

ORDINANCE No. 315.2018

**AUTHORIZING THE EXECUTION AND DELIVERY OF A FEE AGREEMENT BY AND BETWEEN KERSHAW COUNTY, SOUTH CAROLINA AND CANFOR SOUTHERN PINE, INC., FORMERLY IDENTIFIED AS "PROJECT SAW", ITS AFFILIATES AND ASSIGNS; TO PROVIDE FOR A FEE IN LIEU OF AD VALOREM TAXES INCENTIVE; TO PROVIDE FOR HOLDING A PUBLIC HEARING; AND OTHER MATTERS RELATED THERETO.**

2018 APR 26 PM 2:05  
KERSHAW COUNTY

WHEREAS, Kershaw County, South Carolina (the "County"), acting by and through its County Council (the "County Council") is authorized and empowered under and pursuant to the provisions of Title 12, Chapter 44, Code of Laws of South Carolina, 1976, as amended (the "Act") (i) to enter into agreements with qualifying industry to encourage investment in projects constituting economic development property through which the industrial development of the State of South Carolina will be promoted by inducing new and existing manufacturing and commercial enterprises to locate and remain in the State and thus utilize and employ manpower and other resources of the State; and (ii) to covenant with such industry to accept certain payments in lieu of *ad valorem* taxes ("FILOT") with respect to such investment; and

WHEREAS, Canfor Southern Pine, Inc., an industrial concern presently operating in the State of South Carolina, which was formerly identified under the code name of "Project Saw" (the "Sponsor") intends to make a total investment of not less than \$35,000,000.00 in new taxable improvements and equipment, either itself or through its wholly owned subsidiaries, New South Lumber Company, Inc. and New South Camden Properties, LLC (collectively, the "Sponsor Affiliates"), in connection with the expansion of its present manufacturing facilities on its existing site located at 1281 Sanders Creek Road, Cassatt, SC 29032 in Kershaw County, South Carolina (the "Project"), which improvements and equipment would constitute a project within the meaning of the Act and which are eligible for inclusion as economic development property, all as more fully set forth in the Fee Agreement attached hereto. ; and

WHEREAS, the Act requires that the County induce and identify the Project in order for the Project to qualify for benefits under the Act, and the County Council adopted Resolution \_\_\_\_\_ on February 13, 2018, identifying the Project; and

WHEREAS, the Company has caused to be prepared and presented to this meeting the form of the Fee Agreement by and between the County and the Company (the "Fee Agreement"), which provides for fee in lieu of tax payments utilizing a 6% assessment ratio for a period of 30 years for the Project or each component thereof placed in service during the initial investment period and any investment period extension to which the County and the Company agree.

**NOW, THEREFORE, BE IT RESOLVED**, by the County Council, as follows:

Section 1. The County Council, having made a finding that the Project brings benefits to the County as set forth in Section 2 of this Ordinance, expresses its intention that this Ordinance

shall fulfill the requirement under the Act as an official action on the part of the County Council relating to identifying and inducing the Project.

Section 2. The County hereby finds (i) the Project will benefit the general public welfare of the County by providing service, employment, recreation or other public benefits not otherwise provided locally; (ii) the project gives rise to no pecuniary liability of the County or incorporated municipality or to no charge against its general credit or taxing power; (iii) the purposes to be accomplished by the Project are proper governmental and public purposes; and (iv) the benefits of the Project to the public are greater than the costs to the public.

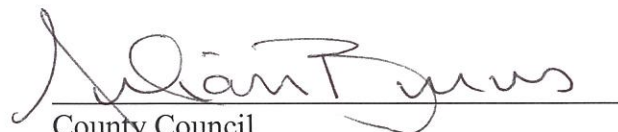
Section 3. The form, terms and provisions of the Fee Agreement presented to this meeting are hereby approved, and all of the terms, provisions, and conditions thereof are incorporated herein by reference as if the Fee Agreement were set out in this Ordinance in its entirety. The Chairman of the County Council is hereby authorized and directed to execute the fee agreement attached hereto (the "Fee Agreement") in the name of and on behalf of the County, and the Clerk to the County Council is hereby authorized and directed to attest to the same; and the County Administrator is hereby authorized and directed to deliver said executed Fee Agreement to the Sponsor and the Sponsor Affiliates.

Section 4. The Chairman of the County Council and/or the County Administrator, for and on behalf of the County, are hereby authorized and directed to do any and all things necessary to effect the execution and delivery of the Fee Agreement and the performance of all obligations of the County under and pursuant to the Fee Agreement.

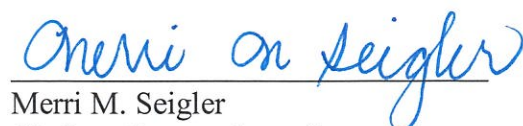
Section 5. All ordinances, resolutions and parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

This Ordinance shall take effect and be in full force only after the County Council has approved it after three readings and a public hearing has been duly and timely held.

KERSHAW COUNTY, SOUTH CAROLINA

  
\_\_\_\_\_  
County Council  
Kershaw County, South Carolina

ATTEST:

  
\_\_\_\_\_  
Merri M. Seigler  
Clerk to County Council  
Kershaw County, South Carolina

○ READINGS:

First Reading: January 23, 2018  
Second Reading: February 27, 2018  
Third Reading: March 27, 2018  
Public Hearing: March 27, 2018

**FEE AGREEMENT**

**BETWEEN**

**CANFOR SOUTHERN PINE, INC.  
AS SPONSOR**

**AND**

**NEW SOUTH LUMBER COMPANY, INC.  
AS SPONSOR AFFILIATE**

**AND**

**NEW SOUTH CAMDEN PROPERTIES, LLC  
AS SPONSOR AFFILIATE**

**AND**

**KERSHAW COUNTY, SOUTH CAROLINA**

**DATED AS OF APRIL 30, 2018**

**PREPARED BY:**

**K&L GATES LLP  
HEARST TOWER, 47TH FLOOR  
214 NORTH TRYON STREET  
CHARLOTTE, NORTH CAROLINA 28202  
(803) 329-7602**

**TABLE OF CONTENTS**

Page  
Recitals..... 1

**ARTICLE I  
PROJECT OVERVIEW**

Section 1.1 Project Overview/Recapitulation..... 2  
Section 1.2 Rules of Construction; Use of defined Terms..... 3  
Section 1.3 Terms..... 3

**ARTICLE II  
REPRESENTATIONS AND WARRANTIES**

Section 2.1 Representations of the County ..... 5  
Section 2.2 Representations of the Sponsor..... 6

**ARTICLE III  
COMMENCEMENT AND COMPLETION OF THE PROJECT**

Section 3.1 The Project..... 6  
Section 3.2 Diligent Completion ..... 6  
Section 3.3 Filings and Reports ..... 6

**ARTICLE IV  
PAYMENTS IN LIEU OF TAXES**

Section 4.1 Negotiated Payments ..... 6  
Section 4.2 Payments in Lieu of Taxes on Replacement Property ..... 8  
Section 4.3 Reductions in Payments of Taxes Upon Removal, Condemnation or Casualty ..... 8  
Section 4.4 Place and Allocation of Payments in Lieu of Taxes ..... 8  
Section 4.5 Removal of Equipment ..... 8  
Section 4.6 Damage or Destruction of Project..... 9  
Section 4.7 Condemnation ..... 9  
Section 4.8 Merger of Sponsor and a Sponsor Affiliate with Related Party ..... 10  
Section 4.9 Indemnification Covenants ..... 10  
Section 4.10 Confidentiality/Limitation on Access to Project..... 10  
Section 4.11 Records and Reports ..... 11  
Section 4.12 Payment of Administrative Expenses ..... 11  
Section 4.13 Collection and Enforcement Rights of County ..... 12  
Section 4.14 Assignment and Subletting ..... 12  
Section 4.15 County's Estoppel Certification for Sponsor's and either Sponsor  
Affiliate's Financing Transactions..... 12  
Section 4.16 Sponsor's and Sponsor Affiliates' Continuing Obligations After  
Termination by Sponsor or a Sponsor Affiliate ..... 12  
Section 4.17 Events of Default ..... 12  
Section 4.18 Remedies on Default..... 13

