



## **AGENDA**

### **BOARD OF MAYOR AND ALDERMEN**

**CALLED BUSINESS MEETING**  
**Tuesday, August 11, 2020, 11:00 a.m.**  
**City Hall, 225 W. Center St., Council Room**

#### **Board of Mayor and Aldermen**

Mayor Patrick W. Shull, Presiding  
Vice Mayor Colette George  
Alderman Jennifer Adler  
Alderman Betsy Cooper

Alderman Darrell Duncan  
Alderman Tommy Olterman  
Alderman James Phillips

#### **City Administration**

Chris McCartt, City Manager  
Ryan McReynolds, Deputy City Manager  
J. Michael Billingsley, City Attorney  
Sid Cox, City Recorder/Chief Financial Officer  
David Quillin, Police Chief

Scott Boyd, Fire Chief  
George DeCroes, Human Resources Director  
Ken Weems, Planning Manager  
Jessica Harmon, Assistant to City Manager

#### **I. CALL TO ORDER**

#### **II.A. PLEDGE OF ALLEGIANCE TO THE FLAG**

#### **II.B. INVOCATION – Alderman Betsy Cooper**

#### **III. ROLL CALL**

#### **IV. A determination by the board that meeting electronically and prohibiting the physical presence of the public at the meeting is necessary to protect public health, safety, and welfare of all concerned in light of the COVID-19 virus.**

#### **V. OTHER BUSINESS**

1. Authorizing the Industrial Development Board of the City of Kingsport, Tennessee to Execute a Payment in Lieu of Tax (PILOT) Provision and the Transfer of Real Property to the Industrial Development Board from the City of Kingsport (AF: 222-2020) (Chris McCartt)
  - Resolution

#### **VI. ADJOURN**



**AGENDA ACTION FORM**

**Authorizing the Industrial Development Board of the City of Kingsport, Tennessee to Execute a Payment in Lieu of Tax (PILOT) Provision and the Transfer of Real Property to the Industrial Development Board from the City of Kingsport**

To: Board of Mayor and Aldermen  
From: Chris McCartt, City Manager *CM*

Action Form No.: AF-222-2020  
Work Session: August 11, 2020  
First Reading: N/A  
Final Adoption: August 11, 2020  
Staff Work By: Committee  
Presentation By: McCartt, Chris

**Recommendation:**  
Approve the Resolution

**Executive Summary:**  
Approval of this resolution authorizes the Industrial Development Board of the City of Kingsport (aka. KEDB) to negotiate and execute a Payment in Lieu of Taxes (PILOT) agreement with Domtar located at 100 Clinchfield St. Additionally, this resolution authorizes the Mayor to sign all documents necessary and proper to transfer a portion of real property located at 717 West Center Street to KEDB.

On Friday August 7<sup>th</sup> Domtar announced plans to invest approximately \$300-\$350 Million into the Kingsport Mill. This investment is necessary in order to convert production from uncoated free sheet paper to linerboard. City officials worked closely with the State of Tennessee, NETWORKS, and KEDB over the last several weeks to secure the future of Domtar in Kingsport, an operation that has been part of our City since 1916.

- Attachments:**  
1. Resolution  
2. Proposed Agreement

	<u>Y</u>	<u>N</u>	<u>O</u>
Adler	—	—	—
Cooper	—	—	—
Duncan	—	—	—
George	—	—	—
Olterman	—	—	—
Phillips	—	—	—
Shull	—	—	—

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION CONSENTING TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF KINGSPORT, TENNESSEE NEGOTIATING AND ACCEPTING PAYMENTS IN LIEU OF AD VALOREM TAX WITH RESPECT TO A CERTAIN PROJECT IN THE CITY OF KINGSPORT, TENNESSEE, INCLUDING THE ACQUISITION AND DISPOSITION OF REAL PROPERTY FOR SUCH PURPOSES; AUTHORIZING SUCH AGREEMENTS AS MAY BE NEEDED TO EFFECTUATE THE PURPOSE OF THIS RESOLUTION; EXPRESSING THE INTENT OR TO ESTABLISH ONE OR MORE PROJECT ACCOUNTS IN AN ORDINANCE APPROPRIATING FUNDS TO EFFECTUATE THIS RESOLUTION, IF NEEDED; AND TO FIX THE EFFECTIVE DATE THIS RESOLUTION

