**STATE OF TEXAS** §
§ **Tax Abatement Agreement**
**COUNTY OF COLLIN** §

This Tax Abatement Agreement (this "Agreement") is entered into by and among the City of Richardson, Texas (the "City"), Cisco Systems, Inc. ("Owner"), the County of Collin and the Collin County Community College District (collectively referred to as the "Taxing Units"), acting by and through their authorized representatives.

**WITNESSETH:**

**WHEREAS,** the City Council of the City, passed an Ordinance (the "Ordinance") establishing Tax Abatement Reinvestment Zone No. 27 (the "Zone"), for commercial/industrial tax abatement, as authorized by the Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code, as amended (the "Tax Code"); and

**WHEREAS,** the City has adopted guidelines for tax abatement (the "Tax Abatement Guidelines"); and

**WHEREAS,** the Tax Abatement Guidelines contain appropriate guidelines and criteria governing tax abatement agreements to be entered into by the City as contemplated by the Tax Code; and

**WHEREAS,** the City has adopted a resolution stating that it elects to be eligible to participate in tax abatement; and

**WHEREAS,** in order to maintain and enhance the commercial and industrial economic and employment base of the Richardson, Texas area, it is in the best interests of the taxpayers for the City and the Taxing Units to enter into this Agreement in accordance with said Ordinance, the Tax Abatement Guidelines and the Tax Code; and

**WHEREAS,** Owner is the owner of the Land, and intends to construct certain exterior and interior improvements to reconfigure the existing building on the Land into a Data Center; and

**WHEREAS,** development efforts of Owner described herein will create permanent new jobs in the City; and

**WHEREAS,** the City Council finds that the contemplated use of the Premises, the contemplated Improvements in the amount set forth in this Agreement, and the other terms hereof are consistent with encouraging development of the Zone in accordance with the purposes for its creation and/or in compliance with the Tax Abatement Guidelines, the Ordinance adopted by the City, the Tax Code and all other applicable laws; and

WHEREAS, the City Council finds that the Improvements sought are feasible and practicable and would be of benefit to the Land to be included in the Zone and to the City after expiration of this Agreement; and

**WHEREAS,** a copy of this Agreement has been furnished, in the manner prescribed by the Tax Code, to the presiding officers of the governing bodies of each of the Taxing Units in which the Premises is located; and

**WHEREAS,** the City and the Taxing Units desire to enter into an agreement with Owner for the abatement of taxes pursuant to Chapter 312 of the Tax Code as amended;

**NOW, THEREFORE,** in consideration of the mutual benefits and promises contained herein and for good and other valuable consideration, the adequacy and receipt of which are hereby acknowledged, including the expansion of primary employment, the attraction of major investment in the Zone, which contributes to the economic development of the City and the enhancement of the tax base in the City and the County, the parties agree as follows:

## Article I
## Definitions

Wherever used in this Agreement, the following terms shall have the meanings ascribed to them:

"Base Year Taxable Value" shall mean the Taxable Value for the year in which this agreement is executed (2007).

"Commencement of Construction" shall mean that: (i) the construction plans for the Reconfiguration have been prepared and all approvals thereof required by applicable governmental authorities have been obtained; and (ii) all necessary permits for Reconfiguration pursuant to the respective plans therefor having been issued by all applicable governmental authorities; and (iii) the Reconfiguration has commenced.

"Completion of Construction" shall mean: (i) substantial completion of the Reconfiguration; and (ii) the first final permanent certificate of occupancy has been issued for Owner's occupancy of the Improvements, following the Reconfiguration.

"Effective Date" shall mean the last date of execution of this Agreement.

"Event of Bankruptcy or Insolvency" shall mean the dissolution or termination of a party's existence as a going business, insolvency, appointment of a receiver for any part of a party's property and such appointment is not terminated within one hundred eighty (180) days after such appointment is initially made, any general assignment for the benefit of creditors, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against such party, and such proceeding is not dismissed within one hundred eighty (180) days after the filing thereof.

"Expiration Date" shall mean February 1 of the calendar year following the 10th anniversary date of the First Year of Abatement.

