or Related Organization representatives and such inspections shall be conducted in such a manner as to (a) not unreasonably interfere with the operation of the Facility; and (b) comply with TOYOTA's and/or a Related Organization's reasonable security or confidentiality requirements.

ARTICLE V

REPRESENTATIONS OF TOYOTA

- 5.01 TOYOTA represents that the Facility will be used only for the Business Activities described in Article 1.02 hereof. TOYOTA agrees that any material change in its Business Activities or the use of the Facility must have the prior approval of the Commissioners Court.
- 5.02 TOYOTA intends to comply with the Occupational Safety and Health Act (29 U.S.C. §§651, et seq.). A violation of any of the foregoing laws shall not be considered a default by TOYOTA and/or a Related Organization under this Agreement, unless, after a formal finding by an appropriate administrative or judicial body that an actual violation of such laws exist, TOYOTA and/or a Related Organization fails to institute mandated remedial or other mandated corrective measures, or fails to pay any mandated assessments or fines, as directed by such administrative or judicial body.
- 5.03 TOYOTA represents that TOYOTA has not undertaken to finance the Facility through the use by TOYOTA of tax increment bonds.
- 5.04 TOYOTA represents that TOYOTA will not use bonds for which COUNTY is liable to finance the Facility. Further, TOYOTA acknowledges that this Agreement is entered into subject to the rights of the holders of outstanding bonds of COUNTY.
- 5.05 TOYOTA represents that TOYOTA has not sold or leased an interest in any of the property subject to Tax Phase-In under this Agreement, and that it shall not sell or lease an interest in such property to, a member of the Commissioners Court, the San Antonio City Council, the San Antonio Zoning and Planning Commissioners, or any other officer or employee of COUNTY or the City, or any member of the governing body of any taxing unit joining in or adopting this Agreement, as long as this Agreement is in effect.

ARTICLE VI

DEFAULT, TERMINATION, AND RECAPTURE

- 6.01 If, for any year during Tax Phase-In Period Phase I, TOYOTA and/or Related Organizations fail to comply with the Employment Commitment-Phase I, and, if applicable, during any year during Tax Phase-In Period Phase II, the Employment Commitment-Phase II, as required under Article 4.02, then for the next ensuing calendar year, the tax abatement granted hereunder shall be proportionately reduced by the same percentage as the deficiency in the number of employees in

relation to the applicable Employment Commitment. For example, if TOYOTA and/or a Related Organization hires and maintains ninety percent (90%) of the required number of Employment Positions in a given year, TOYOTA and/or Related Organizations shall be entitled to ninety percent (90%) of the tax abatement for the ensuing calendar year. However, the provisions of this Article 6.01 shall be applicable only in the event TOYOTA and/or Related Organizations create and maintain at least one thousand (1,000) Employment Positions (the "Minimum Employment Commitment"). If TOYOTA and/or Related Organizations fail to create and maintain at least the Minimum Employment Commitment, such circumstance, subject to the provisions of Article 6.02 regarding notice and cure, may be considered a default under this Agreement, and the remedies described in Article 6.02 shall be applicable, subject to the provisions thereof.

- 6.02 Should TOYOTA and/or Related Organizations fail to satisfy the Minimum Employment Commitment, or fail to achieve the Capital Investment Threshold, or if any material representation or warranty made by TOYOTA to COUNTY in this Agreement is false or misleading in any material respect (a "Triggering Event"), then COUNTY and TOYOTA shall endeavor in good faith to resolve any dispute related thereto. If COUNTY and TOYOTA are not able to so resolve any such dispute, then COUNTY may proceed, in accordance with the procedures described herein, to declare a default with respect to the Triggering Event and seek to terminate this Agreement. COUNTY shall provide TOYOTA with written notice of the occurrence of a Triggering Event, and if such Triggering Event is not cured within sixty (60) days from the date of such notice (the "Cure Period"), then COUNTY may terminate this Agreement. In the event of such termination, TOYOTA agrees that ad valorem taxes attributable to any property owned or leased by TOYOTA or a Related Organization will be due for the calendar year during which the written notice leading to such termination occurred (if termination occurs during the Tax Phase-In Period), and shall accrue without abatement for all years thereafter. In addition, if such termination occurs, TOYOTA agrees to repay to COUNTY all, or a portion, of ad valorem taxes attributable to property owned or leased by TOYOTA or a Related Organization that were previously abated. The amount of previously abated taxes subject to recapture by COUNTY shall be determined by multiplying the total taxes abated by the applicable percentage, based on the calendar year that the written notice of default is sent that results in termination of this Agreement, in accordance with the Recapture Schedule below:

RECAPTURE SCHEDULE

Year in which Notice Resulting in Termination is Sent:	Total Taxes Previously Abated Shall be Multiplied by:
During Tax Phase-In Period	100%
Year 1 of Recapture Period	100%
Year 2 of Recapture Period	80%
Year 3 of Recapture Period	60%
Year 4 of Recapture Period	40%
Year 5 of Recapture Period	20%
Year 6 of Recapture Period	10%
After Year 6 of Recapture Period	0%

TOYOTA agrees that the ad valorem taxes attributable to property owned or leased by TOYOTA or a Related Organization that were otherwise abated and which become due and owing under this Article 6.01 shall be paid to COUNTY by TOYOTA within sixty (60) days after the effective date of such termination. COUNTY may extend the Cure Period under this Agreement in its own discretion. It is not a waiver of default if COUNTY fails to declare immediately a default, or delays in taking any action with respect to a default, or fails to take any action with respect to a default.

6.03 In the event either the Real Property or Eligible Improvements is taken by any public or quasi-public authority under the powers of eminent domain, condemnation, or expropriation, then the Tax Phase-In as to such property shall terminate (only as to

the portion of the Eligible Improvements affected by the taking) and there shall be no recapture of taxes. In such event, TOYOTA shall have the right to continue or to terminate this Agreement for the remaining portion of the Eligible Improvements and reverse the obligations hereunder to correspond to the remaining Eligible Improvements without recapture or other penalty.

- 6.04 COUNTY shall have any and all remedies it may be entitled to in law or in equity in order to enforce the recapture described herein; however, COUNTY shall not have any other remedies (including specific performance) against TOYOTA or any Related Organization, and, without limiting the foregoing, COUNTY hereby waives any rights to pursue any other remedies or damages, including consequential damages and punitive damages.

ARTICLE VII

ASSIGNMENT

- 7.01 No legal entity other than TOYOTA or a Related Organization shall be entitled to receive the benefit of the Tax Phase-In provided herein without the prior written consent of COUNTY, acting by and through the Commissioners Court. In addition, this Agreement shall not be assigned by TOYOTA or a Related Organization to any other legal entity (other than a Related Organization) without the prior written consent of COUNTY. Any such attempted transfer of the rights and responsibilities under this Agreement or such assignment of this Agreement without prior approval of COUNTY, acting by and through the Commissioners Court, shall be void.
- 7.02 In the event of an assignment by TOYOTA to which COUNTY has consented in writing, the assignee, or the assignee's legal representative, shall agree in writing with COUNTY to assume, perform, and be bound by the covenants, obligations, and agreements contained in this Agreement.

ARTICLE VIII

NOTICES

- 8.01 All notices provided to be given under this Agreement shall be in writing, and shall either be personally served against a written receipt therefor or given by certified mail or registered mail, return receipt requested, postage prepaid, and addressed to the proper party at the address which appears below, or at such other address as the parties hereto may hereafter designate in accordance herewith. All notices given by mail shall be deemed to have been given at the time of deposit in the United States mail and shall be effective from such date.

If to COUNTY: County Judge
Bexar County Commissioners Court
Bexar County Courthouse
100 Dolorosa
San Antonio, Texas 78205
Attn: Tax Phase-In Agreement

With a copy to: Commissioner, Precinct 1
Bexar County Commissioners Court
Bexar County Courthouse
100 Dolorosa
San Antonio, Texas 78205

and, Executive Director
Bexar County Department of
Planning and Resource Management
100 Dolorosa, Third Floor
San Antonio, Texas 78205-3036

and, Chief, Civil Section
Bexar County District Attorney's Office
300 Dolorosa, Fourth Floor
San Antonio, Texas 78205-3036

If to TOYOTA: Mr. Dennis Cuneo
Senior Vice President
Toyota Motor Manufacturing North America, Inc.
Mail Code: Legal-NA
25 Atlantic Avenue
Erlanger, Kentucky 41018-3188
Fax: (859) 746-4190

with a copy to: General Counsel
Toyota Motor Manufacturing North America, Inc.
Mail Code: Legal-NA
25 Atlantic Avenue
Erlanger, Kentucky 41018-3188
Fax: (859) 746-4190

With a copy to: Mr. James M. Summers
Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200

San Antonio, Texas 78205-3792
Fax: (210) 270-7205

ARTICLE IX

SEVERABILITY

- 9.01 In the event any section, subsection, paragraph, subparagraph, sentence, phrase, or word contained in this Agreement is held invalid, illegal, or unenforceable, 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, subparagraph, sentence, phrase, or word. In such event, there shall be substituted for such deleted provision a provision as similar in terms and in effect to such deleted provision as may be valid, legal, and enforceable.

ARTICLE X

APPLICABLE LAW

- 10.01 This Agreement shall be construed under the laws of the State of Texas and is performable in Bexar County, Texas. The Parties agrees that Bexar County shall have exclusive jurisdiction over any and all claims or disputes arising under this Agreement.

ARTICLE XI

INCORPORATION OF OTHER DOCUMENTS

- 11.01 The following exhibits are attached hereto and incorporated herein for all purposes:
- Exhibit "A" Metes and Bounds description of the Reinvestment Zone and the Real Property.
 - Exhibit "B" Form Compliance Report.

ARTICLE XII

AMENDMENT OF DOCUMENTS

12.01 No amendment, modification, or alteration of the terms hereof shall be binding unless the same be in writing, dated subsequent to the date hereof, and duly executed by the parties hereto.

ARTICLE XIII

PRIOR AGREEMENTS SUPERSEDED

13.01 This Agreement constitutes the sole and only agreement of the parties hereto and supersedes all prior understandings or written or oral agreements between the parties respecting the within subject matter.

ARTICLE XIV

MULTIPLE COUNTERPARTS

14.01 This Agreement may be executed in several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when so executed and delivered, shall constitute an original instrument, and all such separate counterparts shall constitute but one and the same instrument.

ARTICLE XV

COMMISSIONERS COURT AUTHORIZATION

15.01 This Agreement was approved by Order of the Commissioners Court dated May __, 2003, authorizing the County Judge to execute this Agreement on behalf of COUNTY effective as of such date. The Tax Phase-In contemplated by this Agreement is expressly subject to the fulfillment by TOYOTA of all of the terms and conditions described herein.

IN WITNESS WHEREOF, this Tax Phase-In Agreement is executed in duplicate originals effective this _____ day of May, 2003.

COUNTY OF BEXAR:

**TOYOTA MOTOR MANUFACTURING,
TEXAS, INC.:**

NELSON W. WOLFF
Bexar County Judge

ATSUSHI NIIMI
President

ROBERT TEJEDA
Commissioner, Precinct 1

PAUL ELIZONDO
Commissioner, Precinct 2

LYLE LARSON
Commissioner, Precinct 3

TOMMY ADKISSON
Commissioner, Precinct 4

ATTEST

GERRY RICKHOFF
Bexar County Clerk

APPROVED AS TO LEGAL FORM:

SUSAN D. REED
Bexar County Criminal District Attorney

APPROVED AS TO FINANCIAL CONTENT:

TOMMY J. TOMPKINS
Bexar County Auditor

MARCUS JAHNS
Executive Director, Department of
Planning and Resource Management

EXHIBIT C

CITY AGREEMENT

1. Designation of License and Permit Coordinator. In order for the Project to commence as soon as possible and to proceed in an orderly and expeditious manner and to meet applicable timetables, the City agrees to designate a License and Permit Coordinator (i) on a part-time basis for the duration of Project Construction and (ii) on an as-needed basis by Toyota thereafter and to do all other things and take all other actions necessary, in cooperation with Toyota, to accomplish this obligation.

2. Assistance with Permits/Licenses. The City hereby agrees, with the cooperation of Toyota, for so long as Toyota, or any Affiliates of Toyota, shall own or lease the Project Site or operate the Project, to assist Toyota in the expeditious processing of all applications for obtaining and maintaining the permits relating to and timely renewal of all applicable permits, licenses, authorizations and approvals of or with the United States government, the State, the Local Governments and any other applicable agencies. These permits include without limitation, all construction and operating permits, process and potable water construction and supply permits, wastewater discharge permits, wetlands siting and grading, clearing, stormwater construction and operating permits and wetlands mitigation or delineation permits all to be issued in an expeditious and timely manner in order to permit Toyota to proceed with its timetable for construction of the Project.

3. Utility Rate and Infrastructure Commitments. CPS agrees to charge the utility rates and construct the infrastructure in the manner and time as set forth in the commitment attached hereto as Addendum C-I and made a part hereof for all purposes for any and all natural gas and/or electricity used by Toyota in connection with the facility at the Project Site. SAWS agrees to charge the utility rates and construct the infrastructure in the manner and time as set forth in the commitment attached hereto as Addendum C-II and made a part hereof for all purposes for any and all water (including wastewater) used by Toyota in connection with the facility at the Project Site. For the period commencing as of the beginning of the eighth (8th) year after the Start of Production of Phase I and expiring as of the end of the fifteenth (15th) year after the Start of Production of Phase I (the "Favorable Rate Period"), CPS agrees to charge Toyota its most favored firm, non-interruptible full-service utility rates charged to any of its industrial or commercial customers (other than customers who are purchasing such utility service on a wholesale basis for resale) at such time for any and all natural gas transportation service and/or electricity used by Toyota in connection with the facility at the Project Site. During the Favorable Rate Period, SAWS agrees to charge Toyota its most favored utility rates charged to any of its industrial or commercial customers (other than customers who are purchasing such utility service on a wholesale basis for resale) at such time for

any and all water (including wastewater) used by Toyota in connection with the facility at the Project Site.

4. Acquisition and Conveyance by IDC.

(a) The City hereby agrees that it will use its best efforts to cause the IDC to convey the Project Site to Toyota as soon as is practicable after its receipt of Toyota's written request after the Trigger Date (but, notwithstanding such best efforts, in no event later than one hundred twenty (120) days from and after the date of such written request), for and in consideration of: (i) the payment of Two Million Dollars (\$2,000,000.00) by Toyota to the IDC (which payment will be made on the date that is the latter to occur of: (a) the date the Project Site is conveyed to Toyota, or (b) the date upon which the commencement of Site Preparation occurs), and (ii) Toyota's performance of the obligations under Article 3 of the Agreement. Toyota will make such written request within 270 days after the Trigger Date. The conveyance of the Project Site is intended to constitute a "sale" within the meaning of Section 23(a)(3) of the Development Corporation Act of 1979 (Article 5190.6 of Vernon's Annotated Texas Civil Statutes), with such \$2,000,000.00 and Toyota's performance of its obligations under Article 3 of the Agreement constituting the "purchase price" for such conveyance as contemplated under the Development Corporation Act of 1979. Such conveyance shall be: (i) evidenced by a special warranty deed duly executed and in recordable form; and (ii) accompanied by an owner's policy of title insurance in form and content satisfactory to Toyota, containing such available endorsements as Toyota may request and issued by one or more title insurance underwriting companies licensed to do business in the State and approved by Toyota, insuring fee simple title to the Project Site to Toyota in the amount of the full value of the Project Site prior to the commencement of Site Preparation, subject to matters listed on Addendum C-III attached hereto. The City hereby agrees to pay or cause IDC to pay to the relevant title company all of its fees and premiums attributable to the issuance of such title policy covering the Project Site and the cost of any and all endorsements to the title policy required by Toyota.

(b) Toyota understands and acknowledges the following matters as of the Effective Date:

- (1) neither the City nor IDC currently own a fee simple interest in all of the Overall Tract.
- (2) approximately 634.91 acres (the "SAWS Tract") out of the Overall Tract are owned by SAWS and, as provided in Addendum C-II hereof, SAWS has agreed to convey to Toyota (or to an entity acceptable to all parties for further conveyance to Toyota) those

portions of the SAWS Tract that are to be part of the Project Site as determined by Toyota in accordance with the Agreement, and SAWS has further agreed in Addendum C-II hereof to impose certain restrictions on the portion of the SAWS Tract that is not part of the Project Site;

- (3) approximately 2 acres (the "BexarMet Tract") out of the Overall Tract are owned by BexarMet and, as contemplated by Section 30 of this City Agreement, BexarMet has agreed to convey to Toyota (or to an entity acceptable to all parties for further conveyance to Toyota) those portions of the BexarMet Tract that are to be part of the Project Site as determined by Toyota in accordance with the Agreement, and BexarMet has further agreed in Section 30 hereof to impose certain restrictions on the portion of the BexarMet Tract that is not part of the Project Site;
- (4) approximately 2,008.70 acres out of the Overall Tract are either (i) owned in part by the IDC or under a contract between the City, as buyer, and an entity controlled by SAEDF ("SAEDF Affiliate"), as seller (the "City Contract"), or (ii) under the following acquisition contracts (together with the City Contract, the "Acquisition Contracts"):
 - (i) that certain Farm and Ranch Earnest Money Contract dated effective as of September 24, 2002, by and between Charlotte E. Kiker, individually and as executrix of the Estate of Bessie F. Walsh, and Curtis Gembler, as sellers, and Christopher Worth Corbin, as buyer, for the sale and purchase of approximately 200 acres (the "200 Acre Tract");
 - (ii) that certain Farm and Ranch Earnest Money Contract dated effective as of September 30, 2002, by and between Mary Louise Walsh, individually and as trustee of the E.P. Walsh Trust, Patrick H. Small, Patricia Walsh Small, John H. Small, as sellers, and Christopher Worth Corbin, as buyer, for the sale and purchase of approximately 1,695 acres;
 - (iii) that certain Farm and Ranch Earnest Money Contract dated effective as of November 11, 2002, by and between

Caroline Murguia, a/k/a/ Caroline Walsh Murguia, Mary Caroline Muguia, Caroline Walsh Murgia, and Mary Caroline Murgia, as seller, and San Antonio Economic Development Foundation, as buyer, for the sale and purchase of such seller's interest in and to the same tract of land referenced in Section 4(b)(4)(ii), above; and

(iv) that certain Farm and Ranch Earnest Money Contract dated effective as of November 6, 2002, by and between James W. Collins, Trustee of the Cook Memorial Trusts, as seller (the "Rail Spur Tract Seller"), and Christopher Worth Corbin, as buyer, for the sale and purchase of approximately 113.7 acres (the "Rail Spur Tract").