Section 4.19 Remedies Not Exclusive..... 13

ARTICLE V  
MISCELLANEOUS

Section 5.1 Notices... 13  
Section 5.2 Binding Effect..... 14  
Section 5.3 Counterparts..... 14  
Section 5.4 Governing Law ..... 14  
Section 5.5 Headings ..... 14  
Section 5.6 Amendments ..... 14  
Section 5.7 Further Assurance ..... 14  
Section 5.8 Severability ..... 14  
Section 5.9 Limited Obligation..... 15  
Section 5.10 Force Majeure ..... 15  
Section 5.11 Execution Disclaimer ..... 15

Exhibit A Description of Real Property

## FEE AGREEMENT

THIS FEE AGREEMENT (this "Fee Agreement") is made and entered into as of April 30, 2018, by and between Kershaw County, South Carolina (the "County"), a body politic and corporate and a political subdivision of the State of South Carolina (the "State"), acting by and through the Kershaw County Council (the "County Council") as the governing body of the County, and Canfor Southern Pine, Inc., a corporation duly organized and existing under the laws of the State of South Carolina ("Sponsor"), and its wholly-owned subsidiaries, New South Lumber Company, Inc., a corporation duly organized and existing under the laws of the State of South Carolina ("NSLC"), and New South Camden Properties, LLC, a limited liability company duly organized and existing under the laws of the State of South Carolina ("NSCP" and collectively with NSLC, the "Sponsor Affiliates" and each a "Sponsor Affiliate").

WITNESSETH:

### Recitals

The County is authorized by the Act to enter into a fee-in-lieu of ad valorem tax agreement with entities meeting the requirements of such Act, which identifies certain property of such entities as economic development property, to induce such industries to locate in the State and to encourage industries now located in the State to expand their investments and thus make use of and employ manpower and other resources of the State.

Pursuant to the Act, the County finds that (a) the Project (as defined herein) is anticipated to benefit the general public welfare of the County by providing services, employment, recreation, or other public benefit not otherwise adequately provided locally; (b) the Project gives rise to no pecuniary liability of the County or incorporated municipality and to no charge against its general credit or taxing power; (c) the purposes to be accomplished by the Project are proper governmental and public purposes; and (d) the benefits of the Project to the public are greater than the costs to the public.

The Sponsor has agreed to expand its existing facilities in Kershaw County, South Carolina, located at 1281 Sanders Creek Road in or near Cassatt in Kershaw County, and will engage itself, or through either or both Sponsor Affiliates, at that Kershaw County location in the manufacturing of lumber products. In connection with its expansion of its manufacturing operations in Kershaw County, the Sponsor and/or NSCP will make improvements to the real property at the site; also, the Sponsor and/or NSLC will acquire or has already acquired and will install at the site equipment that has never been on the tax rolls in South Carolina, with the improvements and the new equipment being collectively valued at \$35 million, more or less (the "Project"). Therefore, the Project will involve an investment which, but for this Fee Agreement, would have a value for *ad valorem* taxation purposes of not less than \$35,000,000.00 within the time period required under the Act ("Project Commitment"), meeting the minimum investment requirement under the Act.

Pursuant to a Resolution adopted on February 13, 2018 (the "Resolution"), the County Council identified the Project as Economic Development Property under the Act and, as an inducement to the Sponsor and its affiliates and subsidiaries to develop the Project, committed the County to enter into, and authorized the County Administrator and the County Attorney to negotiate with the Sponsor the terms of, a fee-in-lieu of ad valorem tax agreement.

Pursuant to an Ordinance adopted on March 27, 2018, (the "Fee Ordinance"), as an inducement to the Sponsor and its affiliates and subsidiaries to develop the Project and at the Sponsor's request, the County

Council authorized the County to enter into this Fee Agreement as a fee-in-lieu of ad valorem tax agreement with the Sponsor and the Sponsor Affiliates which identifies the property comprising the Project as Economic Development Property under the Act subject to the terms and conditions hereof.

NOW, THEREFORE, AND IN CONSIDERATION of the respective representations and agreements hereinafter contained, the parties hereto agree as follows, with the understanding that no obligation of the County described herein shall create a pecuniary liability or charge upon its general credit or taxing powers, but shall be payable solely out of the sources of payment described herein and shall not under any circumstances be deemed to constitute a general obligation to the County:

**ARTICLE I  
PROJECT OVERVIEW**

**Section 1.1. Project Overview/Recapitulation.** The following is a brief project overview of this Fee Agreement:

(A)	Legal names of each party to the Agreement:	1. Kershaw County, South Carolina 2. Canfor Southern Pine, Inc. 3. New South Lumber Company, Inc. 4. New South Camden Properties, LLC
(B)	County and street address of the Project and property to be subject to the Agreement:	1281 Sanders Creek Road Cassatt, SC 29032 Kershaw County South Carolina
(C)	Minimum investment agreed upon:	\$35,000,000
(D)	Estimated total investment over 5 years:	\$35,000,000
(E)	Length and term of the Agreement:	Thirty (30) years
(F)	Assessment ratio applicable for each year of the Agreement:	6%
(G)	Millage rate applicable for each year of the Agreement:	324.4 mills (this rate is "fixed" for the entire 30 years of the Agreement)
(H)	Schedule showing the amount of the fee and its calculation for each year of the Agreement:	<u>Waived by the County and the Company</u>
(I)	Schedule showing the allocation of annual distributions to each of the affected taxing entities:	Waived by the County and the Company
(J)	(i) Disposal of property subject to the fee is allowed as set forth more fully in Section 4.5 below (ii) Payment amounts will not be modified using a net present value calculation (iii) Replacement Property provisions do apply, as set forth more fully in Section 4.2 below	
(K)	Other features or aspects of the Agreement which may affect the calculation of items (H) and (I) of this subsection:	None.
(L)	Description of the effect upon the schedules required by items (H) and (I) of this subsection of any feature covered by items (J) and (K) not reflected in the schedules for items (H) and (I) of this subsection:	None.



This project overview/recapitulation is being provided to avoid any inconsistency between the remainder of this Fee Agreement (or any amendment) and the project overview/recapitulation set forth in this Section 1.1 (or an amendment), the terms, provisions and conditions of the remainder of this Fee Agreement (as may be amended from time to time) shall govern and control over the recapitulation set forth in this Section 1.1 (as may be amended from time to time).

**Section 1.2. Rules of Construction; Use of Defined Terms.** Unless the context clearly indicates otherwise in this Fee Agreement, words and terms defined in Section 1.2 hereof are used with the meanings ascribed thereto. The definition of any document shall include any amendments to that document, unless the context clearly indicates otherwise.

**Section 1.3. Terms.** The terms defined in this Article shall for all purposes of this Fee Agreement have the meaning herein specified, unless the context clearly requires otherwise.

"Act" shall mean Title 12, Chapter 44, Code of Laws of South Carolina, 1976, as amended, and all future acts supplemental thereto or amendatory thereof.

"Administrative Expenses" shall mean the reasonable and necessary expenses, including attorneys' fees, incurred by the County with respect to the Project and this Fee Agreement as further defined in Section 4.12 of this Fee Agreement.

"Authorized Sponsor Representative" shall mean any person designated from time to time to act on behalf on the Sponsor as evidenced by a written certificate or certificates furnished to the County containing the specimen signature of each such person, signed on behalf of the Sponsor by its President, one of its vice presidents, its general counsel, its secretary or any assistant secretary. Such certificates may designate an alternate or alternates, and may designate different Authorized Sponsor Representatives to act for the Sponsor with respect to different sections of this Fee Agreement.

"Chairman" shall mean the Chairman of the County Council of Kershaw County, South Carolina.

"Closing" or "Closing Date" shall mean the date of the execution and delivery hereof.

"Code" shall mean the South Carolina Code of Laws, 1976, as amended.

"Commencement Date" shall mean the last day of the property tax year during which Economic Development Property is first placed in service, except that this date must not be later than the last day of the property tax year which is three years from the year in which the County and the Sponsor execute this Fee Agreement.

