

**TAX PHASE-IN AGREEMENT BETWEEN
MICROSOFT CORPORATION
AND THE CITY OF SAN ANTONIO**

1. **PARTIES**

THIS TAX PHASE-IN AGREEMENT BETWEEN MICROSOFT CORPORATION AND THE CITY OF SAN ANTONIO (this "Agreement") is entered into to be effective as of the 28th day of February, 2007 (the "Effective Date"), by and between MICROSOFT CORPORATION (hereinafter referred to as "CORPORATION"), a Washington 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 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.T.C.A., 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. 2006-06-15-0721 passed and approved on June 15, 2006, 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. 2007-1-18-0073 dated January 18, 2007, which designated the WESTOVER HILLS REINVESTMENT ZONE (the "Reinvestment Zone"); and

4. CITY COUNCIL ORDINANCE NO. 2007-1-18-0074 dated January 18, 2007, which specifically approved this Agreement and authorized the CITY's 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. 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 Reinvestment Zone by CORPORATION 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 the Reinvestment Zone and of this Agreement is located at 5150 Rogers Road, San Antonio, Texas, on an approximately 43.95 acre, or 1,914,442 square foot tract of land being out of an approximately 213.95 acre tract of land, and conveyed to Westover Hills Holdings by way of that certain Special Warranty Deed

recorded in Volume 6835, Pages 1085-1105 of the Official Public Records of Real Property of Bexar County, Texas, and located in New City Block (N.C.B.) 17642 of the City of San Antonio, as more particularly described in Exhibit "A", attached hereto and incorporated herein (the "Real Property"). With an aggregate real property improvement investment of at least TWO HUNDRED THIRTY MILLION and NO/100 DOLLARS (\$230,000,000.00) and an aggregate personal property improvement investment of at least THREE HUNDRED TWENTY MILLION and NO/100 DOLLARS (\$320,000,000.00), or a cumulative aggregate real property investment and personal property investment of FIVE HUNDRED FIFTY MILLION and NO/100 DOLLARS (\$550,000,000.00), CORPORATION will (i) construct certain improvements on or about the Real Property, including without limitation, an approximately FOUR HUNDRED THOUSAND (400,000) square-foot facility to house a large-scale web services data center on or about the Real Property (all such improvements, together with any future improvements, additions or expansions, hereinafter collectively referred to as the "Real Property Improvements"), (ii) acquire and install new machinery and equipment (together with all other personal property either located on the Real Property or to be used in connection with the operation of the Facility, and all replacements thereof, except for new machinery and equipment located on the Real Property prior to the Effective Date of this Agreement, hereinafter collectively referred to as the "Personal Property Improvements") (the Real Property Improvements and Personal Property Improvements being collectively referred to as the "Property") in connection with CORPORATION's operation and development of the Real Property, and (iii) create approximately SEVENTY-FIVE (75) Full-Time Employee Positions (as defined in Article 5, Paragraph C) by JANUARY 1, 2011 to be located on the Real Property. The Real Property, Real Property Improvements and Personal Property Improvements are hereinafter referred to collectively as the "Facility". CORPORATION will own, hold an interest in or otherwise control the Facility and will conduct, in the Facility, certain business activities including, but not limited to, those activities typically conducted by large-scale web service data centers or the business activities of a Related Organization, Successor or Contractor (as such terms are defined in Article 5, Paragraph I) so long as such business activities include the business activities of a large-scale web services data center or similar activity (all of such activities hereinafter collectively referred to as the "Business Activities"). CORPORATION shall invest (a) at least TWO HUNDRED THIRTY MILLION and NO/100 DOLLARS (\$230,000,000.00) in Real Property Improvements and at least THREE HUNDRED TWENTY MILLION and NO/100 DOLLARS (\$320,000,000.00) in Personal Property Improvements, or (b) at least FIVE HUNDRED FIFTY MILLION and NO/100 DOLLARS (\$550,000,000.00) in the aggregate in the Property, by JANUARY 1, 2010. CORPORATION shall be entitled to the Tax Abatement (as defined in Article 6, Paragraph C hereof) for the taxes assessed against the value of the Real Property Improvements and Personal Property Improvements in excess of the Base Year Value (as defined in Article 6, Paragraph A) if CORPORATION or a Related Organization, Successor or Contractor undertakes Business Activities in accordance with the terms of this Agreement in the Reinvestment Zone. CORPORATION understands and accepts that there shall be no abatement of taxes for the Real Property, inventory or supplies.

B. CORPORATION will establish an "Improvements Only" tax account with the Bexar County Appraisal District to be exclusively for the Real Property Improvements and Personal Property Improvements and will provide this tax account number to the CITY.

4. CORPORATION REPRESENTATIONS

A. CORPORATION represents that as of the Effective Date, CORPORATION has no actual knowledge (without inquiry) 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. CORPORATION further represents that it 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. CORPORATION also represents that it has received no written notice of non-compliance by any of its employees or officials with the CITY's Ethics Code.

B. CORPORATION represents that as of the Effective Date, CORPORATION has no actual knowledge of any litigation pending against CORPORATION for any violations under the Occupational Safety and Health Act.

5. TERMS OF THE AGREEMENT

A. Obligations of CORPORATION. CORPORATION covenants and agrees: (1) CORPORATION shall own, hold an interest in or otherwise control the Facility, and shall invest (a) at least TWO HUNDRED THIRTY MILLION and NO/100 DOLLARS (\$230,000,000.00) in aggregate in Real Property Improvements and at least THREE HUNDRED TWENTY MILLION and NO/100 DOLLARS (\$320,000,000.00) in aggregate in Personal Property Improvements for the Facility, or (b) at least FIVE HUNDRED FIFTY MILLION and NO/100 DOLLARS (\$550,000,000.00) in the aggregate for the Property, by JANUARY 1, 2010 (except as otherwise provided by Article 6, Paragraph G), (2) CORPORATION shall create or cause to be created a minimum of SEVENTY-FIVE (75) Full-Time Employee Positions by JANUARY 1, 2011 (except as otherwise provided by Article 7, Paragraph E) (the "Minimum Full-Time Employee Requirement"); and (3) CORPORATION shall occupy and use the Facility for its Business Activities (except as otherwise provided herein). For purposes of calculating the amount of CORPORATION's investment in Personal Property Improvements in item (1) above, the CITY agrees and acknowledges that, due to the short depreciable life of the servers, routers and other equipment used and/or required by CORPORATION in order for CORPORATION to conduct the Business Activities at the Facility, the full amount of any and all costs and expenses incurred by CORPORATION in connection with the replacement of any Personal Property Improvements (including but not limited to, servers, routers and other equipment related to CORPORATION's Business Activities at the Facility) during the Term shall be added to and included in the calculation of CORPORATION's aggregate investment in the Personal Property Improvements. Notwithstanding anything to the contrary, in the event CORPORATION fails to acquire and own any interest in or otherwise control the Real Property or Facility on or before January 1, 2010 for any reason whatsoever, this Agreement shall automatically terminate without notice and the parties hereto shall have no further obligations unto any other party, except for such obligations which expressly survive the expiration or earlier termination of this Agreement.

B. Wage Requirement. CORPORATION covenants and agrees that during the Real Property Term, with respect to individuals employed directly by CORPORATION, it shall

comply with the wage standard policy specified in the Guidelines and Criteria attached hereto Exhibit "B" and incorporated herein for all purposes (the "Wage Standard Policy"), in effect at the time the CITY's City Council authorized execution of this Agreement.

CORPORATION further covenants and agrees that during the Real Property Term, with respect to any individuals employed by a Service Provider (as defined in Article 5, Paragraph C), all service contracts with such Service Provider(s) shall contain provisions requiring such Service Provider to comply with the Wage Standard Policy to the extent set forth in this Article 5, Paragraph B for those employees necessary to comply with the Full-Time Employee Requirement. CORPORATION understands and agrees that the minimum cash wage for all persons employed by CORPORATION at the Facility, including those persons employed through a Service Provider necessary to comply with the Full-Time Employee Requirement (the "Wage Requirement") (a) is, as of the time CITY's City Council authorized execution of this Agreement, Nine Dollars and Sixty-Two cents (\$9.62) per hour, and (b) after one year from the date CORPORATION begins conducting its Business Activities at the Facility, the hourly earnings for seventy percent (70%) of the new jobs at the Facility shall not be less than Ten Dollars and Eighty-Six Cents (\$10.86) per hour.