(c) Notwithstanding any provision contained herein to the contrary, the City hereby covenants, agrees, warrants, and represents in favor of Toyota as follows:

- (1) The Acquisition Contracts are valid and binding agreements, and are enforceable in accordance with their respective terms against each "Seller" described therein;
- (2) The City possesses the valid, binding, and enforceable right to acquire the properties covered by each of the Acquisition Contracts;
- (3) The City will take all steps necessary or required to maintain the on-going validity and enforceability of the Acquisition Contracts;
- (4) Notwithstanding the time periods set forth in the first and second sentences of Section 4(a) above, the City will take all steps necessary or required to be taken by the City in order: (i) to cause the options under the Acquisition Contracts to be exercised on a timely basis; (ii) to cause each "Seller" under the Acquisition Contracts to fully perform; and (iii) to cause the properties covered by the Acquisition Contracts to be acquired by either the City or the IDC on a timely basis; and
- (5) In the event that any one or more of the "Seller" parties under the Acquisition Contracts (i) defaults or otherwise fails to perform under

the Acquisition Contracts or (ii) otherwise fails to deliver title to the properties covered by the Acquisition Contracts to the City or the IDC, then the City shall pursue any and all available remedies in order to obtain title to the properties covered by the Acquisition Contracts.

- (6) The City recognizes and understands that the configuration and/or location of the Rail Spur Tract may not be suitable for Toyota's intended use, and City hereby agrees, upon request from Toyota, to enter into good faith negotiations with the Rail Spur Tract Seller (as owner of the land adjacent to the Rail Spur Tract) to modify the configuration and/or location of the Rail Spur Tract to suit Toyota's needs, or to otherwise use good faith efforts to acquire such adjacent land as may be necessary for Toyota's intended purposes, without additional cost or expense to the City.

(d) The City hereby covenants and agrees that, at the time of the conveyance of the Project Site to Toyota pursuant to this Section, the IDC or the aforesaid SAEDF Affiliate shall have good, valid, indefeasible and legal title, in fee simple, to the Project Site, free and clear of all liens and encumbrances, easements and servitudes, except those which are listed on Addendum C-III attached hereto and made a part hereof for all purposes, and except those liens that are fully released prior to or at the time of the transfer of the Project Site to Toyota.

(e) The City hereby covenants and agrees that the IDC shall have the funds available and shall acquire the Project Site, or shall cause a subsidiary of SAEDF controlled by SAEDF to acquire the Project Site, within one hundred and twenty (120) days after the Trigger Date. In the event the City and/or the IDC shall finance the acquisition of the Project Site, in whole or in part, through the issuance of bonds (the "Bonds"), the same shall be secured by, among other things, a pledge by the City of certain legally available funds and revenues of the City, or any agency or instrumentality of the City. In no event shall the Project Site be pledged as security for the Bonds or any other financing mechanism used by the City or the IDC in connection with the acquisition of the Project Site, other than liens that are fully released prior to or at the time of the transfer of the Project Site to Toyota.

5. Site Preparation. The City hereby agrees to reimburse Toyota for all costs incurred by Toyota relating to the completion of Site Preparation in accordance with Toyota's plans and specifications and timetable to be provided by Toyota; provided, however, that the aggregate amount of all Site Preparation costs to be reimbursed under this paragraph shall not exceed Ten Million

Dollars (\$10,000,000.00). Toyota understands that the City may fulfill its commitment under this paragraph through the IDC which may, at that time, be the owner of the Project Site.

6. Environmental Representations and Warranties. The City hereby represents and warrants that, as of the date the Project Site is conveyed to Toyota pursuant to Section 4, there shall be no: (a) Hazardous Substances, (b) archeological effects or remains, endangered species, or any outstanding mineral interests on the Project Site that will in any way adversely affect the development, construction, or operation of the Project or the Phase II Project, or (c) violations of any Environmental Laws applicable to the Project Site. The representations and warranties contained in this Section 6 shall remain in full force and effect for a term expiring fifteen (15) years from the commencement of the Site Preparation. If there is a breach of a representation or warranty by the City under this Agreement, the City can cure such breach by remediating the condition that gave rise to such breach. In determining the exact actual location of the Project Site and the location of the Project and the Phase II Project on the Project Site, Toyota agrees to give reasonable consideration to the City's potential liability under this Section 6 and under Section 10 and Section 11 of this City Agreement to the extent Toyota can make such determinations without in any way compromising Toyota's operations on the Project Site; notwithstanding the above, after giving such reasonable consideration, it is understood and agreed that Toyota shall have the right to determine the exact actual location of the Project and the location of the Project and Phase II Project on the Project Site in its sole and absolute discretion.

7. Environmental Impact Analyses. SAEDF will arrange and pay for the preparation and submission of any environmental impact statements, reports, or analyses required for the Project Site or reasonably requested by Toyota on or before the Project Site is conveyed to Toyota. Any and all of such statements, reports, or analyses shall be prepared at no cost to Toyota. Each such report shall specifically provide by its terms that such report is for the benefit of Toyota and contain an acknowledgment from the company performing the work that Toyota as well as any and all lenders with respect to Project Starbright shall be entitled to rely upon the results of such reports. Further, Toyota will be allowed to review and approve all companies providing any report issued pursuant to this paragraph and shall have the right of prior approval of any engagement agreements proposed with such companies. Any and all reports shall be forwarded to Toyota prior to the conveyance of the Project Site, but in any event as soon as practicable. In compliance with the foregoing provisions of this Section, SAEDF (together with the City) has caused Raba-Kistner Consulting, in conjunction with the University of Texas at San Antonio Center for Archeological Research, and in consultation with appropriate State of Texas agencies, including the Texas Historical Commission and Texas Parks and Wildlife and federal agencies, including the Army Corps of Engineers and the U.S. Fish and Wildlife Service, to prepare, and has delivered to Toyota, a site assessment of the Overall Tract dated January 2003 (the "Site Assessment Report"). The Site Assessment Report was specifically prepared for "Project Starbright" and consists of five sections and respective attachments including: 1. Executive Summary, 2. Phase I ESA, 3. Threatened and Endangered Species, 4.

Historical/Cultural Cemeteries, and 5. Wetlands. The provision to Toyota of the Site Assessment Report shall not be deemed acceptance by Toyota of the matters set forth in the Site Assessment Report or in any way relieve or release the City with respect to any remediation or other responsibility under this City Agreement, including those arising under Sections 9, 10, 11, or 12 of this City Agreement.

8. Environmental and Cultural Resources Assessment. The City hereby agrees to arrange and pay for the preparation of an environmental and cultural resources assessment for the Project Site. Such assessment shall be prepared at no cost to Toyota. Such assessment shall specifically provide by its terms that it is for the benefit of Toyota and contain an acknowledgment from the company performing the work that Toyota as well as any and all lenders with respect to Project Starbright shall be entitled to rely upon the results of such assessment. Further, Toyota will be allowed to review and approve the company providing the assessment and shall have the right of prior approval of the engagement agreement proposed with such company. Any and all reports shall be forwarded to Toyota prior to the conveyance of the Project Site, but in any event as soon as practicable. In compliance with the foregoing provisions of this Section, the City (together with SAEDF) has caused Raba-Kistner Consulting to prepare, and has delivered to Toyota, the Site Assessment Report. In further compliance with the provisions of this section, the City has also prepared that certain Phase One Environmental Site Assessment dated March 2003 pertaining to the Rail Spur Tract and has delivered a copy of such report to Toyota. The provision to Toyota of the Site Assessment Report and such Phase One Environmental Site Assessment pertaining to the Rail Spur Tract shall not be deemed acceptance by Toyota of the matters set forth in the Site Assessment Report and such Phase One Environmental Site Assessment pertaining to the Rail Spur Tract or in any way relieve or release the City with respect to any remediation or other responsibility under this City Agreement, including those arising under Sections 9, 10, 11, or 12 of this City Agreement.

9. Environmental Indemnification. The City hereby agrees, to the extent allowed by applicable law, to indemnify and hold harmless Toyota from and against, and reimburse Toyota for, any losses or damages, fines, penalties, remedial costs, or legal expenses or other related costs associated therewith whatsoever, whether to person, property or natural resources, which Toyota may incur as a result of the release or presence at or onto the Project Site of any Hazardous Substances or the violation of any Environmental Laws at or onto the Project Site which presence, release or violation is attributable to events, occurrences or circumstances adhering to or affecting the Project Site prior to and including the date on which the Project Site is conveyed from IDC to Toyota, irrespective of the date of discovery of such presence, release or violation. This environmental indemnity shall survive (including, without limitation, surviving the termination of this Agreement) for a term of fifteen (15) years from the commencement of the Site Preparation. In addition, the City shall remediate any environmental condition attributable to the release or presence at or onto the Project Site of any Hazardous Substances or the violation of any Environmental Laws at or onto the Project Site which presence, release or violation is attributable to events, occurrences, or

circumstances adhering to or affecting the Project Site prior to and including the date on which the Project Site is conveyed from IDC to Toyota, irrespective of the date of discovery of such presence, release or violation, and the City shall cap, plug, and close all oil and gas wells located on the Project Site in accordance with all applicable governmental standards and rules, and the City shall remove all underground and above ground storage tanks in accordance with all applicable governmental standards and rules. This remediation obligation shall survive for a term of fifteen (15) years from the commencement of the Site Preparation.

10. Wetlands. SAEDF and the City each hereby agrees to evaluate and delineate potential wetlands on the Project Site and, if there are wetlands on the Project Site, to obtain and provide to Toyota any approvals necessary by reason of such wetlands under the Clean Water Act (33 USC Section 1251, *et seq.*) and related state and local laws, including the provision of any wetlands protection or mitigation actions that may be required or appropriate, all at no cost to Toyota, which obligation shall continue for a period of fifteen (15) years from the commencement of the Site Preparation. Any and all reports shall be forwarded to Toyota prior to the conveyance of the Project Site, but in any event as soon as practicable. In connection with the foregoing provisions of this Section 10, SAEDF and the City have caused Raba-Kistner Consulting to prepare, and have delivered to Toyota, the Site Assessment Report. The provision to Toyota of the Site Assessment Report shall not be deemed acceptance by Toyota of the matters set forth in the Site Assessment Report or in any way relieve or release the City with respect to any remediation or other responsibility under this City Agreement, including those arising under Sections 9, 10, 11, or 12 of this City Agreement.

11. Cemeteries. SAEDF and the City each hereby represents and warrants that there shall be no cemetery located within the boundaries of the Project Site that will in any way adversely affect the development, construction, or operation of the Project or the Phase II Project. The representations and warranties contained in this Section 11 shall remain in full force and effect for a term expiring fifteen (15) years from the commencement of the Site Preparation.

12. Cultural and Historical Resources and Threatened or Endangered Species. SAEDF and the City each hereby agrees to determine whether the Project Site or surrounding areas contain cultural or historical resources or species or plant and animal life that are listed or proposed for listing as threatened or endangered under the Endangered Species Act (16 USC Section 1531, *et seq.*) and related state or local laws and whether the presence of such resources or species will affect the use of the Project Site for construction and operation of the Project. If so, SAEDF and the City each hereby agrees to address those potential effects to the reasonable satisfaction of Toyota and without cost to Toyota, which obligation shall continue for a period of fifteen (15) years from the commencement of the Site Preparation. Any and all reports shall be forwarded to Toyota prior to the conveyance of the Project Site, but in any event as soon as practicable. In connection with the foregoing provisions of this Section, SAEDF and the City have caused Raba-Kistner Consulting to prepare, and have delivered to Toyota, the Site Assessment Report. The provision to Toyota of the

Site Assessment Report shall not be deemed acceptance by Toyota of the matters set forth in the Site Assessment Report or in any way relieve or release the City with respect to any remediation or other responsibility under this City Agreement, including those arising under Sections 9, 10, 11, or 12 of this City Agreement.

13. Water and Sewer. SAWS hereby agrees to provide a temporary water extension line, a permanent water extension line, and a sewer extension line from the property line of the Project Site to such location on the Project Site as directed by Toyota, without cost to Toyota, and to ensure that the pressure, quality, and character of the water meets applicable governmental standards, including the standards set forth in Subchapter F, Chapter 290, Title 30, of the Texas Administrative Code, and that the quantity of the water meets the needs of Project Starbright. SAWS hereby agrees to provide a permanent water extension line and a sewer extension line from preexisting lines not located on the Project Site to the property line of the Project Site. In each instance, the permanent water extension line and the sewer extension line will be placed in such routes and will extend to such locations on the perimeter of the Project Site as directed by Toyota. Each of the extension lines shall be constructed and installed to industrial standards, including but not limited to line size and pressure in order to service adequately the needs of the Project Site (based on information provided to the City by Toyota prior to the Effective Date) and other potential independent users along each extension. Construction and installation of a temporary water extension line shall commence and shall be completed by December, 2003. Construction and installation of a permanent water extension line shall commence and shall be completed by March 1, 2005. Construction and installation of the sewer extension line shall commence and shall be completed by April 1, 2005. SAWS understands and agrees that these deadlines have been established to insure that such lines will be completed and operational in a timely manner that is consistent with, and does not impede, the overall construction and completion of the Project. Additionally, SAWS hereby agrees to provide a recycled water extension line to the property line of the Project Site on Applewhite Road, at a mutually agreeable location, without cost to Toyota, and to ensure that the pressure, quality, and character of such recycled water meets applicable governmental standards, and that the quantity of such water meets the needs of Project Starbright, which recycled water extension line shall be completed by April 1, 2005. The completion date for the construction of the temporary water extension line is contingent upon Toyota providing SAWS with a basic site layout plan (the "Basic Site Layout Plan") of the contemplated construction. Should the Basic Site Layout Plan not be delivered by Toyota to SAWS by November 15, 2003, then the completion date for the temporary water extension line will be extended by a period of time equal to the number of days after November 15, 2003, that the Basic Site Layout Plan is delivered to SAWS. The completion dates for the construction of the permanent extension water line, the sewer extension line, and the recycled water extension line are contingent on Toyota providing to SAWS a ninety percent (90%) site layout plan of the Project Site, to include drainage, roadways, building location, and service points of delivery (the "90% Site Layout Plan"), not later than May 1, 2004. Should the 90% Site Layout Plan not be delivered by Toyota to SAWS by May 1, 2004, then the completion date for the permanent

water line, the sewer extension line, and the recycled water line will be extended by a period of time equal to the number of days after May 1, 2004, that such information is delivered to SAWS. The City and SAWS agree to waive all fees (including impact fees) for permits, applications, or the like for such water, recycled water, and wastewater, to the fullest extent permitted by law.

14. Storm Water Basin and Piping Systems. The City hereby agrees to reimburse Toyota for all costs associated with the purchase, construction and installation of any necessary public storm water runoff and piping systems at the Project Site as a Site Preparation cost pursuant and subject to Section 5 of this Exhibit C. The City shall not be obligated to reimburse Toyota for the installation of internal collection systems on the Project Site.

15. Wastewater Treatment. SAWS hereby agrees to arrange for sufficient off-Project Site sewer and wastewater treatment and related facilities (including, without limitation, any and all pumping stations) as will be required to handle twice the volume of domestic and industrial process wastewater and other effluent generated by the Project at full production capacity (based on information provided to the City by Toyota prior to the Effective Date), at no cost to Toyota. Within 30 days after Toyota submits an application for a wastewater permit, SAWS and the City (as appropriate) will determine and confirm in writing the completeness of that application. Within 30 days after the application is determined to be complete, SAWS and the City (as appropriate) will establish appropriate effluent limitations, including pretreatment requirements, for the Project. Within 60 days after the application is determined to be complete, SAWS and the City (as appropriate) will issue or deny the referenced permit. Construction and installation of the sewer and wastewater treatment facilities shall commence and shall be completed by December, 2004 (which deadline has been established to insure that such lines will be completed and operational in a timely manner that is consistent with, and does not impede, the overall construction and completion of the Project). During permit preparation and following commencement of wastewater discharge throughout the existence of both the Project and the Phase II Project, the persons responsible for city wastewater treatment shall assist Toyota to jointly resolve any issues or concerns which may arise relating to wastewater discharge. Such assistance may include, without limitation, operational or design changes at either the Project Site or the city wastewater treatment plant, or both.

16. Natural Gas Line. CPS shall provide gas lines to such locations on the Project Site directed by Toyota, all without cost to Toyota. Construction and installation of the gas lines shall commence and shall be completed as provided in Addendum C-I.

17. Electrical Power; Non-Attainment Banking. CPS shall provide electric transmission / distribution lines to such locations on the Project Site as directed by Toyota (with such minor adjustments as Toyota shall direct), all without cost to Toyota. CPS shall construct such additional electric utility infrastructure to the point(s) of delivery as Toyota shall reasonably request without cost to Toyota and, in addition, shall construct the feeder cables on the Toyota-side of the point of delivery, i.e. from the CPS 13.8kV secondary breakers to the Toyota 13.8kV secondary breakers, as

specified in Addendum C-1, paragraph II.3. CPS is not otherwise responsible for electric facilities and infrastructure beyond the CPS 13.8kV secondary breakers.. Construction and installation of the electric transmission / distribution lines shall commence and shall be completed as provided in Addendum C-I. CPS shall, at Toyota's request, redirect to the perimeter of the Project Site, as necessary, those portions of the high voltage lines currently running through the Project Site, and shown as the Leon Creek to Pleasanton 138 KV Transmission Line in Addendum C-IV hereto, and Toyota shall (to the extent necessary) grant easements to allow for such redirection. The Alamo Area Council of Governments is in the process of establishing an emissions "offsets" bank for the trading of emissions offset credits should the region be classified as non-attainment. CPS has agreed to actively support the establishment of such offsets bank and will trade with and utilize the services of such offsets bank to assure the continued economic development of the region in an environmentally responsible manner.