"First Year of Abatement" shall mean January 1 of the calendar year immediately following the date of issuance of the first final permanent certificate of occupancy for Owner's occupancy of the Improvements following the reconfiguration.

"Force Majeure" shall mean any contingency or cause beyond the reasonable control of a party including, without limitation, acts of God or the public enemy, war, terrorism, riot, civil commotion, insurrection, adverse weather, government or de facto governmental action or inaction (unless caused by acts or omissions of such party), fires, explosions or floods, strikes, slowdowns or work stoppages.

"Improvements" shall mean the existing four (4) story building #9 containing 240,000 square feet of office space with a physical address of 2450 President George Bush Turnpike, Richardson, Texas 75082, located on the Land, and assigned an account number separate and apart from any other buildings or improvements by the Appraisal District for appraisal purposes.

"Land" shall mean the real property described in Exhibit "A".

"Owner" shall have the meaning given to such term in the first paragraph of this Agreement.

"Premises" shall collectively mean the Land and Improvements, following construction thereof.

"Reconfiguration" shall mean the construction of certain interior and exterior improvements to convert the Improvements into a data center for the Owner.

"Tangible Personal Property" shall mean tangible personal property, equipment and fixtures, other than inventory or supplies, owned or leased by Owner that are added to the Improvements subsequent to the execution of this Agreement and which are collectively assigned an account number separate and apart from any other tangible personal property by the Appraisal District for appraisal purposes.

"Taxable Value" shall mean the appraised value as determined by the appraisal district as of January 1 of a given calendar year.

"Taxing Units" shall mean any taxing unit other than the City, such as Collin County and Collin County College District, that elects to participate in this Agreement.

## Article II
## Term

The term of this Agreement shall begin on the Effective Date and shall continue until the Expiration Date, unless sooner terminated as provided herein.

## Article III
## General Provisions

3.1 Owner is the owner of the Land, which Land is located within the city limits of the City and within the Zone, and intends to remodel the Improvements on the Land. Owner also intends to locate Tangible Personal Property at the Premises.

3.2 The Premises are not in an improvement project financed by tax increment bonds.

3.3 This Agreement is entered into subject to the rights of the holders of outstanding bonds of the City.

3.4 To the best of Owner's actual knowledge, Owner represents that the Premises is not owned or leased by any member of the City Council or the City Plan Commission.

3.5 Owner shall, prior to May 1 of each calendar year during the term of this Agreement, certify in writing to the City and each Taxing Unit to the best of the Owner's knowledge that such party is in substantial compliance with each term of this Agreement.

3.6 Owner shall use the Improvements at all times during the term of this Agreement in a manner that: (i) is consistent with the City's Comprehensive Zoning Ordinance, as amended, and (ii) that is consistent with the general purposes of encouraging development or redevelopment within the Zone.

3.7 During the period of tax abatement herein authorized, Owner shall be subject to all taxation not abated, including but not limited to, sales tax and ad valorem taxation.

3.8 Owner agrees to maintain the Improvements during the term of this Agreement in accordance with all applicable state and local laws, codes, and regulations. Owner agrees that the Improvements shall be used only as a data center and/or an office building for a period of at least ten (10) years commencing with the First Year of Abatement.

3.9 The City and each Taxing Unit, their respective agents and employees shall have the right of access to the Premises during construction to inspect the Improvements at reasonable times and with reasonable notice to Owner, and in accordance with Owner's visitor access and security policies, in order to ensure that the construction of the reconfiguration of the Improvements is in accordance with this Agreement and all applicable state and local laws and regulations (or valid waiver thereof).

## Article IV
## Tax Abatement Authorized

4.1 This Agreement is authorized by the Tax Code and in accordance with the City Tax Abatement Guidelines, and approved by resolution of the City Council.

