

STATE OF ALABAMA
SHELBY COUNTY

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ABATEMENT AGREEMENT

ABATEMENT AGREEMENT (this "Abatement Agreement") is made and entered into August 19, 1999 by and between the Shelby County Economic and Industrial Development Authority, as the granting governing body (the "Authority"), and Alabama Dry Felt, L.L.C., an Alabama limited liability company (the "Company").

WITNESSETH THAT

WHEREAS, the Company and the Authority have entered into that certain Inducement Agreement, dated August 19, 1999 (the "Inducement Agreement"), whereby the Company evidenced its intent to locate, construct, and equip a paper manufacturing facility on private use industrial property (the "Project") in the City of Calera, Alabama (the "City"); and

WHEREAS, with regard to the Project, the Company has filed that certain Combined Application for Abatement of Taxes, dated August 19, 1999 (the "Application") with the Authority pursuant to sections 40-9B-1 to 40-9B-7 of the *Code of Alabama* (1975) (the "Tax Incentive Reform Act of 1992"); and

WHEREAS, the Project is located within the city limits of the City and the jurisdiction of the Authority, and the Authority has determined that the Company should be granted the maximum allowable abatement of taxes provided under the Tax Incentive Reform Act of 1992 in order to encourage and as additional incentive to the Company to locate and construct the Project in the City; and

WHEREAS, the Authority has performed a cost/benefit analysis and concluded that it is to the advantage of the public that abatements be granted in accordance with this Abatement Agreement,

THE PREMISES CONSIDERED, IT IS, THEREFORE, AGREED AS FOLLOWS:

(1) **MAXIMUM ALLOWABLE ABATEMENT AND MAXIMUM EXEMPTION PERIOD:** Pursuant to the Tax Incentive Reform Act of 1992, the Authority hereby grants the Company the maximum allowable abatement of ad valorem taxes, construction-related transaction taxes (including, without limitation, sales and use taxes and gross receipts taxes in the nature of sales and use taxes), and mortgage and recording taxes with regard to the Project as follows:

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(a) **AD VALOREM TAXES:** The Company shall receive an abatement of all non-educational ad valorem taxes. Currently, the ad valorem taxes in the City as to the Project will be 54 mills on 20% of the appraised value of the property. Of the 54 mills, 33 mills must be used for educational purposes or for capital improvements for education. Therefore, the Company is entitled to an abatement of 21 mills. The Company shall at all times remain liable for the 33 mills of educational ad valorem taxes (or such greater or lesser amount of educational ad valorem taxes that may from time to time be imposed on the Project and that are not abatable under the Tax Incentive Reform Act of 1992). The estimated total value of the private use industrial property to be placed in service at the Project, including both real and personal property, is \$3,485,000 and therefore, the estimated annual amount of the abated ad valorem taxes is \$14,637, which may decrease as the property depreciates and increase as the property increases in value. The exemption period for ad valorem taxes with regard to the Project shall be the maximum period permitted by statute.

(b) **SALES AND USE TAXES:** The Company shall receive an abatement of all state and local construction-related transaction taxes, except those local construction-related transaction taxes levied for educational purposes or for capital improvements for education. Currently, the rate of sales and use taxation in the City is 8% generally and is 4.875% on manufacturing equipment. Of the non-manufacturing sales and use tax rate, 0.5% is levied for educational purposes or for capital improvements for education; and of the manufacturing equipment sales and use tax, 0.5% is levied for local education purposes or for capital improvements for education. Therefore, the Company is entitled to an abatement of sales and use taxes of 7.5% generally and 4.375% for manufacturing equipment. The Company shall at all times remain liable for the City and county construction-related transaction taxes that are levied for educational purposes or for capital improvements for education (0.5% generally and 0.5% for manufacturing equipment). The estimated cost of goods other than manufacturing equipment to be used in the construction of the Project totals \$210,000 and the estimated cost of manufacturing equipment to be purchased in connection with the construction of the Project totals \$2,790,000. Therefore, the estimated amount of abated construction-related transaction tax is \$137,812.50. The abatement of the construction-related transaction taxes shall extend to the date that all the Project is placed in service.

(c) **MORTGAGE AND RECORDING TAXES:** The Company shall receive the maximum permitted abatement of all mortgage and deed recording taxes imposed by Chapter 22, of Title 40, *Code of Alabama* (1975). Currently, those tax rates are \$1.50 per \$1,000 for mortgage taxes and \$1.00 per \$1,000 for deed taxes. The estimated amount of the mortgage with regard to the Project is \$3,000,000 and the sales price of the real property to be purchased/conveyed by the Authority for the Project is \$485,000, and therefore, the estimated amount of abated mortgage and deed recording taxes is \$4,985.

(a) **ESTIMATIONS ARE NOT LIMITATIONS:** The estimates of tax abatements contained in the preceding subparagraphs and in the Application are estimates and not restrictions or limitations. It is the intent of this Abatement Agreement that the

abatements be granted in accordance with the first sentence of the flush language of this Paragraph (1) whether or not such abatement exceeds the estimated amounts.

(2) **GOOD-FAITH PROJECTIONS:** The Company hereby makes the following good-faith projections:

(a) **AMOUNT INVESTED:** The total amount to be invested in the acquisition and construction of the Project is projected to be the total of the amounts listed in Items (16), (17), and (18) of the Application.

(b) **NUMBER OF EMPLOYEES:** The number of individuals to be employed, initially and each of the succeeding three years, will be the same as indicated on Item (14) of the Application.

(c) **THE PAYROLL:** The payroll, initially and in each of the succeeding three years, will be the same as indicated in Item (15) of the Application.