18. Temporary Office Facilities. GKDA hereby agrees to provide Toyota with fully equipped (including, without limitation, workstations, chairs, and telephone cabling (but not telephone hardware), but not including computer equipment or cabling) temporary office space comprising up to approximately 25,000 square feet until the completion of the permanent administrative facility on the Project Site. GKDA and Toyota will mutually agree upon the precise number of square footage, space configuration, and required work station and office equipment specifications to be provided to Toyota under this paragraph. Such space will be leased to Toyota at no cost or expense to Toyota, and GKDA will be solely responsible for any and all costs and expenses which are incurred and relate to such space, including, without limitation, any and all repair and maintenance charges, utility charges, real estate and other taxes and assessments, and insurance premiums. The terms of such lease shall be set forth in a lease agreement to be mutually agreed upon by GKDA and Toyota.

19. Temporary Living Quarters. SAEDF hereby agrees to assist Toyota employees in securing temporary living quarters in the area, all at favorable rates to the employees.

20. Toyota Ambassadors Program. SAEDF hereby agrees to establish a "Toyota Ambassadors" program to welcome and assist Toyota employees and their families in all aspects of living in San Antonio, Texas, including spousal employment assistance.

21. Cultural Assistance. The City and State hereby agree to use best efforts to provide, at no cost to Toyota, "Saturday Japanese School" and "English as a Second Language" classes for Toyota employees and their families. Toyota understands that it may be asked to contribute financially to the costs associated with the operation of the school.

22. Foreign Trade Zone. At Toyota's request, the City shall prepare and submit an application seeking the designation of the Project Site (or a portion of the Project Site as approved by Toyota) as a Foreign Trade Zone, including retention of the necessary professionals. Such

application shall be prepared and submitted as soon as reasonably practicable following receipt from Toyota of all necessary information. All costs of obtaining such designation shall be borne by the City. In addition, the City agrees to reimburse Toyota for all costs associated with the purchase and installation of fencing around the Project Site (or the portion thereof designated as a Foreign Trade Zone) in accordance with Foreign Trade Zone standards as a Site Preparation cost pursuant and subject to Section 5 of this Exhibit C.

23. Limited Purpose Annexation. As of the date of the conveyance of the Project Site to Toyota pursuant to Section 4 of this Exhibit C, it is likely that the Project Site will be located in an area that was recently annexed by the City as a "limited purpose annexation", and, as such, the City hereby agrees to enter into a Basic Fire Services Agreement with Toyota to provide fire protection services to the Project Site until such time as the Project Site is fully annexed by the City, which Basic Fire Services Agreement shall be in form attached hereto as Addendum C-V. Toyota hereby consents to and will cooperate with the City's full annexation of the Project Site at any time after (but not including) January 1, 2006, it being understood that no City ad valorem taxes would be assessed or accrue with respect to the Project Site during calendar tax years 2003, 2004, 2005, and 2006. In this regard, Toyota agrees to execute and record or, if the Project Site is conveyed to an Affiliate of Toyota, have such Affiliate execute and record, in the Bexar County Real Property Records at the time that the Project Site is conveyed to Toyota a Landowner's Consent to Annexation covering the Project Site in the form attached hereto as Addendum C-VI.

24. Zoning.

(a) The City agrees to initiate appropriate zoning cases and revisions to its Unified Development Code to zone the larger geographical area surrounding the Project Site located within the City's zoning jurisdiction and within three (3) miles of the perimeter of the Project Site (the "Enhanced Zoning Area") The City agrees to commence such zoning process as soon as is practicable after the Effective Date and to work with Toyota in accordance with procedures required and authorized by law to zone the area which will include the creation of an appropriate new zoning overlay district (a "Target Industrial Development Area") with the objective of imposing upon the Enhanced Zoning Area appropriate land use guidelines that satisfy Toyota regarding use, density, set-back and other restrictions consistent with Project Starbright. Toyota may designate a representative to work with the City, and the City will work in good faith with such representative, in the development of land use planning initiatives in the Enhanced Zoning Area and the Target Industrial Development Area, as well as any other land use planning initiative that affects the general area of the Project Site.

(b) The City agrees to exercise its best efforts to full-purpose annex in a timely manner any land within the Enhanced Zoning Area which is limited-purpose annexed so as to avoid disannexation of such limited-purpose annexed areas.

(c) The zoning and full-purpose annexation provisions contained in this Section have been agreed to by the City as an inducement for Toyota to locate the Project on the Project Site, and Toyota has heavily relied upon such agreements in deciding to locate the Project on the Project Site.

25. Surrounding SAWS Land. SAWS agrees to restrict the use of all SAWS property located adjacent to the Medina River and in the vicinity of the Project Site east of Applewhite Road to ensure that such land be used exclusively for conservation, green belt or other similar uses, and be encumbered with permanent restrictions against residential and heavy industrial uses. Toyota shall be entitled to enforce such restrictions. SAWS further agrees, as landowner of the property described above to cooperate with the zoning process referenced in Section 24 above.

26. City Obligations. All IDC, SAWS, and CPS obligations under this Agreement shall also be obligations of the City and the City shall cause IDC, SAWS and CPS to perform their respective obligations under this Agreement. The City shall cooperate with BexarMet, SAEDF, GKDA and Toyota to ensure that BexarMet, SAEDF and GKDA perform their respective obligations under this Agreement.

27. Training Facility. The City agrees to reimburse Toyota up to, but not to exceed, Three Million Dollars (\$3,000,000.00) for the cost of constructing the training center referenced in Section 12 of the State Agreement. Such amount shall be in addition to those amounts obligated to be reimbursed by the State for the training center. The source of such Three Million Dollars (\$3,000,000.00) will be a grant made to the City by the U.S. Economic Development Administration through the U.S. Department of Commerce.

28. Lease Space. The AWD will lease space to establish a Toyota Outreach and Screening Center for one (1) year (while other facilities are being built) during the Project ramp up. Such space will be leased to Toyota at no cost or expense to Toyota, and AWD will be solely responsible for any and all costs and expenses which are incurred and relate to such space, including, without limitation, any and all repair and maintenance charges, utility charges, real estate and other taxes and assessments, and insurance premiums.

29. Land Use Restriction. The City hereby agrees to restrict the portion of the Overall Tract that is not the Project Site to ensure that such land be used exclusively for (i) uses (other than residential and heavy industrial uses) compatible and consistent with the use of the Project Site, or (ii) conservation, green belt or other similar uses, and not for residential and heavy industrial uses.

30. BexarMet Tract. BexarMet agrees to convey to SAWS for further conveyance to Toyota (or to an entity acceptable to all parties for further conveyance to Toyota) those portions of the BexarMet Tract that may be designated by Toyota to be part of the Project Site. BexarMet further agrees, as owner of the BexarMet Tract to cooperate with the zoning process referenced in Section 24 above. BexarMet also agrees to restrict any of the BexarMet Tract that is not part of the

Project Site to ensure that such land will be used exclusively for (i) uses (other than residential and heavy industrial uses) compatible and consistent with the use of the Project Site, or (ii) conservation, green belt or other similar uses, and not for residential and heavy industrial uses. Toyota shall be entitled to enforce such restrictions. Should Toyota determine that the presence of the BexarMet water pipeline located in the easement appurtenant to the Bexar Met Tract will interfere with the operation of the Project, BexarMet agrees to fully release the water pipeline easement appurtenant to the BexarMet Tract to Toyota's reasonable satisfaction. Bexar Met must receive written notice from Toyota of Toyota's determination as to whether such water line interferes with Toyota's operation of the Project on or before the date which is 330 days from the Effective Date. Absent BexarMet's receipt of such notice within this time period, Bexar Met shall have no obligation to release, abandon or otherwise surrender said easement. Time is of the essence with respect to such deadline. BexarMet shall also surrender any and all rights it may have to divert surface water from locations on the Project Site and will take any and all actions necessary to effectuate such surrender including, without limitation, abandoning and/or amending any permits issued by the State of Texas in which BexarMet has an interest that would allow any diversion of surface water at locations on the Project Site.

31. Cell Tower. There is a communications tower (the "Cell Tower") located near Applewhite Road on the Overall Tract that was constructed pursuant to a Communications Site Lease Agreement (Ground) dated December 23, 1997 between Nextel of Texas, Inc. and Mary Louise Walsh (the "Cell Tower Lease"). The City will cause the Cell Tower to be removed from the Overall Site and the Cell Tower Lease to be terminated within eight (8) months from and after the Effective Date, provided that up to \$300,000.00 of the actual costs incurred by the City or the IDC in connection with such removal and such termination (the "Cell Tower Costs") will be Site Preparation Costs, and the \$10,000,000.00 reimbursement maximum for Site Preparation Costs set forth in Section 5 of this Exhibit C will be reduced by the amount of the Cell Tower Costs (not to exceed \$300,000.00).

32. Tower Windmill. If necessary prior to the actual conveyance of the Project Site to Toyota, Toyota, for purposes of monitoring wind direction and speed and other similar purposes, may erect or cause to be erected a tower based windmill that is approximately 150 feet in height, together with associated guy wire lines and other supporting structures, on the Overall Tract in a location to be determined by Toyota. In the event that Toyota must so erect such tower prior to the acquisition of the Project Site by the City, the IDC, or SAEDF or an SAEDF Affiliate, as contemplated hereby, the City will obtain from the applicable current landowner, appropriate consent and permission for Toyota to erect and have access to such tower.

ADDENDUM C-I

CITY PUBLIC SERVICE RATE AND INFRASTRUCTURE COMMITMENT

I. Applicable Rates:

CPS will provide electric and natural gas retail service to Toyota under and pursuant to the terms of the attached rate schedules: Super Large Power Service Electric Rate and E16 Economic Incentive Rider; and the NGT Natural Gas Transportation Service Rate and Agreement for Transportation of Customer-Owned Gas, as such rate schedules may be amended from time to time by act of CPS's regulatory authority.

II. CPS Infrastructure

CPS will provide and install, at no cost to Toyota, CPS electric and gas service standard infrastructure (electric substations and transformers, electric transmission feeds, electric distribution facilities, electric and natural gas meters, natural gas supply lines, and telemetering equipment) to the Project Site for the benefit of Toyota. All such infrastructure will meet the standard of equipment and service utilized for CPS industrial customers similarly situated and of comparable size. The infrastructure so committed includes:

1. Electric distribution lines and natural gas pipe to the property line of the Project Site. CPS will provide a natural gas extension from its existing facilities approximately 16,500 feet from the Project Site in order to provide gas supply facilities to the property line of the Project Site.
2. Natural gas pipe from the property line of the Project Site to the customer meters.
3. Electric substation(s) and transformers located on tract(s) provided to CPS by Toyota. Phase One load to be served with two 40 MVA transformers operated in parallel; Phase Two load to be served with two additional 40 MVA transformers operated in parallel. CPS will install new 13.8 kV feeder cables with greater than 2000 amp capacity plus 1 spare cable, running from the CPS switch gear within the on-site CPS substation to Toyota's 13.8 kV secondary breakers. Toyota shall own and maintain the CPS installed feeder cables. This CPS substation is exclusively dedicated to serve Toyota's load.
4. Dual main electric transmission feeds to two transformers serving the Project Site. One-way natural gas feed from CPS Loop 410 Supply Pressure main at Pleasanton Road, with multiple tie-in locations available for two-way supply feed.
5. Electric and natural gas meters.
6. Telemetering equipment appropriate for the foregoing infrastructure.

7. Reasonable additions to the foregoing infrastructure as necessary to support Toyota expansion.
8. Temporary electric and natural gas facilities as necessary reasonably to accommodate Toyota operations prior to completion of permanent facilities.

III. Capacity: Infrastructure provided for above will be sized appropriate for Toyota's needs, as determined in consultation with Toyota representatives, based on specified load calculations of Toyota. Electric needs are presently anticipated for Phase One to include two 40 MVA transformers (operated in parallel), and for Phase Two, an additional two 40 MVA transformers, subject to reasonable accommodation for subsequent customer capacity requirements. Gas needs are anticipated to require installation of a 12-inch supply pipeline, allowing a design capacity of 985 MCFH and peak capacity of 1150 MCFH.

IV. Schedule: CPS installation work will commence as soon as reasonably practicable after the Trigger Date (as defined in Article 1.20 of the Agreement), and will be prosecuted in a good faith attempt to meet the following schedules for completion. Gas pipeline installation is anticipated to require 180 days. Subject to Force Majeure, temporary electric utility installation will be completed by December 2003; and permanent electric and gas installation will be completed by December 2004.

V. Facility Location and Relocation: At no cost to Toyota, CPS will locate, and relocate to the Project Site, transmission facilities that will serve Toyota.

CITY PUBLIC SERVICE BOARD

OF SAN ANTONIO

SUPER LARGE POWER SERVICE

ELECTRIC RATE

SLP

APPLICATION

This rate is applicable to alternating current service to any Customer whose entire requirements on the premises are supplied at one point of delivery through one meter and whose monthly average load factor is greater than 41% or 300 hours use. For purposes of this rate transmission voltage is defined as 138 KV or higher, distribution primary voltage is 13.2 KV up to 69 KV and distribution secondary voltage is less than 13.2 KV.

This rate is not applicable (a) when another source of electric energy is used by the Customer or (b) when another source of energy (other than electric) is used for the same purpose or an equivalent purpose as the electric energy furnished directly by City Public Service, except that such other source of energy as mentioned in (a) and (b) may be used during temporary failure of the City Public Service electric service.

This rate is not applicable to emergency, temporary, or shared service. It is also not applicable to resale service.

TYPE OF SERVICE

The types of service available under this rate are described in City Public Service Electric Service Standards. When facilities of adequate capacity and suitable phase and voltage are not adjacent to the premises served or to be served, the required service may be provided pursuant to City Public Service Rules and Regulations Applying to Electric Service and the City Public Service Board Policy for Electric Line Extensions and Service Connections. City Public Service will furnish sufficient transformer capacity and other facilities in order to allow maintenance of City Public Service equipment at the least possible inconvenience to the customer consistent with other system priorities.

MONTHLY BILL

Rate

\$1,000.00 Service Availability Charge

Demand Charge

Summer Billing (June - September)

- \$ 9.50 Per KW for all KW of Billing Demand at Transmission Voltage
- \$ 10.00 Per KW for all KW of Billing Demand at Distribution Primary Voltage*

Non-Summer Billing (October - May)

- \$ 7.00 Per KW for all KW of Billing Demand at Transmission Voltage
- \$ 7.50 Per KW for all KW of Billing Demand at Distribution Primary Voltage*

Energy Charge

- \$ 0.0240 Per KWH for all KWH

* For service supplied at secondary distribution voltage, the primary voltage demand charge will be increased by \$0.45 per KW of billing demand.

Minimum Bill

The Minimum Bill shall be equal to the Service Availability Charge plus the applicable Demand Charge or such higher Minimum Bill as may be specified in the Customer's Application and Agreement for Electric Service. The Minimum Bill is not subject to reduction by credits allowed under the adjustments below.

Adjustments

Plus or minus an amount which reflects the difference in the unit fuel cost factor for the current month above or below a basic cost of \$0.0160 per KWH sold. The unit fuel cost factor for the current month is computed as the sum of:

- (a) The current month's estimated unit fuel cost per KWH, which is computed based upon the current month's estimated KWH generation mix, unit fuel cost by fuel type, any known changes in fuel cost, sales to other than long-term customers, purchases and line losses; plus
- (b) An adjustment, if indicated by the current status of the over and under recovery of fuel costs for the recovery year in progress, to correct for the difference between the preceding month's estimated unit fuel cost and the current computation for this value. This adjustment is computed by multiplying the difference between the preceding month's estimated unit fuel cost (corrected for any fuel supplier surcharge) and the current computation for this value times the KWH generated during the preceding month and then dividing the result by the current month's estimated KWH sales; plus
- (c) An adjustment, if indicated by the current status of the over and under recovery of fuel costs for the recovery year in progress, to correct for the difference between the preceding month's estimated value for the second preceding month's unit fuel cost and actual unit fuel cost for that month. This adjustment is computed by multiplying the difference between the preceding month's estimated value for the second preceding month's unit fuel cost and the actual unit fuel cost for that month (corrected for any fuel supplier surcharge) times the KWH generated during the preceding month and then dividing the result by the current month's estimated KWH sales; plus

- (d) An adjustment, as necessary, which may be derived and applied to the unit fuel cost factors during the months preceding, including, and/or following January each year, depending on the dollar amount of adjustment necessary to balance the annual cumulative actual fuel cost with the annual cumulative fuel cost recovery through these rates; plus
- (e) An adjustment to reflect offsetting credits to or additions to fuel costs resulting from judicial orders or settlements of legal proceedings affecting fuel costs or components thereof, including taxes or transportation costs, or to reflect accounting and billing record corrections or other out-of-period adjustments to fuel costs.

Plus or minus the proportionate part of the increase or decrease in taxes, required payments to governmental entities or for governmental or municipal purposes which may be hereafter assessed, imposed, or otherwise required and which are payable out of or are based upon revenues of the electric system.

Monthly Demand

The Monthly Demand will be the KW as determined from reading the City Public Service demand meter for the 15 minute period of the Customer's greatest Demand reading during the month.

Billing Demand

For the period June through September, the Billing Demand is equal to the greatest of the following:

- (a) The Monthly Demand as defined above
- (b) 5,000 KW
- (c) Such higher KW as may be specified in the Customer's Application and Agreement for Electric Service

For the period October through May, the Billing Demand is equal to the greatest of the following:

- (a) The Monthly Demand as defined above
- (b) 5,000 KW
- (c) Such higher KW as may be specified in the Customer's Application and Agreement for Electric Service
- (d) 80% of the highest measured peak Demand established during the previous summer period months (June through September).

Prior to the establishment of a previous summer peak Demand, (d) above will not apply.

Power Factor

When, based on a test of the Customer's power factor, the power factor is below 85% lagging, the Billing Demand may be increased by adding 1% of the Actual Demand for each 1% that the power factor is below 85%.

LATE PAYMENT CHARGE

The Monthly Bill will be charged if payment is made within the period indicated on the bill. Bills not paid within this period will be charged an additional 2% times the Monthly Bill excluding the adjustment for fuel costs, garbage fees and sales taxes.

TERM OF SERVICE

Service shall be supplied for an initial term of not less than five (5) years and may be extended for additional periods as provided in the City Public Service Application and Agreement for Electric Service. Should a Customer's service requirement exceed the standard of service normally provided under this rate, a longer contract term may be required.

RULES AND REGULATIONS

Service is subject to City Public Service Rules and Regulations Applying to Electric Service which are incorporated herein by this reference.