C. Full-Time Employee Position. For the purposes of this Agreement, a "full-time" job shall refer to a position for which an individual is scheduled to work at least two thousand and eighty (2,080) straight-time paid hours in a fiscal year. A "full-time equivalent" job shall refer to positions filled by more than one individual working a combined total of at least forty (40) hours per week, which shall be counted as one full-time job toward the Minimum Full-Time Employee Requirement. A "Full-Time Employee Position" shall refer to any full-time or full-time equivalent jobs held by individuals working with or for CORPORATION (or a Related Organization, Successor or Contractor if applicable under Section 5, Paragraph I) at the Facility whether as (a) an employee of CORPORATION (or such Related Organization, Successor or Contractor if applicable under Section 5, Paragraph I), or (b) an employee of any contractor, vendor or other service provider of CORPORATION for the Facility (collectively, "Service Provider"). The positions described on Exhibit "C" represent the Full-Time Employee Positions as of the Effective Date. CITY acknowledges and agrees that the names, categories and descriptions of positions described on Exhibit "C" may change from time to time, and in such case, CORPORATION will use good faith efforts to submit an updated Exhibit "C" to CITY. CORPORATION shall be provided a reasonable time to replace terminated or resigned employees or contractors in order to maintain the required number of Full-Time Employee Positions.

D. Employee Benefits. CORPORATION covenants and agrees that during the Real Property Term, it shall offer all of its employees at the Facility the opportunity to elect (i) to receive substantially similar employee benefits as CORPORATION provides generally to its employees (as the benefits may change over time), and (ii) to participate in a health plan which provides coverage for their eligible dependents on terms substantially similar to the coverage provided to the eligible dependents generally of CORPORATION's employees. With respect to any employees of Service Provider(s) at the Facility, CORPORATION shall include in all service contracts with such Service Provider(s) certain provisions requiring that such Service Provider offer such employees located at the Facility the opportunity to elect (i) to receive substantially similar employee benefits as such Service Provider(s) provides generally to its

employees (as the benefits may change over time), and (ii) to participate in a health plan which provides coverage for their eligible dependents on terms substantially similar to the coverage provided to the eligible dependents generally of such Service Provider's employees.

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

F. Compliance with Business Activities Regulation. CORPORATION also covenants and agrees that during the Real Property Term 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 in all material respects.

G. Compliance with Construction Regulation. CORPORATION shall construct, in all material respects, 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, all to the extent applicable to CORPORATION and/or the Facility.

H. Improvements Completion. CORPORATION shall substantially complete the Real Property Improvements and Personal Property Improvements to the extent necessary to comply with the minimum investment amounts set forth in Article 5, Paragraph A above by JANUARY 1, 2010 (the "Completion Deadline"). CORPORATION shall be entitled to such additional time to complete said Real Property Improvements and install said Personal Property Improvements on or about the Real Property as may be required due to any "Force Majeure" event, so long as CORPORATION reasonably and diligently pursues the completion and installation of said Real Property Improvements and/or Personal Property 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 the Completion Deadline and the appropriate length of time by which such Completion Deadline should be extended for reasons of Force Majeure. For purposes of this Agreement, the Real Property Improvements and Personal Property Improvements shall be deemed "substantially complete" on the date that the CITY issues a Certificate of Occupancy for the shell of the primary building (as determined and identified by CORPORATION) located on the Real Property (the "Substantial Completion Date"). Notwithstanding anything contained herein to the contrary, in the event that CORPORATION submits all required documentation to obtain a Certificate of Occupancy for the primary building and pays any fees required in connection therewith (collectively, the "CO Requirements") on or before the Completion Deadline, but the CITY fails to issue a Certificate of Occupancy prior to the Completion Deadline through no fault of CORPORATION, then the Substantial Completion Date shall be deemed to be the date that CORPORATION initially satisfied all of the CO Requirements. CORPORATION shall notify the CITY of the substantial completion of the Real Property Improvements and Personal Property Improvements to the extent required herein by sending written notice to the CITY at the address listed in Article 9 within thirty (30) calendar days following the Substantial Completion

Date. Notwithstanding anything contained herein to the contrary and provided CORPORATION has met its minimum investment requirements set forth in Article 5, Paragraph A and substantially completed the Property by the Completion Deadline, CORPORATION may undertake any expansion of and/or additions to the Facility at any time and from time to time as CORPORATION deems necessary or desirable and such expansions and/or additions shall not be required to be completed within any certain time period or meet any minimum investment amounts in order to be included within the aggregate value of the Real Property Improvements and/or Personal Property Improvements of the then current year for which CORPORATION will receive the Tax Abatement as provided in Article 6, Paragraph C. All taxes assessed on the Real Property Improvements and Personal Property Improvements that are attributed to the CITY and made within the Term shall be abated for the duration of the Term.

I. Authorized Business Activities. Except as otherwise provided herein, CORPORATION covenants and agrees that during the Real Property Term it shall use the Property for the primary purpose of conducting Business Activities (as defined in Article 3, Paragraph A). The following entities may occupy the Facility or use the Property without additional consent or approval by the City Council of CITY, so long as such entities conduct Business Activities at the Facility: (i) a parent, subsidiary or affiliate organization of CORPORATION or new entity created as a result of a merger, acquisition or other corporate restructure or reorganization of CORPORATION, or any component thereof (each being hereinafter referred to as a "Related Organization"); (ii) an entity which acquires all or substantially all of the assets of CORPORATION in or relating to the Facility ("Successor"); and (iii) an entity which acquires the Facility or the Property and then contracts with CORPORATION to provide substantially the same services as previously provided to CORPORATION by the Facility ("Contractor"). To be eligible for the Tax Abatement as provided in this Agreement, such Related Organization, Successor or Contractor shall comply with the provisions of Article 6, Paragraph C and other applicable terms of this Agreement, including those provisions in Article 7, Paragraphs A through J. Except as authorized above, CORPORATION covenants and agrees during the Real Property Term not to change the principal use of the Facility from the Business Activities without prior approval by the City Council of CITY, as evidenced in a duly approved ordinance, which approval shall not be unreasonably delayed or withheld.

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

K. Inspections by the City. Upon five (5) business days prior written notice to CORPORATION by the CITY, CORPORATION covenants and agrees that during the Term it shall allow designated representatives of the CITY access to the Facility during normal business hours for inspection only for the purpose of determining if the terms and conditions of this Agreement are being satisfied; provided however, under no circumstances shall such inspections interfere with CORPORATION's ownership and operation of the Facility. (This inspection is independent of CITY's police powers to inspect for purposes of assuring compliance with

applicable the CITY Codes and Ordinances). The CITY's access to CORPORATION books and records will be limited to information necessary to verify that CORPORATION is and has been conducting Business Activities at the Facility, and to verify the number of Full-Time Employee Positions located at the Facility. Any information obtained by the CITY in connection with such inspections that is not required by law to be made public shall not be disclosed to third parties. Should any good faith dispute or question arise as to the validity of the data provided by CORPORATION in connection with such inspections, the CITY reserves the right to require CORPORATION to engage an independent firm selected by CITY and CORPORATION to verify the disputed or questioned information. This certified statement by an independent firm shall be provided at the sole cost of CORPORATION. If the certified statement obtained by CITY indicates that the data provided by the CORPORATION contained no material inaccuracies, then for any subsequent requests by CITY for a certified statement, the CITY shall pay for the full cost of all such certified statements. The CORPORATION shall have the right to require that the CITY representatives be accompanied by CORPORATION representatives during all or any part of the CITY's inspection 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 CORPORATION's reasonable security requirements.

L. Disclosure to Bexar Appraisal District. During the Term, CORPORATION covenants and agrees to furnish, as applicable, by April 30th of each year, the Chief Appraiser of Bexar Appraisal District with the 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 the CITY. CORPORATION covenants and agrees that during the Real Property Term it shall provide the CITY's Director of Economic Development with a semi-annual certification from an officer of CORPORATION or other person authorized to issue such certification on behalf of the CORPORATION attesting to the number of full-time and full-time equivalent positions held by individuals employed either by CORPORATION or Service Providers (collectively the "positions") created and maintained at the Facility, as well as wages paid to individuals holding such positions. CORPORATION shall also submit this information to the CITY within twenty (20) business days after CORPORATION's receipt of a written request from the CITY, as and when deemed necessary at the discretion of the CITY, during the Term, but in no event shall CORPORATION be required to provide such information more than two (2) times per calendar year. CORPORATION further covenants and agrees that, to the extent any positions are filled by individuals employed by a Service Provider (as defined in Article 5, Paragraph C), CORPORATION shall include in all service contracts with such Service Provider(s) provisions requiring such Service Provider to (a) provide the CITY's Director of Economic Development (with a copy to CORPORATION) with a semi-annual certification attesting to the number of jobs held by employees of such Service Provider, as well as wages paid to such employees, and (b) provide additional information as may be requested by the CITY or permit the CITY to inspect such Service Provider's books and records as reasonably necessary to verify the veracity of the information provided in such Service Provider's certification. The information to be provided by CORPORATION and any Service Provider(s) shall be on the form set forth in, or substantially similar to the form set forth in, Exhibit "E" (attached hereto and incorporated herein)(hereinafter referred to as the "Employee Wage Information for Tax Phase-In Request Forms"). Absent intentional fraud, all of such information provided by CORPORATION or a Service Provider to the CITY shall be deemed true and correct and the

CITY shall not subsequently dispute such information after six (6) calendar months from the date such information is delivered to the CITY, unless the CITY delivers written notice of its objections (setting forth such objections with reasonable specificity and in reasonable detail) to CORPORATION (and such Service Provider, if applicable) within such six (6) month time period. Notwithstanding anything set forth herein to the contrary, the contents of such reports and all other information related to CORPORATION's employees and/or independent contractors, employees and/or independent contractors of any of the CORPORATION's affiliates, employees and/or independent contractors of any Service Provider(s) or CORPORATION's operations provided to the CITY shall not be disclosed to third parties, unless subject to disclosure in accordance with the Public Information Act, Texas Government Code, Chapter 552.

