

MEMORANDUM OF UNDERSTANDING

This Economic Development Memorandum of Understanding (hereinafter referred to as “MOU”) is entered into this 26th day of April, 2016, by and between Shandong Sun Paper Industry Joint Stock Co. Ltd. (hereinafter referred to as “Sun Paper”), the Arkansas Economic Development Commission (hereinafter referred to as “AEDC”), the Economic Development Corporation of Clark County (hereinafter referred to as “EDCCC”), and the Arkadelphia Regional Economic Development Alliance (hereinafter referred to as the “Alliance”). In Consideration of a substantial investment of Shandong Sun Paper and the creation of full-time jobs in a bio-products mill in Clark County, Arkansas, as described in the paragraph immediately following, AEDC, EDCCC and the Alliance agree to offer the incentives and financing as described herein.

WHEREAS, Sun Paper desires to locate a bio-products mill in the southern United States, and has found Clark County, Arkansas to be an ideal location;

WHEREAS, AEDC desires that Sun Paper locate the bio-products mill in the State of Arkansas; and

WHEREAS, EDCCC and the Alliance desire that Sun Paper locate the bio-products mill within Clark County, near the city of Arkadelphia; and

WHEREAS, the parties desire to memorialize their mutual agreements in writing.

NOW THEREFORE, in consideration of the mutual representations, warranties, and covenants as stated herein, the parties hereby agree as follows:

Sun Paper agrees to construct and operate a bio-products mill in Clark County, Arkansas and will invest in excess of \$1,000,000,000 in the project within four years of the start of construction and will create up to 250 new full-time positions within four years of start-up; and will pay average wages of \$52,000 annually.

In consideration of the investment made by Sun Paper and the jobs created and wages paid, AEDC, EDCCC, and the Alliance represent and warrants that, contingent upon receipt, review, and acceptance of all necessary financial disclosures, including but not limited to a satisfactory review of Sun Paper’s financial statements, a review of the organizational structure of

the project, and subject to all required approvals, documentation, and performance by Sun Paper in accordance with the requirements of each of the incentives discussed herein, the following incentives are offered to Sun Paper:

A. **Create Rebate:** The Create Rebate Program is an incentive the State of Arkansas reserves for projects that bring quality jobs to communities. This program is offered at the discretion of the AEDC Executive Director. The program provides a cash rebate on a percentage of qualified payroll. To qualify for the incentive, a company must have a minimum payroll for new full-time permanent employees of \$2 million within 24 months after signing the Create Rebate agreement.

B. **Tax Back Program:** This program is a refund of state and local sales and use taxes, as defined by law, paid on the purchase of material used in new construction of a building or buildings.

C. **Sales Tax Exemption on Equipment:** Machinery and equipment used directly in manufacturing that are purchased for a new manufacturing facility or to replace existing machinery and equipment are exempt by state statute.

D. **Intermodal Rail Facility:** Working with Union Pacific Railroad (UP), the AEDC, the EDCCC and the Alliance will develop an intermodal facility on a public rail yard on the Sun Paper site. The AEDC, EDCCC and the Alliance will submit applications for funding assistance including grant applications to U.S. Department of Commerce Economic Development Administration (EDA) and the U.S. Department of Transportation Federal Railroad Administration (FRA).

E. **Recycling Tax Credit:** The Recycling Equipment Tax Credit Program, created by Act 654 of 1993, encourages recycling by allowing Arkansas taxpayers a state income tax credit for the purchase of equipment used exclusively for collecting, separating, processing, modifying, converting, or treating solid waste or for manufacturing products containing at least 50 percent recovered materials of which at least 10 percent is post-consumer waste.

F. **Customized Training:** AEDC, EDCCC, and the Alliance will work with Sun Paper

to assess training and hiring needs and will put together an appropriate training and hiring plan to help Sun Paper quickly begin operation of the plant as well as support the long-term needs of Sun Paper's growth.

G. Property Tax Abatement: The project (estimated \$1 billion or more in investment

for building and equipment) can be financed with Industrial Revenue Bonds (IRBs).

The City of Arkadelphia and Clark County agree to allow Sun Paper to finance the project with Industrial Revenue Bonds (IRBs) which allows the City and County to collect local property taxes at a reduced rate.

H. Infrastructure Assistance: AEDC, EDCCC and the Alliance agree to provide assistance for infrastructure improvements for Sun Paper. Infrastructure assistance details regarding the availability of cash grant funds and financing options will be negotiated. AEDC, EDCCC and the Alliance will work with Sun Paper to obtain Economic Development Administration grants, New Market Tax Credits, or other financial assistance, for infrastructure needs.

The incentives described herein are available after the parties execute final necessary, definitive, and binding agreements for each incentive described herein, and financing for the public works described herein is obtained upon reasonable terms and conditions, in the sole and absolute discretion of AEDC, EDCCC, the Alliance, and the City of Arkadelphia. The parties hereby agree and acknowledge, and make the performance of this MOU contingent upon and subject to, all the requirements at law for approval of public financing or bond issues which may be required for the incentives as described herein.

Shandong Sun Paper Joint Stock Company

(Signature and date)

Arkansas Economic Development Corporation

(Signature and date)

Economic Development Corporation of Clark County

(Signature and date)

Arkadelphia Regional Economic Development Alliance

(Signature and date)