

**State, County, and City Giveaways to Volkswagen\***

<b>Giveaway</b>	<b>Amount</b>
Transfer of approximately 1,340 acres of land and the improvements thereon to Volkswagen without cost or charge to the Company. (Art. II, Sec. 2.1)	Parties agreed that the current fair and reasonable market value is \$10 million.
Grant of \$110 million to fund construction of public use infrastructure. (Art. VI, Sec. 6.2)	\$110 million
Job Training Assistance – State agrees to commit \$24 million to a training assistance program. (Art. VII, Sec. 7.1)	\$24 million
The Local Governments agree to provide a thirty year abatement of real and personal property taxes to the Company pursuant to a Payment-in-Lieu-of-Tax Agreement. (Art. IV, Sec. 4.2)	Approximately \$167 million.
Relocation Expense Credits – State covenants that the Company will receive at least \$40 million through the refundable relocation expense credits provided by the Tennessee Code. State will provide a credit of \$100,000 for every “Headquarters Position” that is relocated to the state within five years. A Headquarters Position is a full-time employee position involving administrative, planning, research and development, marketing, personnel, legal, engineering, accounting, computer, telecommunications or similar services. State convents to pursue legislation to clarify the statutory criteria for the credit to remove wage and employment requirements that are generally applicable to the credit. (Art. IV, Sec. 4.7)	\$40 million. If Volkswagen moves more than 400 headquarters positions to the site, the amount would increase. The example in the agreement shows \$80 million.

\* Based upon the July 8, 2008, Draft Memorandum of Understanding by and among Volkswagen Group of America, Inc. and the State of Tennessee, Hamilton County, Tennessee, the City of Chattanooga, Tennessee, the Industrial Development Board for the City of Chattanooga, the Chattanooga Area Chamber of Commerce, and Certain Agencies of or within the State of Tennessee. The draft from which this information was taken does not include a number of attachments.

<b>Giveaway</b>	<b>Amount</b>
Local Governments will pay for four years the annual fee associated with Volkswagen's use of the Foreign-Trade Zone Designation. (Art. III, Sec. 3.4)	\$96,000
Local Governments shall be responsible for the payment of the application and activation fee required for the Company to make use of the Foreign-Trade Zone designation. (Art. III, Sec. 3.3)	Up to \$100,000.
On-the-job Training – State agrees to provide on-the-job training for workers. (Art. VII, Sec. 7.2)	\$3,402,000.00
Volkswagen has an eight year option to purchase an additional 1,200 acres at the excise price of \$1,000. (Art. II, Sec. 2.2)	Difference between fair market value of the site and \$1,000.
Marketing – State commits to provide \$2 million to be applied toward expenses related to marketing and public relations for the project and the Company. (Art. IX, Sec. 9.10)	\$2 million
Funding for Training Facilities - \$40 million to defray the cost of constructing a training center and for equipment used for training. After a certain time, the facility may be sold to Volkswagen for \$1,000.00. State will also provide \$2 million per year for eight years to operate the facility. (Art. VII, Sec. 7.4)	\$56 million
Super Jobs Tax Credit and Jobs Tax Credit – State will use its best efforts to assist the company in receiving the full benefits of the Super Jobs Tax Credits. (Art. IV, Sec. 4.7)	Approximately \$10,000,000 (\$5,000 credit for each new full-time job created. Expect to create 2,000 new full-time jobs.)
Local Governments will match the company on a dollar for dollar basis up to \$6 million for the construction of a welcome center. Upon request by the company, Local Governments shall transfer ownership of the center to Volkswagen for nominal consideration. (Art. IX, Sec. 9.5)	\$6 million +
<b>Total</b>	<b>Approximately \$428.6 million</b>

### **Giveaway – Amount Unknown**

Each local government agreed to waive all of its respective administrative, licensing and permitting fees or charges otherwise payable by Volkswagen in connection with its compliance with all applicable local, State, and federal laws, rules, regulations, orders, etc., from the date of the agreement through the completion of the construction of the facility. If the fees are not waived, the local governments agreed to reimburse the Company for all fees and expenses incurred by the Company in relation to the Permits. (Art. III, Sec. 3.2)

State shall, without cost to Volkswagen, prepare an economic impact report and analyses to highlight the economic benefits to the state. (Art. III, Sec. 3.5)

Government entities promise to negotiate in the future over additional “inducements and incentives” to which the Company may become entitled if it engages in a significant investment, expansion, or creation of additional jobs beyond that contemplated in the agreement. (Art. III, Sec. 3.6)

No tax on Pollution Control Equipment, raw materials, component parts or replacement parts. Volkswagen entitled to a credit for all sales or use taxes paid on building materials, machinery and equipment, including any related labor, installation, or service charges, purchased for the headquarters facility, except tax accrued on such purchases at the rate of .5%. (Art. IV, Sec. 4.6)

State covenants to enact legislation to provide for the indefinite carry forward of any excess annual Super Jobs Tax Credits, Job Tax Credits, Enhanced Industrial Machinery Tax Credits generated by the Company. (Art. IV, Sec. 4.7)

Integrated Supplier Super Tax Credit – Tax credits for suppliers located within the state. (Art. IV, Sec. 4.8)

Public Authorities agree to perform or have performed, at no cost to the company, all Site Preparation Work. (Art. VI, Sec. 6.1)

State, without cost to Volkswagen, will implement roadway improvements to the project site. (Art. VI, Sec. 6.3)

Water and Sewer – the county and city will complete, at no charge to Volkswagen, any water and sewer improvements. (Art. VI, Sec. 6.5 and 6.6)

Abandonments – the local governments shall, at their cost and expense, cause the abandonment of any and all roads, easements, and/or rights of way currently encumbering the property. (Art. VI, Sec. 6.9)

State will provide Applicant Recruiting and Screening Services to Volkswagen. (Art. VII, Sec. 7.3)

Company Owned Vehicles – Exempt all company owned vehicles, including those given to Company executives by the Company for the executive’s personal use, from registration, titling, sales tax, use tax, property tax, lease tax or any other assessments. (Art. VIII, Sec. 8.3)

Local Governments will pay the company \$25,000/day for any construction delays caused by any public authority. (Art. VIII, Sec. 8.9)

County shall integrate a German curriculum into its existing school system at no cost to the Company. (Art. IX, Sec. 9.6)

State will address environmental concerns on the site, provide environmental

**Giveaway – Amount Unknown**

permits, and conduct environmental assessments. (Art. X, Sec. 10.2)

Public Authorities have obtained an environmental insurance policy in the amount of \$35 million and will work with the insurer to add Volkswagen as an additional insured at no cost to Volkswagen. Public Authorities agree to indemnify Volkswagen against any and all environmental conditions, environmental claims, and other losses. (Art. X, Sec. 10.3 and 10.5)

Enhanced Industrial Machinery Tax Credits - State will use its best efforts to assist the company in receiving the full benefits of the credit. (Art. IV, Sec. 4.7)

Franchise and Excise Tax Variances. (Art. IV, Sec. 4.9)

No taxes on inventory. (Art. IV, Sec. 4.5)