N. Local Employment Goal. CORPORATION covenants and agrees that during the Term, it shall make a good faith effort to hire "local" employees for positions to fulfill the Minimum Full-Time Employee Requirement under Article 5, Paragraph A; however, the hiring of local employees shall not be a condition of CORPORATION's eligibility for or receipt of the Tax Abatement. "Local" shall be defined, for the purposes of this Paragraph, as "an employee whose principal residence is located within the city limits of the CITY or within the county limits of Bexar County, Texas".

O. Notification Requirement Regarding Sale, Transfer or Sub-lease of Facility or Property. CORPORATION covenants and agrees that during the Term, it shall notify CITY in writing at least thirty (30) calendar days prior to any sale, transfer or sub-lease of the Facility or the Property during the Term, including such assignments described under Article 11 for which CITY approval is not required; however, no prior notice or consent is required for a sale, transfer or sub-lease to a parent of CORPORATION, a subsidiary of CORPORATION, an affiliate entity of CORPORATION, or to any new entity created as a result of a merger, acquisition, or other corporate restructure or reorganization of CORPORATION. CITY shall not unreasonably withhold, condition or delay approval (when such approval by the CITY is required) of any requests for assignment of this Agreement by CORPORATION under Article 11. Any purchaser or transferee requesting an assignment of this Agreement shall be bound by the terms hereof. Upon CITY's approval of any such assignment, CORPORATION shall be released from all obligations hereunder. Failure to provide the required notification under this Article 5, Paragraph O may subject CORPORATION to the termination and recapture provisions under Article 7, Paragraphs F and I.

P. Notification Requirement Regarding Relocation or Cessation of Business. CORPORATION covenants and agrees that during the Term, it shall notify CITY in writing at least thirty (30) calendar days prior to Relocating or Ceasing its Business Activities (as such terms are defined in Article 7, Paragraphs B and C respectively) unless such Relocation or Cessation of Business Activities is caused by a Force Majeure (as defined in Article 8).

Q. Penalty for Default/Termination. If, during the Term and after the expiration of the Cure Period (as defined in Article 7, Paragraph F), CORPORATION or Service Provider fails to pay persons necessary to comply with the Full-Time Employee Requirement at least the minimum Wage Requirement required under Article 5, Paragraph B of this Agreement for a period of three (3) or more consecutive months, then the reduction of Tax Abatement,

termination and/or recapture provisions of Article 7, Paragraphs E, F and I of this Agreement, as applicable, shall apply against CORPORATION.

R. Other Actions Resulting in Default/Termination. If, during the Term, and after the expiration of the Cure Period (defined in Article 7, Paragraph F), CORPORATION allows its ad valorem taxes due on the Real Property, pre-existing Real Property Improvements, pre-existing Personal Property Improvements, inventory and supplies related to the Facility to become delinquent and fails to timely and properly follow the legal procedures for its 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 Corporation *d/b/a* 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.

S. Wholly-Owned Affiliates of Microsoft Corporation. Under this Agreement, Microsoft Corporation may, at Microsoft Corporation's sole discretion and without notice to or consent of CITY, satisfy some or all of its obligations or receive the benefits herein, either directly or through any wholly-owned affiliate or subsidiary of Microsoft Corporation.

6. TAX PHASE-IN

A. Term. The tax abatement period shall be as follows for the Real Property Improvements and Personal Property Improvements, respectively:

1. Real Property. Real property taxes will be abated for a period of ten (10) years beginning on the January 1st of the calendar year following the Substantial Completion Date, but in no case later than January 1, 2010 (the "Real Property Term").

2. Personal Property. Personal property taxes will be abated for a period of ten (10) years beginning on January 1, 2008 (the "Personal Property Term").

The Real Property Term and the Personal Property Term are collectively the "Term". The base year for calculating the value of the Real Property Improvements and Personal Property Improvements shall be January 1, 2007. The "Base Year Value" of the Property shall be the assessed value (determined by the Bexar County Appraisal District) on January 1, 2007.

B. Conditions Precedent. At the commencement of the Term, which shall be the earlier to occur of either the Real Property Term or the Personal Property Term, CORPORATION shall own, have an interest in or otherwise control the Property. CORPORATION shall conduct its Business Activities in the Facility. The applicable Tax Abatement shall be granted in each year of the Term upon satisfaction of the conditions set forth in Article 6, Paragraph C below. Despite the conditions set forth in Article 6, Paragraph C, subparts (1) and (3), CITY acknowledges and agrees that the Tax Abatement for personal property shall commence no later than the commencement of the Personal Property Term.

C. Additional Conditions and Tax Abatement Percentage. CORPORATION shall receive the Tax Abatement upon satisfaction of the following conditions: (1) CORPORATION has invested (a) at least TWO HUNDRED THIRTY MILLION and NO/100 DOLLARS

(\$230,000,000.00) in aggregate in Real Property Improvements and at least THREE HUNDRED TWENTY MILLION and NO/100 DOLLARS (\$320,000,000.00) in aggregate in Personal Property Improvements, or (b) at least FIVE HUNDRED FIFTY MILLION and NO/100 DOLLARS (\$550,000,000.00) in the aggregate for the Property, by JANUARY 1, 2010 (except as otherwise provided in Article 6, Paragraph G below), (2) CORPORATION and all Service Providers pay the individuals holding Full-Time Employee Positions (if any) at least the minimum Wage Requirement required under Article 5, Paragraph B of this Agreement, (3) CORPORATION uses the Facility for the Business Activities; and (4) CORPORATION is not in violation of Article 5, Paragraphs F, G, or K of this Agreement. Upon satisfaction of the above referenced conditions, one hundred percent (100%) of the ad valorem taxes for the Real Property Improvements and Personal Property Improvements, in excess of the Base Year Value shall be abated (the "Tax Abatement") during the Term. The Tax Abatement, once earned by CORPORATION, shall continue for the duration of the Term and shall not be lost except as otherwise specifically set forth in this Agreement. There shall be no abatement of taxes for the Real Property, pre-existing Personal Property Improvements, inventory or supplies.

D. Pre-Term Taxes. CORPORATION shall pay, or cause to be paid, to the CITY ad valorem taxes for the Real Property, new machinery and equipment located on the Real Property prior to the commencement of the Personal Property Term, inventory and supplies assessed, if any and as applicable, by the CITY on the Property prior to the commencement of the Term.

E. Base Year Taxation. CORPORATION 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 Reinvestment Zone shall not decrease, but taxes assessed against the Property may increase by virtue of an increase in the tax rate. Even in the event the tax rate applicable to the Property decreases following the Effective Date, the amount of taxes paid by CORPORATION 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 (2007), if any, except in the event of casualty or condemnation of all or any part of the Facility in the Reinvestment Zone.

F. Protest Rights. CORPORATION shall have the right to protest appraisals of the Property, or any portion thereof, or the value of any Real Property Improvements or Personal Property Improvements over and above the Base Year Value, as applicable. The Tax Abatement shall be applied to the amount of taxes finally determined by the Bexar County Appraisal District to be due as a result of any such protest and/or contest by CORPORATION.

G. Reduction of Tax Abatement for Failure to Meet Minimum Real Property Improvements and Personal Property Improvements Investment Amounts. If CORPORATION, a Related Organization, Successor, Contractor or any other City-approved assignee fails to invest at least FIVE HUNDRED FIFTY MILLION and NO/100 DOLLARS (\$550,000,000.00) in aggregate in the Property by JANUARY 1, 2010, then the maximum Tax Abatement with respect to the Property for which CORPORATION is eligible during the tax year(s) in which such deficiency occurs and continues to exist shall be reduced by the same percentage as the deficiency in the actual investment by CORPORATION in the Property. For example, if CORPORATION invests only FOUR HUNDRED NINETY-FIVE MILLION and NO/100 DOLLARS (\$495,000,000.00) in the Property by January 1, 2010, which is equal to ninety percent (90%) of the minimum investment in the Property required under this Agreement,

CORPORATION shall be entitled to receive only ninety percent (90%) of the ad valorem Tax Abatement with respect to the Property during the 2010 tax year and the tax year(s) in which such deficiency continues to exist.

7. DEFAULT/TERMINATION/RECAPTURE

A. Relocation Defined. For purposes of this section, "Relocation" or "Relocate" shall mean that CORPORATION (or a Related Organization, Successor or Contractor which has taken the place of CORPORATION): (i) relocates the Business Activities previously conducted at the Facility to a location outside the city limits or extraterritorial jurisdiction of the CITY; or (ii) CORPORATION relocates the Business Activities previously conducted at the Facility outside an approved enterprise or reinvestment zone within the city limits or extraterritorial jurisdiction of the CITY.