WHEREAS, the Board of Mayor and Aldermen (the "Governing Body") of the City of Kingsport, Tennessee (the "City") has met pursuant to proper notice; and

WHEREAS, the Governing Body has previously authorized the incorporation of The Industrial Development Board of the City of Kingsport, Tennessee (the "Board") as an industrial development board duly organized and existing under the provisions of Title 53 of Chapter 7, Tennessee Code Annotated; and

WHEREAS, the City has been informed that Domtar Paper Company, LLC, a Delaware limited liability company (the "Company"), intends to cause the renovation and restructuring of its current facility at a cost of at least \$250,000,000 (collectively, the "Project") generally located in the 11<sup>th</sup> Civil District of Sullivan County with a principal address of 100 Clinchfield Street, Sullivan County, Tennessee (the "Property"); and

WHEREAS, the Company has requested the Board to hold ownership of the Property; and

WHEREAS, the Company has furthermore requested the Board to lease the Project to the Company and to permit the Company to make payments in lieu of ad valorem taxes; and

WHEREAS, Tenn. Code Ann. § 7-53-305(b) authorizes the Governing Board to delegate to the Board the authority to negotiate and accept from the lessees of the Board payments in lieu of ad valorem tax upon the finding that such payments are deemed to be in furtherance of the public purposes of the Board as defined in said code section; and

WHEREAS, there has been submitted to the Governing Body a form of a Payment in Lieu of Tax Agreement (the "Agreement") between the Board and the Company, which provides certain payments in lieu of tax as provided therein and which the Board proposes to execute to carry out the transaction described above and a copy of which draft of the Agreement is filed with the records of the City; and

WHEREAS, in the event of an agreement between the Board and the Company and subject in the sole discretion of the City to acceptable environmental assessments made for the City, the Governing Body will convey to the Board by quitclaim deed the property commonly known as Cloud Park, less the property used for the City's Greenbelt, as shown on a plat entitled

“Plat Showing Property Line Agreement and Proposed Lease Area for City of Kingsport and Willamette Industries 11<sup>th</sup> Civil District, Sullivan County, Tennessee” by Danny L. Carr, Tennessee No. 1599, dated July 2, 2001, for use in the Project, and in exchange thereof the Company agrees to transfer approximately 40 acres of real property commonly known as Cement Hill to the City, the exchange of which shall be of benefit to both parties for their future growth and development; and

WHEREAS, the Board and the Company desire to enter into an Agreement whereby the Company will make payments in lieu of ad valorem taxes to the city of Kingsport, Tennessee, Sullivan County, Tennessee and any other taxing jurisdiction in which the Project is located; and

WHEREAS, the Project, along with construction and equipment of the Project, will enhance employment opportunities in the city of Kingsport, Tennessee and generate additional tax revenues for the City.

WHEREAS, the Governing Body finds that the Agreement is in furtherance of the Board's public purposes as defined in Tennessee Code Annotated Section 7-53-102.

Now therefore,

BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN AS FOLLOWS:

SECTION I. The foregoing recitals are incorporated into this resolution by reference as findings of fact as if expressly set forth herein.

