

AN ORDINANCE 100069

APPROVING THE TERMS AND CONDITIONS AND AUTHORIZING EXECUTION OF A TAX PHASE-IN AGREEMENT WITH MAXIM INTEGRATED PRODUCTS, INC. ("MAXIM") TO EXEMPT 100% OF AD VALOREM TAXES FOR 10 YEARS ON PERSONAL PROPERTY IMPROVEMENTS OF \$50 MILLION; AND APPROVING AN EXCEPTION TO THE TAX PHASE-IN GUIDELINES TO ALLOW FOR A 10 YEAR VERSUS A 6 YEAR TERM OF THE AGREEMENT.

* * * * *

WHEREAS, Maxim Integrated Products, Inc. (hereinafter "Maxim") is a publicly-held company and a worldwide leader in design, development, and manufacturer of linear and mixed-signal integrated circuits; and

WHEREAS, the company was founded in 1983 and employs more than 7,500 people at its headquarters in Sunnyvale, California and at facilities worldwide; and

WHEREAS, Maxim manufactures approximately 5,000 types of analog and mixed-signal integrated circuits (ICs), more than any other company in the industry, introducing an average of 500 new products per year with revenues expected to reach \$3.8 billion by 2007; and

WHEREAS, thousands of electronics manufacturers use Maxim's products in computers and peripherals, industrial controls, telecommunications and networking equipment, military systems, medical devices, instrumentation and video displays; and

WHEREAS, in October 2003, Maxim informed City staff that it was considering the purchase and future use of the former Philips Semiconductor facility with plans to retrofit the existing 300,000 square-foot facility situated on the 178.5 acre site to manufacture 8-inch semiconductor wafers; and

WHEREAS, Maxim purchased the facility in November 2003 for \$40 million with plans to invest an additional \$50 million in facility improvements and equipment; and

WHEREAS, by December 31, 2007, Maxim will also create a total of 500 new full-time jobs and has to date hired 235 people, 80 percent of whom previously worked for Sony or Philips; and

WHEREAS, the Maxim jobs would entail working in production, equipment and process engineering, automation and management, among other areas; and

WHEREAS, the semi-conductor industry is presently in the midst of the longest economic downturn in its history, so Maxim is seeking a tax phase-in to achieve every available cost-minimizing opportunity to aid the Westover Hills facility as a viable business unit; and

WHEREAS, as an incentive to reinvest in this facility and re-establish operations in San Antonio, Maxim has requested a 10-year, 100% tax phase-in on \$50 million in personal property improvements, as more particularly described in Attachment I; and

WHEREAS, the project is eligible for an abatement term of up to 6 years since the site is located outside of Loop 410 and north of U.S. Highway 90, but due to the exceptional investment, Maxim seeks a 10-year term and requests City Council approve an exception to the City's Tax Phase-In Guidelines; and

WHEREAS, Maxim offers an excellent benefits package for employees and dependents, intends to actively recruit new employees from local colleges to expand its labor force and to hire economically disadvantaged individuals through Alamo WorkSource while also contributing to local schools of higher education in an effort to encourage interest in the technology industry; and

WHEREAS, the project supports the City's *Strategic Plan for Enhanced Economic Development* by encouraging the attraction of new businesses to the community while promoting growth in the targeted industry of manufacturing and technology, as well as retaining and creating high-paying jobs for our community; and

WHEREAS, the City Council also finds that it is in the best interest of the City of San Antonio to approve a Tax Phase-In Agreement with Maxim to induce the desired and beneficial economic development in the area and to approve an exception to the Tax Phase-In Guidelines; **NOW THEREFORE:**

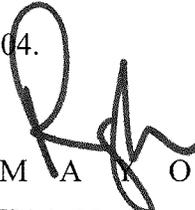
BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Council hereby approves the terms and conditions of the Maxim Tax Phase-In Agreement for a 10-year, 100% abatement of ad valorem taxes on personal property improvements as more particularly described in the copy of the signed Agreement in Attachment I, attached hereto and incorporated herein. An exception to the Tax Phase-In Guidelines is also approved to allow for a 10 year, versus a 6 year, term of the Agreement.

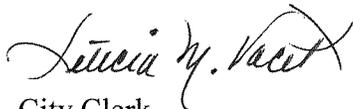
SECTION 2. The City Council also hereby authorizes the Interim City Manager or his designee to execute the Agreement described in Section 1 within 60 days.

SECTION 3. This ordinance shall be effective on and after the tenth (10th) day after passage hereof.

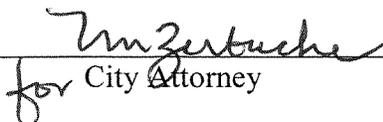
PASSED AND APPROVED this 9th day of December, 2004.


M A O R
EDWARD D. GARZA

ATTEST:


City Clerk

APPROVED AS TO FORM:


for City Attorney

Agenda Voting Results

Name: 6 B.

Date: 12/09/04

Time: 06:01:37 PM

Vote Type: Multiple selection

Description: An Ordinance approving terms and conditions and authorizing execution of a Tax Phase-In Agreement with Maxim Integrated Products, Inc. ("Maxim") to exempt 100% of ad valorem taxes for 10 years on personal property improvements of \$50 million; and approving an exception to the Tax Phase-In Guidelines to allow for a 10 year versus a six (6) year term of the agreement.

Voter	Group	Status	Yes	No	Abstain
ROGER O. FLORES	DISTRICT 1		x		
JOEL WILLIAMS	DISTRICT 2		x		
RON H. SEGOVIA	DISTRICT 3		x		
RICHARD PEREZ	DISTRICT 4		x		
PATTI RADLE	DISTRICT 5		x		
ENRIQUE M. BARRERA	DISTRICT 6		x		
JULIAN CASTRO	DISTRICT 7		x		
ART A. HALL	DISTRICT 8		x		
CARROLL SCHUBERT	DISTRICT 9		x		
CHIP HAASS	DISTRICT_10		x		
MAYOR ED GARZA	MAYOR	Not present			

ATTACHMENT I

**TAX PHASE-IN AGREEMENT BETWEEN
MAXIM INTEGRATED PRODUCTS, INC. AND THE CITY OF SAN ANTONIO**

1. PARTIES

THIS AGREEMENT (the "Agreement") is entered into on this 22 day of December 2004, by and between MAXIM INTEGRATED PRODUCTS, INC. (hereinafter referred to as "MAXIM"), a Delaware corporation, as real property and personal property owner, and the CITY OF SAN ANTONIO, a municipal corporation, (hereinafter referred to as the "CITY"), acting by and through its Interim City Manager.

2. AUTHORIZATION AND FINDINGS

A. This Agreement is entered into pursuant to the following authorities:

1. The Texas Property Redevelopment and Tax Abatement Act of 1987, V.A.T.S. Tax Code, Chapter 312, as amended;

2. CITY COUNCIL RESOLUTION No. 89-07-12, dated the 15th day of February 1989, and most recently revised by Ordinance No. 98692 on January 8, 2004, together which established the City of San Antonio Guidelines and Criteria for Tax Phase-In and Reinvestment Zones, (hereinafter referred to as the "Guidelines and Criteria");

3. CITY COUNCIL ORDINANCE NO. 100068, dated 12/09, 2004, which designated the MAXIM Reinvestment Zone (the "Zone"); and

4. CITY COUNCIL ORDINANCE NO. 100069, dated 12/09, 2004, which specifically approved this Agreement and authorized execution hereof.

B. The City Council, by its approval of this Agreement, hereby finds that the terms of this Agreement, and the property subject to it, generally meet the Guidelines and Criteria as adopted by the City Council and has approved an exception regarding the length of the Term. The City Council further finds that (a) the approval of this Agreement will not have any substantial long-term adverse effect on the provision of CITY services or the CITY'S tax base; and (b) the planned use of the Property (defined below) inside the Zone by MAXIM for the uses contemplated herein will not constitute a hazard to public safety, health or morals.