B. Termination and Recapture of Taxes in Event of Relocation of Business Activities. If CORPORATION occupies and uses the Facility for its Business Activities and subsequently Relocates (as defined in this Article 7, Paragraph A) during the Term without delivery of notification to the CITY pursuant to the terms of Article 5, Paragraph O, except if such Relocation of Business Activities is caused by a Force Majeure (as defined in Article 8), then the City Council of the CITY shall have the right to terminate this Agreement upon delivery of the notices and expiration of the Cure Period (as defined in Article 7, Paragraph F). Said termination shall be effective for the calendar year in which such Relocation occurred. Upon said termination, all ad valorem taxes on Real Property Improvements and Personal Property Improvements otherwise abated for such calendar year and all previously abated ad valorem taxes on such Real Property Improvements and Personal Property Improvements preceding the calendar year in which such Relocation occurred shall be recaptured and shall be paid to CITY within ninety (90) calendar days from the date CORPORATION is notified of termination and any applicable Cure Period has expired and a written notice of recapture from the CITY is received. In the event such a Relocation is caused by a Force Majeure, CORPORATION shall have the right to continue or to terminate this Agreement, for all of or any remaining portion of the Property or Facility, without recapture or other penalty.

C. Termination and Recapture of Taxes in Event of Cessation of Business Activities. If CORPORATION occupies and uses the Facility for Business Activities and subsequently ceases conducting Business Activities (or a substantial portion thereof) at the site for a continuous period of three (3) months during the Term (hereinafter referred to as a "Cessation of Business Activities") for any reason, except if such cessation is caused by a Force Majeure (as defined in Article 8), then the City Council of the CITY shall have the right to terminate this Agreement upon delivery of the notices and expiration of the Cure Period as provided in Article 7, Paragraph F below. Said termination shall be effective for the calendar year during which such Cessation of Business Activities occurred. Upon said termination, all ad valorem taxes on Real Property Improvements and Personal Property Improvements otherwise abated for such calendar year and all previously abated ad valorem taxes on such Real Property Improvements and Personal Property Improvements preceding the calendar year in which such Relocation occurred shall be recaptured and shall be paid to the CITY within ninety (90) calendar days from the date CORPORATION is notified of termination and any applicable Cure Period has expired and a written notice of recapture from the CITY is received. In the event such a Relocation is

caused by a Force Majeure, CORPORATION shall have the right to continue or to terminate this Agreement, for all or any remaining portion of the Property of Facility, without recapture or other penalty.

D. Recapture of Taxes Following Term. If the Term expires and CORPORATION 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 (except if such Relocation or Cessation of Business Activities is caused by a Force Majeure), then the City Council of CITY shall also have the right to recapture from CORPORATION a percentage of the previously abated ad valorem taxes on the Real Property Improvements and Personal Property Improvements 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 CORPORATION, a Related Organization, Successor, Contractor or City-approved assignee fails to satisfy the Minimum Full-Time Employee Requirement during the Real Property Term as set forth in Article 5, Paragraph A above, calculated by the averaging of the two (2) most current semi-annual Employee Wage Information for Tax Phase-In Request Forms (as defined in Article 5, Paragraph M), or a substantially similar form, 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 Full-Time Employee Positions. For example, if CORPORATION creates and retains ninety percent (90%) of the minimum number of Full-Time Employee Positions required to comply with the Minimum Full-Time Employee Requirement in a given year, CORPORATION shall be entitled to ninety percent (90%) of the Tax Abatement for the Property for that following year, but subject to a floor of fifty percent (50%). If CORPORATION fails to create and retain at least fifty percent (50%) of the minimum number of Full-Time Employee Positions required to comply with the Minimum Full-Time Employee Requirement in a given year then, at the option of the City Council of the CITY, the CITY may terminate this Agreement. Said termination shall be effective for the calendar year during which at least fifty percent (50%) of the minimum number of Full-Time Employee Positions required to comply with the Minimum Full-Time Employee Requirement have not been created or retained by CORPORATION. Upon said termination, all ad valorem taxes on Real Property Improvements and Personal Property Improvements otherwise abated for that calendar year and all previously abated ad valorem taxes on such Real Property Improvements and Personal Property Improvements preceding the calendar year in which such Relocation occurred shall be recaptured and shall be paid to the CITY within ninety (90) calendar days from the date CORPORATION is notified of termination and any applicable Cure Period has expired and a written notice of recapture from the CITY is received. In the event such a failure to create and retain at least fifty percent (50%) of the minimum number of Full-Time Employee Positions required to comply with the Minimum Full-Time Employee Requirement is caused by a Force Majeure, CORPORATION shall have the right to continue or to terminate this Agreement, for all of or any remaining portion of the Property or Facility, without recapture or other penalty..

F. Cure Period and Declaration of Default. During the Term applicable to either the Real Property Improvements or the Personal Property Improvements, the CITY may declare a default if CORPORATION fails to comply with any of the conditions set forth in Article 5, Paragraph F, G and K of this Agreement. Should CITY determine that CORPORATION is in

default under any of the terms set forth in Article 5, Paragraphs F, G and K of this Agreement, the CITY will notify CORPORATION in writing at the address below in Article 9, and if said default is not cured within sixty (60) calendar days from the date of such notice (hereinafter the "Cure Period"), then the City Council of the CITY shall have the right to terminate this Agreement upon ten (10) calendar days prior written notice. The CITY shall have the option, to be exercised reasonably and in good faith, to extend the Cure Period if CORPORATION commences to cure said default within the Cure Period and CORPORATION is diligently pursuing such cure. If this Agreement is terminated as a result of a default described under this Article 7 Paragraph F, all ad valorem taxes on Real Property Improvements and Personal Property Improvements will be due for the tax year during which the termination occurred and shall accrue without the Tax Abatement for all tax years thereafter; in addition, the CITY shall have the right to recapture from CORPORATION previously abated ad valorem taxes on the Real Property Improvements and Personal Property Improvements under this Agreement for the preceding calendar years during which the termination occurred and said ad valorem taxes shall be paid to the CITY within ninety (90) calendar days of the date CORPORATION receives said written notification of recapture.

G. Additional Rights to Terminate. If during the Term (a) CORPORATION allows its ad valorem taxes due on the Base Year Value of the pre-existing Real Property Improvements, pre-existing Personal Property Improvements, inventory and supplies to become delinquent and CORPORATION fails to timely and properly follow the legal procedures for its protest and/or contest, or CORPORATION is in default under any loan which has been made by the San Antonio Development Agency, San Antonio Local Development Corporation *d/b/a* South Texas Business Fund, City of San Antonio Industrial Development Authority or any other CITY sponsored loan/grant/bond program; and (b) CORPORATION does not cure such delinquency or default within sixty (60) calendar days following CORPORATION's receipt of written notice of such delinquency of default from the CITY, the City Council of the CITY shall have the right to terminate this Agreement. Taxes will then be due for the tax year during which the termination occurred and shall accrue without the Tax Abatement for all tax years thereafter and all taxes previously abated by virtue of this Agreement will be recaptured and paid to the CITY within ninety (90) calendar days of the date CORPORATION receives said notice of termination and written notification of recapture.

H. Termination in Event of Taking by Eminent Domain. If the Facility, or any portion thereof, is taken by any public or quasi-public authority under the power of eminent domain, condemnation or expropriation, then the Tax Abatement of ad valorem taxes applicable to the Real Property Improvements and/or the Personal Property Improvements shall terminate as to the portion of the Facility affected by such taking, effective as of the calendar year during which the taking occurs, and there shall be no recapture of previously abated taxes. In such event, CORPORATION shall have the right to continue or to terminate this Agreement, for the remaining portion of the Facility, without recapture or other penalty.

I. Calculation of Taxes Subject to Recapture. In the event CITY elects to recapture from CORPORATION any and all previously abated ad valorem taxes assessed against the Real Property Improvements and/or Personal Property Improvements as permitted under the applicable provisions of Article 7, such recapture shall be based on the following table:

TERM YEAR TOTAL REAL PROPERTY OR PERSONAL
PROPERTY TAX (AS APPLICABLE)
PREVIOUSLY ABATED
SHALL BE MULTIPLIED BY:

1-10	100%
11	100%
12	80%
13	60%
14	40%
15	20%
16	10%
17 or more	0%

FORMULA: The recapture formula shall be:

	Applicable Percentage		Amount to be
Total Real Property/Personal Property Taxes Abated	X	=	
	from above Schedule		Recaptured

As used in the above table, the Term Year shall be applied separately for the Real Property Term and the Personal Property Term. For example, if the Personal Property Term commences one year before the Real Property Term, then, when the Personal Property Term Year is year 12, the Real Property Term Year would be year 11, and therefore, in this example, the applicable percentage from the table would be 80% for the taxes previously abated for the Personal Property Improvements, and 100% for the taxes previously abated for the Real Property Improvements. CITY shall recalculate the amount of recapture pertaining to each tax year utilizing the above formula. A bill for each tax year will then be delivered to CORPORATION. Notwithstanding anything to the contrary, in no event shall CORPORATION be liable for interest or penalties with respect to any recapture of ad valorem taxes previously abated under this Agreement, however, CORPORATION shall be responsible for actual legal costs incurred by CITY in collecting any recaptured amounts.