SECTION II. The Governing Body hereby finds that the negotiation and acceptance by the Board of payments in lieu of ad valorem taxes consistent with this resolution are deemed to be in furtherance of the public purposes of the Board as defined in *Tennessee Code Annotated* Section 7-53-305, and the Governing Body hereby consents and delegates to the Board the right to negotiate and accept such payments from the Company. WHEREAS,

SECTION III. *Tennessee Code Annotated* section 7-53-305(b) authorizes the Governing Board to delegate to the Board the authority to negotiate and accept from the lessees of the Board payments in lieu of ad valorem taxes upon the finding that such payments are deemed to be in furtherance of the public purposes of the Board, and the Board has made such finding and hereby consents and delegates to the Board the right to negotiate such payments in lieu of tax from the Company, as a lessee of the Board with respect to the Project, in accordance with the Agreement, together with any other agreements, leases, bills of sale or other instruments necessary to implement the terms of the Agreement.

SECTION IV. The Board's Agreement with the Company shall be substantially as set forth in the draft of the Agreement, which has been presented to the Governing Body at this meeting and filed with the City Recorder of the City, and any such payments paid lieu of city ad valorem taxes should be made to the City for use in the general fund, provided that there shall be no reductions in the amounts of the payments in lieu of tax provided in the Agreement without receiving the prior approval of the Governing Body.

SECTION V. That, if there is a change in the substantive terms of the draft Agreement, the Board shall submit the final agreement to the Governing Body for approval, but the Board's agreement with the Company concerning payments in lieu of ad valorem taxes may contain administrative provisions not inconsistent with this resolution as the Board deems appropriate.

SECTION VI. That the Board is delegated the authority to execute the Payment In Lieu Of Tax Agreement, substantially in the form presented to this meeting, together with any other agreements, leases, bills of sale, or other instruments necessary to implement the terms of the Agreement.

SECTION VII. In exchange for the City's receipt of good and marketable title to approximately 40 acres of real property commonly known as Cement Hill from the Company, which transfer will take place only if in the sole discretion of the City the environmental assessment of the property is acceptable, and in exchange for which the Governing Body authorizes transfer by quitclaim deed to the Board the property generally known as Cloud Park, less the property for the Greenbelt which is described as property excluded from the Lease dated August 28, 2001, between the City and Willamette Industries, Inc., as shown in Exhibit A thereto and recorded in Book 1660C, page 101, in the Office of the Register of Deeds for Sullivan County, Tennessee at Blountville, provided the conveyance from the City will include the portion of the property shown on Exhibit B referenced as the Pocket Park, and if in the sole discretion of the City the environmental assessment of the Cement Hill property is acceptable the property exchange shall occur and the mayor is authorized and directed to execute a quit claim deed to the Board for Cloud Park property and acceptance of the conveyance of the Cement Hill property to the City from the Company as set forth hereinabove along with any other documents necessary to effectuate the exchange of property to the satisfaction of the mayor and city attorney.

SECTION VIII. The mayor, or in his absence, incapacity, or failure to act, the vice-mayor, is authorized and directed to execute, in a form approved by the city attorney and subject to the requirements of Article X, Section 10 of the Charter of the City of Kingsport, all documents necessary and proper, and to take such acts as necessary, to effectuate the purpose of the agreement or this resolution, and the mayor is further authorized to make such changes approved by the mayor and the city attorney to the Agreement that do not substantially alter the material provisions of the agreement, and the execution thereof by the mayor and the city attorney is conclusive evidence of the approval of such changes.

SECTION IX. To carry out the intent of this resolution the Governing Body will establish by ordinance, as needed, one or more project accounts and to fund such project account(s) in the upcoming budgets and the city manager is directed to authorize and establish such project account(s), when and as needed.

SECTION X. That the Governing Body finds that the actions authorized by this resolution are for a public purpose and will promote the health, comfort, and prosperity of the citizens of the city.

SECTION XI. All other resolutions and orders, or parts thereof, in conflict with the provisions of this resolution are, to the extent of such conflict, hereby repealed, and this resolution shall be in immediate effect from and after its adoption, the public welfare requiring it.

Adopted this the 11<sup>th</sup> day of August, 2020.