"County" shall mean Kershaw County, South Carolina, a body politic and corporate and political subdivision of the State of South Carolina, its successors and assigns, acting by and through the Kershaw County Council as the governing body of the County.

"County Administrator" shall mean the person appointed by the County Council to act as county administrator of the County at any one time during the term of this Fee Agreement, or in the event that the form of government of the County changes from that which is in place at the time of the execution of this Fee Agreement, the person who is authorized to perform the managerial and/or administrative duties presently assigned to the County Administrator.

"County Council" shall mean the Kershaw County Council, the governing body of the County.

"Diminution of Value" in respect of any Phase of the Project shall mean any reduction in the value based on original fair market value as determined in Step 1 of Section 4.1 of this Fee Agreement, of the items which constitute a part of the Phase which may be caused by (i) the Sponsor's removal of equipment pursuant to Section 4.5 of this Fee Agreement, (ii) a casualty to the Phase of the Project, or any part thereof, described in Section 4.6 of this Fee Agreement or (iii) a condemnation to the Phase of the Project, or any part thereof, described in Section 4.7 of this Fee Agreement.

"Economic Development Property" shall mean all items of real and tangible personal property comprising the Project which are eligible for inclusion as economic development property under the Act, become subject to this Fee Agreement, and which are identified by the Sponsor in connection with its annual filing of a SCDOR PT-100, PT-300 or comparable form with the South Carolina Department of Revenue (as such filing may be amended from time to time) for each year within the Investment Period. Title to all Economic Development Property shall at all times remain vested in the Sponsor, except as may be necessary to take advantage of Section 12-44-160 of the Act.

"Equipment" shall mean all of the machinery, equipment, furniture and fixtures, together with any and all additions, accessions, replacements and substitutions thereto or therefor to the extent such machinery, equipment and fixtures become a part of the Project under this Fee Agreement.

"Event of Default" shall mean any Event of Default specified in Section 4.17 of this Fee Agreement.

"Fee Agreement" shall mean this Fee Agreement.

"Fee Term" or "Term" shall mean the period from the date of delivery of this Fee Agreement until the last Phase Termination Date unless sooner terminated or extended pursuant to the terms of this Fee Agreement.

"FILOT Revenues" shall mean the payments in lieu of taxes which the Sponsor is obligated to pay to the County.

"Improvements" shall mean all improvements now or hereafter situated on the Real Property and all fixtures now or hereafter attached hereto, to the extent such improvements and fixtures become part of the Project under this Fee Agreement, owned directly or indirectly by Sponsor or one of Sponsor's affiliates or subsidiaries

"Investment Period" shall mean the period commencing in 2018 and ending on the last day of the fifth property tax year following the earlier of the property tax year in which Economic Development Property is placed in service or the property tax year in which this Fee Agreement is executed; provided a later date may be agreed to by the Sponsor and County pursuant to Section 12-44-30(13) of the Act.

"Phase" or "Phases" in respect of the Project shall mean the Building and Equipment placed in service during each year of the Investment Period.

"Phase Termination Date" shall mean with respect to each Phase of the Project the day thirty (30) years after each such Phase of the Project becomes subject to the terms of this Fee Agreement. Anything contained herein to the contrary notwithstanding, the last Phase Termination Date shall be no later than the later of: (a) December 31, 2053, unless an extension of time in which to complete the Project is granted by the County pursuant to Section 12-44-30(13) of the Act or (b) December 31 of the year of the expiration of the maximum period of years that the annual fee payment is available to the Sponsor under Section 12-44-30(20) of the Act, as amended.

"Project" shall mean the Improvements to the Real Property and the Equipment, together with the acquisition and installation thereof as acquired at the Plant, in Phases.

"Project Commitment" shall have the meaning set forth in the recitals to this Fee Agreement.

"Real Property" shall mean the land identified on Exhibit A, together with all and singular rights, members, hereditaments and appurtenances belonging or in any way incident or appertaining thereto, all Improvements now or hereafter situated thereon and all fixtures now or hereafter attached hereto, to the extent such Improvements and fixtures become part of the Project under this Fee Agreement, owned directly or indirectly by Sponsor or one of Sponsor's affiliates or subsidiaries.

"Replacement Property" shall mean any property which is placed in service as a replacement for any item of Equipment which is scrapped or sold by the Sponsor and treated as a Removed Component under Section 4.5 hereof regardless of whether such property serves the same function as the property it is replacing and regardless of whether more than one piece of property replaces any item of Equipment.

"Sponsor" shall mean Canfor Southern Pine, Inc., a corporation duly organized and existing under the laws of the State of South Carolina.

"Sponsor Affiliates" shall mean, collectively, New South Lumber Company, Inc., a corporation duly organized and existing under the laws of the State of South Carolina, and New South Camden Properties, LLC, a limited liability company duly organized and existing under the laws of the State of South Carolina, and both being the wholly-owned subsidiaries of Sponsor.

Any reference to any agreement or document in this Article I or otherwise in this Fee Agreement shall be deemed to include any and all amendments, supplements, addenda, and modifications to such agreement or document.

## ARTICLE II REPRESENTATIONS AND WARRANTIES

**Section 2.1. *Representations of the County.*** The County hereby represents and warrants to the Sponsor as follows:

(a) The County is a body politic and corporate and a political subdivision of the State which acts through the County Council as its governing body and by the provisions of the Act is authorized and empowered to enter into the transactions contemplated by this Fee Agreement and to carry out its obligations hereunder. The County has duly authorized the execution and delivery of this Fee Agreement and any and all other agreements described herein or therein.

(b) The Project constitutes a "project" within the meaning of the Act.

(c) By due corporate action, the County has agreed that, subject to compliance with applicable laws, each item of Equipment comprising the Project, which is eligible to become economic development property under the Act and that the Company selects, shall be considered Economic Development Property under the Act.

**Section 2.2. *Representations of the Sponsor.*** The Sponsor hereby represents and warrants to the County, on behalf of itself and the Sponsor Affiliates, as follows:

(a) The Sponsor and its wholly -owned subsidiaries, the Sponsor Affiliates, are all duly organized and in good standing under the laws of the State of South Carolina, each of them has power to enter into this Fee Agreement, and each by proper corporate or company action has duly authorized the execution and delivery of this Fee Agreement.

(b) The Sponsor's and each Sponsor Affiliate's execution and delivery of this Fee Agreement and their compliance with the provisions hereof will not result in a default, not waived or cured, under any company restriction or any agreement or instrument to which the Sponsor or either Sponsor Affiliate is now a party or by which it is bound.

(c) The Sponsor itself, or through either or both Sponsor Affiliates, intends to operate the Project as a "project" within the meaning of the Act as in effect on the date hereof and to operate it for the purpose of manufacturing and distributing adult diapers, to conduct other legal activities and functions with respect thereto, and for such other purposes permitted under the Act as the Sponsor may deem appropriate.

(d) The availability of the payment in lieu of taxes with regard to the Economic Development Property authorized by the Act has induced the Sponsor and Sponsor Affiliates to undertake the Project in the County.

(e) The Sponsor and Sponsor Affiliates jointly commit to achieve by the end of the Investment Period their joint Project Commitment of investing not less than \$35,000,000 at the Project site.

### **ARTICLE III COMMENCEMENT AND COMPLETION OF THE PROJECT**

**Section 3.1. *The Project.*** The Sponsor has made plans, either itself or by the Sponsor Affiliates, for the acquisition and/or installation of certain Improvements to the Real Property and the Equipment, all which property together comprises the Project.

Pursuant to the Act, the Sponsor, the Sponsor Affiliates and the County hereby agree that the property comprising the Project shall be Economic Development Property as defined under the Act.

**Section 3.2. *Diligent Completion.*** The Sponsor and the Sponsor Affiliates agree to use their reasonable efforts to cause the acquisition, construction and installation of the Project to be completed as soon as practicable, but in any event on or prior to December 31, 2023.