4.2 Subject to the terms and conditions of this Agreement, the City and Taxing Units each grant Owner an abatement of fifty percent (50%) of the Taxable Value of the Improvements for a period of ten (10) consecutive calendar years, beginning with the First Year of Abatement. Subject to the terms and conditions of this Agreement, the City and Taxing Units each grant Owner an abatement of fifty percent (50%) of the Taxable Value of the Tangible Personal Property for a period of ten (10) consecutive years, beginning with the First Year of Abatement. The actual percentage of Taxable Value of the Improvements subject to abatement will apply only to the portion of the Taxable Value of the reconfigured Improvements that exceeds the Base Year Taxable Value for the Improvements. The actual percentage of Taxable Value of the Tangible Personal Property subject to abatement will apply only to Tangible Personal Property added to the Premises after this Agreement is executed.

4.3 The period of tax abatement for the Improvements and the Tangible Personal Property shall be for a period of ten (10) consecutive years.

4.4 The Taxable Value of the Improvements, excluding the Land, shall be at least $15 Million Dollars as of the First Year of Abatement and as of January 1 of each calendar year thereafter for a period of ten (10) consecutive years.

4.5 The Taxable Value of the Tangible Personal Property shall be at least $20 Million Dollars as of the First Year of Abatement and as of January 1 of each calendar year thereafter for a period of ten (10) consecutive years.

## Article V
## Improvements

5.1 Owner owns the Land, and agrees to reconfigure the Improvements and construct certain interior and exterior improvements to convert the Improvements into a data center for the Owner. The Owner also intends to locate and maintain Tangible Personal Property at the Premises. Nothing in this Agreement shall obligate Owner to reconfigure the Improvements as a data center and/or to locate Tangible Personal Property at the Improvements, but said actions are conditions precedent to the tax abatement pursuant to this Agreement.

5.2 As a condition precedent to the initiation of the tax abatement pursuant to this Agreement, Owner agrees, subject to events of Force Majeure, to cause Commencement of Construction to occur within sixty (60) days after the Effective Date, and to cause Completion of Construction to occur within eighteen (18) calendar months thereafter, as good and valuable consideration for this Agreement, and that all construction of the Reconfiguration will be in accordance with all applicable state and local laws, codes, and regulations (or valid waiver thereof).

5.3 Construction plans for the Reconfiguration to be filed with the City, shall be deemed incorporated by reference herein and made a part hereof for all purposes.

## Article VI
## Default: Recapture of Abated Tax

6.1 In the event: (i) Owner fails to complete the Reconfiguration in accordance with this Agreement or in accordance with applicable State or local laws, codes or regulations; (ii) Owner has delinquent ad valorem or sales taxes owed to the City and/or a Taxing Unit (provided Owner retains its right to timely and properly protest and/or contest such taxes or assessments); (iii) Owner has an "Event of Bankruptcy or Insolvency"; or (iv) Owner breaches any of the terms and conditions of this Agreement, then such Owner, after the expiration of the notice and cure periods described below, shall be in default of this Agreement. As liquidated damages in the event of such default, the tax abatement provided in this Agreement shall terminate and the Owner shall, within thirty (30) days after written notice of termination, pay to the City and/or the terminating Taxing Unit, as the case may be, all taxes for the year or year(s) in which the default occurs which otherwise would have been paid by the Owner to the City and the applicable Taxing Unit, without benefit of a tax abatement for the Owner's property that is the subject of this Agreement, with interest at the statutory rate for delinquent taxes as determined by Section 33.01 of the Tax Code, as amended, but without penalty. The parties acknowledge that actual damages in the event of default would be speculative and difficult to determine. The parties further agree that any abated tax for the year or year(s) in which the default occurs which otherwise would have been paid by the Owner to the City and the applicable Taxing Unit, including interest as a result of this Agreement, shall be recoverable against the Owner and shall constitute a tax lien against the property that is the subject of this Agreement and shall become due, owing and shall be paid to the City and/or the applicable Taxing Unit within thirty (30) days after written notice of termination.

6.2 Upon breach by Owner of any obligations under this Agreement, the City and/or a Taxing Unit shall provide written notice to the Owner, who shall have thirty (30) days from receipt of the written notice in which to cure any such default. If the default cannot reasonably be cured within a thirty (30) day period, and the Owner has diligently pursued such remedies as shall be reasonably necessary to cure such default, then the City and/or applicable Taxing Unit may extend the period in which the breach must be cured for an additional thirty (30) days.