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PATRICK W. SHULL, MAYOR

ATTEST:

\_\_\_\_\_  
SIDNEY H. COX, CITY RECORDER

APPROVED AS TO FORM:

\_\_\_\_\_  
J. MICHAEL BILLINGSLEY, CITY ATTORNEY

STATE OF TENNESSEE

COUNTY OF SULLIVAN

I, Sid Cox, certify that I am the duly qualified and acting City Recorder of City of Kingsport, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a meeting of the governing body of the Municipality held on August 11, 2020; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original record relates to a payment in lieu of ad valorem tax transaction involving a project being developed by Domtar Paper Company, LLC.

WITNESS my official signature and seal of said Municipality on \_\_\_\_\_, 2020.

\_\_\_\_\_  
City Recorder

## PAYMENT IN LIEU OF TAX AGREEMENT

THIS AGREEMENT (the “Agreement”) is made and entered into as of the \_\_\_\_ day of August, 2020 (“Effective Date”), by and between THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF KINGSPORT, TENNESSEE, a Tennessee public non-profit corporation (“KEDB”) and DOMTAR PAPER COMPANY, LLC, a Delaware limited liability company (the “Company”).

### WITNESSETH:

WHEREAS, KEDB is an industrial development corporation duly organized and existing under the provisions of Title 53 of Chapter 7, Tennessee Code Annotated; and

WHEREAS, Company currently owns and operates a paper mill located in the City of Kingsport, Sullivan County, Tennessee, together with certain other improvements, structures and fixtures located on the real property more particularly described in Exhibit “A” which is attached hereto and is incorporated herein by reference (such building, improvements, structures and fixtures located thereon or therein are herein referred to collectively as the “Real Property”)

WHEREAS, Company currently owns tangible personal property including equipment and machinery located on the Real Property; and

WHEREAS, Company is contemplating a renovation and restructuring of its current facility to convert from the manufacturing of uncoated paper to the manufacturing of containerboard which will include (i) new total capital investment of approximately \$240,000,000 in new tangible personal property and approximately \$60,000,000 in real property improvements and (ii) the retention of approximately 140 existing jobs (hereafter the “Project”)

WHEREAS, Company and KEDB have agreed, pursuant to T.C.A. §7-53-305, to enter into a Payment in Lieu of Taxes (“PILOT”) Agreement whereby the Company will convey the Real Property by quitclaim deed and assignment of lease as necessary and the Personal Property by bill of sale to KEDB and KEDB has agreed to lease the Real Property and Personal Property to Company under an arrangement whereby Company will make payments in lieu of ad valorem taxes as set forth herein; and

WHEREAS, KEDB has agreed during the term of this Agreement to take title to the equipment, machinery and other tangible personal property now or hereafter located on the Real Property and constituting a part of the Project, as more particularly described on Exhibit “B” which is attached hereto and is incorporated herein by reference (hereafter “Personal Property”). The Personal Property and Real Property are sometimes hereafter collectively referred to as the “Property”; and

WHEREAS, KEDB has pursuant to Tenn. Code Ann. §7-53-305(b) adopted a resolution delegating to the Chairman or Vice-Chairman of its Board of Directors the authority to negotiate and accept payments in lieu of ad valorem taxes with respect to the Property, which Resolution is attached hereto as Exhibit “C”; and

WHEREAS, the Board of Mayor and Aldermen of the City of Kingsport, Tennessee, has pursuant to Tenn. Code Ann. §7-53-305(b), adopted a resolution delegating to KEDB the authority to accept payments in lieu of ad valorem taxes with respect to the Property which Resolution is attached hereto as Exhibit “D” ; and

WHEREAS, the Project is designed to enhance employment opportunities, develop trade and commerce in and adjacent to the City of Kingsport, Tennessee (“City”) and Sullivan County,

Tennessee (“County”), contribute to the general welfare and provide substantial economic benefits to the City and County all in furtherance of the purpose for which KEDB was created.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and legal sufficiency of which is hereby expressly acknowledged, KEDB and Company, intending to be legally bound, enter into this Agreement.