**Section 3.3. *Filings and Reports.*** The Company shall cause a copy of this Fee Agreement, as well as a copy of the completed Form PT-443 of the South Carolina Department of Revenue (the "Department"), to be filed with the County Auditor and the County Assessor of the County and with the County Attorney and the County Economic Development Director, and the Department within 30 days after the date of execution and delivery hereof by all parties hereto.

### **ARTICLE IV PAYMENTS IN LIEU OF TAXES**

**Section 4.1. *Negotiated Payments.*** Pursuant to Section 12-44-50 of the Act, the Sponsor and/or the Sponsor Affiliates, as applicable, are required to make payments in lieu of *ad valorem* taxes to the County with respect to the Project. Inasmuch as the Sponsor anticipates the Project will involve an initial investment of sufficient sums to qualify to enter into a fee in lieu of tax arrangement under Section 12-44-50(A)(1) of the Act, the County and the Sponsor have negotiated the amount of the payments in lieu of taxes in accordance therewith. In accordance therewith, the Sponsor and/or the Sponsor Affiliates, as

applicable, shall make payments in lieu of *ad valorem* taxes on all the Equipment which collectively comprise the Project and are placed in service, as follows: the Sponsor and/or the Sponsor Affiliates, as applicable, shall make payments in lieu of *ad valorem* taxes with respect to each Phase of the Project placed in service during the Investment Period and ending on the Phase Termination Date, said payments to be made annually and to be due and payable and subject to penalty assessments on the same dates and in the same manner as prescribed by the County for *ad valorem* taxes. The amount of such equal annual payments in lieu of taxes shall be determined by the following procedure (subject, in any event, to the required procedures under the Act and to Section 4.3 hereof):

- Step 1: Determine the fair market value of the personal property in the Phase of the Project placed in service in any given year for such year and for the following 29 years using the original income tax basis for State income tax purposes less depreciation for each year allowable to the Sponsor for any personal property as determined in accordance with Title 12 of the Code, as amended and in effect on December 31 of the year in which each Phase becomes subject to the Fee Agreement, except that no extraordinary obsolescence shall be allowable but taking into account all applicable property tax exemptions which would be allowed to the Sponsor under State law, if the property were taxable, except those exemptions specifically disallowed under Section 12-44-50(A)(2) of the Act, as amended and in effect on December 31 of the year in which each Phase becomes subject to the Fee Agreement.
- Step 2: Apply an assessment ratio of 6% to the fair market value as determined for each year in Step 1 to establish the taxable value of each Phase of the Project in the year it is placed in service and in each of the twenty-nine (29) years thereafter or such longer period of years that the annual fee payment is permitted to be made by the Sponsor under the Act, as amended.
- Step 3: Use a fixed millage rate of 324.4 mills, (being the combined millage rates being in effect prior to the calendar year in which this Agreement is signed as permitted by Section 12-44-50(A)(1)(d) of the Act) and any other overlapping political units having taxing jurisdiction where the Real Property is located,] to determine the amount of the payments in lieu of taxes which would be due in each year of the Fee Term on the payment dates prescribed by the County for such payments or such longer period of years that the annual fee payment is permitted to be made by the Sponsor under the Act, as amended

In the event that it is determined by a final order of a court of competent jurisdiction or by agreement of the parties that the payment in lieu of taxes applicable to this transaction is to be calculated differently than described above, the payment shall be reset at the permitted level so determined.

In the event that the Act and/or the above-described payments in lieu of taxes are declared invalid or unenforceable, in whole or in part, for any reason, the parties express their intentions that such payments and this Fee Agreement be reformed so as to most closely effectuate the legal, valid, and enforceable intent thereof and so as to afford the Sponsor with the benefits to be derived hereof, it being the intention of the County to offer the Sponsor and the Sponsor Affiliates an inducement to locate the Project in the County. If the Project is deemed to be subject to *ad valorem* taxation, the payment in lieu of *ad valorem* taxes to be paid to the County by the Sponsor shall become equal to the amount which would result from taxes levied on the Project by the County, municipality or municipalities, school district or school districts, and other political units as if the Project was and had not been Economic Development Property under the Act. In such event, any amount determined to be due and owing to the County from the Sponsor with respect to a year or years for which payments in lieu of *ad valorem* taxes have been previously remitted by the Sponsor and/or the Sponsor Affiliates, as applicable, to the County hereunder,

shall be reduced by the total amount of payments in lieu of *ad valorem* taxes made by the Sponsor and/or the Sponsor Affiliates, with respect to the Project pursuant to the terms hereof.

If the Sponsor and/or the Sponsor Affiliates, as applicable, fail to make \$35,000,000.00 of investment in the Project in Kershaw County, South Carolina, by December 31, 2023, the County agrees, upon request of the Sponsor or either Sponsor Affiliate, that the County Council will consider, at its sole discretion, whether to allow for an extension of the investment period and the continued benefits of this Agreement as permitted under the Act. In the event the County Council determines that no such benefits shall be available, the Sponsor shall owe the County retroactively the difference between *ad valorem* property taxes on the Real Property and the Equipment subject to payments in lieu of taxes under this Fee Agreement computed as if this Fee Agreement had not been in effect for such retroactive period and the payments in lieu of taxes required to be made under this Fee Agreement for that retroactive period (hereinafter "Retroactive Tax Payment").

**Section 4.2. *Payments in Lieu of Taxes on Replacement Property.*** If the Sponsor and/or the Sponsor Affiliates, as applicable, elect to replace any Removed Components and to substitute such Removed Components with Replacement Property as a part of the Project, then, pursuant and subject to Section 12-44-60 of the Act, the Sponsor and/or the Sponsor Affiliates shall make statutory payments in lieu of *ad valorem* taxes with regard to such Replacement Property as follows (subject in all events to the applicable provisions of the Act):

(a) to the extent that the income tax basis of the Replacement Property (the "Replacement Value") is less than or equal to the original income tax basis of the Removed Components (the "Original Value") the amount of the payments in lieu of taxes to be made by the Sponsor with respect to such Replacement Property shall be calculated in accordance with Section 4.1 hereof; provided, however, in making such calculations, the original cost to be used in Step 1 of Section 4.1 shall be equal to the lesser of (x) the Replacement Value and (y) the Original Value, and the number of annual payments to be made with respect to the Replacement Property shall be equal to thirty (30) (or, if greater, the maximum number of years for which the annual fee payments are available to the Sponsor and/or the Sponsor Affiliates, as applicable, for each portion of the Project under the Act, as amended) minus the number of annual payments which have been made with respect to the oldest Removed Components disposed of in the same property tax year as the Replacement Property is placed in service; and

(b) to the extent that the Replacement Value exceeds the Original Value of the Removed Components (the "Excess Value"), the payments in lieu of taxes to be made by the Sponsor and/or the Sponsor Affiliates, as applicable, with respect to the Excess Value shall be equal to the payment that would be due if the property were not Economic Development Property.

**Section 4.3. *Reductions in Payments in Lieu of Taxes Upon Removal, Condemnation or Casualty.*** In the event of a Diminution in Value of any Phase of the Project, the payment in lieu of taxes with regard to that Phase of the Project shall be reduced in the same proportion as the amount of such Diminution in Value bears to the original fair market value of that Phase of the Project as determined pursuant to Step 1 of Section 4.1 hereof.

**Section 4.4. *Place and Allocation of Payments in Lieu of Taxes.*** The Sponsor and/or the Sponsor Affiliates, as applicable, shall make the above-described payments in lieu of taxes directly to the County in accordance with applicable law.

**Section 4.5. *Removal of Equipment.*** The Sponsor and/or the Sponsor Affiliates, as applicable, shall be entitled to remove the following types of components or Phases of the Project from the Project with the result that said components or Phases (the "Removed Components") shall no longer be considered a

part of the Project and shall no longer be subject to the terms of this Fee Agreement: (a) components or Phases which become subject to statutory payments in lieu of *ad valorem* taxes; (b) components or Phases of the Project or portions thereof which the Sponsor and/or the Sponsor Affiliates, as applicable, in their sole discretion, determine to be inadequate, obsolete, uneconomic, worn-out, damaged, unsuitable, undesirable or unnecessary; or (c) components or Phases of the Project or portions thereof which the Sponsor and/or the Sponsor Affiliates, as applicable, in their sole discretion, elect to remove pursuant to Section 4.6(c) or Section 4.7(b)(iii) hereof.