6.3 If the Owner fails to cure the default within the time provided as specified above, or as such time period may be extended, then the City and/or the applicable Taxing Unit, at its sole option shall have the right to terminate this Agreement with respect to the Owner and the terminating party, by written notice to the Owner.

6.4 Upon termination of this Agreement by the City and/or a Taxing Unit, all tax abated as a result of this Agreement for the year or year(s) in which the default occurs, shall become a debt to the City and/or the applicable Taxing Unit, as the case may be, as liquidated damages, and shall become due and payable not later than thirty (30) days after a written notice of termination is provided herein. The City and/or the applicable Taxing Unit shall have all remedies for the collection of the abated tax provided generally in the Tax Code for the collection of delinquent property tax. The City and/or the applicable Taxing Unit, at its sole discretion, has the option to provide a repayment schedule. The computation of the abated tax for purposes of this Agreement shall be based upon the full Taxable Value of the Improvements and Tangible Personal Property, as the case may be, without tax abatement for the years in which the default occurs, as determined by the Appraisal District, or its successor, multiplied by the tax rate of the years in question, as calculated by the Tax Assessor-Collector for the City and/or the applicable Taxing Unit. The liquidated damages shall incur penalties as provided for delinquent property taxes and shall commence to accrue after expiration of thirty (30) days after written notice of termination is given to the Owner.

## Article VII
## Miscellaneous

7.1 **Annual Application For Tax Exemption**. It shall be the responsibility of Owner pursuant to the Tax Code, to file an annual exemption application form with the Chief Appraiser for the Appraisal District in which the eligible taxable property has situs. A copy of the exemption application shall be submitted to the City and/or a Taxing Unit upon request.

7.2 **Notice**. Any notice required or permitted to be delivered hereunder shall be deemed received three (3) days thereafter sent by United States Mail, postage prepaid, certified mail, return receipt requested, addressed to the party at the address set forth below or on the day actually received as sent by courier or otherwise hand delivered.

If intended for Owner:

Attn: Director of Real Estate Worldwide
Cisco Systems, Inc.
170 W. Tasman
San Jose, California 95134

With copies to:

Attn: General Counsel
Cisco Systems, Inc.
170 W. Tasman
San Jose, California 95134

and

Attn: Tax Department
Cisco Systems, Inc.
170 W. Tasman
San Jose, California 95134

If intended for City, to:

Attn: City Manager
City of Richardson, Texas
411 W. Arapaho Road
P.O. Box 830309
Richardson, Texas 75083

With copy to:

Peter G. Smith
Nichols, Jackson, Dillard, Hager & Smith, L.L.P.
1800 Lincoln Plaza
500 N. Akard
Dallas, Texas 75201

If intended for Collin County:

Attn: County Judge
County of Collin
Attn: Collin County Judge
210 S. McDonald Street
McKinney, Texas 75069

If intended for CCCCD:

Collin County Community College District
c/o Chairman
2200 W. University
McKinney, Texas 75070

7.3 **Authorization**. Each party represents that it has full capacity and authority to grant all rights and assume all obligations that are granted and assumed under this Agreement. Specifically, this Agreement was (i) authorized by ordinance of the City Council authorizing the City Manager to execute this Agreement on behalf of the City; (ii) entered into by the Owner pursuant to authority granted by its governing body authorizing its officer to execute this Agreement on its behalf; (iii) authorized by the minutes of the Commissioners Court of Colin County, Texas authorizing the County Judge, or designee to execute this Agreement on behalf of Collin County, Texas and (iv) authorized by the Board of Trustees of Collin County Community College District at a Board meeting authorizing its Chairman, or designee, to execute this Agreement on behalf of Collin County Community College District.

7.4 **Severability**. In the event any section, subsection, paragraph, sentence, phrase or word herein is held invalid, illegal or unconstitutional, 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, sentence, phrase or word.

7.5 **Governing Law**. This Agreement shall be construed under the laws of the State of Texas. Venue for any action under this Agreement shall be the State District Court of Collin County, Texas. The parties agree to submit to the personal and subject matter jurisdiction of said court.