CURTAILMENT

City Public Service shall have the right at any and all times to immediately adjust in whole or in part, the supply of electricity to Customers, in order to adjust to fuel supplies for generation of electricity or to adjust to other factors affecting delivery capability.

CITY PUBLIC SERVICE BOARD

OF SAN ANTONIO

RIDER E16

ECONOMIC INCENTIVE RIDER

(i) AVAILABILITY

This rider is available only in conjunction with existing customers served under SUPER LARGE POWER SERVICE ELECTRIC RATE (SLP) or new customers eligible for service under that rate. The following requirements must be met:

1. The Customer must demonstrate, to the satisfaction of CPS, that new load or additional load must have a minimum build out capacity of 10,000 KW.
2. The Customer's new plant or plant expansion must meet the minimum permanent full-time employment target as agreed with the City of San Antonio, as applicable.
3. The Customer must demonstrate a minimum level of purchases in parts, supplies, and/or services from businesses located within the Greater San Antonio Metropolitan Area, as agreed with the City of San Antonio, as applicable.
4. Service supplied under this rider is subject to the same terms and conditions of the SLP Rate, except as specifically indicated in this rider, and the Customer's Application and Agreement for Electric Service.
5. CPS or the City of San Antonio may require the Customer to locate to an economic targeted area defined by the City of San Antonio.

(ii) APPLICABILITY

A customer shall furnish plans that demonstrate, to the satisfaction of CPS, a minimum of new or additional electric load to qualify for billing discounts, as specified in the following table. Such plans shall further demonstrate that such build out will be completed within twenty-four

months of initiation of service under this rider. The customer shall further reach agreement with the City of San Antonio on employment and local business purchase commitments.

MONTHLY BILL

The monthly bill will be calculated with the SLP rate for the total Customer’s load, applying the following billing discount.

Billing Discount

A customer served under this rider will be eligible for a billing discount equal to a percentage reduction of demand charges for the applicable minimum electric demand as indicated in the following table.

BILLING DEMAND DISCOUNT

Minimum New or Additional Load KW	Contract Year			
	1 st	2 nd	3 rd	4 th
10,000+	10%	10%	N/A	N/A
15,000+	25%	25%	25%	N/A
25,000+	50%	50%	50%	50%

For each subsequent addition of 10,000 KW, the contract term shall be subject to an extension of one year at the original discount level, subject to a total term limit of seven years.

Monthly Demand

The Monthly Billing Demand will be determined according to the provisions of the SLP rate, with the exception that for the period October through May, the Billing Demand provision (d) will be waived for the term that this rider is effective.

APPLICABLE ELECTRIC DEMAND

The billing discount will be computed for the applicable electric demand determined as follows:

1. For an existing customer, the applicable electric demand will be determined as the increase in additional electric demand, as measured from summer and non-summer period average actual demands for a consecutive twelve month base period immediately preceding the month that service is requested under this rider, or as mutually agreed upon by the customer and CPS.
2. For a new customer, the billing discount will be applied to all electric demand.

PENALTY FOR NON-COMPLIANCE

Compliance with agreed upon load, employment, and local business purchase commitments will be subject to verification by CPS and the City of San Antonio. For the purpose of determination of qualification for compliance with contracted electric load additions, a customer's load will be determined as the average of the customer's four highest monthly actual electric demands. Failure to meet build out load within twenty-four months, and employment targets or local business purchase commitments, by the end of the contract period will result in customer being rebilled and liable for payment at the rate which would otherwise have been applicable.

TERM OF ELIGIBILITY

A customer will be eligible for economic incentive discounts under the provisions of this rider for an initial period, of up to four years, as indicated for the amount of load to be added, and subject to the customer meeting load, employment, and local business targets at full operation. The term may be extended for three additional years if the customer demonstrates additional electric load, increased employment targets, and additional purchases of local business goods or services. For such an extension period, the billing discount will be applied to the originally agreed upon base period electric demands. In any case, a customer will only be eligible for this rider for a maximum period of seven years.

OTHER PROVISIONS

The Customer remains eligible for any other rider(s), which are applicable to the customer's load.

CITY PUBLIC SERVICE BOARD

OF SAN ANTONIO

**NATURAL GAS TRANSPORTATION
SERVICE**

NGT

APPLICATION

This rate is applicable only to Customers for whom a separate contract or agreement (Agreement) between City Public Service and the Customer exists for the transportation of Customer-owned natural gas (gas) through City Public Service facilities for delivery to the Customer for the Customer's own use. Customers whose natural gas is transported through City Public Service facilities will be subject to the rates and other specifications included herein, as well as those in the Agreement and in other rate schedules, policies, rules and regulations of City Public Service which are referenced herein.

This rate is available to Customers who otherwise would qualify for service under Industrial Gas Rates Class B or LVG. This rate is not available to transportation of natural gas for: (1) resale by Customer, (2) standby gas service, or (3) service to electric self-generator Customers. Nevertheless, this rate is applicable and available to: (1) Customers who compress the gas for subsequent sale as a vehicular fuel, and to (2) Cogeneration facilities or Small Power Production facilities qualified under the Federal Energy Regulatory Commission Rules. Gas transported or used by a Customer under this rate is subject to the curtailment provisions as specified under the priority system established by the Railroad Commission of Texas, and also to constraints (if any) contained in existing City Public Service gas supply contracts.

The Customer is responsible for and shall provide evidence satisfactory to City Public Service that the Customer has contracted with all appropriate parties and has obtained all necessary clearances and certificates from governmental agencies and others as may be required for the safe and timely delivery of sufficient quantities of natural gas to City Public Service. City Public Service retains the right to accept or reject a proposed natural gas Supplier, as a condition of gas transportation service under this rate, based on such factors as reliability of gas supply and general business reliability. Acceptance of a Customer's Gas Supplier by City Public Service shall not unreasonably be withheld. The point of delivery of natural gas to City Public Service shall be one of the existing City Public Service gate stations. Other points of delivery may be considered by City Public Service, if and only if the Customer assumes in writing the responsibility for all additional fixed and continuing costs thereof. Natural gas transported by City Public Service shall be redelivered to the Customer through one metering point, or point of redelivery.

TYPE OF SERVICE

All gas redeliveries to Customer will be measured in terms of 100 Cubic Feet (CCF). Natural gas will be transported for redelivery to the Customer at a nominal gauge pressure of four ounces per square inch. If natural gas is metered at a pressure higher than four ounces, measurements will be adjusted to the equivalent of four ounces. The quality of gas transported must meet the specifications listed in the Agreement, and must be consistent with the specifications contained in the gas supply contracts between City Public Service and its natural gas suppliers. The quantity of gas transported by City Public Service shall be deemed equal to the consumption as metered by City Public Service at the redelivery point plus Gas Losses as defined herein. All gas banking and balancing shall be the responsibility of the Customer. Customer shall provide evidence acceptable to City Public Service of Customer's gas banking and balancing arrangements.

City Public Service will require each natural gas transportation Customer to assume initial and continuing cost responsibilities for on-line gas volumetric metering facilities located at the points of redelivery to the Customer and (if necessary) at the points of delivery to City Public Service, for associated computing facilities used in storing and using the on-line volumetric data, and also for on-line data telemetric delivery to the data processing facilities as required by City Public Service in order to properly compute billings. Said facilities shall be specified and owned by City Public Service, and shall be capable of hourly volumetric measurements of natural gas redelivered to the Customer.

City Public Service shall assume responsibility only for natural gas delivered by Customer's Supplier to City Public Service gate stations in quantities no higher or lower than provided for in the Agreement. The Customer is responsible for arranging the delivery of natural gas to City Public Service in hourly amounts equal to those metered at the redelivery point plus Gas Losses. Gas Losses are herein estimated to be two percent (2.0%) of the gas consumption metered at the redelivery point. City Public Service shall bill the Customer for quantities of gas used by Customer over and above amounts delivered by Customer's Supplier to City Public Service, according to Firming Gas Service rates and provisions specified herein.

FIRMING GAS SERVICE

City Public Service makes no stated or implied guarantee of backup natural gas service (firming gas service) to any natural gas transportation Customer. If Customer's Supplier is unable to deliver sufficient quantities of gas, City Public Service may at its sole discretion elect to supply firming gas service to the Customer. If City Public Service so elects, the Customer shall be responsible for rates and charges for this firming gas service as specified herein.

TERM OF SERVICE

The term of service hereunder shall be a minimum of five (5) years and shall begin on the day the Agreement is executed. Prior to the end of the term the Customer shall either renew or extend the Agreement (subject to the Agreement terms in effect at the time of renewal or to revised terms at the discretion of City Public Service) for an additional five (5) year term, or shall apply for a full requirements gas service rate. Applicants for full requirements gas service will be subject to the gas availability constraints that may exist at the time. Should a Customer's service requirement exceed the standard of service normally provided under this rate, a longer contract term may be required.

MONTHLY BILL

Rate

\$ 1,000.00 Service Availability Charge

Demand Charge

Winter Billing (December-March)

\$ 0.80 Per CCF/Day of Billing Demand

Non-Winter Billing (April-November)

\$ 0.64 Per CCF/Day of Billing Demand

Volume Charge

\$ 0.01 Per CCF for all CCF

1 CCF equals 100 cubic feet

Billing Demand

The Billing Demand (CCF/Day) shall be equal to the greatest of the following:

- a) the metered maximum demand (CCF/Day) registered during the month.
- b) the maximum demand (CCF/Day) registered during any winter month (December through March) of the preceding eleven months.
- c) such higher demand (CCF/Day) as may be specified in the Customer's Agreement.

Rate - Firming Transportation Gas Service

For each month during which City Public Service is requested and agrees to use its own gas to supply the Customer, City Public Service will bill for this gas in accordance with City Public Service Industrial Gas Rate Class A. Should City Public Service purchase gas in addition to its natural gas supply contracts in order to supply Customer with gas owned by City Public Service, then Customer shall be responsible for and will be billed for any additional gas costs thereof - including amounts computed under the adjustments below. Charges billed hereunder are in addition to gas transportation charges detailed herein.

Charges Established by Contract

The charges for transportation service provided under this Schedule may be established by contract at levels less than the maximum set out above under Monthly Bill. Lower charges may be set by contract with a Customer who otherwise qualifies for and elects gas transportation service if the customer provides evidence satisfactory to City Public Service establishing at least one of the following: 1) the Customer has the intention and capability of bypassing City Public Service's facilities absent availability of a more competitive level of charges; 2) the Customer's location of new facilities in City Public Service's gas service area is contingent upon availability of a more competitive level of charges; or 3) the Customer's economic situation for its existing facilities served by City Public Service's gas system will require the closure or relocation of the facilities absent availability of a more competitive level of charges. If the foregoing qualification is met, the Customer shall enter into a contract with City Public Service specifying the nature of the service to be supplied, the price to be paid, and such other terms and conditions as are mutually agreeable. Such contracts shall be treated on a confidential basis, to the extent allowed by law. In connection with negotiation of customer contracts pursuant to this provision, City Public Service shall not establish for such service a price below the incremental costs over the term of the contract plus a reasonable contribution toward the system costs.

MINIMUM BILL

The charges computed as detailed herein, plus any adjustments or additional charges, including initial required payments and monthly continuing payments, which are due at the time the Agreement is executed. The Minimum Bill is not subject to reduction by credits allowed under the adjustments below.

ADJUSTMENTS

Plus or minus the proportionate part of the increase or decrease in taxes, required payments to governmental entities or for governmental or municipal purposes which may be hereafter assessed, imposed, or otherwise required and which are payable out of

or are based upon revenues of the gas system.

LATE PAYMENT CHARGE

The Monthly Bill will be charged if payment is made within the period indicated on the bill. Bills not paid within this period will be charged an additional one (1) percent of the unpaid balance.

RULES AND REGULATIONS

Service is subject to City Public Service Rules and Regulations Applying to Gas Service which are incorporated herein by this reference. Said Rules and Regulations are subordinate to this rate and to the Agreement.

**AGREEMENT FOR TRANSPORTATION
OF CUSTOMER-OWNED GAS**

This Agreement is entered into this ___ day of _____, 200__ between the City of San Antonio, acting by and through the City Public Service Board of San Antonio ("CPS"), a Texas municipal corporation which owns and operates its gas and electric systems, and _____ ("Customer").

RECITALS:

1. CPS, as operator of the City of San Antonio's gas distribution system within San Antonio and its environs, offers gas transportation service to qualified customers under its NGT Rate Schedule.
2. Customer qualifies for service under CPS's Industrial Gas Rate Class B or LVG rate and is otherwise qualified as one to which such transportation service is available, for customer's own use, under the NGT Rate Schedule.
3. Customer desires to obtain service from CPS for all its gas transportation requirements and has contracted with a gas supplier ("Customer Supplier") which has met CPS's criteria of reliability and is acceptable to CPS.
4. Customer represents and CPS relies on Customer's representations and related evidence exhibited by Customer to CPS that Customer has contracted with all appropriate parties to obtain necessary rights to acquire and convey Customer's natural gas to the Delivery Point, that Customer has obtained all necessary clearances and certificates from governmental agencies or others as may be required for the safe and timely delivery of the gas, and that CPS will be the sole transporter to deliver customer gas from the Delivery Point to the Redelivery Point.

AGREEMENT:

1. Definitions.

- 1.1 **Gas Banking and/or Gas Balancing.** Administrative and operational activities necessary to achieve equilibrium in supply and demand of gas deliveries and redeliveries.
- 1.2 **Gas Losses.** Gas Losses for purposes of this Agreement are deemed to be two percent (2%) of the gas consumption metered at the Redelivery Point.
- 1.3 **Point of Delivery.** The point at which Customer's gas enters CPS's gas system, which shall be any one or both of the following CPS gate stations: Southwest, Southeast.

1.4 **Point of Redelivery.** The point at which natural gas delivered into CPS's distribution system for Customer is redelivered to Customer for Customer's end-use, at the outlet side of CPS's meter(s), which serves Customer. For purposes of this Agreement, the Point of Redelivery is CPS's meter(s) located at _____.

2.0 **Service.**

2.1 CPS agrees to receive natural gas from or for the account of Customer at the Point of Delivery and to transport and deliver an equivalent heat content of such gas, adjusted for Gas Losses, to the Point of Redelivery. CPS agrees to transport and redeliver gas delivered to CPS by Customer's Supplier in quantities up to a Maximum Daily Quantity (MDQ) of ___ MCF and Maximum Hourly Quantity (MHQ) of ___ MCF. The delivered quantities shall be no higher than or lower than the amounts redelivered to Customer at the Point of Redelivery on an hourly basis, subject to adjustment for Gas Losses.

2.2 Customer agrees to have tendered on a timely basis amounts of gas to CPS at the Point of Delivery equivalent to all Customer's natural gas needs corrected for heat content, plus amounts necessary to account for Gas Losses as provided for in this Agreement. Customer has the responsibility of arranging for any Gas Banking and/or Gas Balancing, through nominations to suppliers and upstream transporters, provisions for firming reserves, or other mechanisms which may be necessary to accomplish such equilibrium in hourly amounts delivered and redelivered.

2.3 In the event Customer is unable to balance gas deliveries and redeliveries as provided for in this Agreement, CPS in its sole discretion may provide firming natural gas service to Customer, based on CPS's evaluation of the impact on its firm gas customers, supplier constraints, capacity, and other considerations. Such firming service, if provided, shall include sale by CPS to Customer of natural gas quantities, including Gas Losses, required to furnish the difference between the supply of gas acquired by Customer and Customer's consumption, at the rates provided for in section 5.1 below. All such sale transactions, if determined to be undertaken by CPS, shall be accomplished on the basis of monthly adjustment of Customer's billing for deliveries and redeliveries during the month in question. No imbalances shall be carried forward or inventoried beyond the month in which any imbalance occurred.

2.4 Customer acknowledges that CPS has no obligation to provide firming gas service and may do so only at CPS's sole discretion. Customer further recognizes that failure of Customer's Supplier or upstream transporters to deliver sufficient gas to CPS for redelivery to Customer may result in the physical curtailment of gas supply to Customer, as redelivered by CPS.

2.5 Gas transported by CPS for Customer or used as firming gas by Customer under this Agreement is subject to any curtailment priorities established by the Railroad Commission of Texas and by CPS as it deems necessary in order to deal reasonably with supply constraints, if any, applicable to CPS under its gas supply contracts, regardless of the adequacy of Customer's supply.

3.0 Title, Warranty, Representation and Responsibility.

3.1 Customer or its Designee represents and warrants to CPS that Customer or its Designee has full and unqualified title and authority to all gas delivered to CPS under this Agreement for transport, and that such gas is free from all liens and adverse claims. Customer agrees to indemnify CPS from and against all suits, debts, damages, costs and expenses arising from every claim of any person against the Customer owned gas.

3.2 Title to all gas transported and delivered under this Agreement shall pass to CPS upon delivery to CPS at the Delivery Point and from CPS to Customer at the Points of Redelivery. CPS shall be responsible for any damage or injury caused by the gas from the time of delivery to CPS until redelivered to Customer at the Point of Redelivery. After such redelivery, title to the gas shall pass to Customer and Customer shall have complete control and possession of the gas. CPS shall not be liable for any damage caused by the gas prior to its delivery to CPS or after redelivery to Customer. In no event will CPS be liable for any indirect, special, incidental or consequential damages arising out of services provided by CPS under the Agreement.

4.0 Term.

This Agreement shall become effective as of the first delivery of gas to CPS under this Agreement, and unless terminated as provided for in Section 6.0, shall continue in effect for ___ years. Customer also has the option at the end of such term or of any renewal term to apply for full requirement gas service, and shall notify CPS in writing of its election not later than thirty (30) days prior to the end of the term. In applying for full requirement gas service, Customer will be subject to the gas availability constraints that may exist at the time.

5.0 Compensation.

5.1 This Agreement, except where specifically provided, is in all respects subject to the provisions of CPS's NGT Rate Schedule, as it now exists or may be amended in the future. Customer agrees to the terms and payment to CPS set out in Attachment "A", which is part of this Agreement.

5.2 It is agreed that the supply of gas received by CPS at the Delivery Point during each month shall be no more than the amount of gas, corrected for heat content and adjusted for Gas Losses, which is redelivered by CPS during that month to Customer at the Redelivery Point. CPS shall never be liable or otherwise responsible to pay for, redeliver, or otherwise account for any gas claimed to have been delivered in excess of gas redelivered.