3. PROPERTY

A. The taxable real property which is the subject of this Agreement is located at 9651 Westover Hills Blvd. on a 178.5 acre, or 7,774,248 square feet more or less, tract of land being comprised of all of that 51.83 acre tract recorded in Volume 6862, Pages 878-881 of the Official Public Records of Real Property of Bexar County, Texas, and all of Lot 2, Block 1 of the V.L.S.I. Subdivision recorded in Volume 9542, Pages 75-78 of the Deed and Plat Records of Bexar County, Texas, all in New City Block (N.C.B.) 18170 of the City of San Antonio, Bexar County, Texas, and as more particularly described in Exhibit A, attached hereto and incorporated

herein. With a personal property improvement investment of approximately fifty million dollars (\$50,000,000.00), MAXIM will retrofit an existing facility on said property and install new machinery and equipment in an approximately three hundred thousand (300,000) square-foot facility to house approximately five hundred (500) employees, which MAXIM will own, hold an interest in or otherwise control (the "Facility"). The Facility will be used for the manufacture of 8" semiconductor wafers. MAXIM will conduct, in the Facility, normal business activities including, but not limited to, production, equipment and process engineering and automation in the manufacture of 8" semi-conductor wafers (hereinafter collectively referred to as the "Business Activities") or the normal Business Activities of a Related Organization (defined in Article 5, Paragraph I) so long as such Business Activities include the normal Business Activities of a manufacturer of semi-conductor products or similar activity. MAXIM shall invest approximately fifty million dollars (\$50,000,000.00) in personal property improvements by December 31, 2007. MAXIM shall be entitled to tax abatements authorized herein for the personal property improvements above the Base Year Value (as defined in Article 6, Paragraph A) (the "Property") if MAXIM or a Related Organization undertakes Business Activities in accordance with the terms of this Agreement in the Zone. MAXIM understands and accepts that there shall be no abatement of taxes for the land, real property, inventory or supplies.

B. MAXIM will establish an "Improvements Only" tax account for personal property with the Bexar Appraisal District regarding the Property and provide these tax account numbers to the CITY.

4. MAXIM'S REPRESENTATIONS

A. MAXIM represents that they have no knowledge that any interest in the Property is presently owned, held or leased by a member of the San Antonio City Council, Zoning Commission, Planning Commission, the City's Economic Development Department, or any other City officer or employee. MAXIM further represents that they shall not knowingly sell, lease or otherwise convey such an interest to a member of the San Antonio City Council, the Zoning Commission, the Planning Commission, the City's Economic Development Department or any other City officer or employee, as long as this Agreement remains in effect.

B. MAXIM represents that there is no litigation pending against MAXIM for any violations under the Occupational Safety and Health Act.

5. TERMS OF THE AGREEMENT

A. Obligations of MAXIM. For MAXIM to receive the tax abatement authorized herein: (1) MAXIM shall own, hold an interest in or otherwise control the Facility Property and shall invest a minimum of fifty million dollars (\$50,000,000.00) in the personal property improvements for the Facility described in Article 3, Paragraph A by December 31, 2007; (2) MAXIM shall hire a minimum of two hundred thirty five (235) non-temporary, full-time employees by December 31, 2004; (4) MAXIM shall hire a minimum of an additional fifteen (15) non-temporary, full-time employees by December 31, 2005 (for a cumulative total of 250), an additional one hundred (100) non-temporary, full-time employees by December 31, 2006 (for a cumulative total of 350) and an additional one hundred fifty (150) by December 31, 2007 (for a

cumulative total of 500) for the Facility; and (5) MAXIM shall occupy and use the Facility for its Business Activities and otherwise comply with the applicable terms of this Agreement.

B. Wage Requirement. MAXIM covenants and agrees that it shall comply with the wage standard policy specified in the City of San Antonio Guidelines and Criteria for Tax Phase-In and Reinvestment Zones, attached hereto as Exhibit "B" and incorporated herein for all purposes, at the time the City Council of CITY authorized execution of this Agreement. MAXIM understands and agrees that the minimum cash wage for all employees is nine dollars and six cents (\$9.06) per hour and after one year, the hourly earnings for seventy percent (70%) of the new jobs is not less than eleven dollars (\$11.00) per hour as of the time City Council of CITY authorized execution of this Agreement.

C. Full-Time Employee. For the purposes of this Agreement, a full-time job shall be equivalent to two thousand eighty (2,080) straight-time paid hours in a fiscal year.

D. Employee Benefits. MAXIM covenants and agrees that it shall offer all of its non-temporary full-time employees at the Facility substantially similar employee benefits as those employee benefits offered to similarly situated employees of MAXIM, as those benefits are currently described in Exhibit "C", attached hereto and incorporated herein, and as they may be modified from time to time corporate-wide. MAXIM covenants and agrees that, during each year of the Term of this Agreement, it will continue to offer all of its full-time employees at the Facility an employee benefits package that is substantially similar to either (a) the benefits package described in Exhibit "C" or (b) those employee benefits offered to similarly situated MAXIM non-temporary full-time employees generally. MAXIM further covenants and agrees that during the Term of this Agreement all of its full-time employees at the Facility shall be offered a health plan which provides coverage for their eligible dependents on terms substantially similar to the coverage provided to the eligible dependents generally of MAXIM's non-temporary full-time employees.

E. Compliance with Employment Regulation. MAXIM covenants and agrees that it shall comply with all applicable federal and state laws governing the employment relationship between employers and employees. A non-exclusive list of such laws is attached hereto as Exhibit "D" and incorporated herein.

F. Compliance with Business Activities Regulation. MAXIM also covenants and agrees that it shall conduct its Business Activities (as defined in Article 3, Paragraph A) at the Facility in accordance with all applicable federal, state and local laws.

G. Compliance with Construction Regulation. MAXIM shall construct any improvements made to the Facility in accordance with all applicable federal, state and local laws including, but not limited to, Texas Commission on Environmental Quality regulations, Bexar County and City of San Antonio laws, Building Codes and ordinances, Historic Preservation and Urban Design ordinances, flood, subdivision, building, electrical, plumbing, fire and life safety codes and regulations, current and as amended.

H. Improvements Completion. MAXIM shall substantially complete personal property improvements by December 31, 2007 and will house MAXIM'S Business Activities (as defined in Article 3, Paragraph A) in the Facility in the MAXIM Reinvestment Zone. MAXIM shall be entitled to such additional time to complete said improvements as may be required due to any "Force Majeure" event, so long as MAXIM reasonably diligently pursues said completion of improvements. For purposes of this Agreement, "Force Majeure" shall be as defined in Article 8 below. The CITY shall have the final determination, to be exercised reasonably and in good faith, whether to extend such period of time for said completion for reasons of Force Majeure. MAXIM shall notify the CITY of the completion of the personal property improvements by sending notice to the address listed in Article 9 (Notice) within one month of completion.

I. Authorized Business Activities. Except as provided herein, MAXIM covenants and agrees that it shall use the Property at the Facility only to conduct its Business Activities (as defined in Article 3, Paragraph A). Without additional consent or approval by the City Council, a parent, subsidiary or affiliate organization of MAXIM or new entity created as a result of a merger, acquisition, or other corporate restructure or reorganization of MAXIM, or any component thereof (hereinafter "Related Organization") may occupy and use the Property and the Facility for such Related Organization's normal business activities, so long as such business activities are those of a manufacturer of semiconductor products, or similar or comparable to the Business Activities of MAXIM at the Facility. To be eligible for tax abatements as provided in this Agreement, such Related Organization shall comply with all applicable terms of this Agreement. Except as authorized above, MAXIM covenants and agrees not to change the principal use of the Property without prior approval by the City Council, as evidenced in a duly approved ordinance.

J. Maintenance Obligations. MAXIM covenants and agrees that they shall maintain the Property and the Facility in good repair and condition during the Tax Phase-In Period, normal wear and tear and damage by fire or other casualty not caused as a result of the negligence, intentional act or misconduct of MAXIM excepted. Compliance with the maintenance obligations imposed herein shall be presumed if MAXIM follows its normal and customary maintenance procedures and schedules.

K. Inspections by the City. Upon five business days prior notice to MAXIM by the CITY, MAXIM covenants and agrees that they shall allow designated representatives of the CITY access to the Property and the Facility during normal business hours for inspection to determine if the terms and conditions of this Agreement are being met. (This inspection is independent of CITY'S police powers to inspect for purposes of assuring compliance with applicable City Codes and Ordinances). The CITY's access to MAXIM's books and records will be limited to information needed to verify that MAXIM is and has been conducting Business Activities, and to verify the number of non-temporary full-time employees at the Facility. Any information that is not required by law to be made public shall be kept confidential by CITY. Should any good faith dispute or question arise as to the validity of the data provided, the CITY reserves the right to require MAXIM to obtain an independent firm to verify the information. This certified statement by an independent firm shall be provided at the sole cost of MAXIM. CITY representatives may be accompanied by MAXIM representatives and such inspections shall be

conducted in such a manner as to (a) not unreasonably interfere with the operation of the Property or the Facility; and (b) comply with MAXIM's reasonable security requirements.

L. Disclosure to Bexar Appraisal District. During the term of this Agreement, MAXIM covenants and agrees to furnish, as applicable, by April 30th of each year, the Chief Appraiser of Bexar Appraisal District with information outlined in Chapter 22, V.A.T.S. Tax Code, as amended, as may be necessary for the tax phase-in and for appraisal purposes.

M. Disclosure to CITY. MAXIM covenants and agrees that it shall provide the CITY's Director of Economic Development with a semi-annual certification from an officer of MAXIM attesting to the number of jobs created and maintained, as well as wages paid, by MAXIM at the Facility. MAXIM shall also submit this information to the CITY upon request, as deemed necessary at the sole discretion of the CITY, during the term of this Agreement. The information provided shall be on the forms set forth in, or substantially similar to the forms set forth in, Exhibit "E" (attached hereto and incorporated herein), as amended.