1. Lease. KEDB hereby agrees that at such time as Company conveys the Real Property and Personal Property to KEDB and is prepared to commence the Project, it shall lease the Property to Company for a term not to exceed eighteen (18) years (the “Term”), with an effective beginning date as of January 1, 2021 (the “Lease”). The form of the Lease is attached hereto as Exhibit “E” and incorporated herein by reference. The Lease shall provide that Company shall pay all costs to construct and complete the Project by the Completion Date. The Lease shall also grant to Company the absolute right to purchase the Real Property and Personal Property at any time for a nominal amount and that upon transfer and conveyance of the Property to Company pursuant to Company’s exercise of its option to purchase this Agreement shall terminate. Upon termination of this Agreement for any reason, all applicable ad valorem taxes shall be fully assessable against the Property from and after the date of termination.

2. PILOT Payments. For tax years 2021, 2022 and 2023, Company shall make a payment in lieu of ad valorem taxes (“PILOT Payment”) on the Real Property and Personal Property, in an amount equal to the combined property taxes that would have been payable if said Real Property and Personal Property were subject to City and County property taxes without reduction, provided, however, that in no event shall the annual PILOT Payment for any of these three tax years exceed \$1,000,000.00 per year. Beginning with the 2024 tax year and each and every subsequent tax year through 2038, a PILOT Payment on the Real Property and Personal

Property shall be made in amount equal to seventy five percent (75%) of the combined property taxes that would have been payable on the Real Property and Personal Property as if said property were subject to City and County property taxes without reduction; provided, however, that in no event shall the annual PILOT Payment for any of the tax years of 2024 through 2038 exceed \$2,500,000.00 per year. However, when the difference between (i) the combined cumulative total of the annual PILOT Payments due and payable under this Agreement and (ii) the combined cumulative total of the annual City and County property taxes which would have been due and payable on the Real Property and Personal Property if said property were subject to property taxes without reduction reaches or exceeds \$15,533,037 then this Agreement shall terminate effective January 1 of the following tax year. Fifty percent (50%) of each PILOT payment due hereunder shall be shall be paid directly to the City of Kingsport and fifty percent (50%) shall be paid directly to Sullivan County, Tennessee.

3. Assessment. KEDB will request the Sullivan County Property Assessor to appraise and assess the Real Property and Personal Property. The Assessor shall appraise and assess the Real Property and Personal Property in accordance with the Constitution and laws of the State of Tennessee as though the Property were subject to property taxes. The Assessor shall give the County Trustee, the City Treasurer, KEDB, and the Company notice of the appraisals of the Property annually in the same manner that notices are given to owners of taxable property.

4. PILOT Calculations. KEDB will request the Sullivan County Trustee to compute the amounts of the PILOT Payments. On or about October 1 of each year during the Term of this Agreement, the KEDB will request that the Trustee compute the taxes which would be payable on the Property if it were subject to property taxes, in accordance with the Constitution and laws of the State of Tennessee and in accordance with the appraisal and assessment of the Assessor. Each

year hereunder, the Trustee shall send KEDB and the Company a bill for appropriate amounts of PILOT Payments.

5. Penalties and Late Charges. The Company shall make the PILOT Payment for each year before December 31 of that same year. All PILOT Payments shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If the Company fails to make any PILOT Payment when due, and such failure to pay shall continue and not be fully paid within thirty (30) days after written notice of such non payment has been provided to the Company, then a late charge shall be charged and shall also be immediately due and payable. The late charge shall be in the amount of one and one-half percent (1-1/2%) of the owed amount, and shall be charged cumulatively based on the prior month's unpaid balance (including late fee) for each calendar month that a payment remains unpaid.

(b) If the Company should fail to pay all amounts and late charges due as provided hereinabove, and/or otherwise fails to comply with the terms of this Agreement, then KEDB may bring suit in the Chancery Court of Sullivan County to seek to recover the PILOT Payments due, late charges, expenses and costs of collection as well as its reasonable attorneys' fees.