**Section 4.6. *Damage or Destruction of Project.***

(a) *Election to Terminate.* In the event the Project is damaged by fire, explosion, or any other casualty, the Sponsor and/or the Sponsor Affiliates, as applicable, shall be entitled to terminate this Fee Agreement; provided, however, that (i) if there has been only partial damage of the Project due to any of such casualties and the Sponsor and/or the Sponsor Affiliates, as applicable, elects to terminate this Agreement, and (ii) the Sponsor and/or the Sponsor Affiliates, as applicable, has not invested at least \$2,500,000.00 in the Project at the time of such termination, the Sponsor and/or the Sponsor Affiliates, as applicable, shall owe the County the Retroactive Tax Payment, but to the extent permitted by law if the Sponsor and/or the Sponsor Affiliates, as applicable, has invested at least \$2,500,000.00 in the Project within the time period required under the Act, it shall owe no Retroactive Tax Payment.

(b) *Election to Rebuild.* In the event the Project is damaged by fire, explosion, or any other casualty, and if the Sponsor and/or the Sponsor Affiliates, as applicable, do not elect to terminate this Fee Agreement, the Sponsor and/or the Sponsor Affiliates, as applicable, may in their sole discretion commence to restore the Project with such reductions or enlargements in the scope of the Project, changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Sponsor and/or the Sponsor Affiliates, as applicable. All such restorations and replacements shall be considered, to the extent permitted by law, substitutions of the destroyed portions of the Project and shall be considered part of the Project for all purposes hereof, including, but not limited to any amounts due by the Sponsor and/or the Sponsor Affiliates, as applicable, to the County under Section 4.1 hereof.

(c) *Election to Remove.* In the event the Sponsor and/or the Sponsor Affiliates, as applicable, elect not to terminate this Fee Agreement pursuant to subsection (a) and elects not to rebuild pursuant to subsection (b), the damaged portions of the Project shall be treated as Removed Components.

**Section 4.7. *Condemnation.***

(a) *Complete Taking.* If at any time during the Fee Term title to or temporary use of the entire Project should become vested in a public or quasi-public authority by virtue of the exercise of a taking by condemnation, inverse condemnation or the right of eminent domain, or by voluntary transfer under threat of such taking, or in the event that title to a portion of the Project shall be taken rendering continued occupancy of the Project commercially infeasible in the judgment of the Sponsor and/or the Sponsor Affiliates, as applicable, the Sponsor and/or the Sponsor Affiliates, as applicable, shall have the option to terminate this Fee Agreement as of the time of vesting of title by sending written notice to the County within a reasonable period of time following such vesting.

(b) *Partial Taking.* In the event of a partial taking of the Project or transfer in lieu thereof, the Sponsor and/or the Sponsor Affiliates, as applicable, may elect: (i) to terminate this Fee Agreement; provided, however, that if the Sponsor and/or the Sponsor Affiliates, as applicable, have not invested at least \$2,500,000.00 in the Project at the time of such termination, the Sponsor and/or the Sponsor Affiliates, as applicable, shall owe the County the Retroactive Tax Payment, but to the extent permitted

by law if the Sponsor and/or the Sponsor Affiliates, as applicable, has invested at least \$2,500,000.00 in the Project within the time period required under the Act, it shall owe no Retroactive Tax Payment; (ii) to repair and restore the Project, with such reductions or enlargements in the scope of the Project, changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Sponsor and/or the Sponsor Affiliates, as applicable,; or (iii) to treat the portions of the Project so taken as Removed Components.

**Section 4.8. Merger of Sponsor and a Sponsor Affiliate with Related Party.** The County agrees that, without again obtaining the approval of the County (to the extent permitted by the Act), the Sponsor and either Sponsor Affiliate may merge with or be acquired by a related party.

**Section 4.9. Indemnification Covenants.** (a) The Sponsor shall and agrees to indemnify and save the County, its agents, officers, or employees harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Project during the Fee Term, and the Sponsor further, shall indemnify and save the County harmless against and from all claims arising during the term of the Fee Agreement from (i) any condition of the Project, (ii) any breach or default on the part of the Sponsor and/or the Sponsor Affiliates, as applicable, in the performance of any of its obligations under this Fee Agreement, (iii) any act of negligence of the Sponsor and/or the Sponsor Affiliates, as applicable, or any of its agents, servants, or employees on or with respect to the Project, (iv) any act of negligence of any assignee or sublessee of the Sponsor and/or the Sponsor Affiliates, as applicable, with respect to the Project, or of any agents, servants, or employees of any assignee or sublessee of the Sponsor and/or the Sponsor Affiliates, as applicable, with respect to the Project, or (v) any environmental violation, condition, or effect with respect to the Project. The Sponsor shall indemnify and save the County, its agents, officers, or employees harmless from and against all costs and expenses incurred in or in connection with any such claim arising as aforesaid in connection with the Project or in connection with any action or proceeding brought thereon, and upon notice from the County, the Sponsor shall defend them or either of them in any such action, prosecution or proceeding.

(b) Notwithstanding the fact that it is the intention of the parties that the County, its agents, officers, or employees, shall not incur pecuniary liability by reason of the terms of this Fee Agreement, or the undertakings required of the County hereunder, or by reason of the performance of any act requested of it by the Sponsor and/or the Sponsor Affiliate, as applicable, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the County, its agents, officers or employers should incur any such pecuniary liability, then in such event the Sponsor shall indemnify and hold them harmless against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice, the Sponsor shall defend them in any such action or proceeding.

These indemnification covenants shall be considered included in and incorporated by reference in subsequent documents after the closing which the County is requested to sign, and any other indemnification covenants in any subsequent documents shall not be construed to reduce or limit the above indemnification covenants.

**Section 4.10. Confidentiality/Limitation on Access to Project.** The County acknowledges and understands that the Sponsor and the Sponsor Affiliates utilize confidential and proprietary "state-of-the-art" manufacturing equipment and techniques and that a disclosure of any information relating to such equipment or techniques, including but not limited to disclosures of financial or other information concerning the operations of the Sponsor and Sponsor Affiliates would result in substantial harm to the Sponsor and the Sponsor Affiliates, and could thereby have a significant detrimental impact on the



employees of the Sponsor and the Sponsor Affiliates and also upon the County. Therefore, subject to the provisions of Section 4.11 hereof, the County agrees that, except as required by law and pursuant to the County's police powers and except as deemed reasonably necessary by the County, neither the County nor any employee, agent or contractor of the County: (i) shall request or be entitled to receive any such confidential or proprietary information; (ii) shall request or be entitled to inspect the Project or any property associated therewith; provided, however, that if an Event of Default shall have occurred and be continuing hereunder, the County shall be entitled to inspect the Project provided they shall comply with the remaining provisions of this Section; or (iii) shall disclose or otherwise divulge any such confidential or proprietary information to any other person, firm, governmental body or agency, or any other entity unless specifically required to do so by State law. Prior to disclosing any confidential or proprietary information or allowing inspections of the Project or any property associated therewith, the Sponsor and the Sponsor Affiliates may require the execution of reasonable, individual, confidentiality and non-disclosure agreements by any officers, employees or agents of the County or any supporting or cooperating governmental agencies who would gather, receive or review such information or conduct or review the results of any inspections.

**Section 4.11. *Records and Reports.*** The Sponsor and the Sponsor Affiliates agree to maintain or cause to be maintained and will make available to the County for inspection upon request of the County such books and records with respect to the Project as will permit the identification of the Improvements and Equipment placed in service in each property tax year during the Investment Period, the amount of investment with respect thereto, and its computations of all payments in lieu of taxes made hereunder and to comply with all reporting requirements of the State of South Carolina and the County applicable to property subject to payments in lieu of taxes under the Act, including without limitation the reports required by Section 12-44-90 of the Act (collectively, "Filings").