5.3 The Customer's Monthly Bill includes the charges computed as provided above, plus adjustments and additional charges, if any, provided for under the NGT Rate Schedule. The initial Monthly Bill shall include a required charge for the capital cost of and installation of metering equipment as required by Rate Schedule NGT. The initial and subsequent Monthly Bills shall include charges for continuing payments of the

maintenance and operating expenses for such equipment, and the Service Availability Charge.

6.0 Termination.

6.1 Customer may terminate this Agreement at any time upon thirty- (30) days written notice to CPS if customer becomes a full requirement gas service customer of CPS, subject to CPS ability to obtain sufficient gas. If, after such notice and termination customer does not become a full requirement gas customer, a termination charge will be payable by Customer to CPS, equal to _____ per MCF of Maximum Daily Quantity times the number of days remaining of the term of this Agreement. Customer shall not be eligible to reapply for service under the NGT Rate Schedule until one year after the effective date of such termination.

6.2 If CPS determines that Customer has materially breached this Agreement by failure to provide adequate gas supply for redelivery or otherwise, CPS shall notify Customer in writing of such breach. If Customer fails to remedy such breach within thirty (30) days or to remedy a pattern of breaches within a reasonable time, CPS shall have the right to terminate this Agreement upon ten (10) days' written notice to Customer and Customer will be liable to CPS for the termination charge described in paragraph 6.1.

Customer shall notify CPS in writing not later than thirty (30) days prior to any change of gas supply. In the event CPS reasonably determines that the proposed substitute fails to meet CPS criteria, as referred to in the NGT Rate Schedule, CPS shall notify Customer in writing and CPS shall have the right to terminate this Agreement if Customer does not make provision for an acceptable gas supply within a reasonable time. If Agreement is terminated under these circumstances, customer will pay the termination charge described in paragraph 6.1, unless customer becomes a full requirement gas service customer.

7.0 Gas Quality and Delivery Pressure.

7.1 The quality of gas delivered to CPS by or for the account of Customer shall conform to all of the following specifications.

- a. Oxygen: not to exceed one (1) percent by volume.
- b. Hydrogen Sulfide: not to exceed one-quarter (1/4) grain per one hundred (100) cubic feet.
- c. Total Sulfur: not to exceed ten (10) grains per one hundred cubic feet.
- d. Carbon Dioxide: not to exceed three (3) percent by volume.
- e. Nitrogen: not to exceed two (2) percent by volume.
- f. Liquids: The gas shall be free of water and hydrocarbons in liquid form at the temperature

and pressure at which the gas is delivered, and if dehydrated, shall have been dehydrated prior to being delivered by any method other than the use of calcium chloride as a desiccant for removal of entrained water present therein in a vapor state and shall in no event contain water vapor in excess of seven (7) pounds per one million (1,000,000) standard cubic feet.

g. Dust, Gums and other Solid Matter: the gas shall be commercially free of dust, gums and other solid matter.

h. Gross Heating Value: The gas delivered shall contain a weighted average heating content of not less than one thousand (1000) BTUs per cubic foot and not greater than twelve hundred (1200) BTUs per cubic foot, unless mutually agreed upon by CPS and Customer.

i. Temperature: The gas shall have a temperature of not less than forty (40) degrees F and not more than one hundred twenty (120) degrees F.

In the event the gas delivered to CPS shall fail to meet these quality specifications, then CPS may accept such gas or may notify Customer, in which event Customer shall immediately correct the deficiency. CPS has the right to refuse to accept all or part of such gas for so long as Customer is unable to deliver gas conforming to such specifications. Failure to provide conforming gas shall be deemed a breach of this Agreement under section 6.2.

7.2 Delivery Pressures: The gas delivered under this Agreement by or for the account of Customer shall be delivered at the pressure existing from time to time in the facilities of CPS's firm gas suppliers.

7.3 CPS shall odorize any and all gas delivered to CPS by or for the account of Customer.

7.4 Customer agrees that the gross heating value of the gas redelivered shall be deemed to be the average heating value of gas in the CPS gas system for the month of such redeliveries.

8.0 Gas Measurement.

8.1 The volumetric unit of measurement for natural gas delivered by Customer's Supplier to CPS and redelivered by CPS to Customer shall be one standard cubic foot (1 scf), defined as the amount of natural gas that occupies one cubic foot (1 cf) at a standard temperature of sixty degrees F (60°F) and at a base pressure of 14.65 pounds per square inch absolute (psia). Atmospheric pressure shall be assumed to be 14.4 psia at the Point of Delivery and Point of Redelivery irrespective of the actual atmospheric pressure.

8.2 The energy unit of measurement for natural gas delivered to CPS by Customer's Supplier shall be one British Thermal Unit (1 BTU), defined as the quantity of heat required to raise the temperature of one (1) avoirdupois pound of pure water from 58.5 degrees F to 59.5 degrees F at a constant pressure of 14.65 psia.

8.3 CPS shall specify and install, at Customer's cost, and shall own and operate on-line gas

volumetric metering facilities located at the Point of Redelivery which are capable of hourly volumetric measurements of natural gas redelivered to the Customer. The initial and continuing costs of such facilities, together with the initial and continuing costs of associated computing facilities used in storing and using the on-line volumetric data and for on-line data telemetric delivery to the data processing facilities as required by CPS in order to properly compute billing, shall also be the responsibility of Customer. These costs are in addition to gas transportation charges and firming gas costs set out in section 5.0 above.

8.4 Deliveries of natural gas to CPS under this Agreement will be measured in accordance with and in same way as gas delivered to CPS pursuant to its major gas supply and/or transportation contracts.

8.5 Redeliveries of natural gas by CPS to Customer shall be accomplished in the same manner as deliveries for similarly situated CPS Industrial gas customers. CPS's Rules and Regulations Applying to Gas Service and Policies for Gas Main Extensions and Service Connections shall be applicable to this Agreement to the extent not inconsistent with its terms.

9.0 Force Majeure.

9.1 CPS and Customer will exercise reasonable diligence and care to avoid interruptions of delivery of gas under this Agreement. However, in the event either party is rendered unable due to force majeure to carry out all or part of its obligations under the provisions of this Agreement, it is agreed that the obligations of the party affected by such force majeure, other than the obligation to make payments provided for under this Agreement, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall, so far as possible, be remedied with all reasonable dispatch. "Force majeure" as used in this Agreement means causes which are not within the control of the party affected, which such party could not reasonably have been expected to avoid by exercise of due diligence and foresight. In the event CPS or Customer is rendered unable by force majeure to carry out all or part of its obligations under this Agreement, it is agreed that the affected party shall give notice and full particulars in writing to the other party as soon as possible, and shall exercise due diligence to remove such disability with reasonable dispatch.

9.2 Force majeure causes or contingencies affecting the performance by either party shall not relieve it of liability in the amount of its concurrent negligence or in the event of its failure to use reasonable diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor in the event of such party's failure to provide written notice of the occurrence relied upon as soon as possible. A force majeure suspension shall not extend the term of this Agreement beyond its specified expiration date.

9.3 In addition to the above, CPS may interrupt service to make necessary repairs or to make changes in equipment or to install new equipment, but only for such time as may be reasonably necessary. Reasonable advance notice of such interruption will be given by CPS except in emergency situations. CPS may in its sole discretion suspend transportation service during any

emergency declared by the Texas Railroad Commission or other governmental agency.

10.0 Miscellaneous.

10.1 The provisions of this Agreement are not intended to and shall not create rights of any character in, nor shall they be enforceable by, parties other than the signatories of this Agreement and their assigns.

10.2 Any delay by a party in enforcing any of its rights or remedies hereunder shall not constitute a waiver, and any waiver by a party of any default by another party will not be deemed a waiver of any other or subsequent default.

10.3 Nothing in this Agreement shall be considered precedent setting with respect to future transportation service agreements, which involve the parties.

10.4 All terms of NGT rate, as it now exist or may be amended in future, are applicable except where specifically modified by the terms of this agreement.

10.5 Any notice, demand or request required or authorized by this Agreement shall be deemed to be properly given if mailed, postage paid as follows:

To CPS: CITY PUBLIC SERVICE
P. O. BOX 1771
San Antonio, Texas 78296
Attention: General Manager & CEO

To Customer: _____

The names, titles, and addresses of a party in this section may be changed by written notification to the other party.

10.6 This Agreement shall be interpreted, construed and governed by laws of the State of Texas as they exist now or may exist in the future.

**CITY PUBLIC SERVICE BOARD
OF SAN ANTONIO**

By: _____
Name: _____
Title: General Manager & CEO

ATTEST: _____

Date: _____

CUSTOMER

By: _____
Name: _____
Title: _____
Date: _____

ATTEST: _____

Date: _____

Attachment "A"

1. This attachment is an integral part of the Agreement for Transportation of Customer Owned Gas signed between City Public Service ("CPS") and _____ ("Customer").
2. The monthly charges for the transportation service rendered by CPS are:

4.21 Total Charge \$ 0.32 per MCF Redelivered

Billing Month

The period of approximately 30 days extending between two consecutive meter readings, which will take place on the last workday of the month.

3. The charges herein shall be in effect as of first delivery under this contract, and unless terminated as provided in Section 6.0, shall continue in effect for a term of ____ years.

In witness whereof, the parties hereto have caused this attachment to be signed and dated by their fully authorized agents.

CITY PUBLIC SERVICE BOARD
OF SAN ANTONIO

By: _____

By: _____

Name: _____

Name: _____

Title: **General Manager & CEO**

Title: _____

Date: _____

Date: _____

ADDENDUM C-II

SAWS UTILITY RATE AND INFRASTRUCTURE COMMITMENT

Economic Incentive	Description
Extension of water & sewer pipelines, related infrastructure & other appurtenances.	Extension of water & sewer lines upon approval by CC of an ordinance authorizing such improvements. Water & sewer telemetering access to SAWS owned telemetering equipment.
Waiver of Impact Fees.	Waiver of water & sewer impact fees upon approval by CC of an ordinance authorizing waivers.
Rate Structure Agreement.	SAWS will present a water rate agreement with an initial approximate rate of \$1/1000 gallons upon approval by CC for the first seven (7) years of the Project, and thereafter as set forth in <u>Section 3</u> of the City Agreement. The Water Supply Fee and Edwards Aquifer Authority fee will be charged at standard rates.
Conveyance of Land.	SAWS agrees to convey to Toyota (or to an entity acceptable to all parties for further conveyance to Toyota) those portions of the SAWS Tract that are to be part of the Project Site, as well as any land conveyed to SAWS by BexarMet for further conveyance to Toyota pursuant to <u>Section 30</u> of the City Agreement. SAWS also agrees to restrict the use of all SAWS property located adjacent to the Medina River and across the Medina River from the Overall Tract to ensure that such land (i) will be used exclusively for conservation, green belt or other similar uses, and (ii) will be encumbered with permanent restrictions against residential and heavy industrial uses. Toyota shall be entitled to enforce such restrictions. SAWS further agrees, as owner of the SAWS Tract to cooperate with the zoning process referenced in <u>Section 24</u> of the City Agreement. SAWS also agrees to restrict any portion of the SAWS Tract that is part of the Overall Tract, but that is not part of the Project Site, to ensure that such land will be used exclusively for (i) uses (other than residential and heavy industrial uses) compatible and consistent with the use of the Project Site, or (ii) conservation, green belt or other similar uses, and not for residential and heavy industrial uses. Toyota shall be entitled to enforce such restrictions.

- Metered wastewater will be charged at the lowest General Sewer Service rate applicable to the Project Site upon approval by CC. The current lowest General Sewer Service Rate is \$1.79/1000 gallons.

ADDENDUM C-III

PERMITTED EXCEPTIONS

Tract One: "Kiker Tract" - 200 acre tract, more or less

1. Easement grant to City Public Service Board of San Antonio as provided in instrument recorded in Volume 5507, Page 565, Deed Records of Bexar County, Texas.

Tract Two: "Walsh Tract" - 1,726 acre tract, more or less

1. Bill of Sale and Assignment of Water Rights to Bexar Metropolitan Water District as provided by instrument recorded in Volume 7460, Page 2021, Real Property Records of Bexar County, Texas.
2. Assignment of Water Rights to Bexar Metropolitan Water District recorded in Volume 7235, Page 1483, Real Property Records of Bexar County, Texas.
3. Easement grant to City Public Service Board of San Antonio as provided in instrument recorded in Volume 5507, Page 570, Deed Records of Bexar County, Texas.
4. Easements granted to City Public Service Board of San Antonio as provided in instruments recorded in Volume 5507, Pages 575 and 580, respectively, Deed Records of Bexar County, Texas.
5. Communications Site Lease Agreement (Ground) dated December 23, 1997, by and between Nextel of Texas, Inc. and Mary Louise Walsh, but this Permitted Exception is subject to the terms of Section 31 of the City Agreement.
6. Assignment of Water Rights to Bexar Metropolitan Water District recorded in Volume 7233, Page 1477, Real Property Records of Bexar County, Texas.
7. Easements to City of San Antonio as provided by instruments recorded in Volume 2887, Page 79, and Volume 2887, Page 81, respectively, Deed Records of Bexar County, Texas.
8. Easement to BexarMet, Volume 7460, Page 2016, but subject to Section 30.

Tract Three: "First SAWS Tract" – 254.214 acre tract, more or less

[NONE]

Tract Four: "Second SAWS Tract" – 6.369 acre tract, more or less

[NONE]

Tract Five: “Third SAWS Tract” – 44.087 acre tract, more or less

[NONE]

Tract Six: “Fourth SAWS Tract” – 16.674 acre tract, more or less

[NONE]

Tract Seven: “Fifth SAWS Tract” – 34.408 acre tract, more or less

[NONE]

Tract Eight: “Sixth SAWS Tract” – 1.982 acre tract, more or less

[NONE]

Tract Nine: “Seventh SAWS Tract” – 277.174 acres, more or less

[NONE]

Tract Ten: “Bexar Metropolitan Tract” – 2.00 acre tract, more or less

1. Bill of Sale and Assignment of Water Rights to Bexar Metropolitan Water District as provided by instrument recorded in Volume 7460, Page 2021, Real Property Records of Bexar County, Texas.
2. Assignment of Water Rights to Bexar Metropolitan Water District recorded in Volume 7235, Page 1477, Real Property Records of Bexar County, Texas.
3. Assignment of Water Rights to Bexar Metropolitan Water District recorded in Volume 7235, Page 1483, Real Property Records of Bexar County, Texas.

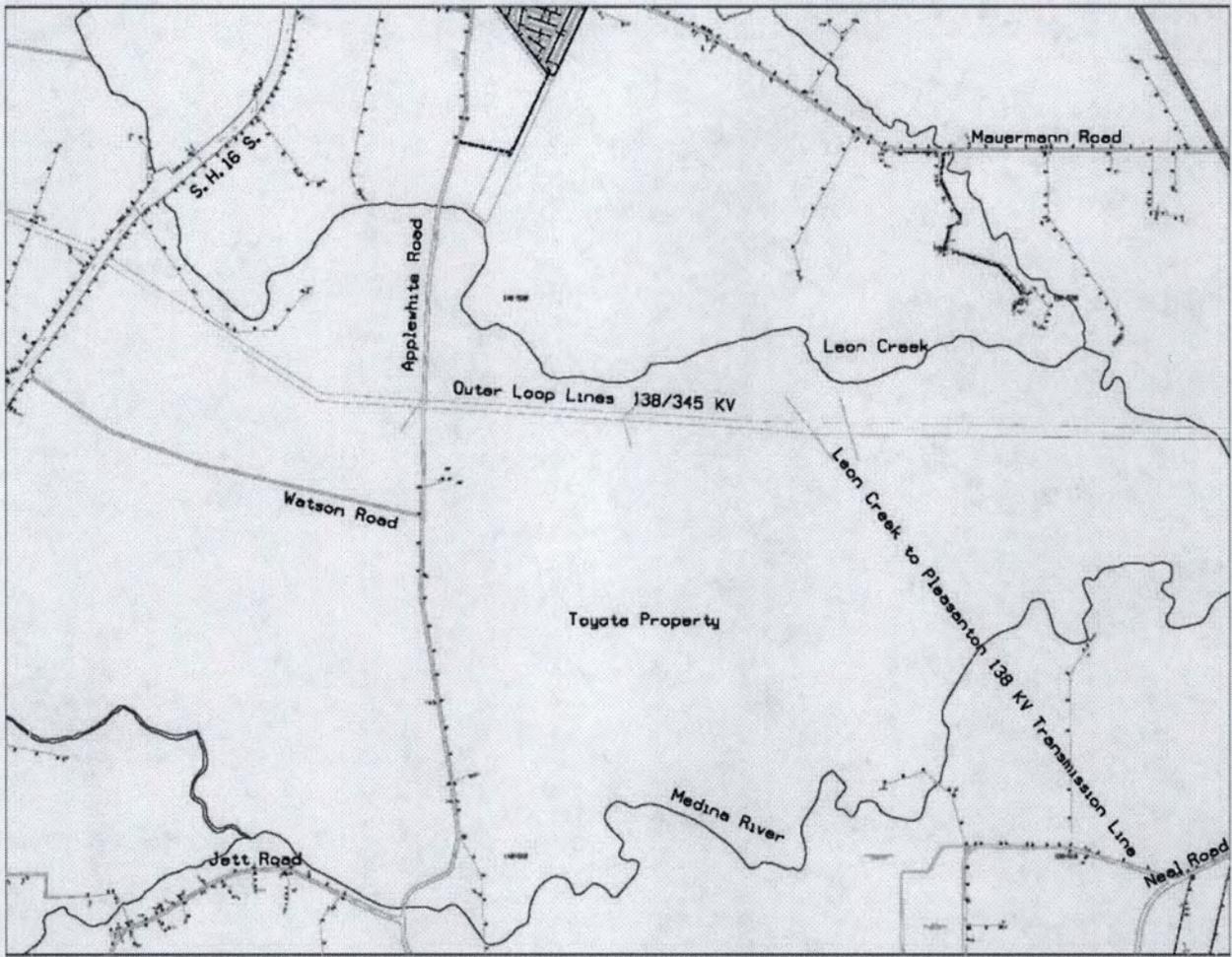
Tract Eleven: “Railroad Spur Tract” – 113.7 acre tract, more or less

1. Subject to the provision to Toyota of a full and complete Waiver of Surface Rights reasonably acceptable to Toyota from the owners of the executive rights with respect to the mineral estate, the following shall be Permitted Exceptions:
 - a. Conveyance of mineral estate as provided in a Mineral Deed recorded in Volume

5417, Page 812, Deed Records of Bexar County, Texas.