6. Covenants of Company. Company agrees to perform the following requirements during the Term of this Agreement:

- a. Company will complete construction of the entire Project in accordance with this Agreement, and all applicable local, state and federal laws, ordinances, and regulations no later than December 31, 2023 (“Completion Date”);

- b. Company will employ and maintain a minimum of one hundred forty (140) full-time jobs to be measured annually beginning on December 31, 2024 and on the same day of each subsequent year this Agreement remains in effect (“Measuring Date”).
- c. No later than 6 months from the effective date of this Agreement, transfer good and marketable title to approximately 40 acres of real property commonly known as Cement Hill (being Sullivan County Tax Map 046P Group F Parcel 010.20) to the City of Kingsport, Tennessee in exchange for good and marketable title to approximately 16 acres of real property owned by the City commonly known as Cloud Park ((being part of Sullivan County Tax Map 046I Group G Parcel 028.00) less the Greenbelt section (the approximate boundary lines of the property to be transferred are shown on Exhibit F attached hereto).
- d. Cooperate with the City to establish an appropriate land use restriction plan for Cement Hill consistent with its current condition which would include the donation and planting of trees by Company in appropriate areas of the Cement Hill property in such number, size and species as determined in good faith between the City and Company.
- e. Prior to the Completion Date construct and thereafter maintain a landscape buffer with appropriate canopy, understory and shrubs between the portion of the Greenbelt adjacent to the Property as well as the portion of the Property adjacent to West Center Street in a design to be determined in good faith between the City and Company.
- f. Prohibit the use of Clinchfield Street and Center Street for ingress or egress to the Property by tractor trailers delivering raw materials to be used in the day to day operations of the Project.
- g. Provide financial assistance to the City of Kingsport for the reconstruction of the Scott Adams Skate Park in the total amount of one-half of the costs of the Park relocation and

construction as certified by the City (excluding any real estate acquisition costs) but in no event to exceed a total payment amount of \$500,000. The financial assistance amount shall be paid to the City in equal annual payments (not to exceed 10 annual payments) beginning no later than calendar year 2024.

- h. Store all recycled fiber bales to be used in connection with the Project or located on the Property either indoors or in an outside covered facility which is not visible to the general public from Center Street or Clinchfield Street.
- i. Maintain the Property in good order, condition and repair free from unreasonable accumulations of waste materials and odors.
- j. Operate the Project in accordance with all applicable local, state and federal laws, ordinances, and regulations and in such manner as to not constitute a nuisance.
- k. Pay all PILOT payments on or before the applicable due date.
- l. Timely file all reports as Company may be required by the State of Tennessee as a result of this PILOT agreement or accompanying Lease agreement or grant agreements with the State related to the Project and provide a copy of said reports to KEDB.
- m. Within six months of the Completion Date, provide all documentation reasonably required by KEDB to substantiate that Company has made a capital investment for the completion of the Project in an amount not less than \$250,000,000.
- n. Within 30 days of written request, provide such documentation as reasonably requested by KEDB to establish compliance by Company with subparagraphs (a) through (m). These requirements include, but are not limited to, the completion and delivery of an Annual Report in the form attached hereto as Exhibit "G".

If Company fails to perform any of the performance requirements in subparagraphs (a) through (n) above within the applicable timeframe it shall be considered an Event of Default.

7. Events of Default. An "Event of Default" shall occur if (a) there shall have occurred a breach by Company in any respect to the performance of any of its respective obligations under this Agreement, including, but not limited to, the obligations more specifically set forth in Section 6. If there is an Event of Default as defined above, KEDB shall not exercise its remedies hereunder unless Company has failed to cure the Event of Default within thirty (30) days after receipt of written notice of the Event of Default.

8. Remedies. Upon the occurrence of an Event of Default by Company, KEDB may pursue one or more of the following remedies:

(a) KEDB may terminate this Agreement including the termination of the benefits of this Agreement for any years remaining hereunder.