N. Hiring Goals for Economically Disadvantaged Workers. MAXIM covenants and agrees to make a good faith effort to hire Economically Disadvantaged Individuals to comprise at least twenty-five percent (25%) of the new non-temporary full-time employees required to be employed at the Facility, as follows:

1. As used herein, "Economically Disadvantaged Individual" shall mean a person:
 - a. who was unemployed for at least three consecutive months immediately prior to being hired by MAXIM at the Facility;
 - b. who receives, or is a member of a family which receives, cash welfare or other public assistance benefits under a federal, state, or local program;
 - c. who has, or is a member of a family which has, received a total family income for the six-month period prior to being hired by MAXIM (exclusive of unemployment compensation, child support payments and public assistance payments) that, in relation to family size, did not exceed the greatest of the following:
 - (i) the official poverty line, as defined by the Director of the Office of Management and Budget, and revised annually in accordance with §672(2) of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. §9902(2));
 - (ii) 70 percent of the lower living standard income level; or
 - (iii) the level for moderate income as defined by the United States Department of Housing and Urban Development;

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d. whose residence is in the City's State Enterprise Zone areas that include all census tract block groups in which at least 20% of the residents exceed the federal poverty level. These census tract block groups can be found at www.txed.state.tx.us/TexasEnterpriseZone by clicking on "Census Tract Zones";

e. is receiving or has been determined within the six-month period prior to the application for the program involved to be eligible to receive food stamps pursuant to the Food Stamp Act of 1977;

f. qualifies as a homeless individual under subsections (a) and (e) of §103 of the Stewart B. McKinney Assistance Act;

g. is a foster child on behalf of whom state or local government payments are made;

h. is an individual with a disability whose own income meets or exceeds the requirements of subsections (c)(i) or (c)(ii) above, but who is a member of a family whose income does not meet such requirements.

2. MAXIM shall consult with Alamo WorkSource ("AW"), which is capable of identifying those Economically Disadvantaged Individuals who are qualified for the non-temporary full-time employment positions MAXIM will seek to fill from time to time.

3. MAXIM shall from time to time inform AW of job openings and the qualifications for each such job, providing the same type of information with the same level of detail as MAXIM would normally use in recruiting for such a position. AW shall disseminate information about MAXIM's job opportunities to Economically Disadvantaged Individuals, recruit and screen such Economically Disadvantaged Individuals, and refer potential candidates for employment to MAXIM. Such referrals shall be accompanied by such personnel information as MAXIM may prescribe so the potential candidates can be evaluated by MAXIM.

4. In its sole and complete discretion MAXIM shall:

a. determine which Economically Disadvantaged Individuals, if any, meet its hiring criteria for particular positions;

b. determine how many Economically Disadvantaged Individuals, if any, to interview for particular positions; and

c. determine how many and which Economically Disadvantaged Individuals MAXIM will hire for particular positions, if any.

5. MAXIM shall have satisfied its obligations under Article 5, Paragraph N if it makes a good faith effort to hire Economically Disadvantaged Individuals. If MAXIM consults with AW in good faith to identify and interview those Economically Disadvantaged Individuals

who are qualified for positions to be filled by MAXIM, then such activity shall be deemed to be the good faith effort required herein. In addition, regardless of whether MAXIM works with AW, if MAXIM meets the goal of hiring at least twenty-five (25%) Economically Disadvantaged Individuals, then such activity shall be conclusively deemed to have satisfied the good faith effort required by Article 5, Paragraph N. In determining whether MAXIM meets the goal of hiring at least twenty-five percent (25%) Economically Disadvantaged Individuals, the calculation shall be calculated on a calendar year basis by the month of April.

O. Local Employment Goal. MAXIM covenants and agrees to make a good faith effort to hire local employees to fulfill its requirements under Article 5, Paragraph A. "Local" is defined, for the purposes of this Paragraph, as an employee whose principal residence is located within the city limits of the City of San Antonio or within the county limits of Bexar County.

P. Notification Requirement Regarding Sale, Transfer or Sub-lease of Property. MAXIM covenants and agrees to notify CITY in writing at least 30 days prior to any sale, transfer or sub-lease of the Property during the Term. CITY shall not unreasonably withhold approval of any requests for Assignment of this Agreement by MAXIM under Article 11 and any new purchaser or transferee requesting Assignment shall be bound by same. Failure to provide the required notification under this Article 5, Paragraph P may render MAXIM subject to the termination and recapture provisions under Article 7, Paragraphs F and I without benefit of the Cure Period (as defined in Article 7, Paragraph F).

Q. Notification Requirement Regarding Relocation or Cessation of Business. MAXIM covenants and agrees to notify CITY in writing at least 30 days prior to Relocating or Ceasing its Business Activities (as defined in Article 7, Paragraphs B and C). Failure to provide the required notification under this Article 5, Paragraph Q may render MAXIM subject to the termination and recapture provisions under Article 7, Paragraphs F and I without benefit of the Cure Period (as defined in Article 7, Paragraph F).

R. Penalty for Default/Termination. If, during this Agreement or within six (6) years after the end of this Agreement, MAXIM fails to create and retain at least the minimum number of non-temporary, full-time jobs required under Article 5, Paragraph A of this Agreement, or MAXIM fails to pay at least the minimum wages required under Article 5, Paragraph B of this Agreement for a period of three (3) or more consecutive months, then the termination and recapture provisions of Article 7, Paragraphs E, F and I of this Agreement shall apply against MAXIM.

S. Other Actions Resulting in Default/Termination. If, during this Agreement, MAXIM allows its ad valorem taxes due on the land, real and personal property or inventory and supplies to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest, or is in default with any loan which has been made by the San Antonio Development Agency, San Antonio Local Development Company, *dba* South Texas Business Fund, City of San Antonio Industrial Development Authority or any other CITY-sponsored loan/grant/bond program, then the termination and recapture provisions of Article 7, Paragraphs F and I of this Agreement shall apply.

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6. TAX PHASE-IN

A. Term. The Tax Phase-In Period (the “Term”) for the Property improvements shall be for ten (10) years beginning on January 1, 2005. The base year for calculating the value of the Facility Property shall be January 1, 2004. The “Base Year Value” of the Property shall be the assessed value (determined by the Bexar Appraisal District), as of the Base Year, of the personal property located thereon.

B. Conditions Precedent. At the commencement of the Term, MAXIM shall own, have an interest in or otherwise control the Property. MAXIM shall also conduct its Business Activities in the Facility. A Tax Phase-In shall be granted in each year of the Term as described in Article 6, Paragraph C below.

C. Additional Conditions and Tax Phase-In Percentage. Provided that MAXIM has invested a minimum of fifty million dollars (\$50,000,000.00) in the Facility personal property improvements by December 31, 2007, MAXIM has hired and retained the minimum number of employees specified in Article 5, Paragraph A of this Agreement, MAXIM pays at least the minimum wages required under Article 5, Paragraph B of this Agreement, MAXIM uses the Facility for its Business Activities, and MAXIM is otherwise in compliance with the conditions of this Agreement, then one hundred percent (100%) of the ad valorem taxes for the personal property improvements, above the Base Year Value, shall be abated during the Term. There shall be no abatement of taxes for land, real property, pre-existing personal property, and inventory or supplies.

D. Pre-Term Taxes. MAXIM shall pay, or cause to be paid, to the CITY ad valorem personal property taxes and real property taxes assessed, if any and as applicable, by the CITY on the Property prior to the commencement of the Term.

E. Base Year Taxation. MAXIM understands and agrees that the Base Year Value of the Property and the tax levy based on said Base Year Value of the Property in the Zone shall not decrease, but taxes may increase and that the amount of personal property taxes paid by MAXIM to the CITY attributable to the Property during the Term shall not be less than the amount of taxes attributable to the Property paid to the CITY for the base year tax year, if any, except in the event of casualty or condemnation of the Facility in the Zone.

F. Protest Rights. MAXIM shall have the right to protest appraisals of the Property, or any portion thereof, or the value of any improvements over and above the Base Year Value as applicable.

7. DEFAULT/TERMINATION/RECAPTURE

A. Relocation Defined. For purposes of this section, “Relocation” or “Relocate” shall mean MAXIM or a Related Organization which has taken the place of MAXIM: (i) relocating Business Activities to a location outside the CITY; or (ii) relocating Business Activities outside an approved Enterprise or Reinvestment Zone within the CITY.