Notwithstanding any other provision of this Section 4.11, the Sponsor and the Sponsor Affiliates may designate with respect to any Filings delivered to the County segments thereof that the Sponsor and/or the Sponsor Affiliates, as applicable, believe contain proprietary, confidential, or trade secret matters. The County shall conform, to the extent permitted by law, with all reasonable, written requests made by the Sponsor and/or the Sponsor Affiliates, as applicable, with respect to maintaining confidentiality of such designated segments.

**Section 4.12. *Payment of Administrative Expenses.*** The Company agrees to pay the reasonable and necessary expenses that the County incurs with respect to the execution and administration of this Fee Agreement, including without limitation reasonable and actual attorneys' fees; provided, however, that no such expense shall be an Administration Expense until the County has furnished to the Company a statement in writing indicating the amount of such expense and the reason for its incurrence. As used in this section, "Administration Expenses" shall include the reasonable and necessary out-of-pocket expenses, including attorneys' fees, incurred by the County with respect to: (i) this Fee Agreement; (ii) all other documents related to this Fee Agreement and any related documents; and (iii) the fulfillment of its obligations under this Fee Agreement and any related documents and the implementation and administration of the terms and provisions of the documents after the date of execution thereof, but only as a result of a request by the Company for a modification, assignment, or a termination of such documents by the Company, or as a result of a bankruptcy of the Company or a default by the Company under the terms of such documents. Reimbursement for the County's attorneys' fees shall be at hourly rates for outside counsel to the County, not to exceed the standard hourly rates charged by such outside counsel. The Sponsor will pay such Administrative Expenses promptly upon written request therefor, but in no event later than 60 days after receiving written notice from the County specifying the nature of such expense and requesting the payment of the same.

**Section 4.13. *Collection and Enforcement Rights of County.*** The parties acknowledge that, as provided in Section 12-44-90 of the Code, the County's right to receive payments in lieu of taxes hereunder shall be the same as its rights conferred under Title 12 of the Code relating to the collection and enforcement of *ad valorem* property taxes and, for purposes of this application, payments in lieu of taxes due hereunder shall be considered a property tax.

**Section 4.14. *Assignment and Subletting.*** This Fee Agreement may be assigned, in whole or in part and the Project may be subleased as a whole or in part by the Sponsor and/or the Sponsor Affiliates, as applicable, so long as such assignment or sublease is made in compliance with Section 12-44-120 of the Act; provided, however, that in connection with any assignment or total subleasing by the Sponsor and/or the Sponsor Affiliates, as applicable, in which the Sponsor and/or the Sponsor Affiliates, as applicable, request the release of the Sponsor and/or the Sponsor Affiliates, as applicable, from this Fee Agreement, the consent of the County shall be required, which consent shall not be unreasonably withheld. The County hereby consents to transfers not requiring its consent, and to the extent any required or further consent is requested, the County may do so by passage of a Resolution.

**Section 4.15. *County's Estoppel Certificates for Sponsor's and Either Sponsor Affiliate's Financing Transactions.*** The County agrees to deliver, and hereby authorizes the County Administrator to execute and deliver in behalf of the County without further action required on the part of the County Council, all at the expense of the Sponsor and/or the Sponsor Affiliates, as applicable, any estoppel certificates, acknowledgements or other documents certifying the full force and effect of this Fee Agreement and the absence of any default hereunder and acknowledging the continuing validity of this Fee Agreement after its transfer required in any financing related transfers authorized by Section 12-44-120 of the Act, as may be reasonably requested by the Sponsor and/or the Sponsor Affiliates, as applicable, or any lender of the Sponsor and/or the Sponsor Affiliates, as applicable, from time to time in connection with any financing arrangement or financing related transfers made by the Sponsor and/or the Sponsor Affiliates, as applicable, as contemplated under Section 12-44-120 of the Act.

**Section 4.16. *Sponsor's and Sponsor Affiliates' Continuing Obligations After Termination by Sponsor or a Sponsor Affiliate.*** In the event the Sponsor and/or the Sponsor Affiliates, as applicable, terminate this Fee Agreement, the Sponsor shall continue to be obligated to the County for its indemnification covenants under Section 4.9, the payment of outstanding Administrative Expenses under Section 4.12, and any outstanding payments in lieu of taxes under Article IV or retroactive payments required under this Fee Agreement or the Act.

**Section 4.17. *Events of Default.*** The following shall be "Events of Default" under this Fee Agreement, and the term "Events of Default" shall mean, whenever used with reference to this Fee Agreement, any one or more of the following occurrences:

(a) Failure by the Sponsor and/or the Sponsor Affiliates, as applicable, to make, upon levy, the payments in lieu of taxes described in Section 4.1 hereof; provided, however, that the Sponsor and/or the Sponsor Affiliates, as applicable, shall be entitled to all redemption rights granted by applicable statutes; or

(b) A representation or warranty made by the Sponsor and/or Sponsor Affiliate which is deemed materially incorrect when deemed made; or

(c) Failure by the Sponsor and/or the Sponsor Affiliates, as applicable, to perform any of the other material terms, conditions, obligations or covenants of the Sponsor and/or the Sponsor Affiliates, as

applicable, hereunder, which failure shall continue for a period of thirty (30) days after written notice from the County to the Sponsor and/or the Sponsor Affiliates, as applicable, specifying such failure and requesting that it be remedied unless the Company shall have instituted corrective action within such time period and is diligently pursuing such action until the default is corrected, in which case the 30-day period shall be extended to cover such additional period during which the Company is diligently pursuing corrective action.

**Section 4.18. Remedies on Default.** Whenever any Event of Default shall have occurred and shall be continuing, the County, after having given written notice to the Sponsor and/or the Sponsor Affiliates, as applicable, of such default and after the expiration of a thirty (30) cure period, as may be extended pursuant to Section 4.17(c) above the County shall grant to the Sponsor and/or the Sponsor Affiliates, as applicable, (which cure period shall not be applicable in the case of failure to make the payments in lieu of taxes due under this Fee Agreement), may take any one or more of the following remedial actions:

(a) Terminate the Fee Agreement; or

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the other amounts due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Sponsor and/or the Sponsor Affiliates, as applicable, under this Fee Agreement.

**Section 4.19. Remedies Not Exclusive.** No remedy conferred upon or reserved to the County under this Fee Agreement is intended to be exclusive of any other available remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other lawful remedy now or hereafter existing. No delay or omission to exercise any right or power accruing upon any continuing default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County to exercise any remedy reserved to it, it shall not be necessary to give notice, other than such notice as may be herein expressly required and such notice required at law or equity which the Sponsor and/or the Sponsor Affiliates, as applicable, are not competent to waive.

## ARTICLE V MISCELLANEOUS

**Section 5.1. Notices.** Any notice, election, demand, request or other communication to be provided under this Fee Agreement shall be effective when delivered to the party named below or when deposited with the United States Postal Service, certified mail, return receipt requested, postage prepaid, addressed as follows (or addressed to such other address as any party shall have previously furnished in writing to the other party), except where the terms hereof require receipt rather than sending of any notice, in which case such provision shall control:

AS TO THE COUNTY:

Kershaw County, South Carolina  
ATTENTION: Vic Carpenter, County Administrator  
515 Walnut Street  
Camden, South Carolina 29020  
(803) 425-1501 FAX: (803) 425-1546

WITH COPIES TO:

J. Kennedy DuBose, Jr., Esq.  
County Attorney  
DuBose-Robinson, PC  
935 Broad Street (29020)

Post Office Drawer 39  
Camden, South Carolina 29021-0039  
(803) 432-1992, ext.11, FAX: (803) 432-0784

AS TO THE SPONSOR AND  
SPONSOR AFFILIATES:

Canfor Southern Pine, Inc.  
ATTENTION: Christopher Cairo, Tax Manager  
3700 Clay Pond Road  
Myrtle Beach South Carolina 29579  
(843) 803-8325, FAX: (843) 236-8426

WITH COPIES TO:

Stephen R. McCrae, Jr., Esq.  
K&L Gates LLP  
Hearst Tower, 47th Floor  
Charlotte, North Carolina 28202  
(803) 329-7602 FAX: (803) 980-7882

**Section 5.2. *Binding Effect.*** This Fee Agreement and each document contemplated hereby or related hereto shall be binding upon and inure to the benefit of the Sponsor and/or the Sponsor Affiliates, as applicable, and the County and their respective successors and assigns. In the event of the dissolution of the County or the consolidation of any party of the County with any other political subdivision or the transfer of any rights of the County to any other such political subdivision, all of the covenants, stipulations, promises and agreements of this Fee Agreement shall bind and inure to the benefit of the successors of the County from time to time and any entity, officer, board, commission, agency or instrumentality to whom or to which any power or duty of the County has been transferred.