(b) KEDB may pursue any other legal or equitable remedy available to it under law or as provided in this Agreement, including proceedings to compel specific performance of Company's obligations under this Agreement.

Provided, however, if the Event of Default is based on violation of Section 6(b), the sole remedy shall be for the Company to pay damages to KEDB based on the following: (number of full time employees as of the Measuring Date / 140) which will equal the Performance Percentage. If the Performance Percentage is greater than 90%, Company will be deemed in full compliance and not in Default. If the Performance Percentage is less than 90%, then Company shall pay damages to

KEDB for the year of non compliance as follows: (1 - Performance Percentage) multiplied by (the amount of property taxes which would have been due and payable on the Real Property and Personal Property for the year of noncompliance if said property were subject to property taxes without reduction minus the annual PILOT Payments due and payable under this Agreement for the year of noncompliance). By way of example, if the Performance Percentage was 80% and for the year of noncompliance the difference between the taxes that would have been paid if the Property were fully taxable and the PILOT payment was \$500,000 the damages owed would be calculated as follows  $(1-.8) \times 500,000 = \$100,000$ .

(c) If the Company relocates the Project or any portion thereof from the City during the Term hereof without the consent of KEDB, KEDB reserves the right to require Company to pay an amount equal to the amount which would have been due and payable on the Real Property and Personal Property if said property were subject to property taxes without reduction for the entire term of this agreement prior to the relocation minus the annual PILOT Payments actually paid under this Agreement prior to the relocation.

9. Contest by the Company. The Company shall have the right to contest the appraisal or assessment of the Property by the Assessor and the computation by the Trustee of the amount of the PILOT Payment. If the Company contests any such appraisal or assessment, then it shall present evidence to the Assessor in favor of its position. Likewise, if the Company contests any such computation, it shall present evidence to the Trustee in favor of its position. If the PILOT Payments being contested shall be or become due and payable, the Company shall make such payments under protest. The Company and the Assessor or the Trustee, as the case may be, shall negotiate in good faith to resolve any disputes as to appraisal, assessment or computation. If the Company and the Assessor or the Trustee are unable to resolve a dispute, then the Company may

file suit in the Chancery Court of Sullivan County to ask that the provisions of this Agreement, including those covering appraisal, assessment and computation, be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

10. Lien on Property. Any amounts which remain payable under this Agreement shall become a lien on the Property, and such lien shall be enforceable against the Property in the event that any payment owing hereunder is not timely made in accordance with this Agreement.

11. No Waiver; Remedies. No failure on the part of any party hereto, and no delay in exercising any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise hereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and are not exclusive of any remedies provided by law.

12. Severability. In the event that any clause or provision of this Agreement shall be held to be invalid by any court or jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions of this Agreement.

13. No Liability of KEDB Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any incorporator, member, director or officer, as such, of the KEDB, whether past, present or future, either directly or through KEDB. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer, as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

14. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties and signatories hereto and to their respective successors and assigns.

15. Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

16. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto, except that the Trustee and the Assessor shall not be required to join in amendments unless such amendments affect their respective duties hereunder.

17. Notices. Any notice or demand required or permitted to be given by or to any of the parties hereto shall be in writing and shall be personally delivered, sent by nationally recognized overnight courier service or mailed by certified mail, return receipt requested, postage prepaid, and addressed as follows:

If to KEDB:                    400 Clinchfield Street  
   Suite 100  
   Kingsport TN 37660  
   Attn: Chair

With a copy to:                Wilson Worley PC  
   P.O. Box 88  
   Kingsport, TN 37662  
   Attention: Joel A. Conkin

If to Company:                Domtar Paper Company, LLC.

\_\_\_\_\_

With a copy to:                \_\_\_\_\_

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or to such other addresses as the parties may from time to time designate in writing in the manner set forth above.