7.6 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

7.7 **Entire Agreement**. This Agreement embodies the complete agreement of the parties hereto, superseding all oral or written previous and contemporary agreements between the parties and relating to the matters in this Agreement, and except as otherwise provided herein cannot be modified without written agreement of the parties to be attached to and made a part of this Agreement.

7.8 **Incorporation of Recitals**. The determinations recited and declared in the preambles to this Agreement are hereby incorporated herein as part of this Agreement.

7.9 **Exhibits**. All exhibits to this Agreement are incorporated herein by reference for all purposes wherever reference is made to the same.

7.10 **Assignment**. This Agreement shall be binding on and inure to the benefit of the parties to it and their respective heirs, executors, administrators, legal representatives, successors, and permitted assigns. This Agreement may not be assigned without the prior written consent of the Taxing Units, which consent shall not be unreasonably withheld, denied or delayed. Notwithstanding anything to the contrary, Owner may assign this Agreement to a subsidiary or affiliate of the Owner, or to an unrelated party in connection with a sale of the Premises without the prior written consent of the City and Taxing Units on notice in writing to the City and the Taxing Units not less than thirty (30) days prior to the effective date of such assignment.

**(Signature pages to follow)**

**EXECUTED** in duplicate originals this the 10 day of July, 2007.

**City of Richardson, Texas**

By: [redacted]
Bill Keffler, City Manager

**Attest:**

By: [redacted]
City Secretary

**Agreed as to Form:**

By: [redacted]

**EXECUTED** in duplicate originals this the 20th day of September, 2007.

Collin County, Texas

By: [redacted]
Keith Self, County Judge

**EXECUTED** in duplicate originals this the ____ day of ________________, 2007.

Collin County Community College District

By: ______________________________
Dr. J. Robert Collins, Chairman

**EXECUTED** in duplicate originals this the 7th day of June, 2007.

**CISCO SYSTEMS, INC.**

By: [redacted]
Name: Spiro G. Kailas
Title: Director, Americas Real Estate

**City's Acknowledgment**

**State of Texas** §
§
**County of Collin** §

This instrument was acknowledged before me on the 10 day of July, 2007, by Bill Keffler, City Manager of the City of Richardson, Texas, a Texas municipality, on behalf of said municipality.

[redacted]
Notary Public, State of Texas

KIMBERLY M. SHELDON
Notary Public
STATE OF TEXAS
My Comm. Exp. 07/30/2007

My Commission Expires:

7-30-2007

## Collin County's Acknowledgment

**State of Texas** §
§
**County of Collin** §

This instrument was acknowledged before me on the 26th day of September, 2007, by Keith Self, the County Judge of Collin County on behalf of Collin County, Texas.

[redacted]
Notary Public, State of Texas

My Commission Expires:

10/25/2008

GEORGIA S. SHEPHERD
Notary Public
STATE OF TEXAS
My Comm. Exp. 10/25/2008

NOTARY PUBLIC STATE OF TEXAS

## County Community College District Acknowledgment

**State of Texas** §
§
**County of Collin** §

This instrument was acknowledged before me on the _____ day of _______________, 2007, by Dr. J. Robert Collins, the Chairman of the Collin County Community College District, on behalf of said District.

______________________________
Notary Public, State of Texas

My Commission Expires:

______________________

## Owner's Acknowledgment

**State of California** §
§
**County of Santa Clara** §

On June 7, 2007 before me, Sue Bowerman, Notary Public, personally appeared Spiro G. Kallas, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he/~~she~~ executed the same in his/~~her~~ authorized capacity, and that by his/~~her~~ signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

SUE BOWERMAN
Commission # 1615944
Notary Public - California
Santa Clara County
My Comm. Expires Nov 21, 2009