**Section 5.3. *Counterparts.*** This Fee Agreement may be executed in any number of counterparts, and all of the counterparts taken together shall be deemed to constitute one and the same instrument.

**Section 5.4. *Governing Law.*** This Fee Agreement and all documents executed in connection herewith shall be construed in accordance with and governed by the laws of the State of South Carolina.

**Section 5.5. *Headings.*** The headings of the articles and sections of this Fee Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Fee Agreement.

**Section 5.6. *Amendments.*** The provisions of this Fee Agreement may only be modified or amended in writing by an agreement or agreements entered into between the parties.

**Section 5.7. *Further Assurance.*** From time to time the County agrees to execute and deliver to the Sponsor and/or the Sponsor Affiliates, as applicable, such additional instruments as the Sponsor and/or the Sponsor Affiliates, as applicable, may reasonably request to effectuate the purposes of this Fee Agreement.

**Section 5.8. *Severability.*** If any provision of this Fee Agreement is declared illegal, invalid or unenforceable for any reason, the remaining provisions hereof shall be unimpaired and such illegal, invalid or unenforceable provision shall be reformed so as to most closely effectuate the legal, valid and enforceable intent thereof and so as to afford the Sponsor and the Sponsor Affiliates with the maximum benefits to be derived herefrom, it being the intention of the County to offer the Sponsor and the Sponsor Affiliates the strongest inducement possible to locate the Project in the County.

**Section 5.9. *Limited Obligation.*** ANY OBLIGATION OF THE COUNTY CREATED BY OR ARISING OUT OF THIS FEE AGREEMENT SHALL BE A LIMITED OBLIGATION OF THE

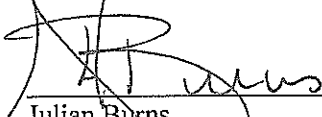
COUNTY, PAYABLE BY THE COUNTY SOLELY FROM THE PROCEEDS DERIVED UNDER THIS FEE AGREEMENT AND SHALL NOT UNDER ANY CIRCUMSTANCES BE DEEMED TO CONSTITUTE A GENERAL OBLIGATION OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION.

**Section 5.10. *Force Majeure.*** Except for payments in lieu of taxes under this Fee Agreement the due dates of which are statutorily mandated, the Sponsor and/or the Sponsor Affiliates, as applicable, shall not be responsible for any delays or non-performance caused in whole or in part, directly or indirectly, by strikes, accidents, freight embargoes, fire, floods, inability to obtain materials, conditions arising from government orders or regulations, war or national emergency, or acts of God.


**Section 5.11. *Execution Disclaimer.*** Notwithstanding any other provisions, the County is executing this Fee Agreement as a statutory accommodation to assist the Sponsor and the Sponsor Affiliates in achieving the intended benefits and purposes of the Act. The County has made no independent legal or factual investigation regarding the particulars of this transaction and it executes this Fee Agreement in reliance upon representations by the Sponsor that this document complies with all laws and regulations, particularly those pertinent to industrial development projects in South Carolina.

IN WITNESS WHEREOF, the County, acting by and through the County Council, has caused this Fee Agreement to be executed in its name and behalf by its Chairman and to be attested by the County Manager; and the Sponsor and the Sponsor Affiliates have each caused this Fee Agreement to be executed by its duly authorized officer, all as of the day and year first above written.

KERSHAW COUNTY, SOUTH CAROLINA

  
\_\_\_\_\_  
Julian Burns  
Chairman, County Council  
Kershaw County, South Carolina

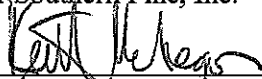
ATTEST:

  
\_\_\_\_\_  
Merri Seigler., Clerk to County Council  
Kershaw County, South Carolina

The within Fee Agreement has been executed by the Sponsor and the Sponsor Affiliates as of the day and year first above-written.

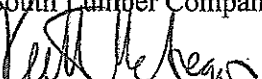
SPONSOR:

Canfor Southern Pine, Inc.

  
\_\_\_\_\_  
By: Keith McGregor  
Its: Vice President of Operations - East

SPONSOR AFFILIATES:

New South Lumber Company, Inc.

  
\_\_\_\_\_  
By: Keith McGregor  
Its: Vice President of Operations - East

New South Camden Properties, LLC


  
\_\_\_\_\_  
By: Keith McGregor  
Its: Vice President of Operations - East

Exhibit A

**Legal Description of Real Estate**

Tract #1

ALL those certain pieces, parcels, or tracts of land, lying and being situate in the State of South Carolina, County of Kershaw, about six miles Northeast of Camden, in the Sheppard Community, containing in the aggregate 95.76 acres, and being bounded and measuring as follows: COMMENCING at a point in the center of the right-of-way of Seaboard Coastline Railroad, marked with a spike, and running S 48°34'40" W along the center line of said right-of-way a distance of 1,644.45 feet to a spike in the center of an unpaved state maintained road, known as S-28-26, and turning and running along the center line of said road N 50°39'20" W 150.65 feet to an iron; thence continuing along the center of said roadway N 64°57'35" W 1,329.7 feet to an iron; thence turning and running N 08°59' W 1,180.39 feet to an iron; thence turning and running N 65°02' E 1,918.78 feet to an iron; thence turning and running S 25°31'50" E 310.74 feet to an iron; thence continuing S 26°33' E 456.49 feet to an iron; thence continuing 25°20'40" E 133.18 feet to an iron; thence continuing 25°16'50" E 923.33 feet to an iron; thence turning and running N65°07'10" E 231.90 feet to the point of beginning. Said parcels are bounded Northeast by property of J.B. McGuirt; Northwest by grantor; Southeast by Seaboard Coastline Railroad; Southwest by Road S-28-26; West by property of William Myrick and property of Lillie Mae Adamson. The above-described property is more particularly shown and designated as parcels A and B on that plat prepared for New South Forest Industries by Daniel D. Riddick, RLS, dated August 4, 1980 and recorded in the Office of the Clerk of Court for Kershaw County in Plat Book 36 at page 1802.

This being the identical property conveyed to New South Forest Industries. by deed of R. B. Elliott, dated November 19, 1980, and recorded in the Office of the Clerk of Court for Kershaw County in Deed Book I0 at Page 1187.

Tract #2

ALL that certain piece, parcel or tract of land, lying and being situate in the State of South Carolina, County of Kershaw, about six miles Northeast of Camden, in the Sheppard Community, containing 31.91 acres, and being bounded as follows: Northeast by an unpaved state maintenance road known as S-28-26, the center thereof being the line, and by property of Seaboard Coastline Railroad, Northwest and West by property of R. B. Elliott; West by property of R. B. Elliott; Southwest by property of R. B. Elliott and by property of Seaboard Coastline Railroad ; and Southeast by right-of-way of Seaboard Coastline Railroad. The above-described property is more particularly shown on that plat prepared by Steve Tetterton, RLS, dated March 20, 1981, and recorded in the Office of the Clerk of Court for Kershaw County in Plat Book 36 at page 2037.

This being the identical property conveyed to New South Forest Industries by deed of R. B. Elliott, dated May 11, 1981, and recorded in the Office of the Clerk of Court for Kershaw County in Deed Book I0 at page 2176.

Tract #3

ALL that certain piece, parcel or tract of land, lying and being situate in the State of South Carolina, County of Kershaw in the Sheppard Community, containing 30.17 acres, and being bounded Northwest and Northeast by other property of J. B. McGuirt; Southeast by right-of-way of Seaboard Coastline Railroad; and Southwest by other property of New South Industries.