J. Other Remedies Available. CITY shall have the right to take appropriate action to which it may be entitled, at law or in equity, against CORPORATION, in addition to termination and/or recapture as described in this Agreement, in order to recover any ad valorem taxes that the CITY is entitled to recapture pursuant to this Agreement. However, the termination and/or recapture of taxes provided in this Article 7 shall be subject to any and all lawful offsets, settlements, deductions or credits to which CORPORATION 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, non-material violations by CORPORATION, Force Majeure (as defined in Article 8 below), or changes in ownership or in management thereof, so long as CORPORATION, its Related Organization,

Successor, Contractor or any other CITY-approved successor or assignee continues conducting Business Activities or other authorized activities thereon, as provided in this Agreement. Subject only to the limitations, if any, expressly set forth in the San Antonio City Code, as amended, the CITY does hereby grant to CORPORATION the right to prosecute or take appropriate action, at law or in equity, against the CITY to enforce any covenant or agreement by the CITY under this Agreement.

8. AUTHORIZED RELIEF FROM PERFORMANCE (Force Majeure)

For purposes of this section, "Force Majeure" is defined as an act of God, natural disaster, war, civil commotion, inclement weather, governmental restrictions, regulations, or interferences, delays caused by franchised utilities or their contractors, fire, court injunction, necessary condemnation proceedings, or any circumstances which are reasonably beyond the control of the party obligated or permitted to satisfy any obligation under this Agreement, regardless of whether any such circumstances are similar to any of those enumerated or not. It also includes explosion or other casualty or accident which is not the result of gross negligence, intentional act or willful misconduct on the part of CORPORATION. In addition to relief expressly granted in this Agreement, CITY may grant relief from performance of this Agreement if CORPORATION 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 CORPORATION. To obtain release based upon this Article 8, CORPORATION must file a written request with the CITY's Economic Development Department for processing to CITY's 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: (a) immediately upon delivery if delivered in person to the address set forth herein below for the party to whom the notice is given; (b) on the third (3rd) calendar day after being placed in the United States mail with postage prepaid, return receipt requested, properly addressed to such party at the address hereinafter specified; or (c) on the first (1st) business day after being 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. 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 CORPORATION:

- (Whether personally delivered or mailed):

CORPORATION

Attn: Vice President, Global Foundation Services
One Microsoft Way
Redmond, WA 98052

With a Copy to;

Attn: LCA, Deputy General Counsel for Law and Corporate Affairs, Platform and Services Division
One Microsoft Way
Redmond, WA 98052

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 2007-01-18-0074, dated January 18, 2007.

11. **ASSIGNMENT**

Except as otherwise expressly provided herein, this Agreement may be assigned or otherwise transferred only with the prior approval of CITY's City Council (which approval shall not be unreasonably withheld), as reflected in a duly adopted ordinance. CORPORATION must submit a written request to CITY for approval of the proposed assignment or other transfer at least thirty (30) calendar days prior to the effective date of the assignment or transfer of any part of the Facility; however, no prior notice or written consent of CITY's City Council is required for an assignment or transfer to a parent of CORPORATION, a subsidiary of CORPORATION, an affiliate entity of CORPORATION, or to any new entity created as a result of a merger, acquisition, or other corporate restructure or reorganization of CORPORATION. However, CORPORATION shall give CITY prior written notice of all assignments or other transfers that do not require CITY's City Council consent pursuant to Article 5, Paragraph O. 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. The CITY represents and warrants that neither this project nor all or any part of the Facility is subject to the rights of holders of outstanding bonds of the CITY related to this project and that 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. CORPORATION acknowledges that approval of the CITY's City Council is required for any and all of these actions.

13. SEVERABILITY

In the event any section, subsection, paragraph, subparagraph, sentence, phrase or word 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 provision 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 Agreement (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 CORPORATION or other party designated by CORPORATION, shall include, but not necessarily be limited to, statements that this Agreement is in full force and effect without default (or if a default exists, the nature of such default and curative action which should be undertaken to cure same), the remaining Term, the levels of tax abatement in effect, and such other matters reasonably requested by the party(ies) to receive the Certificate.

15. OWNER STANDING

CORPORATION, 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 the CITY's City Council actions authorizing same, and CORPORATION 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 Reinvestment Zone.

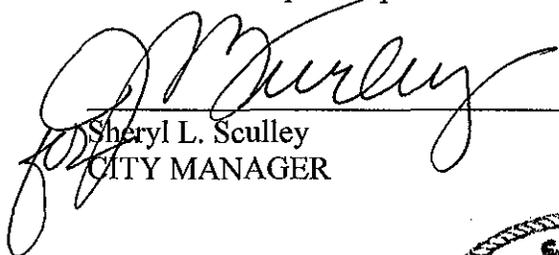
17. **DUPLICATE ORIGINALS**

This Agreement shall be executed in multiple counterparts, each of which shall be deemed an original and constitute one and the same instrument.

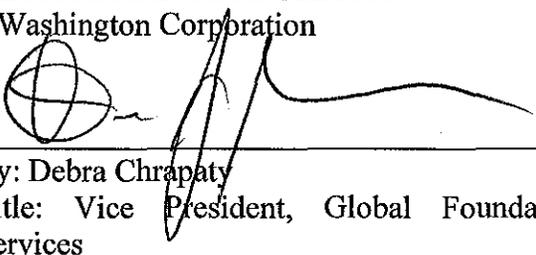
Executed this 28th day of February, 2007.

CITY OF SAN ANTONIO,
a Texas Municipal Corporation

MICROSOFT CORPORATION
a Washington Corporation

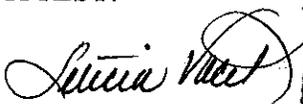


Sheryl L. Sculley
CITY MANAGER



By: Debra Chrapaty
Title: Vice President, Global Foundation Services

ATTEST:

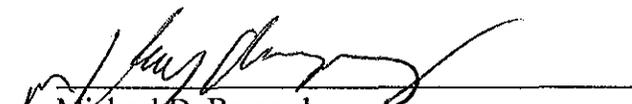


Leticia Vacek
CITY CLERK



Reviewed by
Microsoft Legal
Edgar
2-19-07

APPROVED AS TO FORM:



Michael D. Bernard
CITY ATTORNEY

EXHIBIT A: REAL PROPERTY DESCRIPTION

(See attached.)



FIELD NOTES

FOR

A 43.95 acre, or 1,914,442 square foot more or less, tract of land being out of a 213.95 acre tract and conveyed to Westover Hills Holdings, in Special Warranty Deed in Volume 6835, Pages 1085-1105 of the Official Public Records of Real Property of Bexar County, Texas, out of the Thomas York Survey No. 201 ½, Abstract 825, County Block 4400, now New City Block 17642 of San Antonio, Bexar County, Texas. Said 43.95 acre tract being more fully described as follows, with bearings established from the Texas State Plane Coordinate System from the North American Datum of 1983 (CORS96) for the South Central Zone and based on the north right of way line of Wiseman Road recorded in the Plat of Westover Hills, Unit 1A, Volume 9511, Pages 40-45 of the Deed and Plat Records of Bexar County, Texas:

COMMENCING: From a found ½" iron rod with yellow cap marked "Pape-Dawson," a southwest corner of said called 213.95 acre tract and a point in the north right of way line of said Wiseman Road and in the east line of the proposed extension of Rogers Road (not improved):

THENCE: Northwestery, along the arc of a curve to the left, along and with the west line of said called 213.95 acre tract and the east line of said proposed extension of Roger Road, said curve having a radial bearing of S 64°03'57" W, a radius of 1469.04 feet, a central angle of 09°28'43", a chord bearing and distance of N 30°40'24" W, 242.75 feet, for an arc length of 243.02 feet to a found ½" iron rod with yellow cap marked "Pape-Dawson," the POINT OF BEGINNING, of the herein described tract;

THENCE: Northwestery, continuing along the arc of said curve to the left, with the west line of said called 213.95 acre tract and the east line of the proposed extension of said Rogers Road (not improved), said curve having a radial bearing of S 54°35'14" W, a radius of 1469.04 feet, a central angle of 22°56'45", a chord bearing and distance of N 46°53'08" W, 584.39 feet, for an arc length of 588.32 feet to a found ½" iron rod with yellow cap marked "Pape-Dawson";

THENCE: N 58°21'31"W, along and with the west line of said called 213.95 acre tract and the east line of the proposed extension of said Rogers Road (not improved), a distance of 187.19 feet to a found ½" iron rod with yellow cap marked "Pape-Dawson";

PAPE-DAWSON ENGINEERS, INC.

