

AGREEMENT

Washington County, a political subdivision of the State of Oregon (County), the City of Hillsboro, a municipal corporation (City), and Intel Corporation (Intel), enter into this Strategic Investment Program ("SIP") Agreement.

RECITALS

A. The 1993 Oregon Legislature established the Strategic Investment Program (SIP) to promote industrial competitiveness. The program was significantly revised by the 1995 Legislature, in particular to remove the requirement that State revenue bonds be issued in association with a SIP. Additional statutory refinements were made in 2003. The key provisions are codified at ORS 307.123 and ORS 285C.600 – 285C.620.

B. The Strategic Investment Program encourages counties and cities to enter into agreements with key industries to attract and retain industrial investment and employment. In exchange for limits on ad valorem property taxation, counties receive a community service fee and may negotiate such additional terms and conditions as are deemed to be in the public interest.

C. The parties previously have entered into SIP Agreements that have resulted in significant benefits to Intel, the County, the City of Hillsboro, and the public generally.

D. On February 23, 2005, Intel notified the County that it wanted to enter into formal negotiations to develop a new SIP agreement (hereinafter "Notification"). Intel also has provided to County a copy of the Oregon Economic and Community Development Department (OECDD) required draft SIP application. The final SIP application will be submitted to the OECDD once the parties have fulfilled their requirements under State law and regulations. The notification and SIP application requested that Intel and County enter into a SIP Agreement to provide a framework for potential additional Intel investment in Oregon of up to \$25 billion over a 15-year period commencing around the time when the current SIP agreement (SIP '99) between Intel and the County approaches or reaches the limits of its current investment ceiling. The higher investment amount in this SIP Agreement reflects the accelerating cost of the research and development of new technologies, and the significantly increased cost of building, equipping, and retooling semiconductor factories with the latest technology. The intent of this new SIP Agreement is to extend the competitive tax structure in Washington County that is essential for Intel to provide high-value, family wage jobs in Oregon and continue to contribute to the state's quality of life.

E. In general terms, Intel's investment will consist primarily of proposed reinvestment in semiconductor manufacturing equipment and facilities to promote job retention of its semiconductor manufacturing and semiconductor technology development work force. Intel does not envision significant employment growth.

New investments made under this new project will take place in the City of Hillsboro or the existing Aloha and Ronler campuses, including facilities that were the subject of the three SIP agreements previously approved in 1994 and 1999 by County, the City of Hillsboro, and the State of Oregon. These new investments may include semiconductor manufacturing and semiconductor technology development facilities, machinery and equipment, land for these facilities, and directly related support facilities and office buildings. Any such investments will require and be made through additional spending beyond the scope of the existing projects and in excess of the dollar amounts approved for such projects.

F. The Oregon Economic and Community Development Commission has issued revised administrative rules implementing the statutory revisions (OAR 123-023-1000 through 123-023-2000).

G. The County and Intel have provided public information and an opportunity for public input regarding the Strategic Investment Program generally and Intel's new SIP Application specifically, including a formal public hearing on this Agreement held on May 17, 2005.

H. This Agreement provides the terms and conditions under which the County agrees to recommend to the State of Oregon that the SIP Application be approved and tax abatement be granted for semiconductor manufacturing and semiconductor technology development machinery, equipment, and facilities as described herein and as provided by law in exchange for performance by Intel of the obligations herein.

TERMS AND CONDITIONS

Now, therefore, in consideration of the following mutual promises, the parties agree as follows:

1. Project Definition and Scope. The "Project" shall consist of semiconductor manufacturing and semiconductor technology development facilities, machinery and equipment, land for these facilities, directly related personal property, and directly related support facilities and office buildings. It further includes repairs, replacements, modernization, renovations and remodeling of such buildings, structures, machinery and equipment, fixtures and furnishings, and supplies as well as future additions to such buildings or structures. The Project will be located on land zoned and planned, at the time of development, to allow semiconductor manufacturing, technology development, and related structures as a permitted use within the City of Hillsboro, as well as such land at Intel's existing Aloha and Ronler Acre

campuses. The Project shall consist of a maximum of \$25 billion in investment to be made over a period not to exceed 15 years beginning from the first year Intel receives a SIP property tax exemption under this Agreement. The Project shall not include:

- a. an "existing project," defined as property previously owned or leased by Intel at any location prior to commencement of the Project, or any property within or comprising a previously approved SIP project that received a SIP property tax exemption. However, repairs, replacements, modernization, renovations, and remodeling of buildings, structures, machinery and equipment, fixtures and furnishings, as well as future additions to buildings or structures, all as provided in OAR 123-023-1700, to that property are permitted to be in the Project, provided they are directly related to semiconductor manufacturing and semiconductor technology development;
- b. any investment outside of the geographic confines described above;
- c. any structures in addition to those described in the Project definition;
- d. any investment deemed not to constitute a component of an "eligible project" pursuant to any rules of the Oregon Economic and Community Development Department; and
- e. property other than that which directly relates to semiconductor manufacturing and semiconductor technology development (*e.g.*, the Project does not include investment in a new business group, Internet development, product marketing, etc).

2. SIP Exemption Period. The SIP Exemption Period will begin on July 1 of the first year that the Project receives a SIP property tax exemption, which will be no earlier than July 1, 2008 and no later than July 1, 2013 and will end on June 30 of the last year that the Project receives a SIP property tax exemption, which will be no later than June 30, 2028, but in no event to exceed 15 years. As used in this Agreement, references to a year that the Project or Intel receives a SIP property tax exemption means a year in which the property tax statements, payable November 15 of that year, reflect an exemption pursuant to ORS 307.123(1)(b) for any property included in the Project. Section 6.2 below explains how the first year that the Project receives an SIP property tax exemption is determined.

The County may, in its sole discretion, negotiate with Intel an extension of the above date for commencement of the exemption if it determines that, due to economic conditions or other factors, it is in the public interest to do so. It is understood, however, that State approval may be necessary.

3. **Allocation among SIPs.** Once the 1999 SIP has reached its project spending cap or time limitation, all eligible investment thereafter shall be allocated to this 2005 SIP. Otherwise, Intel shall be responsible for informing County whether eligible investment should be allocated to the tax accounts for the 1999 SIP or this 2005 SIP. County shall comply unless directed otherwise by the Department of Revenue. The intent of the parties is to permit Intel to maximize the tax advantages provided for by each SIP, but Intel is solely responsible for its allocation decisions. To the extent practicable, County shall inform Intel if Intel has failed to allocate property or County is unsure of Intel's allocation. The default allocation shall be to the 1999 SIP unless Intel directs otherwise in writing within 30 days of the notice from County. Further, Intel agrees that the cost of any individual new building or reconstructed building commenced during the period in which the 1999 SIP and this 2005 SIP overlap shall be allocated to one SIP only and not be divided between or allocated in part to both SIP 1999 and 2005.

It is understood by the parties that an allocation may be subject to review and approval of the Department of Revenue and that County has no control over decisions of the Department of Revenue regarding tax exemptions and related matters.

4. **Conditions Precedent.** The following are conditions precedent to the obligations set forth herein:

4.1 The City of Hillsboro's approval of the special terms and conditions related to the property tax exemption.

4.2 A determination by the Oregon Economic and Community Development Commission, or its designee, that the Project is eligible for the tax exemption provided in ORS 285C.606, ORS 307.123, and Commission Rules.

5. **Intel Obligations.**

5.1 **Guaranteed Annual Payment (GAP).** Upon Intel receiving a SIP property tax exemption pursuant to this Agreement, Intel shall owe to County a total sum of \$28,700,000, payable in annual installments on December 1 of each year noted in the table below. GAP is due and payable without regard to investment levels or other circumstances once Intel receives a SIP property tax exemption under this Agreement. GAP is in addition to, and not in lieu of, any taxes or fees paid by Intel, nor is it a credit against any taxes or fees. Intel, however, may request an equitable adjustment of the GAP if, through governmental action beyond the control of Intel, this SIP is terminated. The County shall conduct a good faith review of any such request.