B. Termination and Recapture of Taxes in Event of Relocation of Business Activities. If MAXIM occupies and uses the Facility for its Business Activities and subsequently Relocates (as defined in this Article 7, Paragraph A) during the Term, except if such Relocation of Business Activities is caused by a Force Majeure, as defined in Article 8, then City Council shall have the right to terminate this Agreement and the Term. Said terminations shall be effective for the calendar year during which the Property was no longer used for the required purposes stated herein. Upon said terminations, personal property taxes otherwise abated for that calendar year and all previously abated taxes under this Agreement shall be recaptured (based on the table in Article 7, Paragraph I) and shall be paid to CITY within sixty (60) calendar days from the date of said termination notices to MAXIM by CITY.

C. Termination and Recapture of Taxes in Event of Cessation of Business Activities. If MAXIM occupies and uses the Facility for its Business Activities and subsequently ceases conducting Business Activities (or a substantial portion thereof) at the site for a continuous period of three months during the Tax Phase-In Period for any reason, except if such cessation is caused by a Force Majeure as defined in Article 8, then the City Council shall have the right to terminate this Agreement and the Term. Said terminations shall be effective for the calendar year during which the Property was no longer used for the required purposes stated herein. Upon said terminations, personal property taxes otherwise abated for that calendar year and all previously abated taxes under this Agreement shall be recaptured (based on the table in Article 7, Paragraph I) and shall be paid to CITY within sixty (60) calendar days from the date of said termination notices to MAXIM by CITY.

D. Recapture of Taxes Following Term of Agreement. If the Term expires and MAXIM Relocates (as defined in this Article 7, Paragraph A) or ceases to conduct Business Activities (as defined in this Article 7, Paragraph C) at the Facility, then the City Council shall also have the right to recapture from MAXIM a percentage of the previously abated personal property taxes based on the table in Article 7, Paragraph I of this Agreement.

E. Termination and Recapture of Taxes for Failure to Maintain Minimum Number of Employees. If MAXIM, a Related Organization or City-approved assignee fails to hire and retain the minimum number of permanent full-time employees as required in Article 5, Paragraph A above, calculated by the averaging of the two most current semi-annual Employee Wage Information for Tax Phase-In Request Forms, or substantially similar form, (Exhibit "E") for such calendar year of noncompliance, then for each such calendar year of noncompliance, the tax abatement shall be reduced in the following tax year by the same percentage as the deficiency in the number of employees. For example, if MAXIM hires and retains ninety percent (90%) of the minimum number of non-temporary full-time employees in a given year, MAXIM shall be entitled to ninety percent (90%) of the ad valorem personal property tax abatement for the Property for that following year, but subject to a floor of fifty percent (50%). If MAXIM fails to hire and retain at least fifty percent (50%) of the minimum number of non-temporary full-time employees in a given year then, at the option of City Council, this failure may be grounds for termination of this Agreement and the Term. Said termination shall be effective for the calendar year during which the number of permanent full-time employees stated herein have not been hired or retained as required. Upon said terminations, personal property taxes otherwise abated for that calendar year and all previously abated taxes under this Agreement shall be recaptured

(based on the table in Article 7, Paragraph I) and shall be paid to CITY within sixty (60) calendar days from the date of said termination notices to MAXIM.

F. Cure Period and Declaration of Default. During the Term, CITY may declare a default if MAXIM fails to comply with any of the terms of this Agreement. Should CITY determine MAXIM is in default under any of the terms of this Agreement, CITY will notify MAXIM in writing at the address below in Article 9. If said default is not cured within sixty (60) calendar days from the date of such notice (hereinafter the "Cure Period"), then City Council shall have the right to terminate this Agreement. CITY may extend the Cure Period if MAXIM commences the cure within the Cure Period and MAXIM is diligently pursuing such cure. If the Agreement is terminated as a result of default, tangible personal property taxes will be due for the tax year during which the termination occurred and shall accrue without further abatements for all tax years thereafter; in addition, CITY shall have the right to recapture (based on the table in Article 7, Paragraph I) from MAXIM all previously abated personal property taxes under this Agreement and said taxes shall be paid by MAXIM within sixty (60) calendar days of receiving CITY'S written notification of recapture.

G. Additional Rights to Terminate. If MAXIM allows its ad valorem taxes due on the Base Year Value of the tangible personal property to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest, or is in default with any loan which has been made by the San Antonio Development Agency, San Antonio Local Development Company dba South Texas Business Fund, City of San Antonio Industrial Development Authority or any other CITY sponsored loan/grant/bond program, City Council shall have the right to terminate this Agreement under Article 7, Paragraph F. Taxes will then be due for the tax year during which the termination occurred and shall accrue without abatement for all tax years thereafter and all taxes previously abated by virtue of this Agreement will be recaptured (based on the table in Article 7, Paragraph I) and paid by MAXIM within sixty (60) calendar days of receiving CITY'S notice of termination.

H. Termination in Event of Taking by Eminent Domain. If the Facility, or any portion of the Property in the Facility, is taken by any public or quasi-public authority under the power of eminent domain, condemnation or expropriation, then the Abatement shall terminate (only as to the portion of the Property or Facility affected by the taking), effective as of the calendar year during which the taking occurs, and there shall be no recapture of taxes. In such event, MAXIM shall have the right to continue or to terminate this Agreement, for the remaining portion of the Property or Facility, without recapture or other penalty.

I. Calculation of Taxes Subject to Recapture. If MAXIM fails to comply with any of the terms of this Agreement including, but not limited to, those pertaining to Article 7, Paragraphs A through H, then the City Council shall have the right to recapture from MAXIM a percentage of the abated personal property taxes based on the following table:

TERM YEAR	TOTAL TAX PREVIOUSLY ABATED SHALL BE MULTIPLIED BY:
1-10	100%
11-12	80%
13	60%
14	40%
15	20%
16	10%

FORMULA: The recapture formula shall be:

	Applicable Percentage	=	Amount to be
Total Taxes Abated	X		
	from above Schedule		Recaptured

CITY shall recalculate the amount of recapture pertaining to each tax year utilizing the above formula. A bill for each year will then be sent to MAXIM.

J. Other Remedies Available. CITY shall have the right to seek any remedy at law to which it may be entitled, in addition to termination and/or recapture, if MAXIM defaults under the terms of this Agreement. However, such termination and/or recapture shall be subject to any and all lawful offsets, settlements, deductions or credits to which MAXIM may be entitled. The termination and/or recapture of taxes provided in this Article 7 are not applicable to situations involving minor changes to the description of the Property or Facility, or changes in ownership or in management thereof, so long as MAXIM, its parent, subsidiary, affiliate or its CITY-approved successor or assignee continues conducting Business Activities or other authorized activities thereon as provided hereinabove.

8. AUTHORIZED RELIEF FROM PERFORMANCE (Force Majeure)

For purposes of this section, "Force Majeure" is defined as an act of God or natural disaster. It also includes explosion or other casualty or accident which is not the result of negligence, intentional act or misconduct on the part of MAXIM. In addition to relief expressly granted in this Agreement, CITY may grant relief from performance of this Agreement if MAXIM is prevented from compliance and performance by an event of Force Majeure. The burden of proof for the need for such relief shall rest upon MAXIM. To obtain release based upon this Article 8, MAXIM must file a written request with the CITY'S Economic Development Department for processing to City Council for a decision, authorized by a duly approved Ordinance.

9. **NOTICE**

Any notice required or permitted to be given hereunder by one party to the other shall be in writing and the same shall be given and shall be deemed to have been served and given if: (a) delivered in person to the address set forth herein below for the party to whom the notice is given; (b) placed in the United States mail with postage prepaid, return receipt requested, properly addressed to such party at the address hereinafter specified; or (c) deposited, with fees prepaid, into the custody of a nationally recognized overnight delivery service such as FedEx, addressed to such party at the address hereinafter specified. Any notice mailed in the above manner shall be effective upon its deposit into the custody of the United States Postal Service or such nationally recognized delivery service as applicable; all other notices shall be effective upon receipt. From time to time, either party may designate another address for all purposes under this Agreement by giving the other party no less than ten (10) calendar days advance written notice of such change of address in accordance with the provisions hereof.

TO MAXIM:

- (Whether personally delivered or mailed):

MAXIM GROUP CORP.
Attn: General Counsel
120 San Gabriel Drive
Sunnyvale, CA 94086

TO CITY:

- If mailed:

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

- If by personal or overnight delivery:

Economic Development Department
Attn: Director
City Hall, 4th Floor
Military Plaza
San Antonio, Texas 78205

10. **CONDITION**

This Agreement is conditioned entirely upon the approval of the San Antonio City Council, as evidenced by duly approved Ordinance Number 100069, dated 12/09/04

a

11. ASSIGNMENT

Except as otherwise expressly provided herein, this Agreement may be assigned or otherwise transferred only with City Council's prior approval (which approval shall not be unreasonably withheld), as reflected in a duly adopted ordinance. MAXIM must submit a written request to CITY for approval of the proposed assignment or other transfer at least thirty (30) days prior to the effective date of the assignment or transfer of any part of the Property or of the Facility; however, no City Council consent is required for an assignment or transfer to a parent of MAXIM, a subsidiary of MAXIM, an affiliate entity of MAXIM, or to any new entity created as a result of a merger, acquisition or other corporate restructure or reorganization of MAXIM. However, MAXIM shall give CITY prior written notice of all assignments or other transfers that do not require City Council consent, as required under Article 5, Paragraph P. All future assignees shall be bound by all terms and/or provisions and representations of this Agreement.