555 East Ramsey | San Antonio, Texas 78216 | Phone: 210.375.9000 | Fax: 210.375.9010 | info@pape-dawson.com

THENCE: Departing the east line of said proposed extension of said Rogers Road (not improved), over and across said called 213.95 acre tract the following calls and distances:

N 31°38'29"E, a distance of 300.00 feet to a found ½" iron rod with yellow cap marked "Pape-Dawson";

N 48°46'06"E, a distance of 339.57 feet to a found ½" iron rod with yellow cap marked "Pape-Dawson";

THENCE: N 31°38'29"E, a distance of 999.76 feet to a found concrete nail, a point in the north line of said called 213.95 acre tract, and a point in the south line of a 6.68 acre tract recorded in Volume 7307, Pages 347-350 of the Official Public Records of Real Property of Bexar County, Texas

THENCE: S 89°28'32"E, along and with the north line of said called 213.95 acre tract and the south line of said called 6.68 acre tract, a distance of 101.48 feet to a found ½" iron rod with yellow cap marked "Pape-Dawson", a point in the north line of said called 213.95 acre tract, the southeast corner of said called 6.68 acre tract and the southwest corner of a called 42.63 acre tract recorded in Volume 1421, Pages 280-283 of the Official Public Records of Real Property of Bexar County, Texas;

THENCE: S 89°42'06"E, along and with the north line of said called 213.95 acre tract and the south line of said called 42.63 acre tract, a distance of 455.38 feet to a found ½" iron rod with yellow cap marked "Pape-Dawson", the northeast corner of said called 213.95 acre tract, a point in the south line of said called 42.63 acre tract, the northeast corner of Westover Valley, Unit 1 recorded in Volume 9562, Pages 166-169 of the Deed and Plat Records of Bexar County, Texas;

THENCE: Departing the north line of said called 213.95 acre tract and along and with the west line of said Westover Valley Subdivision, Unit 1 the following calls and distances:

S 26°08'04"E, a distance of 104.60 feet to a found concrete nail;

S 30°25'55"W, a distance of 70.00 feet to a found ½" iron rod with yellow cap marked "Pape-Dawson," a point of non-tangent curvature;

Southeasterly, along the arc of a curve to the right, said curve having a radius of 365.00 feet, a central angle of $40^{\circ}28'26''$, a chord bearing and distance of $S\ 39^{\circ}19'52''\ E$, 252.51 feet, for an arc length of 257.84 feet to a found $\frac{1}{2}$ " iron rod with yellow cap marked "Pape-Dawson";

$S\ 19^{\circ}05'39''\ E$, a distance of 101.34 feet to a found $\frac{1}{2}$ " iron rod with yellow cap marked "Pape-Dawson";

$S\ 06^{\circ}14'50''\ E$, a distance of 345.14 feet to a found $\frac{1}{2}$ " iron rod with yellow cap marked "Pape-Dawson";

THENCE: Departing the west line of said called Westover Valley Subdivision, Unit 1, over and across said called 213.95 acre tract the following calls and distances:

$S\ 32^{\circ}37'05''\ W$, a distance of 1306.93 feet to a found $\frac{1}{2}$ " iron rod with yellow cap marked "Pape-Dawson";

$N\ 57^{\circ}22'55''\ W$, a distance of 334.80 feet to a found $\frac{1}{2}$ " iron rod with yellow cap marked "Pape-Dawson";

THENCE: $S\ 54^{\circ}35'15''\ W$, a distance of 200.00 feet to the POINT OF BEGINNING and containing 43.95 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.

PREPARED BY: Pape-Dawson Engineers, Inc.
DATE: October 25, 2006
JOB No.: 9310-06
DOC.ID. N:\Survey06\6-9300\9289-06\TRACT 3fn.doc

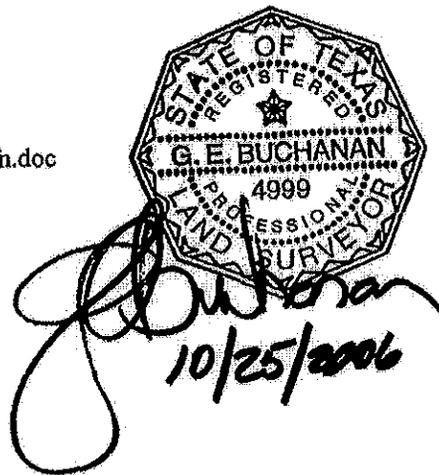


EXHIBIT B: CRITERIA FOR TAX PHASE-IN AND REINVESTMENT ZONES

(See attached.)

TAX PHASE-IN GUIDELINES
FOR
BEXAR COUNTY
AND
CITY OF SAN ANTONIO

Effective June 15, 2006 through June 14, 2008



BEXAR COUNTY
Economic Development & Special Programs Office
County Courthouse
100 Dolorosa, Suite 1.20
San Antonio, Texas 78205

Telephone: (210) 335-0667



CITY OF SAN ANTONIO
Economic Development Department
City Hall
P.O. Box 839966
San Antonio, Texas 78283

Telephone: (210) 207-8080

ADOPTED by Bexar County Commissioners Court on 2/28/06

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ADOPTED by Bexar County Commissioners Court on 2/28/06

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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 Bexar County Commissioners Court and the City Council of the City of San Antonio will consider these guidelines to ensure that any abatement of property taxes achieves these community economic development goals. Since each jurisdiction will independently decide whether or not to abate taxes for any given project, approval from one entity does not guarantee approval from the other.

Bexar County will use these guidelines when considering abatements for any project within its jurisdictional boundaries, to include projects locating in municipalities other than the City of San Antonio.

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.

SECTION I: 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 rental only 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 rental only 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 eligible for an abatement on taxes of either:

1. Up to 100% (40% from the County, as provided in Section II herein) on the real property improvements **OR**

2. Up to 100% (40% from the County, as provided in Section II herein) 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 eligible for an abatement of taxes from one of the following categories, but not both:

1. Up to 100% (40% from the County, as provided in Section II herein) on the real property improvements **AND** up to 50% (20% from the County, as provided in Section II herein) on the new personal property improvements **OR**
2. Up to 100% (40% from the County, as provided in Section II herein) on the new personal property improvements **AND** up to 50% (20% from the County, as provided in Section II herein) 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, as provided in Section II herein) 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 rental only 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%) 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). Bexar County and the City of San Antonio use this annually adjusted HHS “living” wage to establish a minimum Wage Requirement for all existing and newly created full-time jobs covered under a tax phase-in agreement. As of January 2006, this minimum Wage Requirement was \$9.62 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. Bexar County and the City of San Antonio determine this average annual hourly wage over a 12 month period from May to April. As of April 2006, this average durable goods wage is \$11.14 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 and all other targeted industry business activities other than 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. Bexar County and the City of San Antonio determine this average annual hourly wage over a 12 month period from May to April. As of April 2006, this average non-durable goods wage is \$10.86 per hour.
 - c.

For small, minority, or women-owned businesses: with 100 or fewer employees, the County and the City 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 new and existing employees going forward, the company will be in default of the tax abatement agreement, which will possibly result in termination of the agreement and invoke the recapture of all or portion of the 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
- Creative Services
- Finance
- 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 Rental Only 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 and multi-family "for sale" housing/mixed use projects, hotel or motel facilities are not eligible for an abatement. Outbound or contract call centers (see definition in Appendix A) will only be considered for an abatement if located outside of the city limits of San Antonio. 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, located south of U.S. Highway 90, or located within the boundaries of I-35 to the North, I-10 to the South, the County's jurisdictional line to the East, and Loop 410 to the West (includes areas near Windsor Park Mall and Walzem Road in Districts 2 and 10), 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 (to the extent not defined as a 10-year term area) will be eligible for an abatement term up to 6 years.

Areas *not* eligible for a tax abatement:

- Projects located in whole or in part over the Edwards Aquifer recharge zone, as defined in Appendix A, are not eligible for an 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

The applicant will enter into separate tax phase-in agreements with Bexar County and the City of San Antonio and these agreements will require separate approval by each governing authority. Consequently, 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 WorkSource 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 WorkSource 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.

Recapture of Abated Taxes

Tax abatement agreements will provide for recapture of abated property taxes in the event contract requirements are not met. The following are the standard schedules that show what percentage of taxes abated will be recaptured (multiply the amount of taxes rebated by the percentage in the recapture period):

Term of Abatement Agreement

6-Years		10-Years	
Termination of Abatement	Recaptured Taxes	Termination of Abatement	Recaptured Taxes
During Phase-in Period	100%	During Phase-in Period	100%
Year 1 of Recapture Period	100%	Year 1 of Recapture Period	100%
Year 2 of Recapture Period	75%	Year 2 of Recapture Period	80%
Year 3 of Recapture Period	50%	Year 3 of Recapture Period	60%
Year 4 of Recapture Period	25%	Year 4 of Recapture Period	40%
		Year 5 of Recapture Period	20%
		Year 6 of Recapture Period	10%

Non-Refundable Application Fee

Upon submission of the application, companies will pay a separate non-refundable application fee to Bexar County and the City of San Antonio based on the following fee schedule:

Jurisdiction	# of Employees in Applicant Firm	Fee (\$)
Bexar County	One fee for all companies	\$1,000
City of San Antonio	0-99	\$5,000
	100-499	\$10,000
	500+	\$15,000

All central city multi-family rental only housing or mixed-use projects will pay a fee of \$5,000 to the City of San Antonio and \$1,000 to Bexar County. Any projects that require an assignment will pay a fee of \$2,500 to the City of San Antonio.