It is the intent of the parties that Intel not be required to make GAP installment payments on both the 1999 SIP and this 2005 SIP in the same fiscal year (the "Overlap Period"). Accordingly, GAP installment payments under this 2005 SIP shall be deferred without interest or penalty until December 1, 2015. It is anticipated that this Overlap Period may last from 2 to 7 years, depending on when

investment occurs. The deferred amount accrued during the Overlap Period shall be spread evenly over the remaining number of years that GAP payments are due as set forth below:

<u>SIP Exemption Start</u>	<u>GAP Payment Period</u>	<u>GAP Payment</u>	<u>SIP Exemption Period</u>
2008	2015 to 2023	\$3.59M per year	2008-2023
2009	2015 to 2024	\$3.19M per year	2009-2024
2010	2015 to 2025	\$2.87M per year	2010-2025
2011	2015 to 2025	\$2.87M per year	2011-2026
2012	2015 to 2025	\$2.87M per year	2012-2027
2013	2015 to 2025	\$2.87M per year	2013-2028

5.2 Ad Valorem Property Taxes. Unless Oregon law provides otherwise, the first \$100 million in real market value, increased annually for growth at the rate of three percent (3%), shall be taxable at its assessed value as provided by law. Property within the Project in excess of this amount shall be exempt from ad valorem taxation as provided by State law and rules.

5.3 Community Service Fee (CSF). Each year that Intel receives an SIP property tax exemption, it shall pay to County a CSF, as provided by ORS 285C.609 (4) (b) (B), equal to twenty-five percent (25%) of the property taxes exempted in each tax year, but not exceeding \$2 million in any one year. On or about Nov. 15, County shall provide Intel with a statement describing its calculations and the amount due and Intel shall pay within 30 days thereafter. Intel may challenge the determination as provided in Section 8.

5.4 Fee In Lieu of Property Taxes. Each year that the Project receives a SIP property tax exemption, Intel shall pay to County a fee in-lieu of property taxes on all property which otherwise would be subject to ad valorem property taxation but for the SIP tax exemption provided herein. On or about Nov. 15, County shall provide Intel with a statement of the amount due and Intel shall pay no later than 30 days thereafter.

This fee shall be determined each year by calculating the cost of the cumulative investment in the Project (*i.e.*, the amount invested in the subject year plus all investment for prior years) as a percentage of the \$25 billion Project cap. That percentage shall be applied to the total amount of ad valorem property taxes and Community Service Fee due for the subject year to determine the fee in lieu. Thus:

$$\text{Fee in lieu} = (\text{Ad Valorem Property Taxes} + \text{CSF}) \times (\text{Cumulative Investment in Project} / \$25 \text{ Billion})$$

In no event, however, shall this fee be less than the amount of property taxes that would have been due on any land or buildings within the Project assuming no tax exemption (*i.e.*, the assessed value of any land and buildings in the Project times the total tax rate for the subject year).

Intel shall file property tax returns, in accordance with ORS 308.285-.290, listing all property in the same manner as if no SIP tax exemption applied. Cumulative investment value shall be the total cost of all property as listed (including, for example, property such as pollution control equipment and facilities under construction that might otherwise qualify for an exemption) subject to the right of the County or Department of Revenue to correct any under-valuation, omitted property or other reporting errors. The cost shall be summarized by year and separated between land, buildings, machinery, equipment and personal property consistent with the standards used for ad valorem property taxes generally.

County shall provide Intel with a statement describing its calculations and the amount due. Intel may challenge the County's determination as provided in Section 8.