12. GENERAL PROVISIONS

A. None of the property improvements described in this Agreement are financed by tax increment bonds.

B. This Agreement is entered into subject to the rights of the holders of outstanding bonds of the CITY related to this project. No bonds for which the CITY is liable have been used to finance this project.

C. No amendment, modification, or alteration of the terms hereof shall be binding unless in writing dated subsequent to the date of this Agreement and duly authorized by the parties. MAXIM acknowledges that City Council approval is required for any and all of these actions.

13. SEVERABILITY

In the event any section, subsection, paragraph, subparagraph, sentence, phrase or work herein 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 provisions a provision as similar as possible in terms and in effect to such deleted provision that is valid, legal and enforceable. This Agreement constitutes the entire Agreement between the parties hereto relating to the subject matter contained herein and supersedes all prior, oral or written agreements, commitments or understandings with respect to the matters provided for herein.

14. ESTOPPEL CERTIFICATE

Any party hereto may request an estoppel certificate related to this project (hereafter referred to as "Certificate") from another party hereto so long as the Certificate is requested in connection with a bona fide business purpose. The Certificate, which if requested, will be addressed to a subsequent purchaser or assignee of MAXIM or other party designated by

MAXIM which shall include, but not necessarily be limited to, statements that this Agreement is in full force and effect without default, if such is the case, the remaining Term of this Agreement, the levels of tax abatement in effect, and such other matters reasonably requested by the party(ies) to receive the Certificate.

15. OWNER STANDING

MAXIM, as a party to this Agreement, shall be deemed a proper and necessary party in any litigation questioning or challenging the validity of this Agreement or any of the underlying ordinances, resolutions, or City Council actions authorizing same, and MAXIM shall be entitled to intervene in said litigation.

16. APPLICABLE LAW

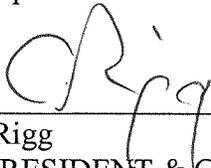
This Agreement shall be construed under the laws of the State of Texas and is performable in Bexar County, Texas, the location of the MAXIM Reinvestment Zone.

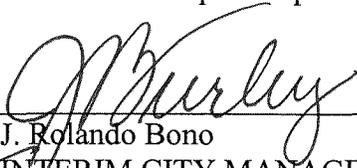
17. DUPLICATE ORIGINALS

This Agreement shall be executed in two duplicate originals, with a duplicate original going to each party.

MAXIM INTEGRATED PRODUCTS, INC.
A Delaware Corporation

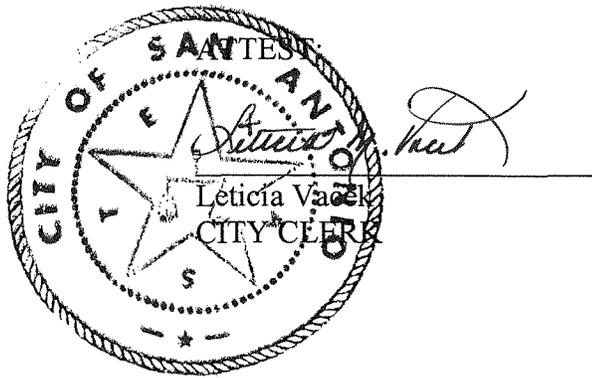
CITY OF SAN ANTONIO,
a Texas Municipal Corporation

BY: 
Chuck Rigg
VICE PRESIDENT & GENERAL
COUNSEL


for J. Rolando Bono
INTERIM CITY MANAGER

ATTEST:

Name: KASEY SOUZA
Title: Executive Assistant



APPROVED AS TO FORM:

Andrew Martin
CITY ATTORNEY *LOH*

EXHIBIT A

TEXAS COMMITMENT FOR TITLE INSURANCE

SCHEDULE A

Effective Date: **October 15, 2003** at 5:00 p.m.

GF No. **TX03-261140-SA12**

Commitment No. **TX03-261140-SA12** issued **October 30, 2003**, at 5:00 p.m.

1. The policy or policies to be issued are:
 - (a) OWNER POLICY OF TITLE INSURANCE (Form T-1)
(Not applicable for improved one-to-four family residential real estate)
Policy Amount: \$27,500,000.00
PROPOSED INSURED: Maxim Integrated Products, Inc., a Delaware corporation
 - (b) TEXAS RESIDENTIAL OWNER POLICY OF TITLE INSURANCE
ONE-TO-FOUR FAMILY RESIDENCES (Form T-1R)
Policy Amount: \$
PROPOSED INSURED:
 - (c) MORTGAGEE POLICY OF TITLE INSURANCE (FORM T-2)
Policy Amount: \$
PROPOSED INSURED:
Proposed Borrower:
 - (d) TEXAS SHORT FORM RESIDENTIAL MORTGAGEE POLICY OF TITLE INSURANCE (Form T-2R)
Policy Amount \$
PROPOSED INSURED:
Proposed Borrower:
 - (e) MORTGAGEE TITLE POLICY BINDER ON INTERIM CONSTRUCTION LOAN (Form T-13)
Binder Amount: \$
PROPOSED INSURED:
Proposed Borrower:
 - (f) OTHER:
Policy Amount: \$
PROPOSED INSURED:

2. The interest in the land covered by this Commitment is: **Fee Simple**

3. Record Title to the land on the Effective Date appears to be vested in:

Philips Semiconductor, Inc.

4. Legal description of land:

Field Notes for a 178.5 acre, or 7,774,248 square foot more or less tract of land being comprised of all of that 51.83 acre tract recorded in Volume 6862, Pages 878-881 of the Official Public Records of Real Property of Bexar County, Texas, and all of Lot 2, Block 1 of the V.L.S.I. Subdivision recorded in Volume 9542, Pages 75-78 of the Deed and Plat Records of Bexar County, Texas, all in New City Block (N.C.B.) 18170 of the City of San Antonio. Said 178.5 acre tract being more fully described as follows:

First American Title Insurance Company

First American Title Insurance Company

BEGINNING: At a found 1/2" iron rod with a yellow cap marked "Pape Dawson", the west end of the curve return for the northeast right-of-way line of Wiseman Boulevard a 110-foot right-of-way dedicated in the Westover Hills, Unit 1A Subdivision recorded in Volume 9511, Pages 40-45 of the Deed and Plat Records of Bexar County, Texas and the northwest right-of-way line of said Westover Hills Boulevard a 110-foot right-of-way dedicated in the Westover Hills, Unit 3 Subdivision recorded in Volume 9512, Pages 65-74 of the Deed and Plat Records of Bexar County, Texas, a south corner of said Lot 2;

Along and with the northeast right-of-way line of said Wiseman Boulevard, the southwest line of said Lot 2 the following calls and distances:

N 36 Deg. 25' 47" W, a distance of 259.40 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson", a point of curvature;

Northwesterly, along the arc of a curve to the right, said curve having a radius of 2189.85 feet, a central angle of 15 Deg. 27' 33", a chord bearing and distance of N 28 Deg. 41' 59" W, 589.06 feet, for an arc length of 590.85 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson", a point of reverse curvature;

Northwesterly, along the arc of a curve to the left, said curve having a radius of 1355.00 feet, a central angle of 71 Deg. 12' 04", a chord bearing and distance of N 56 Deg. 34' 15" W, 1577.57 feet, at an arc length of 584.03 feet passing a found "+" in concrete at the southeast corner of said 51.83 acre tract, a west corner of said Lot 2, and continuing for a total arc length of 1683.85 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson", a point of reverse curvature;

Northwesterly, along the arc of a curve to the right, said curve having a radius of 1145.00 feet, a central angle of 21 Deg. 50' 16", a chord bearing and distance of N 81 Deg. 15' 09" W, 433.77 feet, for an arc length of 436.41 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson", the southeast corner of Lot 3 of the Heights at Westover Hills, Unit-1A (P.U.D.) recorded in Volume 9528, Pages 22-23 of the Deed and Plat Records of Bexar County, Texas, the southwest corner of said 51.83 acre tract;

THENCE: N 00 Deg. 08' 18" E, departing the northeast right-of-way line of said Wiseman Boulevard, along and with the east line of said Heights at Westover Hills, Unit-1A (P.U.D.), the west line of said 51.83 acre tract, at a distance of 1036.8 feet passing the southeast corner of Lot 16 of the Heights at Westover Hills, Unit-3 (P.U.D.) recorded in Volume 9533, Page 33 of the Deed and Plat Records of Bexar County, Texas and continuing for a total distance of 1439.94 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson", the southwest corner of Lot 75 of the Estates of Westover Hills, (P.U.D.) - Unit 3 recorded in Volume 9554, Pages 76-78 of the Deed and Plat Records of Bexar County, Texas, the northwest corner of said 51.83 acre tract;