SECTION II: Amount of Bexar County Abatement

In addition to the eligibility criteria established through joint Tax Phase-in Guidelines for Bexar County and the City of San Antonio, the abatement on County ad valorem taxes takes into consideration other project criteria when determining the amount of 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. *Bexar County Commissioners Court will 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 the extent practical and consistent with standard and prudent industry practices, to divide contracted work and procurement opportunities into the smallest feasible portions to allow for maximum Small, Minority and Women-owned Business Enterprise (SMWBE) participation and make a good faith effort to award at least 20% of its contracted work to certified minority and women-owned businesses and a good faith effort to award at least 30% of its contracted work to certified small businesses. A good faith effort is defined as the applicant increasing involvement of SMWBEs in the project's procurement process within the areas of commodities, equipment, professional and personal services, maintenance and construction.
- **Environmental Practices Incentive:** Applicant commits to demonstrating sound environmental practices when designing, constructing, operating and maintaining the project. This includes, but is not limited to, the utilization of clean and renewable energies; the implementation of flood protection measures; the provision of incentives for mass transportation alternatives to employment positions created and maintained; the sponsorship of other innovative practices

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that serve to minimize landfill impacts; and by registering the project with the US Green Building Council for LEED (Leadership in Energy and Environmental Design) Certification and complying with their standards until a certification is awarded. When a project is not feasible to obtain LEED Certification, the Applicant agrees to make a good faith effort to follow LEED practices when managing and administering the project.

Bexar County Commissioners Court may consider up to an additional 20% tax phase-in for a proposed project on a case-by-case basis. Final determinations and approval will be made by the Court.

In addition, nothing contained in these guidelines shall be construed to limit the Commissioners Court discretion to waive certain requirements contained herein on a case by case basis.

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 **will only be considered for an abatement if located outside of the city limits of San Antonio.**

Central City Multi-family Rental Only Housing or Mixed-use Project: Multi-family rental only 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.

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 Bexar County or City of San Antonio. This does not include the corporation's retail outlets.

Creative Services: Includes businesses or divisions of corporations that are primarily engaged in the following sectors having general or specific activities and business efforts – printing, publishing, broadcasting, design services, advertising, public relations, architecture, digital media, and businesses involved in film and video production.

Finance: Includes companies whose main business is engaged in finance, accounting, insurance, and risk management. It does *not* include any retail component of these businesses, nor does it include call center operations as previously defined.

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.

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Manufacturing: Businesses engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products - includes related research and development, defense-related operations and renewable energy 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, U.S. 281 to the west, Loop 410 to the south and Wetmore Road to the east.

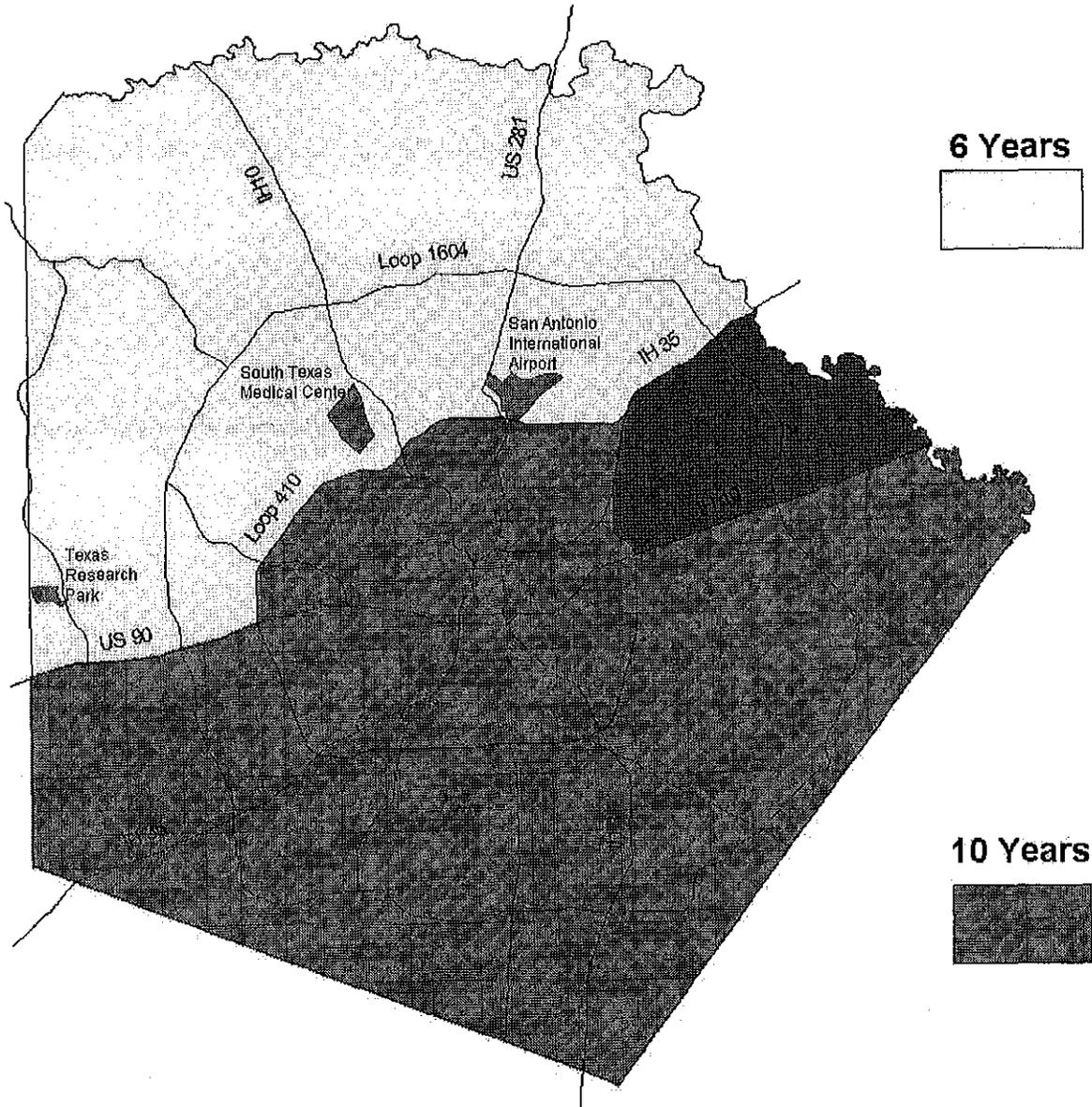
Telecommunications: Businesses primarily engaged in research & development, regional distribution, defense-related operations and the manufacturing of telecommunication-related products and services. It does not include operations involved in the retail sale of telecommunications products and services.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

**Proposed Tax Phase-In Terms
by Targeted Areas**





**BEXAR COUNTY and CITY OF SAN ANTONIO
JOINT APPLICATION FOR TAX PHASE-IN ASSISTANCE**



This application is relative to Bexar County and City of San Antonio ad valorem taxes. The application will become a part of any Tax Phase-In Agreement with Bexar County and the City of San Antonio. Knowingly providing false information will result in voiding the application and termination of any Tax Phase-In Agreement. At the time of submission, a non-refundable application fee to each jurisdiction must be provided in the proper amount.

Date of application (MM/DD/YY): / /

SECTION I – APPLICANT INFORMATION AND BUSINESS DESCRIPTION

Company name:

Address:

City: State: Zip: -

Principal contact name:

Title:

Mailing Address:

City: State: Zip: -

Telephone: () - Fax: () -

E-mail address:

- 1.1 Indicate ownership of applicant company: Private Public
- 1.2 Indicate applicant's North American Industrial Classification System (NAICS) code for the operations at the project location:
- 1.3 Indicate applicant's type of business entity, i.e., proprietorship, partnership, joint venture, or corporation:
- 1.4 Identify applicant's state of registration or incorporation, if applicable:
- 1.5 Identify business headquarters location (city, state):
- 1.6 Is the applicant a certified Small, Minority or Woman-owned Enterprise: Yes No
 Indicate certifications: SBE MBE WBE DBE 8(a) Veteran
 Certifying agency: No. Renew date: / /
- 1.7 Does/will the applicant own or lease the project land and/or facility: Own Lease
 If leased, indicate lease term: Years Expiration date: / /
- 1.8 Indicate applicant's total workforce: Full-time: Part-time: Seasonal:
- 1.9 Indicate applicant's local workforce: Full-time: Part-time: Seasonal:

1.10 Indicate applicant’s existing Bexar Appraisal District tax account numbers:

Real property: - -
Personal property: - -
Inventory and supplies: - -

1.11 Identify the owner or owners of the real and/or personal property if applicant is not the owner:

1.12 Is the company delinquent in the payment of ad valorem taxes to any taxing unit located in Bexar County: Yes No If yes, explain:

SECTION II – PROJECT DESCRIPTION

2.1 Type of facility (check):

- Agribusiness Aviation/Aerospace
- Biotechnology
- Central City Multi-Family Rental Only Housing or Mixed-Use Project
- Corporate or Regional Headquarters Creative Services
- Finance High Level Business Services
- Information Technology and Security Logistics and Distribution
- Manufacturing Telecommunications
- Facility that does not fall into one of these categories may also be eligible if it constitutes the criteria of a Level 3 Project, i.e., provided that the applicant will make a total capital investment of at least \$50 million in real and/or personal property AND create/maintain at least 500 new, full-time, permanent jobs at the project location.