The above-described property is subject to a fifty (50) foot right of way of Dixie Pipeline Co. across the northern portion of the property as shown on plat hereinafter referred to.

The above-described property is more particularly shown and delineated on that plat prepared for New South Forest Industries by Daniel Riddick & Associates, dated July 8, 1981, recorded in the Office of the Clerk of Court for Kershaw County in Plat Book 36 at page 2140. This being the identical property conveyed to New South Forest Industries by deed of J. B. McGuirt, dated July 22, 1981, recorded in Deed Book I0 at page 2590.

Tract #4

ALL that certain piece, parcel or lot of land, lying, being and situate in the State of South Carolina, County of Kershaw, containing 0.78 acres, more or less, and being more particularly shown as Tract "B" on that Boundary Survey prepared for Hunter Elliott Tree Farm, Inc. by Daryl V. Cribb dated January 23, 2018 and recorded in the office of the Register of Deeds for Kershaw County in Plat Book D28 at page 5. This is the identical property conveyed by Hunter Elliott Tree Farm Inc. to New South Camden Properties. LLC by deed dated March 15, 2018, recorded March 16, 2018, in Book 3831, Page 276, office of the Register of Deeds for Kershaw County, South Carolina.



STATE OF SOUTH CAROLINA  
DEPARTMENT OF REVENUE  
**FEE IN LIEU OF PROPERTY TAX  
INITIAL REPORT FORM**

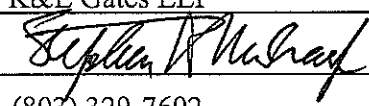
**PT-443**  
(Rev. 3/12/08)  
7071

INITIAL REPORT (to be filed within 30 days of execution of a fee agreement or an inducement agreement)

1. Legal Name of Investor (Include information about each party investing in the Fee, if more than one investor, and how they qualify under the fee statutes.)	1) Canfor Southern Pine, Inc., Sponsor 2) New South Lumber Company, Inc., Sponsor Affiliate, owner of equipment 3) New South Camden Properties, LLC, Sponsor Affiliate, owner of the real property		
2. Federal Employer ID	1) 57-1128614	2) 57-1128613	3) 57-1129102
3. Business (Check all that apply if more than one investor and supply an explanation.)	<input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> LLC Corporation - State of incorporation: <u>S.C.</u>		
4. Principal Business Mailing Address	Street/POB 3700 Clay Pond Road City, State, Myrtle Beach, SC 29579 9 Digit Zip Code		
5. Physical Location of Project	Street Address: 1281 Sanders Creek Road City/State/Zip Cassatt, Kershaw County, SC 29032		
6. County or Counties	Kershaw County		
7. Minimum Investment agreed upon	\$35,000,000.00		
8. Is the project in a multicounty park?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, please identify: (See SC Code § 4-1-170)		
9. Contact Person for Investor(s)	Christopher Cairo, Tax Manager for Canfor Southern Pine, Inc.		
10. Telephone	Voice: (843) 803-8325		Fax: (843) 236-8426
11. Taxpayer's Legal Counsel for FILOT	K&L Gates LLP Attention: Stephen R. McCrae, Jr.		Telephone: (803) 329-7602 Fax: (803) 980-7882
12. Nature of Business	Lumber processing & planing		SIC Code: 2421
13. Accounting Closing Date Used for Income Tax Purposes	December 31		
14. Type of Operation	<input checked="" type="checkbox"/> Manufacturer (include product manufactured) <input type="checkbox"/> Research & Development <input type="checkbox"/> Office Facility <input type="checkbox"/> Distribution Facility <input type="checkbox"/> Corporate Headquarters <input type="checkbox"/> Other (describe):		
15. Date of Fee Agreement (Simplified Fee) or Date of Inducement Agreement (Big or Little Fee):	April 30, 2018		
16. Type of Fee	<input type="checkbox"/> §4-12-30 ("Little Fee") <input type="checkbox"/> §4-29-67("Big Fee") <input checked="" type="checkbox"/> Chapter 44, Title 12 ("Simplified Fee") Check if applicable: <input type="checkbox"/> Super/enhanced fee <input type="checkbox"/> \$1 million+fee		
17. Property to be Included Under the Fee:	<input type="checkbox"/> Land <input checked="" type="checkbox"/> Buildings <input type="checkbox"/> Building Additions <input checked="" type="checkbox"/> Personal Property ( If available, attach survey of real property covered by the Fee)		
18. Initial Negotiated Assessment Ratio	6%	<input checked="" type="checkbox"/> Fixed <input type="checkbox"/> Variable	Agreement page, para. §: P. 7, para. 4.1
19. If variable, state the different rates and the years for which they are applicable.			

20.	Initial Negotiated Millage Rate	324.4 mills	<input checked="" type="checkbox"/> Fixed <input type="checkbox"/> Variable	Agreement page, para. §: P. 7, para. 4.1
21.	Explanation, if necessary			
22.	Calendar Year of Anticipated Initial Investments	Agreement page, para. §: 2018		
23.	Length of Fee (Number of Years)	30 years	Agreement page, para. §	
24.	Payment Structure	<input checked="" type="checkbox"/> Regular Payments <input type="checkbox"/> Equal Payments <input type="checkbox"/> 5 Year Millage Adjustment Agreement page, para. §: <input type="checkbox"/> Other (explain):		
25.	Discount Rate Used for net present value purposes	<input type="checkbox"/> _____ % <input checked="" type="checkbox"/> Not Applicable Agreement page, para. §:		
26.	Does Agreement Allow For	Disposal of Property? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Replacement of Property? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Agreement page, para. § P. 8, paras. 4.2-4.5
27.	Min. No. of Jobs Required (if applicable)	<input checked="" type="checkbox"/> Not Applicable		Agreement page, para. §
28.	Any additional information, allowances, or restrictions of which one must be aware to calculate or verify the fee under this agreement:			
	Agreement page, para. §:			
	Agreement page, para. §:			
	Agreement page, para. §:			

I declare that this return, to the best of my knowledge and belief, is true, correct, and complete.

Prepared by (please print):	Stephen R. McCrae, Jr. K&L Gates LLP	Title:	Attorney for Sponsor and Sponsor Affiliates
Signature:		Date:	May 29, 2018
Telephone #:	(803) 329-7602		
E-mail Address:	steve.mccrae@klgates.com		

Attachments:

- Fully executed fee agreement or inducement agreement
- Survey of real property under the fee (if available)
- Inducement Resolution or other project identification.
- Millage rate agreement (if applicable)
- Any other attachments needed to respond to the questions.

The investor will need to file a supplemental form (form to be determined by the Department of Revenue) at the time that the investor executes the lease agreement and/or places the property in service in this State.



K&L GATES

June 6, 2018

Stephen R. McCrae  
steve.mccrae@kigates.com

T +1 803 329 7602  
F +1 704 331 7598

Michelle Mishoe  
Manufacturing Property Section  
South Carolina Department of Revenue  
P. O. Box 125  
Columbia, SC 29214

Robin Watkins  
Kershaw County Auditor  
515 Walnut Street, Room 120  
Camden, SC 29020

Curt Arnold  
Kershaw County Assessor  
515 Walnut Street, Room 100  
Camden, SC 29020

**Re: Fee Agreement between Canfor Southern Pine, Inc., et al., as Sponsor and Sponsors Affiliates, and Kershaw County, South Carolina  
Our File No. 2802588.00030**

Dear Ladies and Gentleman:

In behalf of the above-referenced Sponsor and Sponsor Affiliates, I am enclosing herewith the following:

1. Completed PT-443;
2. Copy of the signed Fee Agreement dated April 30, 2018;
3. Copy of Inducement Resolution adopted February 13, 2018; and
4. Ordinance approving the Fee Agreement adopted March 27, 2018.

Please do not hesitate to telephone me if you have any questions.

Very truly yours,



Stephen R. McCrae

Enclosures

cc: Vic Carpenter, Kershaw County Administrator  
J. Kennedy Dubose Jr., Esq., Kershaw County Attorney  
Christopher Cairo, Tax Manager, Canfor Southern Pine, Inc.  
Brett Durham, Esq.