- b. Conveyance of mineral estate as provided in a Mineral Deed recorded in Volume 2733, Page 441, Real Property Records of Bexar County, Texas.
 - c. Outstanding one-quarter ($\frac{1}{4}$) interest in and to all of the oil, gas and other minerals in and under the herein described property as retained in instrument recorded in Volume 5397, Page 50, Deed Records of Bexar County, Texas.
2. 30-foot wide pipeline easement as provided by in instrument recorded in Volume 4761, Page 248, Deed Records of Bexar County, Texas, to the extent that same does not interfere with the use of the property by Toyota or others acting at the request of Toyota as rail and road access.
 3. Existing grazing lease that expires in 2004 to the extent that same does not interfere with the use of the property by Toyota or others acting at the request of Toyota as rail and road access.
 4. 200 foot wide easement to C.P.S.B. recorded in Volume 5143, Page 739, Deed Records of Bexar County, Texas.
 5. $\frac{1}{32}$ non-participating royalty interest as provided by instrument recorded in Volume 3391, Page 311, Deed Records of Bexar County, Texas.
 6. Rail spur conveyance is a surface estate. No water, oil, gas or other minerals or interest will be conveyed.
 7. Pipelines shown on survey dated February, 2003 and prepared by Pape-Dawson Engineers to the extent same do not interfere with the use of the property by Toyota or others acting at the request of Toyota as rail and road access.
 8. Restrictive Covenant providing that rail line spurs and related adjacent areas will be maintained in a condition consistent with first class industrial development.
 9. Easement to SAWS for recycled water lines, recorded in Volume 8901, Page 100 to the extent same does not interfere with the use of the property by Toyota or others acting at the request of Toyota as rail and road access.

ADDENDUM C-IV



ADDENDUM C-V

STATE OF TEXAS

COUNTY OF BEXAR

BASIC FIRE SERVICES AGREEMENT

This Basic Fire Services Agreement (this "Agreement") is made and entered into by and between the City of San Antonio (the "City"), a Texas municipal corporation, acting by and through its City Manager, or the City Manager's designate, pursuant to Ordinance No. _____ dated _____, _____, and Toyota Motor Manufacturing, Texas, Inc., a company incorporated under the laws of the State of Texas, acting by and through its duly authorized President, together with its successors and assigns permitted pursuant to Section 6 of this Agreement ("Owner").

RECITALS

WHEREAS, Owner is the current owner of a certain tract of land out of an approximate 2,678.488 acre tract of land situated in Bexar County, Texas, which is comprised of (i) an approximate 2,565.175 acre tract that is bounded by Applewhite Road, Leon Creek, and the Medina River, and (ii) an approximate 113.313 acre tract located east of Leon Creek and bordered on the east by Pleasanton Road (the "Property"), and which is located within an area annexed by the City as a "limited purpose annexation", and accordingly is not within the full purpose annexation city limits (the "full purpose city limits") of the City; and

WHEREAS, the City and Owner desire to enter into an agreement whereby the City is obligated to provide fire protection and fire fighting services to the Property for a specified service fee to be paid by Owner.

AGREEMENTS

NOW, THEREFORE, upon and in consideration for the mutual promises and covenants contained herein and for other valuable consideration, the receipt adequacy, and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. The City agrees to provide fire protection and fire fighting services to the Property in the same manner and to the same extent as if the Property were located within the full purpose city limits of San Antonio, except as limited by the provisions of this Agreement. The City will not, however, be providing "First Responder" emergency medical service to the Property pursuant to this Agreement. The City's obligation to provide such services shall begin on the date

of execution of this Agreement and end upon the full permanent annexation of the Property by the City, unless terminated earlier pursuant to the provisions of this Agreement (the "Term").

SECTION 2. For and in consideration of Owner receiving fire protection and fire fighting services from the City pursuant to this Agreement, Owner shall pay the City an annual service fee of \$27,500.00. Owner shall pay such service fee to the City on the date of execution of this Agreement and thereafter no later than the anniversary date of the execution of this Agreement every year during the Term. Such service fee shall not include the additional response fee(s) required for hazardous materials (HAZMAT) incidents as such fee(s) are established in City Ordinance No. 72267, and as amended.

SECTION 3. Owner agrees that as condition to receiving fire protection and fire fighting services under this Agreement:

- A. All site development at the Property shall comply with all applicable City subdivision, building, fire and electrical codes and ordinances including, but not limited to, the Texas Commission on Environmental Quality environmental regulations as if the Property were located within the full purpose city limits of San Antonio;
- B. Owner shall observe front, side and rear yard setback requirements as provided for in the City Code of the City of San Antonio as if the Property were with the full purpose city limits of San Antonio. Exceptions to these requirements may be waived solely by the Board of Adjustment;
- C. Two copies of the plans and specifications for structure(s) to be located on the Property and to be provided fire protection and fire fighting services will be submitted by Owner to the Director of the Development Services Department for certification of compliance with applicable City building, fire, plumbing and electrical codes and ordinances; and
- D. Persons designated by the City shall be provided reasonable access and permitted to inspect, at reasonable times, structures for which the City will provide fire protection and fire fighting services to assure that the construction on the Property is in compliance with all applicable City building, fire, plumbing and electrical codes, regulations and ordinances.

SECTION 4.

- A. Owner is aware that, given the City's available resources as of the date hereof, the City's response time to a fire alarm at the Property may be greater than response time for property located within the full purpose city limits and agrees that the risk is acceptable. Accordingly, Owner agrees that the response time to a fire alarm for the Property may be greater than the response time for property located within the full purpose city limits.

- B. It is further agreed by Owner that when any structure located on the Property is on fire or may be deemed to be hazardous and likely to take fire or communicate the fire to other buildings, the City, through its Fire Chief or designated representative, may do whatever may be deemed necessary by such person for the safety and protection of property and citizens when controlling a fire.

- C. The City will use due diligence in providing fire protection and fire fighting services to the Property. The City, however, does not in any way agree to act as an insurer of the Property covered under this Agreement or to pay for any damage that may occur as a result of fire, water, or explosion. Nor does the City assume any obligation under the terms of this Agreement to construct additional fire stations, purchase additional fire fighting equipment, or hire additional manpower for the protection of the Property. Rather, Owner understands that it is not entitled to the same level of protection as residents located within the full purpose city limits of the City receive and that the City will not be held liable for any additional time required to respond to a fire alarm because the Property is located outside the full purpose annexation city limits of the City.

SECTION 5. This Agreement may be terminated by the City for Owner's non-payment of the service fee to the City if the non-payment of the service fee continues uncured for a period of thirty (30) days from the date Owner receives written notice from the City's Finance Department of its failure to pay the service fee. The City's Finance Department shall send a copy of written notice to the City's Economic Development Director. The foregoing notice of cancellation or intention to cancel or terminate this Agreement shall specifically state (1) the sums then due and owing, (2) that the Owner's failure to make the required payment within thirty (30) days of the date Owner receives written notice shall result in cancellation or termination of this Agreement, and (3) the date by which the payment must be received by the City to avoid cancellation of this Agreement. Owner may terminate this Agreement on any anniversary date of the execution of this Agreement during the Term by giving not less than thirty (30) days prior written notice of termination to the City.

SECTION 6. This Agreement is not assignable except that Owner shall have the right at any time to assign this Agreement or any part hereof to any Affiliate (as defined below) of Toyota Motor Corporation that agrees to assume the assigned obligations of Owner in this Agreement. If so assigned, Owner shall, upon such assumption, have no further obligation under this Agreement to the extent of such assignment and assumption. "Affiliate" shall mean (a) Toyota Motor Corporation, Toyota Motor North America, Inc., Toyota Motor Manufacturing North America, Inc., Toyota Motor Sales (U.S.A.), Inc. as well as any direct or indirect subsidiaries in control of, controlled by, or under common control with, any of the foregoing entities, and (b) any Toyota Group Company. A "Toyota Group Company", for purposes of this Agreement, shall mean a company identified by Toyota Motor Corporation as such in its publicly disseminated Annual Report and/or Corporate Profile, as may be revised from time to time, as well as any direct or indirect North American subsidiary in control of, controlled by, or under common control with, any Toyota Group Company, and shall include, without limitation, the following: (i) Toyota Tsusho Corporation, (ii) Toyota Gosei Co., Ltd., (iii) Denso Corporation, (iv) Hino Motors, Ltd., (v) Tokai Rika Co., Ltd., (vi) Araco Corporation, (vii) Toyota Iron Works Co., Ltd., (viii) Futaba Industrial Co., Ltd., (ix) Aisin Seiki Co., Ltd., (x) Central Motor Wheel Co., Ltd., and (xi) Aichi Steel Works, Ltd. The term "control" (including the terms "controlled by" and "under common control with"), for purposes of this Agreement shall mean the possession, directly or indirectly, or as trustee or executor, of the power to direct or cause the direction of the management policies of a person or entity, whether through the ownership of stock, as trustee or executor, by contract, credit arrangement, or otherwise.

SECTION 7. If any clause or provision of this Agreement is held invalid, illegal or unenforceable under present or future federal, state or local laws, including but not limited to the City Charter, City Code, or ordinances of the City of San Antonio, Texas, then and in that event, it is the intention of the parties hereto that such invalidity, illegality or unenforceability shall not affect any other clause or provision hereof and that the remainder of this Agreement shall be construed as if such invalid, illegal or unenforceable clause or provision was never contained herein.

SECTION 8. For purposes of this Agreement, all official communications and notices among the parties shall be deemed sufficient if in writing and mailed, registered or certified mail, postage prepaid, to the addresses set forth below:

CITY:

City Manager
P.O. Box 839966
San Antonio, Texas 78283-3966

Economic Development Director
Economic Development Department
P.O. Box 839966
San Antonio, Texas 78283-3966

With a copy to:

OWNER:

Mr. Dennis Cuneo
Senior Vice President
Toyota Motor Manufacturing North America, Inc.
Mail Code: Legal-NA
25 Atlantic Avenue
Erlanger, Kentucky 41018-3188

With a copy to:

General Counsel
Toyota Motor Manufacturing North America, Inc.
Mail Code: Legal-NA
25 Atlantic Avenue
Erlanger, Kentucky 41018-3188

With a copy to:

James M. Summers
Fulbright & Jaworski L.L.P.
300 Convent, Suite 2200
San Antonio, Texas 78205-3792

SECTION 9. Except for as provided in Section 5 of this Agreement, if Owner fails to perform any term, condition or covenant contained in this Agreement, and such failure continues for a period of thirty (30) days after Owner's receipt of written notice from the City of such failure, then the City shall have the right to terminate this Agreement.

SECTION 10. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns, except as otherwise expressly provided for herein.

SECTION 11. THIS AGREEMENT SHALL BE CONSTRUED UNDER AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND ALL OBLIGATIONS OF THE PARTIES CREATED HEREUNDER ARE PERFORMABLE IN BEXAR COUNTY, TEXAS.

SECTION 12. Except to the extent attributable to the negligence, gross negligence, or willful misconduct of the City, its elected officials, agents, employees, officers, directors, and representatives, Owner hereby agrees, warrants and covenants to RELEASE, ACQUIT AND FOREVER DISCHARGE the City, its elected officials, agents, employees, officers, directors, and representatives, individually or collectively, from any and all claims, demands, causes of action of whatsoever nature asserted by Owner, or any agent or representative of Owner, that in any way relate to or arise out of damage to or loss of any property or the personal injury or death of any person alleged to be caused, directly or indirectly, by the Owner's negligence pursuant to this Agreement, including any acts or omissions of Owner, any agent, officer, director, representative, employee, consultant of Owner, and their respective officers, agents, employees, directors and representatives, while in the exercise of the performance of Owner's rights or duties under this Agreement.

SECTION 13. The Recitals above are incorporated herein for all purposes.

EXECUTED this _____ day of _____, 2003.

Owner:

TOYOTA MOTOR MANUFACTURING, TEXAS,
INC.

By: _____
Atsushi Niimi, President

City:

CITY OF SAN ANTONIO

By: _____
City Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

STATE OF KENTUCKY

COUNTY OF KENTON

BEFORE ME, the undersigned authority, on this ____ day of _____, 2003, personally appeared Atsushi Niimi, President of Toyota Motor Manufacturing, Texas, Inc., a Texas corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed as the act and deed of said corporation and in the capacity therein stated.

Notary Public, State of Kentucky

STATE OF TEXAS

COUNTY OF BEXAR

BEFORE ME, the undersigned authority, on this ____ day of _____, 2003, personally appeared _____, City Manager of the City of San Antonio, a Texas municipal corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed as the act and deed of said corporation and in the capacity therein stated.

Notary Public, State of Texas

EXHIBIT 3

DESCRIPTION OF APPLICANT'S QUALIFIED INVESTMENT AND QUALIFIED PROPERTY

Applicant's Qualified Property includes the Land described in Exhibit 2, plus the following Qualified Investments: All buildings, personal property, support facilities, offices, equipment, raw materials, work in process and storage facilities located on the Land prior to the date of Applicant's Second Application, including, but not limited to:

and any modification thereto, replacements thereof or substitutions therefore. On the date of Applicant's submittal of the Second Application, Applicant shall submit a more detailed list of its Qualified Property located on the Land, which list shall become an amendment to this Exhibit 3, and the property on such list shall thereafter, together with any modifications thereto, replacements thereof or substitutions therefore, become the Qualified Investments.

ADDENDUM C-VI

LANDOWNER'S CONSENT TO ANNEXATION

This LANDOWNER'S CONSENT TO ANNEXATION ("Consent") is made as of _____, 2003 (the "Effective Date") by TOYOTA MOTOR MANUFACTURING, TEXAS, INC., a Texas corporation ("Landowner") to and for the benefit of the CITY OF SAN ANTONIO, TEXAS, a Home Rule City under Article 11, Section 5 of the Texas Constitution and municipal corporation primarily situated in Bexar County, Texas ("City").

WHEREAS, Landowner is the owner of that certain real property located in Bexar County, Texas, more particularly described in Exhibit "A" attached hereto (the "Project Site"), which Project Site has been annexed by the City for limited purposes pursuant to Section 43.121 of the Texas Local Government Code;

WHEREAS, Landowner, City and the other parties thereto entered into that certain Project Starbright Agreement dated effective as of _____ (the "Starbright Agreement").

WHEREAS, as part of the consideration for City's execution of the Starbright Agreement, Landowner has agreed that City may annex the Project Site for full purposes at any time after (but not including) January 1, 2006, it being understood that no City ad valorem taxes will be assessed or accrue with respect to the Project Site during calendar tax years 2003, 2004, 2005, and 2006.

WHEREAS, this Consent is given by Landowner and accepted by City to evidence Landowner's consent to the annexation of the Land for full purposes as required by the Starbright Agreement.

WHEREAS, this Consent is to be fully effective from and after the Effective Date.

NOW THEREFORE, Toyota does hereby covenant to and agree with City as follows:

1. Toyota acknowledges the Project site has been annexed for limited purposes by the City and has been included in an Annexation Plan approved by the City. Toyota agrees that the City may annex the Project Site for "full purposes" at any time after (but not including) January 1, 2006 (the "Trigger Date"). This Consent shall serve as notice to and consent by Toyota in connection with any "full purpose annexation" of the Project Site by the City for all intents and purposes after (but not including) January 1, 2006. This Consent shall constitute Toyota's submission to the City of a voluntary petition for "full purpose annexation" (as contemplated by Subchapter F of Chapter 43 of the Texas Local Government Code) of the Project Site at any time after the Trigger Date. Toyota agrees that the City may retain this voluntary petition for annexation of the Project Site and, in

accordance herewith, may annex the Project Site for full purposes after the Trigger Date and to accomplish such annexation, City will not need to take any of the following actions, all which are waived by Toyota:

- (a) Give notice to any service providers in the area of the Project Site (to extent Toyota is otherwise entitled to insist on the delivery of such notice).
- (b) Compile an inventory of services provided by City upon full annexation or make such inventory available for public inspections;
- (c) Hold any public hearings; and/or
- (d) Undertake any negotiations for provision of services to the Project Site.

2. Toyota confirms and agrees that (i) Toyota is the sole owner of the Project Site, (ii) Toyota's voluntary petition for "full purpose annexation" contained herein may not be revoked and is binding upon Toyota and its successors in interest in ownership of any right, title or interest in and to the Project site, or any part thereof. From time to time hereafter, Toyota agrees on its behalf and on behalf of all future owners of the Project Site to execute any and all documents reasonably requested by City to evidence such waiver and the consent hereby granted.

3. City hereby accepts Toyota's voluntary petition for full purpose annexation of the Project Site at any time after the Trigger Date. Toyota hereby covenants to, and agrees with City that Toyota will, not oppose any action taken by the City to annex the Project Site for full purposes at any time or after the Trigger Date.

4. By accepting its interest therein, each future owner of any right, title or interest in or to any part of the Project Site, whether as a fee owner, tenant, licensee or occupant in any right or capacity, shall be deemed to have consented and agreed to annexation of the Project Site by City for full purposes at any time after the Trigger Date, whether or not any reference to Toyota's consent shall be contained in the instrument by which such party acquires an interest in its portion of the Project Site.

5. Toyota agrees that a Memorandum of this Consent may be filed by the City in the Official Public Records of Bexar County, Texas.

6. The terms and conditions of this Consent shall run with the land comprising the Project Site and shall be binding upon and inure to the benefit of Toyota and its devisees, tenants, licensees, successors and assigns.

7. If this Consent or anything set forth herein is or may be capable of interpretation in two or more conflicting ways, then the interpretation which is most nearly in accord with the general principals, purposes and objectives of this Consent shall govern and control the meaning thereof. If any punctuation, word, clause or provision necessary to give effect to any other word, clause or provision hereof has been omitted then it is understood that such omission was unintentional and the omission may be supplied by inference.

8. If City incurs reasonable expenses of any kind, including attorney's fees, to enforce this Consent and shall prevail in such enforcement, the City is entitled to recover such expenses from Toyota.

9. Any covenant, agreement or obligation of any party to this Consent will not be waived or rendered unenforceable by reason of any lack of enforcement thereof.

IN WITNESS WHEREOF, this Consent has been executed to be effective as of the Effective Date by each of the parties hereto.