18. Entire Agreement. This Payment in Lieu of Tax Agreement, together with the Lease, the deed, assignment of lease and bill of sale referenced herein, constitutes the entire agreement between the parties with respect to the subject matter and all prior agreements and representations are integrated herein and superceded hereby.

19. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this instrument in multiple originals as of the date first above written.

THE INDUSTRIAL DEVELOPMENT BOARD  
OF THE CITY OF KINGSPORT, TENNESSEE

By: \_\_\_\_\_  
Its: \_\_\_\_\_

DOMTAR PAPER COMPANY, LLC

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## EXHIBIT "A"

### REAL PROPERTY DESCRIPTION

OWNER	ADDRESS	TAX MAP GROUP	PARCEL	S/IPARCEL ID		
DOMTAR PAPER CO LLC	RIVERPORT RD	045	022.00	000	045 02200 000045	
DOMTAR PAPER CO LLC	RIVERPORT RD 1414	045	024.00	000	045 02400 000045	
DOMTAR PAPER CO LLC	TILTHAMMER DR 514	045N	A	007.00	000	045N A 00700 000045N
DOMTAR PAPER CO LLC	CLINCHFIELD ST 100	046I	G	023.00	000	046I G 02300 000046I
DOMTAR PAPER CO LLC	CLINCHFIELD ST	046I	G	023.00	001	046I G 02300 001046I
DOMTAR PAPER CO LLC	CLINCHFIELD ST	046I	G	023.00	002	046I G 02300 002046I
DOMTAR PAPER CO LLC	CLINCHFIELD ST	046I	G	023.00	003	046I G 02300 003046I
DOMTAR PAPER CO LLC	CLINCHFIELD ST	046I	G	023.00	004	046I G 02300 004046I
DOMTAR PAPER CO LLC	CLINCHFIELD ST	046I	G	023.00	006	046I G 02300 006046I
DOMTAR PAPER CO LLC	INDUSTRY DR W 100	046P	F	010.20	000	046P F 01020 000046P
DOMTAR PAPER CO LLC	INDUSTRY DR W 100	046P	F	010.20	001	046P F 01020 001046P
DOMTAR PAPER CO LLC	INDUSTRY DR W 500	046P	F	014.00	000	046P F 01400 000045M
DOMTAR PAPER CO LLC	INDUSTRY DR W 550	046P	F	015.00	000	046P F 01500 000045M
DOMTAR PAPER CO LLC	INDUSTRY DR W 575	046P	F	018.00	000	046P F 01800 000045M
DOMTAR PAPER CO LLC	INDUSTRY DR W 501	046P	F	021.00	000	046P F 02100 000045M
DOMTAR PAPER CO LLC	CLINCHFIELD ST	046I	G	023.00	005	046I G 02300 005046I
CHARLES W. JOSEPH, JR.	CENTER ST 549	046I	G	026.00	000	046I G 02600 000*

- LEASED TO DOMTAR VIA 99 YEAR GROUND LEASE

EXHIBIT B  
PERSONAL PROPERTY DESCRIPTION

The Personal Property shall include all machinery, equipment and other tangible personal property that is installed or otherwise located on or about or used in connection with the Real Property described in Exhibit A at any time during the Term of this Agreement, together with all replacements and substitutions therefore.

EXHIBIT "C"

RESOLUTION BY THE INDUSTRIAL DEVELOPMENT  
BOARD OF THE CITY OF KINGSPORT, TENNESSEE

EXHIBIT "D"

RESOLUTION BY THE BOARD OF MAYOR AND ALDERMEN  
OF THE CITY OF KINGSPORT, TENNESSEE

EXHIBIT "E"

LEASE BETWEEN THE INDUSTRIAL DEVELOPMENT BOARD  
OF THE CITY OF KINGSPORT, TENNESSEE  
AND  
DOMTAR PAPER COMPANY, LLC

EXHIBIT "F"

DESCRIPTION OF CLOUD PARK PROPERTY

EXHIBIT "G"

ANNUAL REPORT FORM