It is understood by the parties that, in general terms:

- a. "Land" includes land, excavation, storm sewers, sanitary sewers, water and gas plumbing, and electric lines;
- b. "Buildings" include footprint excavation, foundation, frame, wall, roof, utilities, all interior building finish, site improvements (paving, lighting, and landscaping), and indirect costs. Utilities that support the building environment, such as HVAC, are not process support.
- c. "Machinery and equipment" includes all manufacturing and process tools, all process support equipment and all foundations, plumbing, electrical, freight, and installation costs for such items.
- d. "Personal property" includes all office and production area furniture, fixtures, desktop portable tools and equipment, plus non-licensed wheel vehicles and trailers.

Any statutes, administrative rules, or court decisions regarding classification of property shall control in the event of conflict with the descriptions provided above. The parties shall cooperate reasonably and in good faith to provide all necessary documentation and take such steps as are necessary to calculate this fee, including modifications to the calculation and collection process, if necessary, to adjust to changes in state law or Department of Revenue practices.

5.5 First Source Agreement. Intel shall enter into a first source hiring agreement with an appropriate third party acceptable to County in substantially the form currently in place for the 1999 SIP. Washington County is to be designated a third party beneficiary of the agreement and is entitled to enforce its terms. The parties may designate a different provider for this service by letter agreement.

5.6 Charitable Fee. As consideration for County agreeing to enter into this Agreement in advance of Project commencement by Intel, Intel shall pay \$100,000.00 annually for six (6) consecutive years, commencing on the execution date of this Agreement and each July 1 thereafter. This obligation shall apply regardless of whether Intel receives a SIP property tax exemption under this Agreement for any of those years. These funds shall be earmarked for public or private non-profit organizations fulfilling a public purpose in Washington County. The County Administrator, in consultation with Intel, shall select the eligible recipient(s).

5.7 SIP Application. Intel shall be responsible for filing an application with the state as provided for in ORS 285C.612 and the applicable administrative rules. Intel shall file the application within 60 days of execution of this Agreement.

6. County Obligations.

6.1 Within 15 days of approval, County shall request that the Oregon Economic Development and Community Commission determine that the real and personal property constituting the Project, as defined herein, be granted an exemption from ad valorem property taxation for a period of 15 years from the beginning of the tax year after the earliest of the following dates, as provided in ORS 307.123:

- o The date the Project is certified for occupancy or, if no certificate of occupancy is issued, the date the property is used to produce a product for sale; or
- o The expiration of the exemption for commercial facilities under construction under ORS 307.330.

Provided, however, that the SIP Exemption Period will commence no earlier than July 1, 2008 and no later than July 1, 2013.

6.2 County shall be solely responsible for payment of any CSF due the City of Hillsboro or any other jurisdiction.

7. Joint Obligations.

In addition to the other obligations set forth in this Agreement, the parties shall:

7.1 Cooperate with the City of Hillsboro, Oregon Economic and Community Development Commission, and the Department of Revenue to secure approval of the SIP and take such steps as may, from time to time, be necessary to maintain the tax exemption.

7.2 Provide such information and resources to each other as may be reasonably necessary to ensure proper calculation of the amounts due under this Agreement.

8. Remedies of Intel.

8.1 Intel may challenge the County's calculation of any amount due by filing a written objection on or before the due date for the payment. The objection shall be accompanied by payment in full of the amount claimed by the County to be due and a statement of the basis for the challenge. County shall deposit the amount in a trust and agency account and shall have 15 days to review the objection and issue a determination, together with any refund it concludes is required. Failure of the County to respond shall be deemed a denial. This process shall be a prerequisite to Intel exercising any other remedies for contesting the amount due to County.

8.2 Intel may institute proceedings in the Circuit Court for Washington County, or the Oregon Tax Court as appropriate, to challenge any amounts due claimed by County or to seek specific performance of this Agreement in the event of breach by County. In the event that the Court determines that a refund is due Intel, County shall pay the amount due, together with interest at the rate actually earned by County during the interim.

8.3 Nothing herein shall limit or restrict Intel from challenging its assessed valuation or amount due for ad valorem property taxes in the same manner as any other taxpayer.