LANDOWNER:

TOYOTA MOTOR MANUFACTURING, TEXAS,
INC., a Texas corporation

By: _____
Name: _____
Title: _____

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This instrument was acknowledged before me on _____, 2003, by _____, _____ of TOYOTA MOTOR MANUFACTURING, TEXAS, INC., a Texas corporation, on behalf of said corporation.

Notary Public, State of Texas

CITY:

CITY OF SAN ANTONIO, TEXAS

By: _____
Name: _____
Title: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This instrument was acknowledged before me on _____, 2003, by _____, as _____ of THE CITY OF SAN ANTONIO, TEXAS, a municipal corporation, on behalf of said corporation.

Notary Public, State of Texas

EXHIBIT D

SWISD AGREEMENT

Tax Limitation Agreement. SWISD and Toyota agree to negotiate, in good faith, an agreement in principle, pursuant to Chapter 313, Texas Tax Code, to limit the appraised value of applicable real and personal property for the Project and the Phase II Project to the extent and duration permitted by applicable law; provided, however, that SWISD shall be under no obligation to execute any such agreement until such time as the Board of Trustees of SWISD grants formal approval of the application by Toyota for a limitation on the appraised value of all qualified property relating to the Project or the Phase II Project, if any. Any such tax limitation agreement (i) shall not unreasonably impede SWISD's ability to achieve its educational mandate; (ii) must be subjected to an economic impact evaluation; and (iii) must be determined by the Board of Trustees of SWISD to be in the best interest of SWISD and the State. The terms of such tax limitation shall be set forth in an agreement substantially in the form attached hereto as Addendum D-I.

ADDENDUM D-I

TEXAS ECONOMIC DEVELOPMENT ACT PARTICIPATION AGREEMENT

By and Among

SOUTHWEST INDEPENDENT SCHOOL DISTRICT,

and

TOYOTA MOTOR MANUFACTURING TEXAS, INC.

Dated as of

_____, 2003

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

STATE OF TEXAS §

COUNTY OF BEXAR §

THIS AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES (hereinafter referred to as this "Agreement") is executed and delivered by and among **Southwest Independent School District**, a lawfully created independent school district of the State of Texas operating under and subject to the Texas Education Code, **Toyota Motor Manufacturing Texas, Inc.**, a Texas corporation (each a "Party" and collectively the "Parties"). Certain capitalized and other terms used in this Agreement shall have the meanings ascribed to them in Section 1.3.

RECITALS

WHEREAS, on _____, 2003, the Superintendent of Schools of the Southwest Independent School District acting as agent of the Board of Trustees received an application from Toyota Motor Manufacturing Texas, Inc. for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code (hereafter all section references are to such Code); and,

WHEREAS, the Board of Trustees has acknowledged receipt of the Application; and,

WHEREAS, the Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d); and,

WHEREAS, the Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026; and,

WHEREAS, the Board of Trustees has caused to be conducted an economic impact evaluation pursuant to Texas Tax Code § 313.026 and has carefully considered such evaluation and that of the Texas Comptroller's Office; and,

WHEREAS, the Application was reviewed by the Bexar County Appraisal District established in this County pursuant to the authority of Texas Tax Code § 6.01; and,

WHEREAS, on _____, 2003, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

WHEREAS, the Board of Trustees has made factual findings in accordance with the Texas Economic Development Act including, but not limited to, (i) written findings as to each criterion listed in Section 313.025(e) of the Texas Tax Code, and (ii) findings pursuant to Section 313.025(f) of the Texas Tax Code that the information in the Application is true

and correct, that the Applicant is eligible for the limitation on the Appraised Value, as defined below, of the Applicant's Qualified Property, as defined below, and that the granting of the Application and the District's entering into this Agreement are in the best interest of the District and the State;

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

ARTICLE I

AUTHORITY, TERM, DEFINITIONS, AND GENERAL PROVISIONS

Section 1.1. AUTHORITY

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

Section 1.2. TERM OF THE AGREEMENT

This Agreement shall commence and first become effective for the ad valorem property valuations of the qualified property and qualified investments made pursuant to this Agreement beginning with the tax appraisals to be made as of January 1, 2004, which shall be referred to as the commencement date. Unless sooner terminated as provided herein, the Appraised Value limitation granted by this Agreement shall terminate and have no further force or effect after the tax appraisal placed upon the Applicant's Qualified Investment as of January 1, 2013. The Parties specifically acknowledge that in accordance with Texas Tax Code § 313.027(f)(2) and Section 7.2, the Applicant is required to maintain a Viable Presence in the District for a period of three (3) years after the Appraised Value limitation granted by this Agreement terminates. The termination of this Agreement shall not (i) release any obligations, liabilities, rights and remedies arising out of any breach of, or failure to comply with, this Agreement occurring prior to such termination, (ii) affect the right of a Party to enforce the payment of any amount including any Tax Credit to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination, or (iii) affect the right of the Applicant to enforce the payment of any Tax Credits to which the Applicant is entitled for Tax Years after such termination. The Parties to this Agreement acknowledge that the reduction in the local ad valorem property values shall not commence until January 1, 2006, the second anniversary of the commencement date.

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

Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
1.	January 1, 2004	2004-05	2004	No reduction in value. Tax credit in future years.
2.	January 1, 2005	2005-06	2005	No reduction in value. Tax credit in future years.
3.	January 1, 2006	2006-07	2006	\$10 million property value limitation.
4.	January 1, 2007	2007-08	2007	\$10 million property value limitation. Tax credit payment due to Applicant under § 313.104.
5.	January 1, 2008	2008-09	2008	\$10 million property value limitation. Tax credit payment due to Applicant under § 313.104.
6.	January 1, 2009	2009-10	2009	\$10 million property value limitation. Tax credit payment due to Applicant under § 313.104.
7.	January 1, 2010	2010-11	2010	\$10 million property value limitation. Tax credit payment due to Applicant under § 313.104.
8.	January 1, 2011	2011-12	2011	\$10 million property value limitation. Tax credit payment due to Applicant under § 313.104.
9.	January 1, 2012	2012-12	2012	\$10 million property value limitation. Tax credit payment due to Applicant under § 313.104.

Year of Agreement	Date of Appraisal	School Year	Tax Year	Summary Description of Provisions
10.	January 1, 2013	2013-14	2013	\$10 million property value limitation. Tax credit payment due to Applicant under § 313.104.
11.	January 1, 2014	2014-15	2014	No tax limitation. Tax credit due to Applicant under § 313.104. Applicant obligated to maintain Viable Presence if no early termination.
12.	January 1, 2015	2015-16	2015	No tax limitation. Tax credit due to Applicant under § 313.104. Applicant obligated to maintain Viable Presence if no early termination.
13.	January 1, 2016	2016-17	2016	No tax limitation. Tax credit due to Applicant under § 313.104. Applicant obligated to maintain Viable Presence if no early termination.

Section 1.3. DEFINITIONS

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

"*Act*" means the Texas Economic Development Act set forth in Chapter 313, Texas Tax Code, as amended.

"*Affiliate*" shall mean (a) Toyota Motor Corporation, Toyota Motor North America, Inc., Toyota Motor Manufacturing North America, Inc., Toyota Motor Sales (U.S.A.), Inc., as well as any direct or indirect subsidiaries in control of, controlled by, or under common control with, any of the foregoing entities, and (b) any Toyota Group Company. A "Toyota Group Company", for purposes of this Agreement, shall mean a company identified by Toyota Motor Corporation as such in its publicly disseminated Annual Report and/or Corporate Profile, as may be revised from time to time, as well as any direct or indirect North American subsidiary in control of, controlled by, or under common control with, any Toyota Group Company, and shall include, without limitation, the following: (i) Toyota Tsusho Corporation, (ii) Toyota Gosei Co., Ltd., (iii) Denso Corporation, (iv) Hino Motors,

Ltd., (v) Tokai Rika Co., Ltd., (vi) Araco Corporation, (vii) Toyota Iron Works Co., Ltd., (viii) Futaba Industrial Co., Ltd., (ix) Aisin Seiki Co., Ltd., (x) Central Motor Wheel Co., Ltd., and (xi) Aichi Steel Works, Ltd. The term "control" (including the terms "controlled by" and "under common control with"), for purposes of this Agreement shall mean the possession, directly or indirectly, or as trustee or executor, of the power to direct or cause the direction of the management policies of a person or entity, whether through the ownership of stock, as trustee or executor, by contract, credit arrangement, or otherwise.

"*Agreement*" means this Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operation Taxes, dated as of the date of execution hereof, as the same may be modified, amended, restated, amended and restated, or supplemented from time to time in accordance with Section 8.5.

"*Applicant*" means Toyota Motor Manufacturing North America, Inc., the company which, on or before _____, 2003, filed an Application with the District for a Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The term shall also include their assigns and successors in interest.

"*Applicant's Qualified Investment*" shall have the meaning assigned to such term in Section 2.3.

"*Applicant's Qualified Property*" shall mean the Land and other Qualified Property located on the Land.

"*Applicable School Finance Law*" means Chapters 41, 42, and 45 of the Texas Education Code, the Texas Economic Development Act (Chapter 313, Texas Tax Code), Title I, Texas Tax Code, Chapter 403, Subchapter M, Texas Government Code applicable to the District, and the Constitution and general laws of the State applicable to the independent school districts of the State, including specifically, the applicable rules and regulations of the agencies of the State having jurisdiction over any matters relating to the public school systems and school districts of the State, and judicial decisions construing or interpreting any of the above. The term also includes any amendments or successor statutes which may be adopted in the future which could impact or alter the calculation of the Applicant's ad valorem tax obligation to the District either with or without the limitation of property values made pursuant to this Agreement.

"*Application*" means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, Texas Tax Code) filed with the District on _____, 2003 by Applicant together with any amendments thereto.

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

"*Bexar County*" means Bexar County, Texas.

"*Bexar County Appraisal District*" means the appraisal district established in Bexar County pursuant to the authority of Section 6.01 of the Texas Tax Code.

"Board of Trustees" means the governing body of the District.

"Comptroller" means the Texas Comptroller of Public Accounts.

"Comptroller Rule 9.107" means the applicable rules and regulations of the Comptroller set forth at 34 Texas Administrative Code § 9.107, together with any court or administrative decisions interpreting same.

"County" means Bexar County, Texas.

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

"Force Majeure" means a failure caused by (a) provisions of law, or the operation or effect of rules, regulations or orders promulgated by any governmental authority having jurisdiction over the Applicant, the Applicant's Qualified Property or the Applicant's Qualified Investment or any upstream, intermediate or downstream equipment or support facilities as are necessary to the operation of the Applicant's Qualified Property or the Applicant's Qualified Investment; (b) any demand or requisition, arrest, order, request, directive, restraint or requirement of any government or governmental agency whether federal, state, military, local or otherwise; (c) the action, judgment or decree of any court; (d) floods, storms, hurricanes, evacuation due to threats of hurricanes, lightning, earthquakes, washouts, high water, fires, acts of God or public enemies, wars (declared or undeclared), blockades, epidemics, riots or civil disturbances, insurrections, strikes, labor disputes (it being understood that nothing contained in this Agreement shall require the Applicant to settle any such strike or labor dispute), explosions, breakdown or failure of plant, machinery, equipment, lines of pipe or electric power lines (or unplanned or forced outages or shutdowns of the foregoing for inspections, repairs or maintenance), inability to obtain, renew or extend franchises, licenses or permits, loss, interruption, curtailment or failure to obtain electricity, gas, steam, water, wastewater disposal, waste disposal or other utilities or utility services, inability to obtain or failure of suppliers to deliver feedstock, raw materials, equipment, parts or material, or inability of any of the Applicant to ship or failure of carriers to transport to or from Applicant's facilities of products (finished or otherwise), feedstock, raw materials, equipment, parts or material; (e) the temporary cessation of operations of Applicant's Qualified Property to redesign, retool or expand operations but only to the extent that such actions prevent performance by Applicant; or (f) any other cause (except financial), whether similar or dissimilar, over which the Applicant, respectively, has no reasonable control and which forbid or prevent performance.

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

"Maintenance and Operations Revenue" or *"M & O Revenue"* means:

- i. Those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Texas Education Code § 45.002 and Article VII § 3 of the Texas Constitution.

Plus,

- ii. All state revenues to which the District is or may be entitled under Chapter 42 of the Texas Education Code or any other related statutory provision as well as any amendment or successor statute to these provisions,

Plus,

- iii. Any payments received under other similar agreements to this Agreement to such extent that they are designed to replace District M&O Revenues lost as a result of a similar agreement.

Less,

- iv. Any amounts necessary to reimburse the State and/or another school district for the education of additional students pursuant to Chapter 41 of the Texas Education Code.

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

“*Party*” and “*Parties*” shall have the respective meanings assigned to such terms in the introductory paragraph of this Agreement.

“*Qualified Investment*” means an investment that an owner proposes to acquire, build or install and that will qualify the owner for a limitation on the Appraised Value of Qualified Property. The term does not include land, but means:

(A) tangible personal property that is described as Section 1245 property by Internal Revenue Code of 1986, §1245(a), and that is first placed in service in Texas during the applicable qualifying time period that begins after December 31, 2001;

(B) tangible personal property that is first placed in service in Texas during the applicable qualifying time period that begins after December 31, 2001, and that is used in connection with the manufacturing, processing, or fabrication in a clean room environment of a semiconductor product. For purposes of this subparagraph, tangible personal property is neither required to be affixed to or incorporated into real property, nor required to be actually located in the clean room environment. Examples include, but are not limited to, integrated systems, fixtures, and piping; property that is necessary or

adapted to reduce contamination or to control environmental conditions (e.g. airflow, temperature, humidity, or chemical purity) or to control manufacturing tolerances; and production equipment and machinery, moveable clean room partitions, and clean room lighting;

(C) a building or a permanent, non-removable component of a building that is built or constructed during the applicable qualifying time period that begins after December 31, 2001, and that houses tangible personal property described by subparagraph (A) or (B) of this paragraph; or

(D) any property that is described in subparagraphs (A)-(C) of this paragraph that is leased under a capitalized lease, but excludes any property that is leased under an operating lease.

“Qualified Property” means property that is used either as an integral part, or, as described in the Comptroller Rule 9.107(b)(6), as a necessary auxiliary part, in manufacturing, research and development, or renewable energy generation and consists of:

(A) a new building or other new improvement that does not exist before the date on which the owner applies for an Appraised Value limitation;

(B) land that is not subject to a tax abatement agreement into which a school district has entered under Tax Code, Chapter 312; and is located in an area that is designated as a reinvestment zone under Tax Code, Chapter 311 or Chapter 312, or as an enterprise zone under Government Code, Chapter 2303, on which the owner:

- (i) proposes to construct, erect, or affix a new building or new improvement that does not exist before the date on which the owner applies for an Appraised Value limitation; and,
- (ii) in connection with that new building or new improvement, also proposes to make at least the minimum amount of qualified investment required by Texas Property Tax Code §313.053; and,
- (iii) proposes to create at least 10 new jobs if the land is in a rural school district as defined by the Comptroller pursuant to 34 Tex. Admin. Code § 9.107(e)(1)(B), or at least 25 new jobs if the land is in a school district that is not a rural school district.

(C) tangible personal property that is either first placed in service in the new building or in or on the new improvement that did not exist before the date on which the owner applies for an Appraised Value limitation (unless the property is considered a semiconductor fabrication clean room or equipment under Tax Code, §151.318(q)) or first placed in service on the land on which that new building or new improvement is located, if the personal property is

ancillary and necessary to the business that is conducted in that new building or in or on that new improvement. To qualify, tangible personal property may not be subject to a tax abatement agreement into which a school district has entered under Tax Code, Chapter 312.

"*Second Application*" means the second Application for Appraised Value Limitation on Qualified Property that the Applicant submits for the contemplated second phase of its manufacturing facility to be located in part on the Land.

"*State*" means the State of Texas.

"*Tax Credit*" means any tax credit from the District under the provisions of Subchapter D of the Act and Comptroller Rule 9.107(o), provided that the Applicant complies with the requirements under such provisions, including the filing of a completed application under Section 313.103 of the Texas Tax Code and Comptroller Rule 9.107(o)(2) before September 1, 2005.

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

"*Tax Limitation Amount*" means the maximum amount which may be placed as the Appraised Value on Qualified Property for Tax Years three (3) through ten (10) of this Agreement pursuant to Texas Tax Code § 313.054. That is, for each of the eight (8) Tax Years 2006, 2007, 2008, 2009, 2010, 2011, 2012, and 2013, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed, and the Tax Limitation Amount shall be, the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Ten Million Dollars (\$10,000,000.00).

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

"*Viable Presence*" shall have the meaning ascribed to it under the Act.

ARTICLE II

PROPERTY DESCRIPTION AND APPRAISED VALUE LIMITATION

Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE

The Applicant's Qualified Property upon which the Applicant's Qualified Investment will be located is within an area designated as a reinvestment zone under Chapter 311 or 312 of the Texas Tax Code or as an enterprise zone under Chapter 2303, Government Code. The metes and bounds description of the reinvestment or enterprise zone in which the Applicant's

Qualified Property is located is attached to this Agreement as Exhibit 1 and is incorporated herein by reference for all purposes.

Section 2.2. LOCATION OF QUALIFIED PROPERTY

The location of the Applicant's Qualified Property upon which the Applicant's Qualified Investment will be located is described by the metes and bounds description attached to this Agreement as Exhibit 2 and is incorporated herein by reference for all purposes. The land described in such Exhibit 2 (the "Land") qualifies as Qualified Property under Section 313.021(2)(A) of the Texas Tax Code and Comptroller Rule 9.107(b)(6)(B) and the boundaries of the Land may not be changed from the configuration described on such Exhibit 2 without the express authorization of each of the Parties.

Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT AND/OR QUALIFIED PROPERTY

The Qualified Investment and/or Qualified Property which is subject to the Tax Limitation Amount is described in Exhibit 3 which is incorporated herein by reference for all purposes ("Applicant's Qualified Investment"). The Board of Trustees, by approval of this Agreement, which is an official action, provides that all other property of the Applicant that is located on the Land and which may qualify as Qualified Investment and/or Qualified Property shall be a part of the Applicant's Qualified Investment for purposes of this Agreement.

SECTION 2.4. QUALIFYING USE

The Applicant's Qualified Investment described above in Section 2.3 will be used by the Applicant in connection with manufacturing and is eligible for a tax limitation agreement under Texas Tax Code § 313.024(b)(1) as a manufacturing facility.