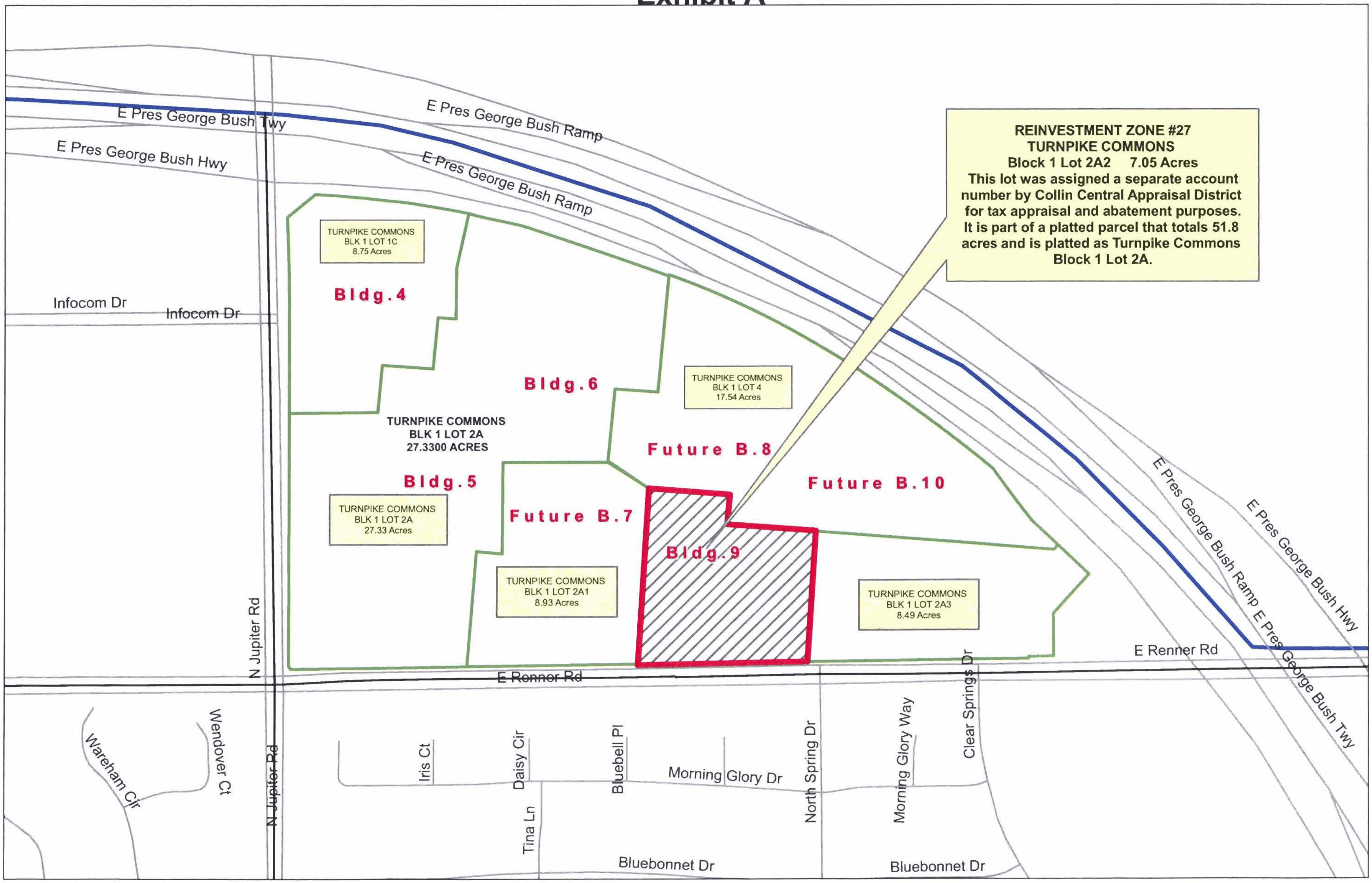
**Witness my hand and official seal.**

[redacted]
Notary Public, State of California

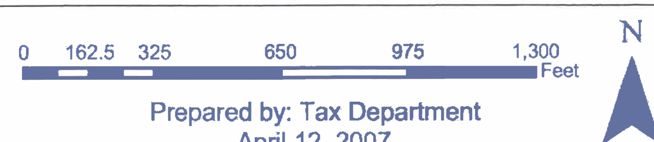
My Commission Expires:

NOV. 21, 2009

# Exhibit A




**City of Richardson, Texas**
**Cisco Site**
**Reinvestment Zone #27**




Prepared by: Tax Department
April 12, 2007