THENCE: N 89 Deg. 55' 47" E, along and with the north line of said 51.83 acre tract, the south line of said Estates of Westover Hills, (P.U.D.) - Unit 3, at a distance of 515.0 feet passing the southwest corner of Lot 51 of the Estates of Westover Hills (P.U.D.) - Unit 2 recorded in Volume 9547, Pages 188-189 of the Deed and Plat Records of Bexar County, Texas, and continuing for a total distance of 693.07 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson";

THENCE: S 89 Deg. 09' 42" E, along and with the south line of said Estates of Westover Hills (P.U.D.) - Unit 2, a distance of 449.53 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson";

THENCE: S 89 Deg. 42' 10" E, at a distance of 290.7 feet passing a found 1/2" iron rod with a yellow cap marked "Pape Dawson", at the northwest corner of the aforementioned Lot 2, and continuing for a total distance of 566.56 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson";

THENCE: S 89 Deg. 32' 09" E, along and with the north line of said Lot 2, the south line of said Estates of Westover Hills (P.U.D.) - Unit 2, a distance of 610.43 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson";

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First American Title Insurance Company

THENCE: S 89 Deg. 46' 10" E, at a distance of 417.0 feet passing the southwest corner of Lot 17 of the Estates of Westover Hills Unit 1 recorded in Volume 9539, Pages 160-161 of the Deed and Plat Records of Bexar County, Texas, and continuing for a total distance of 572.52 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson";

THENCE: S 89 Deg. 58' 02" E, along and with the south line of said Westover Hills Unit 1, the north line of said Lot 2, a distance of 186.35 feet to a found concrete nail in fence post;

THENCE: S 89 Deg. 43' 06" E, a distance of 715.84 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson" at the southeast corner of Lot 10 and the west corner of Lot 8 of the said Westover Hills Unit 1, the northeast corner of said Lot 2;

THENCE: S 23 Deg. 44' 28" E, along and with the northeast line of said Lot 2, the southwest line of said Westover Hills Unit 1, a distance of 123.44 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson";

THENCE: S 23 Deg. 47' 56" E, a distance of 857.62 feet to a found 1/2" iron rod on the northwest right-of-way line of the aforementioned Westover Hills Boulevard, the east corner of said Lot 2, the south corner of Lot 2 of the Estates of Westover Hills Unit 1;

Along and with the northwest right-of-way line of said Westover Hills Boulevard, the southeast line of said Lot 2 the following calls and distances:

S 47 Deg. 37' 18" W, a distance of 1572.49 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson", a point of curvature;

Southwesterly, along the arc of a curve to the left, said curve having a radius of 1820.03 feet, a central angle of 25 Deg. 12' 08", a chord bearing and distance of S 35 Deg. 01' 15" W, 794.12 feet, for an arc length of 800.56 feet to a found 1/2" iron rod with a yellow cap marked "Pape Dawson", a point of reverse curvature;

Southwesterly, along the arc of a curve to the left, said curve having a radius of 1345.00 feet, a central angle of 25 Deg. 04' 51", a chord bearing and distance of S 34 Deg. 57' 37" W, 584.07 feet, for an arc length of 588.76 feet to a found 1/2" iron rod, a point of compound curvature, at the east end of the aforementioned curve return;

Northwesterly, along the arc with a curve to the right, said curve having a radius of 450.00 feet, a central angle of 96 Deg. 04' 12", a chord bearing and distance of N 84 Deg. 27' 53" W, a distance of 59.48 feet, for an arc length of 67.07 feet to the POINT OF BEGINNING and containing 178.5 acres in the City of San Antonio, Bexar County, Texas. Said tract being described in accordance with a survey made on the ground and a survey map prepared by Pape-Dawson Engineers, Inc.

NOTE: The Company is prohibited from insuring the area or quantity of the land described herein. Any statement on the above legal description of the area or quantity of land is not a representation that such area or quantity is correct, but is made only for informational and/or identification purposes and does not override Item 2 of Schedule B hereof.

First American Title Insurance Company

Texas Commitment T-7 (Rev. 6-27-02)

First American Title Insurance Company

Valid Only If Schedule A, B, C, D and Cover are attached

EXHIBIT B

TAX PHASE-IN GUIDELINES

FOR

BEXAR COUNTY

AND

THE CITY OF SAN ANTONIO

Policy Statement

The growth and diversity of a regional economy is critical to the long-term well being of a community and its citizens. Today, perhaps more than ever, communities must strategically plan and implement policies to achieve these goals. Through joint Tax Phase-in Guidelines for Bexar County and the City of San Antonio, the collaborative efforts of San Antonio's economic development partners are refining strategies to attract and grow targeted industries in order to increase employment, expand the tax base, and create long-term investment and new wealth opportunities in the community.

Both the City Council of the City of San Antonio and the Commissioners Court of County of Bexar, Texas will consider these guidelines to ensure that any abatement of property taxes achieves these community economic development goals.

While these Guidelines represent the joint economic development interests of Bexar County and the City of San Antonio for projects located within the corporate limits of San Antonio, the County will use the guidelines when considering abatements for any project to be located within its jurisdictional boundaries.

Introduction

Chapter 312 of the Texas Tax Code authorizes local governments to abate ad valorem property taxes on the value of new improvements to the property, including real property, tangible personal property, and inventory and supplies. Taxing jurisdictions (e.g., Bexar County and the City of San Antonio) are required by this statute to develop and periodically review guidelines every two years for the eligibility and award of this tax incentive.

State law further requires that each taxing jurisdiction enter into a Tax Abatement Agreement with each owner of property or the owner of a leasehold interest in real property receiving an abatement or portion thereof. These agreements are binding legal documents between all parties involved. Additional provisions and requirements are included in those agreements.

Eligibility Criteria

Under these Guidelines, to be eligible for consideration by these jurisdictions for a tax abatement, a company or project must meet and/or exceed all of the criteria, as described below:

- Minimum amounts of real or personal property investment must be achieved
- Minimum levels of full-time job creation must be achieved
- Employee access to health care benefits must be provided
- Minimum wage requirements for employees must be achieved
- Applicant must be in a targeted industry, or non-targeted industry but meeting exceptional investment requirements

The amount and term of the tax abatement will also be impacted by:

- The location of facility
- Other incentives used for same project
- Overall benefit to the community

These eligibility criteria, with the exception of the requirement of employee access to health care, do not apply to central city multi-family housing or mixed-use projects. The criteria for these projects can be found in Appendix A.

Investment

If the project meets the following investment criteria, as well as the other criteria in these Guidelines, the Applicant will be eligible for an abatement of taxes on either the real property improvements **AND/OR** the new personal property investment. The following eligibility criteria do not apply to central city multi-family housing or mixed-use projects.

LEVEL 1 PROJECT

Should the project meet the following investment criteria:

1. Real property improvements of at least \$1,000,000 in the property of interest **OR**
2. Investment of at least \$10,000,000 in new tangible personal property located at the property of interest, **AND**
3. Creation and maintenance of at least 25 new, full-time, permanent jobs

the company will be able to select an abatement of taxes of:

1. Up to 100% (40% from the County) on the real property improvements **OR**
2. Up to 100% (40% from the County) on the new personal property investment.



LEVEL 2 PROJECT

Should the project meet the following investment criteria:

1. Total capital investment (real property improvements and new personal property investment) of at least \$25,000,000 in the property of interest **AND**
2. Creation and maintenance of at least 250 new, full-time, permanent jobs at the property of interest

the company will be able to select an abatement of taxes from one of the following categories, but not both:

1. Up to 100% (40% from the County) on the real property improvements **AND** up to 50% (20% from the County) on the new personal property investment **OR**
2. Up to 100% (40% from the County) on the new personal property investment **AND** up to 50% (20% from the County) on the real property improvements.

LEVEL 3 PROJECT

A project will be considered an "exceptional investment" if the project meets the following criteria:

1. Total capital investment (real property improvements and new personal property investment) of at least \$50,000,000 in the property of interest **AND**
2. Creation and maintenance of at least 500 new, full-time, permanent jobs at the property of interest

Such projects will be eligible for an abatement of taxes of up to 100% (40% from the County) on the real property improvements **AND** the new personal property investment.

Additionally, a local company expanding its operations in Bexar County must hire at least 25% of its new employees from residents of Bexar County, regardless of the size of the project.