SECTION 2.5. APPRAISED VALUE LIMITATION

Unless this Agreement has been terminated as provided herein before such Tax Year, for each of the eight (8) Tax Years 2006, 2007, 2008, 2009, 2010, 2011, 2012, and 2013, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Ten Million Dollars (\$10,000,000.00).

ARTICLE III

PROTECTION AGAINST LOSS OF FUTURE DISTRICT MAINTENANCE AND OPERATIONS REVENUES

Section 3.1. INTENT OF THE PARTIES

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in addition to the receipt of payments in lieu of taxation as set forth below in Article IV, be compensated by the Applicant for any reduction that the District incurs in its Maintenance and Operations Revenues below those for Tax Year 2003 solely as a result of the limitation on Appraised Value of the Applicant's Qualified Investment, after taking into account any payments to be made under this Agreement, other than payments in lieu of taxation as set forth in Article IV. The District agrees that the Parties contemplate a second phase to the Applicant's manufacturing facility and that, subject to satisfying the legal requirements of the Act, the District intends to grant a similar value limitation upon the Qualified Investment contained in the second phase and that the Parties intend to enter into a participation agreement upon substantially the same terms and conditions as this Agreement, except that the Applicant shall not be required to make any payment in lieu of taxation as provided in Section 4.2 of this Agreement.

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

Subject to the provisions of Article V, the amount to be paid by the Applicant to compensate the District for loss of M & O Revenues resulting from this Agreement for each year during the term of this Agreement shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

The M & O amount owed by the Applicant to District =

Base M&O Revenue *minus* New M&O Revenue;

Where:

- i. Base M&O Revenue = the total state and local Maintenance & Operations Revenue that the District would have received for each year of this Agreement under the Applicable School Finance Law had this Agreement not been entered into by the Parties, and the Applicant had not made the Qualified Investment upon the Land subject to this Agreement. For purposes of this Agreement, the value used for the foregoing calculation shall be the appraised value of the land for each applicable year without any limitation under this Agreement, but without any improvements, equipment, goods, or inventory. Also, for purposes of this calculation, the tax collection rate on the Applicant's Qualified Property and/or the Applicant's Qualified Investment will be presumed to be one hundred percent (100%).
- ii. New M&O Revenue = the total State and local Maintenance & Operations Revenue that the District actually received for each

such Tax Year.

In making the calculations required by this Section 3.2:

- iii. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.
- iv. If the New M&O Revenue as calculated under this Section 3.2 exceeds the Base M&O Revenue as calculated under this Section 3.2, such excess will be subtracted from any amounts otherwise due to the District under Article IV with respect to such school year. In the event no amounts are otherwise due to the District under Article IV with respect to such school year, such excess will be regarded as zero.
- v. All calculations made for each of years 3 through 10 of this Agreement under Section 3.2 ii of this Agreement will reflect the Tax Limitation Amount for such year.

Section 3.3. CALCULATIONS TO BE MADE BY THIRD PARTY

All calculations under this Article III and any related calculations under Sections 4.1, 4.2, 4.3, and 5.1 shall be verified each year during the term of this Agreement by an independent third party jointly approved each such year by the District and the Applicant. If the Parties can not agree, then an accounting firm shall be selected by the mediator provided in Section 7.7 of this Agreement. All calculations shall originally be based upon estimates and then will be adjusted to reflect “final” or “actual” data for the applicable year as the data becomes available.

Section 3.4. DATA USED FOR CALCULATIONS

The initial calculations for payments under this Agreement shall be based upon the information provided by the Bexar County Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Property Tax Code § 26.01 on or about July 25 of each year of this Agreement. Student counts used in the calculations made pursuant to this Section 3.4 will be computed according to the methodologies set forth in the Applicable School Finance Law and will be based upon the best available data submitted by the District. Immediately upon receipt of this information by the District, it will be transmitted to the independent third party selected under Section 3.3. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Article III. The data utilized by the third party will be adjusted from time to time to reflect subsequent adjustments by the Bexar County Appraisal District to the District’s tax roll or to reflect changes in student counts, tax collections, or other data kept in accordance with the Applicable School Finance Law by the District.

Section 3.5. DELIVERY OF CALCULATIONS

For each year of this Agreement, the third party appointed pursuant to Section 3.3 shall forward to the Parties for their review a certification containing the calculations required by this Article III and Article V in sufficient detail to allow the Applicant to understand the manner in which the calculations were made. The calculations shall be completed on or before October 10 of each year. The third party shall simultaneously submit his or her invoice for fees for services rendered to the Parties, if any fees are being claimed. Such fees shall be reasonable and shall not exceed fees as are charged for similar services to school districts in the State of Texas.

Section 3.6. PAYMENT BY APPLICANT

For each year for which this Agreement is effective, on or before the later of (i) December 31, and (ii) twenty-one (21) days after delivery of the certification described in Section 3.5 for such year, the Applicant shall pay the full amount determined to be due and owing to the District under this Article III and/or Articles IV and VI with respect to such year. By such date, the Applicant shall also pay any amount due to the independent third party approved under Section 3.3, as reflected on the invoice, if any, delivered by such third party under Section 3.5 with respect to such year. All amounts as calculated pursuant to Section 3.5 or due under Articles IV and VI and which are not received by such date will accrue penalty and interest, plus attorney's fees in the same manner as is calculated pursuant to Texas Tax Code §33.01, et seq.

Section 3.7. EFFECT OF PROPERTY VALUE APPEAL OR OTHER DATA ADJUSTMENT

In the event that the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed after an appeal of its valuation or is otherwise altered, or as student attendance or other final District-wide tax collection data becomes available, then once the determination of a data value becomes final, the calculations required by Section 3.2 will be recomputed by the third party using the new valuations or other new data and upon completion of the new calculations, the third party shall transmit same to the Parties; provided, however, that any such recomputations for one or more years during the term of this Agreement shall be made and delivered to the Parties no more than once each year during the term of this Agreement. Upon receipt of the new calculations, the Party or Parties owing funds to the other Parties or Party shall pay any amounts owed within thirty (30) days of receipt of such new calculations from the third party.

Section 3.8. EFFECT OF STATUTORY CHANGES

Subject to the limitations contained in this Agreement (including Section 5.1), in the event of changes in Applicable School Finance Law, the calculations made under this Article III and payments under this Article III and Article IV will be appropriately adjusted to reflect such changes for the year or years with respect to which such changes are effective. In the event that the provisions of the Constitution and laws of the State of Texas limit the ability of the District to grant the limitations upon the Taxable Value upon the Applicant's Qualified

Investment and Qualified Property as contemplated by this Agreement or to otherwise perform its functions hereunder in any way, then the District shall work with Applicant to identify and, to any permissible extent which does not, after taking into account any make whole payment by Applicant, reduce the funds otherwise available to the District, attempt to provide Applicant with a substitute incentive of equivalent economic value. In the event that changes in the Applicable School Law adversely impact the benefit to Applicant as set forth in this Agreement, the District will cooperate with Applicant's efforts to seek and obtain appropriate legislation or other appropriate action to allow performance hereunder or with respect to a substitute incentive of equivalent economic value.

ARTICLE IV

PAYMENTS IN LIEU OF TAXATION

Section 4.1. AMOUNTS EXCLUSIVE OF INDEMNITY AMOUNTS

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the payments in lieu of taxation set forth in Section 4.2 of this Article IV. It is the express intent of the Parties that the obligation for payments in lieu of taxation under this Article IV are separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that payments under Article III and Section 4.2 are in all respects subject to the limitations contained in Section 5.1.

Section 4.2. PAYMENT IN LIEU OF TAXATION

With respect to Tax Year 2006, on the date specified in Section 3.6 for such Tax Year the District shall be entitled to receive and the Applicant shall be obligated to pay as payments in lieu of taxation, the amount of Two Million Dollars (\$2,000,000.00).

ARTICLE V

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

SECTION 5.1. ANNUAL LIMITATION AFTER FIRST TWO YEARS

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year during the term of this Agreement after the 2005 Tax Year, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Article III with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the

preceding sentence shall be included in all calculations made pursuant to Article III. In the event that the sum of all payments otherwise due from the Applicant to the District under Article III with respect to such Tax Year, exceeds the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year if the Parties had not entered into this Agreement, Applicant shall have the option to defer the payment of any excess amount to the next year to the extent to which the amount to be paid under Article III for the carry forward year and the excess amount carried forward from any previous year(s) is less than the amount which the Applicant would have paid in ad valorem Maintenance and Operations taxes for the applicable year had the Agreement not been in place. If the Applicant elects to defer payments in excess of the annual limit under this Section, Applicant shall not be required to pay penalty and interest on any deferred amounts so long as the payments on any deferred amounts are timely paid in a subsequent year.

Section 5.2. OPTION TO CANCEL AGREEMENT

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

ARTICLE VI

TAX CREDITS

SECTION 6.1. Applicant's Entitlement to Tax Credits

The Applicant shall be entitled to Tax Credits from the District under and in accordance with the provisions of Subchapter D of the Act and Comptroller Rule 9.107(o), provided that the Applicant complies with the requirements under such provisions, including the filing of a completed application under Section 313.103 of the Texas Tax Code and Comptroller Rule 9.107(o)(2) before September 1, 2005.

SECTION 6.2. District's Obligations with Respect to Tax Credits

The District shall timely comply, and shall cause the District's collector of taxes to timely comply, with their obligations under Subchapter D of the Act and Comptroller Rule 9.107(o), including, but not limited to, such obligations set forth in Section 313.104 of the Texas Tax Code and Comptroller Rule 9.107(o)(3).

Section 6.3. COMPENSATION FOR LOSS OF TAX CREDIT PROTECTION REVENUES

To any extent necessary under the Applicable School Finance law, the District shall timely apply for reimbursement for any Tax Credit paid to Applicant under Subchapter D of the Act and Comptroller Rule 9.107(o). If after the Applicant has actually received the benefit of a Tax Credit under Section 6.1 and after applying for such aid, the District does not receive aid from the State pursuant to Texas Education Code § 42.2515 or other similar or successor statute with respect to all or any portion of such Tax Credit for reasons other than the District's failure to comply with the requirements for obtaining such aid, then the District shall notify the Applicant in writing thereof and the circumstances surrounding the State's failure to provide such aid to the District. The Applicant shall pay to the District the amount of such Tax Credit for which the District did not receive such aid within thirty (30) calendar days after receipt of such notice, and such payment shall be subject to the same provisions for late payment as are set forth in Section 3.7. If the District receives aid from the State for all or any portion of a Tax Credit with respect to which the Applicant has made a payment to the District under this Section 6.3, then the District shall pay to the Applicant the amount of such aid within thirty (30) calendar days after the District's receipt thereof.

ARTICLE VII

ADDITIONAL OBLIGATIONS OF PARTIES

Section 7.1. DATA REQUESTS

During the term of this Agreement, and upon the written request of one Party (the "Requesting Party"), the other Party shall provide the Requesting Party, with all information reasonably necessary for the Requesting Party, to determine whether the other Party is in compliance with its obligations under this Agreement; provided, however, that nothing contained in this Agreement shall require the Applicant to provide the District or the Bexar County Appraisal District with any technical or business information which is proprietary, a trade secret or confidential in nature or is subject to a confidentiality agreement with any third party.

Section 7.2. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE

By entering into this Agreement, the Applicant agrees that the Applicant shall maintain a Viable Presence in the District for a period of three (3) years after the expiration of the Appraised Value limitation granted by this Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of, and shall not be subject to any liability for failure to comply with, its obligations under this Agreement to maintain a Viable Presence for such three-year period during the time and to the extent such failure is caused by Force Majeure, provided the Applicant made commercially reasonable efforts to remedy the cause of such Force Majeure.

Section 7.3. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT

Except as otherwise permitted under Section 5.2, in the event that the Applicant wrongfully terminates this Agreement, or in the event that the Applicant or its successors in

interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement after the notice and cure period provided by Section 7.6, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement (net of all credits under Section 7.4), together with the payment of a penalty or interest, or both, on that recaptured ad valorem tax revenue as provided in Section 7.5.

Section 7.4. CALCULATION OF BASE AMOUNT OF TAX OFFSET

For purposes of any recapture calculation made in the event of a breach by the Applicant, the Applicant shall be entitled to credit for all payments made to the District pursuant to Article III or IV and for all payments made in lieu of taxation pursuant to Article IV. All such credit payments received by the District in a Tax Year shall be subtracted from the recaptured ad valorem tax revenue for such Tax Year before calculating any interest or penalty, or both, under Section 7.5.

Section 7.5. CALCULATION OF PENALTY AND INTEREST

In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement by the Applicant, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 7.4 for each Tax Year during the term of this Agreement since the commencement date. For each Tax Year during the term of this Agreement since the commencement date, the District shall calculate penalty or interest for such Tax Year in accordance with the methodology set forth in Texas Tax Code §313.027(f)(3) and Chapter 33, Texas Property Tax Code as if the base amount of recaptured taxes calculated for such Tax Year less any credits under Section 7.4 above had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute. Notwithstanding the foregoing, penalties shall only be due to the extent it is determined that the breach of this Agreement by the Applicant was willful and without a good faith, reasonable belief by the Applicant that their action or omission constituting such breach was in compliance with this Agreement.

Section 7.6. DETERMINATION OF BREACH

Prior to making a determination that the Applicant has failed to maintain a Viable Presence in the District as required by Section 7.2 or has otherwise committed a breach of this Agreement, the District's administration shall provide the Applicant with a written notice of the facts which it believes have caused the breach of this Agreement. After receipt of such notice, the Applicant shall have sixty (60) calendar days to cure such breach and/or to present any facts or arguments to the Board of Trustees showing that the Applicant is not in breach of their obligations under this Agreement.

If the Board of Trustees is not satisfied with such response and/or that such breach has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such breach has

occurred and, if so, whether such breach has been cured. At any such hearing, the Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to whether or not a breach of this Agreement has occurred, the date such breach occurred, if any, and whether or not any such breach has been cured. In the event that the Board of Trustees determines that a breach has occurred and has not been cured, it shall also determine the amounts of recaptured taxes under Section 7.3 (net of all credits under Section 7.4), and the amount of any penalty and/or interest under Section 7.5 which are owed to the District.

After making its determination regarding any alleged breach, the Board of Trustees shall cause the Applicant to be notified in writing of its determination.

Section 7.7. DISTRICT'S REMEDIES AFTER DETERMINATION OF BREACH

After receipt of notice of the Board of Trustee's determination of a breach under Section 7.6, the Applicant shall have sixty (60) days in which either to tender payment, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within sixty (60) days after the Applicant's receipt of notice of the Board of Trustee's determination of breach under Section 7.6, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then residing in Bexar County. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator's fees and expenses and the Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such sixty (60) days, the District shall have the remedies for the collection of the amounts determined under Section 7.6 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes.

In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney's fees and a tax lien on the Qualified Property and Investment pursuant to Texas Tax Code § 33.07 to the attorneys representing the District pursuant to Texas Tax Code § 6.30.

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

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. Information and Notices

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

Notices to the District shall be addressed as follows:

Southwest ISD
Attn: Dr. Pete Anthony, Superintendent
11914 Dragon Lane
San Antonio, Texas 78252-2647
Facsimile No.: (210) 622-4301

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

Notices to the Applicant shall be addressed to:

Toyota Motor Manufacturing North America, Inc.
Assistant General Manager of Accounting and Finance
25 Atlantic Avenue
Erlanger, Kentucky 41018
Facsimile No.: (859) 746-4190

With a copy to:

Toyota Motor Manufacturing North America, Inc.
Attn: General Counsel
25 Atlantic Avenue
Erlanger, Kentucky 41018
Facsimile No.: (859) 746-4190

And

Fulbright & Jaworski L.L.P.
Attn: James M. Summers

300 Convent Street, Suite 2200
San Antonio, Texas 78205
Facsimile No.: (210) 270-7205

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

Section 8.2. EFFECTIVE DATE

This Agreement shall be and become effective on and after January 1, 2004.

Section 8.3. ASSIGNMENT

The Applicant may assign this Agreement to an Affiliate or to a new owner or lessee of all or a portion of such Applicant's interest in the Applicant's Qualified Property and/or the Applicant's Qualified Investment, provided that such Applicant shall give the District and the other Parties written notice of such assignment. 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 once an assignment containing these terms is executed, the assignor shall be released from any and all liability under this Agreement.

Section 8.4. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

SECTION 8.5. Amendments to Agreement; Waivers

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

SECTION 8.6. Entire Agreement

This Agreement and the Exhibits attached hereto contain the entire agreement between the Parties with respect to the subject matter hereof and there are no agreements or understandings, written or oral, between the Parties with respect to the subject matter hereof other than those set forth in this Agreement and the Exhibits attached hereto.

SECTION 8.7. Severability

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 8.7, the term "Law" shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

SECTION 8.8. Payment of Expenses

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

SECTION 8.9. Interpretation

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

SECTION 8.10. Governing Law

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

SECTION 8.11. Counterparts

This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties.

Section 8.12. MAINTENANCE OF APPRAISAL DISTRICT RECORDS

When appraising the Applicant's Qualified Property and/or the Applicant's Qualified Investment subject to a limitation on Appraised Value under this Agreement, the chief appraiser of the Bexar County Appraisal District shall determine in accordance with Chapter 25, Tex. Prop. Tax Code, the Taxable Value of such property without reflecting the effect of any Appraised Value limitation granted by this Agreement for purposes of calculating the District's Interest and Sinking Fund tax roll. The chief appraiser of the Bexar County Appraisal District shall also determine in accordance with Chapter 25, Tex. Prop. Tax Code, the Taxable Value of the property after any Appraised Value limitation granted by this Agreement for purposes of calculating the District's Maintenance and Operations tax roll. The Bexar County Appraisal District shall maintain both Taxable Values in its appraisal records.

IN WITNESS WHEREOF, this Agreement has been executed by the District and the Applicant in duplicate originals as of _____, 2003.

**TOYOTA MOTOR MANUFACTURING
TEXAS, INC.**

By: _____

Name: _____

Title: _____

**SOUTHWEST
INDEPENDENT SCHOOL DISTRICT**

By: _____

President, Board of Trustees

ATTEST:

Secretary, Board of Trustees

EXHIBIT 1

**DESCRIPTION OF REINVESTMENT OR ENTERPRISE
ZONE**

EXHIBIT 2

DESCRIPTION OF APPLICANT'S LAND