8.4 Except for the GAP, which obligation begins on December 1, 2015 (if Intel first receives a SIP property tax exemption under this Agreement by July 1, 2015) and in such case continues regardless of whether there is any additional Project investment in subsequent years, Intel shall not be required to pay any of the fees set forth herein for any year that it has paid ad valorem property taxes on the full assessed value of the Project due to cancellation or disqualification of the SIP property tax exemption.

9. Remedies of County.

9.1 Late Payment of Any Fee. Failure to make payment in full of any fee by the due date shall result in penalty and interest being charged on the past due balance in the same amount as is provided by law for late payment of ad valorem property taxes.

9.2 Failure to Pay the Community Service Fee. The parties acknowledge that payment of the community service fee is a statutory prerequisite to approval of a tax exemption. If Intel fails to pay the CSF by the end of the tax year in which it is due, the tax exemption for the Project shall be revoked and the property shall be fully

taxable for the following year and for each subsequent tax year for which the fee remains unpaid. If an unpaid CSF is paid after the exemption is revoked, the property shall again be eligible for the exemption, beginning with the tax year after the payment is made.

9.3 Failure to Pay Any Other Fee. County may declare a default if any other fee remains unpaid by the end of the tax year in which the fee is due. Intel shall have 30 days to cure the default or provide its reasons why it is not in default. County shall have 30 days to review the information and notify Intel of its final determination. Intel may appeal an adverse final determination by filing an action in Washington County Circuit Court or the Oregon Tax Court within 60 days of the notice. Intel must pay to County the full amount in dispute before filing a challenge. County shall refund the amount, with interest at the rate actually earned by County, if the court finds in favor of Intel.

- a. If Intel fails to pay the amount determined by County to be due, County may file an action to collect the entire amount of the unpaid fee, with penalties and interest as provided by law for taxes or as otherwise permitted by law.
- b. If Intel fails to pay the amount determined by the County to be due for two or more consecutive years, County may, in its sole discretion and in lieu of collecting the amount of the fee, issue a de facto revocation order. It may then bring an action to collect the full amount that otherwise would have been payable by Intel as ad valorem property taxes for the years at issue as if the exemption had not been granted, together with the GAP, including penalties and interest, less any ad valorem taxes or GAP actually paid to County.

9.4 The Board of Commissioners may, in its sole discretion, waive any contractual remedy, other than the remedy for failure to pay the CSF, if it finds that Intel has made a reasonable effort to comply but has been precluded from complying for reasons beyond its immediate control.

10. Ad Valorem Property Taxes.

Nothing herein shall govern the assessment, payment, or collection of ad valorem real property taxes on the first \$100 million of real market value of property in the Project, increased annually for growth at the rate of 3 percent (3%) or on property outside the definition of the Project.

11. Documentation.

Intel shall have the burden of documenting compliance with this Agreement. Intel shall provide County such documentation or information as County requires verifying compliance.

12. Tax Limitations.

The parties acknowledge that the payments negotiated herein are authorized by law as requirements relating to the Project, do not constitute property taxes and are not subject to the limits under Section 11 or 11b, Article XI of the Oregon Constitution. Any increase in amounts paid resulting from a change in property values shall not be considered a change in tax or tax rate. Intel waives any claim, known or unknown, which these property tax limitations, or their implementing statutes, apply to the fees set forth in this Agreement.

13. Termination.

This Agreement shall commence on the date of execution and shall terminate on the completion of the obligations of the parties.

14. Miscellaneous Provisions.

14.1 The laws of the State of Oregon shall govern this Agreement. Any action or suit commenced in connection with this contract shall be in the Circuit Court of Washington County, Oregon Tax Court, or the Federal District Court for Oregon.

14.2 No person shall be denied or subjected to discrimination in receipt of the benefits of any services or activities made possible by or resulting from this Agreement on the grounds of race, color, religion, gender, sexual orientation, national origin, disability, age, or marital status.

14.3 The terms herein shall be given their normal and customary meaning, except that terms relating to the payment of property taxes and fees in lieu of taxes shall be construed consistently with the tax laws and rules of the State of Oregon. No provision shall be construed against a party on the basis that the party drafted the provision.