Employee Health Care Benefits

The company seeking an abatement under these Guidelines must provide each full-time person employed at the project location and his or her dependents with access to affordable health insurance within a reasonably timely manner from the date the employee starts employment. **This criteria also applies to employees of central city multi-family housing projects.**

Wage Requirement

In order to be eligible for a tax abatement, companies must meet the following wage requirements:

1. Throughout the term of the abatement, all (100 percent) new and existing employees of the company requesting a tax abatement, *at the project location*, must earn a cash wage exceeding the poverty level for a family of four, as determined annually by the U.S. Department of Health and Human Services (HHS). This Wage Requirement is indexed in April of each year. As of April 2003, this Wage Requirement equals \$8.85 per hour.
2. Within one year of project location opening, 70 percent of all new and existing employees at the project location must earn a cash wage exceeding the average hourly durable goods or non-durable goods (which includes services) wage standard, depending on how the company's activities at the project location are categorized.

- a. Average Hourly Wage for Durable Goods: This is the wage standard for those companies engaging in durable goods manufacturing at the project location, at the time the tax phase-in agreement is executed. As published by the Texas Workforce Commission, the wage standard is determined by the average annual hourly wage for durable goods manufacturers in the San Antonio Metropolitan Statistical Area. This Wage Requirement is indexed in April of each year. As of April 2003, this wage is currently \$10.94 per hour.
- b. Average Hourly Wage for Non-Durable Goods and Services: This is the wage standard for those companies engaging in non-durable goods manufacturing at the project location, at the time the tax phase-in agreement is executed. As published by the Texas Workforce Commission, the wage standard is determined by the average hourly wage for non-durable goods manufacturers in the San Antonio Metropolitan Area. This wage standard also applies to those companies engaged in services activities at the project location. This Wage Requirement is indexed in April of each year. As of April 2003, this wage is currently \$10.70 per hour.
- c. For small, minority, or women-owned businesses with 100 or fewer employees, the City and County may consider abatements for firms whose wage levels may not meet the Average Hourly Wage for Durable Goods or the Average Hourly Wage for Non-Durable Goods and Services (outlined above).

If the company does not meet and maintain this Wage Requirement for all pertinent employees going forward, the company will be considered in default of the Agreement, possibly resulting in termination of the Agreement and subject to recapture of prior abated property taxes.

Targeted Industries

The majority of the company's business at the project location must be engaged in one of the following Targeted Industries, as defined in Appendix A:

- Agribusiness
- Aviation/Aerospace
- Biotechnology
- High Level Business Services
- Information Technology and Security
- Logistics and Distribution
- Manufacturing
- Telecommunications

Additionally, the following projects, as defined in Appendix A, are also eligible for consideration:

- Corporate and Regional Headquarters
- Central City Multi-Family Housing or Mixed-use Project

Non-targeted Industry

Companies whose majority business is not in a Targeted Industry may still be eligible for a tax abatement only if they meet the criteria of a Level 3 Project as defined above.

Regardless of the investment or jobs created, retail stores, retail centers, or businesses that competitively provide goods or services to consumers are not eligible for an abatement. In addition, hotel or motel facilities and outbound or contract call centers (see definition in Appendix A) are not eligible for an abatement. Furthermore, Neighborhood Empowerment Zones may not be used to grant abatements of sales taxes.

Targeted Areas for Investment and Job Creation

Certain areas are targeted for job creation and investment. Depending on the location of the project, the term of the abatement will vary, as follows (see map in Appendix B):

Areas eligible for a 10-year term:

- Projects located within Loop 410 or located south of U.S. Highway 90 will be eligible for an abatement term up to 10 years.
- Projects located within the Medical Center area, the boundaries of the San Antonio International Airport, or the Texas Research Park Foundation.

Areas eligible for a 6-year term:

- Projects located outside of Loop 410 and also located north of U.S. Highway 90 will be eligible for an abatement term up to 6 years.

Projects located over the Edwards Aquifer Recharge Zone or Contributing Zones:

- Projects located in whole or in part over the Edwards Aquifer Recharge Zone, as defined in Appendix A, are not eligible for an abatement.
- Projects located in whole or in part over the Contributing Zone or the Contributing Zone within the Transition Zone, as defined in Appendix A, require an affirmative vote by eight existing City Council members for approval of the tax abatement.

These criteria will not be used to favor one location over another in Bexar County, except as permitted by the Guidelines.

Additional Terms and Conditions

Each jurisdiction reserves the right to negotiate additional terms and conditions on a case-by-case basis.

Recipients of tax abatements will also agree to work with Alamo Workforce Development Inc. to facilitate the posting and advertisement of new jobs at the property of interest, as well as for the recruitment of potential qualified applicants for these positions. Alamo Workforce Development Inc. offers other employer services, such as assessment of basic skills and work aptitudes of potential employees, job matching services, labor market information, assistance in arranging workforce training, and outplacement services which the recipient may also access.

Amount of County Abatement

Property taxes are the single largest source of operating funds for Bexar County (70% of its General Fund revenue), while they are the third largest source of operating revenue for the City of San Antonio. So, dollar for dollar, a tax abatement has a greater organizational impact on the County government than on the City government. To help equitably invest in economic development projects using tax abatements, the County may grant an abatement of taxes up to 40% on the qualified real property improvements and new personal property investment. Applicants may, however, negotiate for additional County abatement participation if the project meets certain other criteria, as defined below. Commissioners Court shall not grant a tax abatement for the Flood Control tax levied by the County or for taxes levied on behalf of the University Health System.

Bexar County may increase the amount of the abatement up to 80% of taxes on qualified real property improvements and new personal property investment after considering these other project criteria:

- **Local Hire Incentive:** Applicant agrees to fill at least 25% of the employment positions created and maintained with individuals whose place of residence, for at least six months prior to employment with the applicant, is located in Bexar County.
- **Hiring of Economically Disadvantaged or Dislocated Individuals Incentive:** Applicant commits that at least 25% of the employment positions created will be filled with economically disadvantaged and/or dislocated individuals.
- **Small, Minority, Women-owned Business Enterprise (SMWBE) Incentive:** Applicant agrees to make a good faith effort to award at least 25% of its contracted work to minority and women-owned business and will make a good faith effort to award at least 10% of its contracted work to small businesses. A good faith effort is defined as the applicant increasing involvement of SMWBEs in the projects procurement process within the areas of commodities, equipment, services (non-professional and operations), maintenance and construction.
- **Environmental Practices Incentive:** Applicant commits to demonstrating sound environmental practices when constructing, operating and maintaining the project. This includes, but is not limited to, the utilization of clean and renewable energies; the implementation of water conservation practices and flood protection measures; the provision of incentives for mass transportation alternatives to employment positions created and maintained; and the sponsorship of other innovative practices that serve to minimize the project's environmental impact and to protect water, land and energy resources for the economic benefit of the community.

Firms may also be considered for an additional 20% County tax phase-in on a case by case basis. For the final 20%, a County negotiating team composed of the County Judge, the Commissioner in whose Precinct the project will be located, and appropriate staff will negotiate, at the County's discretion, terms and conditions for any abatement of the final 20%. The County will give preference for payments in lieu of taxes in an amount equal to the final 20% being abated. These payments will be used for designated purposes, such as educational grants and funding, and other non-profit assistance. Consideration will be given for payments in lieu of taxes that will serve as cash matches to help leverage private sector investment in such educational and non-profit uses. In any case, these agreements are subject to final approval of the Commissioners Court as a whole, as is the case for all tax phase-in agreements.

Recapture of Abated Taxes

Tax abatement agreements will provide for recapture of abated property taxes in the event contract requirements are not met.

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APPENDIX A

DEFINITIONS

Agribusiness: Businesses engaged in the research, development, manufacturing, or refining of agricultural products into foodstuffs or for use as intermediate products in the processing of other agricultural finished goods or products, including those related to defense operations.

Aviation/Aerospace: Companies primarily engaged in one or more of the following activities:

- (1) Manufacturing complete aircraft, missiles, or space vehicles
- (2) Manufacturing aerospace engines, propulsion units, auxiliary equipment or parts
- (3) Developing and making prototypes of aerospace products
- (4) Aircraft conversion (i.e., major modifications to systems)
- (5) Complete aircraft, missile, or space vehicle or propulsion systems maintenance, repair, overhaul and rebuilding (i.e., periodic restoration of aircraft to original design specifications)
- (6) Research and development
- (7) Defense- related operations
- (8) Regional air passenger operations

Biotechnology: This industry comprises establishments primarily engaged in conducting research, development, and manufacturing in the physical, bio-engineering, and life sciences, such as pharmaceutical, agriculture, environmental, biology, botany, biotechnology, chemistry, food, fisheries, forests, health, and defense-related operations.

Call Center: A business in which the main task of a predominant number of the employees at the location is to receive communications via telephone, fax, electronic mail, or postal service for the purposes of providing customer service may be eligible for a tax abatement. A business whose predominant function is to make outbound calls or a business who contracts their call center services to other companies, regardless of whether or not the communications are inbound or outbound, are not eligible for a tax abatement.