**2.2 Type of project (check): New construction Expansion or modernization
 Lease development or improvements**

2.3 Fully describe the proposed project, including capital improvements (real and personal property) to be undertaken, the facility’s use, and the product or service to be produced:

2.4 Briefly justify how this tax abatement is necessary for the project to be located in Bexar County/San Antonio and distinguish the project’s associated community benefits:

2.5 Indicate any other incentives sought in connection with the proposed project:

2.6 List other communities that are being considered for the proposed project:

2.7 Indicate project street address:

2.8 Is the project located in an empowerment or existing enterprise zone: Yes No

2.9 Identify the jurisdictions where the proposed project will be located:

County Commissioner precinct number: City Council district number:

School district:

SECTION III – PROJECT VALUATIONS

3.1 As provided by the Bexar Appraisal District, indicate the appraised values of the following:

Land (excluding acquisition costs) Value: \$ Date / /

Existing real property Value: \$ Date / /

Existing personal property Value: \$ Date / /

3.2 Are any of the appraised values described above currently being contested:

Yes No If yes, please explain:

3.3 Indicate the estimated project improvement values:

Real property: \$ Personal property: \$ Inventory/supplies: \$

SECTION IV – PROJECT JOB CREATION

4.1 Number of new, permanent jobs to be created: Full-time: Part-time:

4.2 Indicate the number of new, full-time jobs to be created for each year of the project:

Year 1 (20)		Year 6 (20)	
Year 2 (20)		Year 7 (20)	
Year 3 (20)		Year 8 (20)	
Year 4 (20)		Year 9 (20)	
Year 5 (20)		Year 10 (20)	

4.3 Indicate the project impact on the following job position classifications (at full operations):

	Managerial/ Executive	Professional	Clerical	Other (Identify)
Total number of employees	F/T:	F/T:	F/T:	F/T:
	P/T:	P/T:	P/T:	P/T:
# to be filled by a relocated worker				
Salary range	\$ - \$	\$ - \$	\$ - \$	\$ - \$
Min. hourly rate	\$	\$	\$	\$

- 4.4 Describe the recruitment policies for new, permanent jobs, including how the applicant will utilize Alamo WorkSource:
- 4.5 Describe the benefits package to be offered to employees (and their dependents) for the entire term of the Tax Phase-In Agreement:
- 4.6 Describe the investment in training/education that will be made for jobs created:

SECTION V – PROJECT CONSTRUCTION

5.1 Schedule for undertaking and completing the proposed improvements (MM/YY):

Start date: / Completion date: /

5.2 Indicate the construction contract amounts for the following:

Facility exterior: \$ Facility interior: \$

SECTION VI – OTHER PROJECT INFORMATION

6.1 Bexar County may augment the percentage of abatement on qualified real and personal property based on the applicant company committing to the following project criteria – as outlined in the Tax Phase-in Guidelines, a plan describing how the applicant will accomplish these project criteria must be attached for consideration (check all that apply):

	BEXAR COUNTY INCENTIVE	Plan Attached
<input type="checkbox"/>	Local Hire	<input type="checkbox"/>
<input type="checkbox"/>	Hiring of Economically Disadvantaged or Dislocated Individuals	<input type="checkbox"/>
<input type="checkbox"/>	Small, Minority and Women-owned Business Enterprise (SMWBE)	<input type="checkbox"/>
<input type="checkbox"/>	Environmental Practices	<input type="checkbox"/>

6.2 Has the company or any of its affiliates been cited, currently under investigation, or have litigation pending for any violations of Federal, State, County and/or City laws, codes or ordinances: Yes No. If yes, indicate the nature/status of the violation(s):

6.3 Has the company received a tax abatement before: Yes No

If yes, indicate the granting governmental entities:

If yes, indicate the time period (MM/YY): / to /

If yes, is/was the company in compliance with all terms and conditions: Yes No

6.4 Is any interest in the proposed project presently held by a member of the San Antonio City Council or other City official or employee: Yes No

6.5 Is any interest in the proposed project presently held by a member of Bexar County Commissioners Court or other County official or employee: Yes No

APPLICATION ATTACHMENTS

The following information supports various application sections and is needed to fully evaluate the company for tax abatement assistance. *Applications will not be considered until all the information is received:*

SECTION I – APPLICANT INFORMATION AND BUSINESS DESCRIPTION

1. Provide information regarding the applicant company's description, including corporate structure, annual financial statement or prior year report, and organization chart identifying affiliates and subsidiaries, if any.

SECTION II – PROJECT DESCRIPTION

2. Indicate property description and attach field notes and a map showing the location of existing and proposed improvements.

SECTION VI – OTHER PROJECT INFORMATION

3. Provide an assessment of the proposed project's environmental impact, and any remediation and/or compliance plan associated with the project, which would have the effect of minimizing the negative impact of the project on the environment.
4. Describe any goodwill benefits and involvement that the applicant company has previously provided and/or is committed to providing in the future to the Bexar County community.
5. Applicant company must complete and sign the City of San Antonio's Discretionary Contracts Disclosure form, which can be found at the following web address: <http://www.sanantonio.gov/atty/ethics/forms/DContract.doc>.

NON-REFUNDABLE APPLICATION FEE

Jurisdiction	# of Employees in Company	Fee	Submission
City of San Antonio ¹	0-99	\$5,000	<input type="checkbox"/>
	100-499	\$10,000	<input type="checkbox"/>
	500+	\$15,000	<input type="checkbox"/>
Bexar County ²	One fee for all companies	\$1,000	<input type="checkbox"/>

¹ Application fee is made by check or money order and payable to the City of San Antonio.

² Application fee is made by check or money order and payable to Bexar County Tax Phase-in Program.

CERTIFICATION

I certify that I am authorized to sign the tax phase-in application and that the information provided in this application is true and correct. I understand that the information provided will become a part of the Tax Phase-In Agreement with Bexar County and the City of San Antonio. I also understand certify that I have read the Tax Phase-In Guidelines and am familiar with the provisions contained therein.

Signature: _____ Date (MM/DD/YY): / /

Printed Name:

Title:

Company Name:

EXHIBIT C: FULL-TIME EMPLOYEE POSITIONS

- Microsoft Professional Management Team (approximately 5 Positions):

Datacenter Manager
Technical Program Manager
Facilities Program Manager

- Site Facilities Team (approximately 25 Positions):

The site facilities team is responsible for operating and maintaining the critical data center infrastructure. The critical infrastructure includes the electrical, mechanical, and life safety systems. These are highly technical positions that require experienced people from the local area.

- Site Services Team (approximately 25 Positions):

The data center site services team is responsible for installing, maintaining and troubleshooting the production computers in the data center. These positions are technical positions and require personnel with computer and information technology experience.

- Site Security Services Team (approximately 20 Positions):

The security team is responsible for maintaining the physical security of the facility and operating/maintaining the security equipment for the site. The security personnel are responsible for access control to the facility through a common access and having positive identification of everyone who has access to the facility by access level to which they are assigned. The security team is also responsible for reacting to emergencies and interacting with and directing first responders to the specific location if there is an event. The security team is directly responsible to enforcing Microsoft security policies as well as the Microsoft Data Center Standing Orders. These positions require personnel capable of working in a highly secure and sensitive environment with strict operating procedures.

EXHIBIT D: FEDERAL AND STATE LAWS GOVERNING EMPLOYMENT

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.

EXHIBIT E: NUMBER OF JOBS AND WAGE INFORMATION FORM

**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
Contract Officer
100 Military Plaza
City Hall, 4th Floor
San Antonio, TX 78205
(210) 207-8088
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

EXHIBIT E: NUMBER OF JOBS AND WAGE INFORMATION FORM

**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
Contract Officer
100 Military Plaza
City Hall, 4th Floor
San Antonio, TX 78205
(210) 207-8088
(210) 207-8151 FAX

Company Name

Contact Person

Phone Number

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

As of: _____

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

From _____, 200__ to _____, 200__

*****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 is true and correct.

Signature

Date

Printed Name

Company Name