(3) **FUTURE TAX CHANGES:** The abatement granted to the Company by the Authority in this Abatement Agreement extends to any future non-educational ad valorem taxes, any future state and local construction-related transaction taxes (including all state, city and county sales and use taxes, but excepting those local construction-related transaction taxes levied for educational purposes or for capital improvements for education), any future mortgage and deed recording taxes, and any future lease taxes. Thus, if any additional noneducational taxes are levied by any city, county, state, or other governmental entity to which the Company would otherwise be subject, then as provided in this Abatement Agreement, the Company shall receive an abatement from such taxes. The abatements granted by the Authority shall continue in effect notwithstanding any annexation, any de-annexation, or any re-annexation by any municipality and any inclusion, any exclusion, or any re-inclusion in the police jurisdiction of any municipality. Moreover, upon any annexation by any municipality or inclusion within the police jurisdiction of any municipality, the Project will be abated from any taxes of such municipality to the maximum extent permitted by the Tax Incentive Reform Act of 1992. The Company will remain liable for any ad valorem taxes or local construction-related transaction taxes which are imposed or levied for educational purposes or for capital improvements for education to the extent such taxes are not abatable under applicable law.

(4) **TITLE TO PROPERTY:** The abatements provided for in this Abatement Agreement shall be effective regardless of whether title to the real and personal property constituting the Project is vested (for common law purposes, for federal income tax purposes, or for any other tax purposes) in the Company, the Authority, the parent corporation of the Company, the lender of funds to the Company, or any leasing company holding title to any portion of the Project, any receiver, trustee, or other fiduciary on behalf of the Company or either of their creditors, any trustee in bankruptcy or debtor-in-possession of the Company, a project contractor or subcontractor, or a project vendor.

(5) **FURTHER ASSURANCES AND COOPERATION:** The Company and the Authority shall execute such additional documents and instruments as may reasonably

required by counsel for the other party to carry out the purpose and intent of this Abatement Agreement. Also, the Authority will take all necessary steps and actions to insure that the Company receives the maximum abatement of taxes allowable under the Tax Incentive Reform Act of 1992. Further, the Authority will not take any actions which would undermine or circumvent the intent of this Abatement Agreement.

(6) **AMENDMENT IN WRITING:** This Abatement Agreement may not be amended, modified, altered, changed, terminated, or waived in any respect whatsoever, except by a further agreement in writing, properly executed by all the parties.

(7) **SEVERABILITY:** All of the terms, provisions, and conditions of this Abatement Agreement shall be deemed to be severable in nature. If for any reason the provisions of this Abatement Agreement are held to be invalid or unenforceable to any extent, to the extent that such provisions are valid and enforceable, a court of competent jurisdiction shall construe and interpret this Abatement Agreement to provide for maximum validity and enforceability of this Abatement Agreement.

(8) **SUCCESSORS AND ASSIGNS:** This Abatement Agreement shall bind the parties and their respective successors and assigns. The Company may, at any time while this Abatement Agreement is in effect, assign (outright, in fee, collaterally, conditionally, in trust, or otherwise) any of its rights, privileges, interests, and obligations hereunder to another person or corporation, partnership, or other legal entity or entities, provided further that no assignment of any such rights, privileges, interests, and obligations under this Abatement Agreement shall discharge the Company from primary liability for all obligations assumed by the Company under this Abatement Agreement. The abatements shall be available to any successor owner of the Project or any portion thereof that operates the Project or such portion as part of the Project and as an industrial or research enterprise, as such term is defined in the Tax Incentive Reform Act of 1992, as from time to time amended, including, without limitation, any developer/lessor, any leasing company, and any affiliate of the Company, to the same extent that such abatements would have been realized by the Company had it continued to own the Project or such portion.

(9) **CONSTRUCTION:** This Abatement Agreement shall be liberally construed to effectuate the granting of the abatements intended to be provided by this Abatement Agreement.

IN WITNESS WHEREOF, the Authority has caused this Abatement Agreement to be executed in its name and on its behalf, by its duly authorized officer, and the Company has caused this Abatement Agreement to be executed in its name and on its behalf, by its duly authorized officer, effective the date and day first written above.

SHELBY COUNTY ECONOMIC AND INDUSTRIAL DEVELOPMENT AUTHORITY

By: Jim Carden
Jim Carden (Print Name)
Its Chairman

ATTEST:

By: Ed Blake
Ed Blake (Print Name)
Its Secretary

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I, the undersigned authority, a notary public in and for the State of Alabama at Large, hereby certify that Jim Carden and Ed Blake, whose names as Chairman and Secretary, respectively, of the Shelby County Economic and Industrial Development Authority, a public corporation organized and existing under the laws of the State of Alabama, are signed to the foregoing instrument and who are known to me, acknowledged before me on this day that, being informed of the contents of the foregoing instrument and with full authority, they executed the same voluntarily for and as the act of the said corporation as such officers on the day the same bears date.

Given under my hand on the 13th day of September, 1999.

Roena Bearden
Notary Public
My Commission Expires: July 16, 2000

IN WITNESS WHEREOF, the Authority has caused this Abatement Agreement to be executed in its name and on its behalf, by its duly authorized officer, and the Company has caused this Abatement Agreement to be executed in its name and on its behalf, by its duly authorized officer, effective the date and day first written above.

ALABAMA DRY FELT, L.L.C.

By: 
Claude Hendrickson
Its Manager

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I, the undersigned, a notary public in and for the State of Alabama at Large, hereby certify that Claude Hendrickson, whose name as Manager of Alabama Dry Felt, L.L.C., an Alabama limited liability company, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, as such Manager and with full authority, executed the same voluntarily for and as the act of said company.

Given under my hand on this the 30th day of September, 1999.


Notary Public My Commission Expires January 26, 2002
My Commission Expires: _____

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