Central City Multi-family Housing or Mixed-use Project: Multi-family market rate housing project or mixed-use project, defined as a project with housing units constituting at least 75 percent of the usable enclosed space, located within boundaries of the Empowerment Zone. Any tax increment reinvestment zones or tax increment financing zones within the aforementioned areas are excluded. See map in Appendix C.

Contributing Zone: The area or watershed where runoff from precipitation flows downgradient to the recharge zone of the Edwards Aquifer. The contributing zone is illustrated on Contributing Zone (Southern Part) for the Edwards Aquifer and Contributing Zone (Northern Part) for the Edwards Aquifer. The contributing zone is located upstream (upgradient) and generally north and northwest of the recharge zone for the following counties (See map in Appendix D):

- (A) all areas within Kinney County, except the area within the watershed draining to Segment 2304 of the Rio Grande Basin;
- (B) all areas within Uvalde, Medina, Bexar, and Comal Counties;
- (C) all areas within Hays and Travis Counties, except the area within the watersheds draining to the Colorado River above a point 1.3 miles upstream from Tom Miller Dam, Lake Austin at the confluence of Barrow Brook Cove, Segment 1403 of the Colorado River Basin; and
- (D) all areas within Williamson County, except the area within the watersheds draining to the Lampasas River above the dam at Stillhouse Hollow reservoir, Segment 1216 of the Brazos River Basin. (From TCEQ rules 30 TEX. ADMIN. CODE Chapter 213 Subch. B §213.22(2))

Contributing Zone within the Transition Zone: The area or watershed where runoff from precipitation flows downgradient to the Recharge Zone of the Edwards Aquifer. The Contributing Zone Within the Transition Zone is located downstream (downgradient) and generally south and southeast of the Recharge Zone and includes specifically those areas where stratigraphic units not included in the Edwards Aquifer crop out at topographically higher elevations and drain to stream courses where stratigraphic units of the Edwards Aquifer crop out and are mapped as Recharge Zone. See map in Appendix D. (From TCEQ rules, 30 TAC, § 213.22(3))

Corporate and Regional Headquarters: The firm's corporate or regional legal principal place of business is located in Bexar County, and its total assets will be at least \$500,000,000 and/or its total revenues will be at least \$500,000,000 for the corporate fiscal year preceding the date of the filing of its application for Tax Phase-In with the City of San Antonio or Bexar County. This does not include the corporation's retail outlets.

High Level Business Services: Includes businesses or divisions of corporations that are primarily engaged in business support functions that require a high level of technical expertise, including, but not limited to finance/accounting, insurance/risk management, marketing, real estate/planning, project management, and other analytical services or transactional operations. It does not include call center operations, as previously defined. It is required that a majority of the positions at the project site require a bachelors degree, professional degree, or equivalent relevant professional experience.

Information Technology and Security: This industry comprises establishments primarily engaged in planning and designing computer systems that integrate computer hardware, software, and communication technologies. The hardware and software components of the system may be provided by this establishment or company as part of integrated services or may be provided by third parties or vendors. These establishments often design and develop software, install the system and train and support users of the system.

Companies in this industry are engaged in the following activities:

- (1) Producing and distributing information and cultural products
- (2) Providing the means to transmit or distribute these products as well as data or communications
- (3) Research and development

- (4) Defense-related operations
- (5) Processing data

Logistics/Distribution: Businesses involved in the receiving, storage, service, or distribution of goods or materials, where a majority of the goods or services are distributed to points outside the San Antonio metropolitan statistical area. This includes defense-related operations.

Manufacturing: Businesses engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products - includes related research and development and defense-related operations.

Medical Center Area: The area bound by Louis Pasteur to the South, Babcock Road to the West, Fredericksburg Road to the East, and Huebner Road to the North.

Recharge Zone: That area where the stratigraphic units constituting the Aquifer crop out, including the outcrops of other geologic formations in proximity to the Aquifer, where caves, sinkholes, faults, fractures, or other permeable features would create a potential for recharge of surface waters into the Aquifer. The recharge zone is identified as that area designated as such on official maps located at the Authority and in 30 TEX. ADMIN. CODE § 213.22. See map in Appendix D. (From Edwards Aquifer Authority rules, Chapter 713.1(45))

San Antonio International Airport Area: San Antonio International Airport is located in the north central portion of the city and is generally bounded by Wurzbach Parkway to the north, US 281 to the west, Loop 410 to the south and Wetmore Road to the east.

Telecommunications: Businesses primarily engaged in research & development, regional distribution, defense-related operations and the manufacturing of telecommunication- related products and services. It does not include operations involved in the retail sale of telecommunications products and services. It also does not include operations categorized as call centers.

Texas Research Park: The Texas Research Park is a 1,236-acre site, located in West Bexar County and connected to U.S. Highway 90 and Potranco Road (State Highway 1957). The Texas Research Park supports the development of a world-class center of bioscience research and medical education.

APPENDIX B

Map of Targeted Areas

APPENDIX C

Map of Central City

APPENDIX D

Map of Edwards Aquifer Recharge, Contributing, and Transition Zones

EXHIBIT C



BENEFITS

All employees will have a medical and dental plan identical to that offered at our other sites. Employees may add their dependants to both plans. We also provide life and disability insurance, workers compensation coverage, a flexible spending account to pay healthcare and dependant care with pre-tax dollars, paid vacation and holidays, a stock purchase plan, option incentives, a 401K Plan matching at certain levels, gym subsidies, an annual picnic and holiday party, intramural sports, and subsidized tickets to sports and events.

EXHIBIT D

THE UNITED STATES CONGRESS HAS ENACTED VARIOUS LAWS GOVERNING THE EMPLOYMENT RELATIONSHIP BETWEEN EMPLOYERS AND EMPLOYEES INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE AMERICAN DISABILITIES ACT, THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE NATIONAL LABOR RELATIONS ACT, THE FAIR LABOR STANDARDS ACT, THE OCCUPATIONAL SAFETY AND HEALTH ACT, THE EQUAL PAY ACT, THE EMPLOYEE POLYGRAPH PROTECTION ACT, THE IMMIGRATION REFORM AND CONTROL ACT, THE CIVIL RIGHTS ACT OF 1991, THE REHABILITATION ACT OF 1973, THE UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT OF 1994, THE FAMILY AND MEDICAL LEAVE ACT, THE EMPLOYEE RETIREMENT INCOME SECURITY ACT AND THE WORKERS ADJUSTMENT AND RETRAINING NOTIFICATION ACT.

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EXHIBIT E



INVESTMENT FOR TAX PHASE-IN REQUEST FORM

Provide support documents, or appropriate summaries of same, only for activity occurring during the reporting period of _____ to _____. Please fax this form by January __, 200__. **Return this form with attached documentation no later than _____ to:**

City of San Antonio
Economic Development Department
CHRISTA OLVERA
Management Analyst
100 Military Plaza
City Hall, 4th Floor
San Antonio, TX 78205
(210) 207-8080
FAX (210) 207-8151

Real Property Improvements

Expenditures associated with the real property improvements to your facility for the above reporting period. **Verification may include AIA forms, receipts, invoices, requests for payment from the contractor, etc.**

Improvements occurring since _____ : \$ _____ (attach supporting documents)
Improvements existing prior to _____ : \$ _____

Total Real Property Improvements: \$ _____

Personal Property Improvements:

Expenditures associated with the personal property improvements to your facility for this reporting period. **Verification may include receipts, invoices, requests for payment, etc.**

Improvements occurring since _____ : \$ _____ (attach supporting documents)
Improvements existing prior to _____ : \$ _____

Total Personal Property Improvements: \$ _____

I certify, under penalty of perjury, that the information provided on this form and attached support documents are true and correct.

Signature _____ Date _____

Printed Name _____ Company Name _____



EMPLOYEE WAGE INFORMATION FOR TAX PHASE-IN REQUEST FORM

Provide support documents, or appropriate summaries of same, only for activity occurring during the reporting period of _____, 200__ . **Please fax this sheet to:**

**City of San Antonio
Economic Development Department
CHRISTA OLVERA
Management Analyst
100 Military Plaza
City Hall, 4th Floor
San Antonio, TX 78205
(210) 207-8080
(210) 207-8151 FAX**

Company Name

***Total** Number of Employees (full-time Only) _____

****Total** Number of New jobs created _____

*****Number of Employees Earning At or Above Wage Standard** _____

• Minimum Hourly Wage for all employees _____

*****Wage standard will remain constant throughout a company's Tax Phase-In Term. Standard will be the minimum hourly earnings (for San Antonio MSA) in force at the time Agreement was signed.**

Please **attach support documents, or appropriate summaries of same**, such as payroll registers to document total number of employees, dates of hire, hourly wages of employees and weekly number of hours worked. **Personal identifying information is not required.**

I certify, under penalty of perjury, that the information provided on this form and attached support documents are true and correct.

Signature _____ Date _____

Printed Name _____ Company Name _____

***number of employees on** _____

**** Created from** _____ **to** _____

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