14.4 The City of Hillsboro is a signatory of this agreement as relates to the portion of the Project within the City provided, however, that nothing herein gives Hillsboro any claim or right to the proceeds of this Agreement except as provided by law. Distribution of the proceeds shall be governed by a separate Agreement between the County and the City of Hillsboro. Nothing in this Agreement is intended to give, or shall be construed to give or provide any benefit or right, whether directly, indirectly, or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Agreement.

14.5 Time is of the essence of this Agreement. The failure of either party to enforce any provisions of this Agreement shall not constitute a waiver by that party of that or any other provision.

14.6 The terms, conditions, representations, and all warranties contained in this Agreement shall survive the termination or expiration of this contract.

14.7 This Agreement shall bind the successors and assigns of the Parties. In the event of a purchase, merger, or other restructuring, including but not limited to a divestiture of the Washington County based semi-conductor manufacturing and semi-conductor technology components of Intel, whether voluntary or not, Intel shall make every effort to ensure that the obligations set forth herein are not impaired. County shall cooperate and assist Intel in fulfilling this obligation.

15. Change of Law.

It is acknowledged that, due to the length of this Agreement, federal or state laws and administrative rules, including those relating to the SIP and ad valorem property taxation, may be enacted, repealed, or amended so as to impact the terms and conditions of this Agreement or otherwise alter the authority, rights, or responsibilities of the parties or the benefits anticipated from this Agreement. Neither party shall be liable to the other for damages or costs resulting from such changes.

The parties shall negotiate in good faith amendments that conform to such legal changes while, to the extent feasible, retaining the essential features and relative benefits of this Agreement. If the parties are unable to come to terms within 30 days, the parties shall select a Portland based professional mediator and shall diligently and in good faith participate in negotiations for not less than 90 days. The parties shall equally split mediator expenses. If, after such effort, the parties remain unable to come to terms, the parties shall in good faith, and with the assistance of the mediator, negotiate and effectuate winding down and termination of this Agreement with the objective of minimizing disruption and hardship to either party.

16. Memorandum of Understanding.

The parties shall work with the Oregon Department of Revenue to execute a Memorandum of Understanding to address administration of the SIP, including but not limited to:

16.1 Definitional details relating to what property qualifies as directly related personal property and directly related support facilities and office buildings.

16.2 Proper categorization of mixed-use facilities.

16.3 Reporting requirements.

16.4 Valuation methodology for buildings.

Nothing in this provision authorizes the parties to agree to terms that modify, contract, or expand the definition of the Project, or any terms that would be inconsistent with this Agreement.

17. Merger.

THIS CONTRACT CONSTITUTES THE COMPLETE AND EXCLUSIVE STATEMENT OF THE CONTRACT BETWEEN THE PARTIES AS REGARDS THE PROJECT AND SUPERSEDES ALL PRIOR AGREEMENTS OR PROPOSALS, ORAL OR WRITTEN, AND ALL OTHER COMMUNICATION BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER OF THIS CONTRACT. NO WAIVER, CONSENT, MODIFICATION, OR CHANGE OF TERMS OF THIS CONTRACT WILL BE BINDING ON EITHER PARTY EXCEPT AS A WRITTEN ADDENDUM SIGNED BY AUTHORIZED AGENTS OF BOTH PARTIES. THIS AGREEMENT, HOWEVER, IN NO WAY SUPERCEDES OR MODIFIES THE SIP AGREEMENTS ENTERED INTO BY THE PARTIES IN 1994 AND 1999.

INTEL CORPORATION

WASHINGTON COUNTY

By: Steven R. Grant
Vice President and
General Manager
Fab Sort Manufacturing

By: Tom Brian
Chairman
Board of County Commissioners

Date: 13 JUNE 05

Date: 6/13/05

CITY OF HILLSBORO

APPROVED AS TO FORM:

By: Tom Hughes, Mayor

By: Dan R. Olsen, County Counsel

Date: 13 June '05

Attest: City Recorder