



JIM STRICKLAND
City of Memphis Mayor



LEE HARRIS
Shelby County Mayor

November 17, 2021

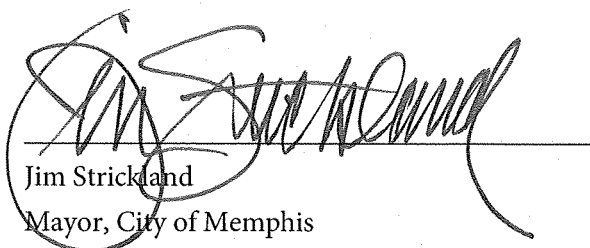
Reid Dulberger, CEO and President
Economic Development Growth Engine
Industrial Development Board of the
City of Memphis and County of Shelby, Tennessee
100 Peabody Place, Suite 1100
Memphis, TN 38103

Re: Payment-in-Lieu-of-Tax ("PILOT") Incentive for KTG (USA) Inc.

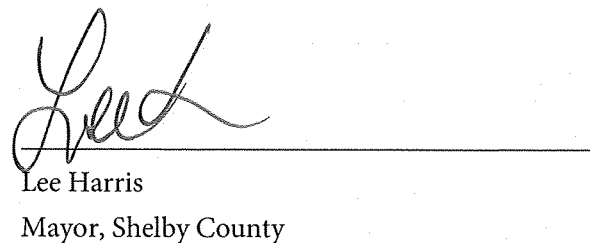
Dear Mr. Dulberger:

We are pleased that KTG is considering expansion of its operation in Memphis and Shelby County. Based on the attached PILOT Term Sheet ("term sheet") that was approved by the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee ("EDGE") pursuant to its Jobs Payment-in-Lieu-of-Tax Program Policies and Procedures, we hereby approve the 6-year PILOT incentive.

Again, we are pleased that KTG is considering Memphis and Shelby County, and we support its continued investment in our community.



Jim Strickland
Mayor, City of Memphis



Lee Harris
Mayor, Shelby County

Jobs PILOT Term Sheet

K.T.G. (USA) Inc.

November 17, 2021

K.T.G. (USA) Inc. ("Applicant" or "KTG"), a privately held Delaware corporation, is seeking a six-year Jobs PILOT for personal property only to encourage the company to expand its operation at 400 Mahannah Avenue in the City of Memphis by investing \$21,795,982, retaining 505 existing Memphis employees, and creating 36 Net New Jobs with an average wage of \$54,185.

The total Project investment includes \$1,644,368 for renovation of an existing structure, \$19,774,714 for new personal property and \$376,900 for soft costs.

Parcel 039035 00017C is 78.982 acres of land containing 1,913,224 square feet of manufacturing facilities. This parcel, its real property and other personal property on the site are in an active PILOT agreement (IDB PILOT #20110603). Only new personal property located on this site associated with this new expansion Project will be included in the PILOT and receive benefit as described in this Term Sheet.

KTG is a subsidiary of Kruger Group. Kruger is Canadian based tissue manufacturer with nine North American plants, 2,700 employees and \$1.2 billion in annual sales (USD). Their products include White Cloud and other private label tissue paper brands.

KTG's Memphis operation has experienced tremendous growth across the last ten years. The company would like to modernize by adding new equipment to convert paper used in existing and new products. This new converting asset is necessary to serve growth with existing customers and, more importantly, to secure new customer contracts.

The personal property under consideration is not currently in place and does not produce any City of Memphis or Shelby County property tax revenue. Estimated annual property taxes will average \$59,112 during the PILOT term and \$113,680 after the PILOT terminates. Staff projects \$1,684,873 in total local tax revenues to be received during the PILOT term of this Project and a \$1,095,157 benefit to the Applicant.



The 6-year PILOT for the Applicant is based on the following terms:

CITY OF MEMPHIS TERMS	% PAID	SHELBY COUNTY TERMS	% PAID
Personal Property	Year 1-6 25%	Personal Property	Year 1-6 25%

PILOT Evaluation Matrix

CATEGORY	DATA	POINTS	YEARS
Net New Jobs	36	7.2	
Wages	\$54,185	23.8	
Capital Investment	\$21,795,982	10.9	
Sub-total		41.9	4
Location: City of Memphis	Yes		1
Local Business Participation	Yes		1
New Markets Tax Credit Census Tract	No		0
MWBE Owned	No		0
Headquarters	No		0
Sub-total			2
Total			6-Years



Project Budget Detail

REAL PROPERTY INVESTMENT IN PILOT	
Purchase Price	\$0
Hard Construction and Site Work	\$0
Sub-Total	\$0

PERSONAL PROPERTY INVESTMENT IN PILOT	
New	\$19,774,714
Transferred*	\$0
Sub-Total	\$19,774,714

Total New Capital Investment in PILOT	\$19,774,714
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INVESTMENT NOT INCLUDED IN PILOT	
Other Real Property	\$1,644,368
Other Personal Property	\$0
Fees & Soft Costs	\$376,900
Sub-Total	\$2,021,268

Total Capital Investment	\$21,795,982
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**Personal property relocated from a facility outside of Shelby County is considered at its depreciated, current value.*

Ramp-Up Period

The Applicant will have a two (2) year Ramp-Up Period within which to achieve its Project commitments. This two (2) year period shall begin upon the date when any property, in whole or in part, is conveyed to EDGE, covered by a PILOT Lease, and begins to enjoy the benefits of the PILOT incentive.

Local Business Participation

Spending with City of Memphis or Shelby County certified minority and women business enterprises (MWBs) shall be an amount equal to or greater than:

				Minimum for Bonus Opportunity	
		Basis	\$ LBP	1 Added Year	2 Added Years
	25%	Construction/Site Work	\$0	\$0	\$0
+	15%	Real Property Savings	\$0	\$0	\$0
+	5%	Personal Property Savings	\$82,379	\$287,801	\$549,192
=	Total		\$82,379	\$287,801	\$549,192

Because this project's costs are 75% or more personal property, LBP is calculated with the formula of 25% of Construction/Site Work, 15% of Real Property Savings and 5% of Personal Property Savings. The minimum required spending is based on 35% of Construction/Site Work, 25% of Real Property Savings and 15% of Personal Property Savings for one additional year and 45% of Construction/Site Work, 35% of Real Property Savings and 25% of Personal Property Savings for two additional years.

Identified Labor Source

Per section X (C) (ii) of the Jobs PILOT Policies and Procedures, the PILOT Recipient is required to list all Net New Jobs with the Workforce MidSouth and its American Job Center (successor to the Workforce Investment Network or WIN) and give due consideration to individuals referred by those organizations for open positions.

Terms & Conditions

Award of a PILOT in accordance with the recommendations of the Economic Development Growth Engine (EDGE) Industrial Development Board of the City of Memphis and County of Shelby, Tennessee staff, as set forth herein, is subject to the following conditions.

1. The award is subject to receipt of letters of approval from the mayors of both the City of Memphis and the County of Shelby.
2. The EDGE Board of Directors (the "Board") reserves the right to assign the PILOT, or its rights with respect thereto, to the Memphis and Shelby County Industrial Development Board (the "IDB"), in accordance with the service agreement between the Board and the IDB, if the Board ultimately deems it beneficial.
3. Except as explicitly provided in this term sheet or in a resolution of the Board, the award of a PILOT is subject to the provisions of the Jobs PILOT Policies and Procedures.
4. The award is subject to the negotiation and execution of PILOT lease agreements requiring the payment of rent in the amount of \$100.00 per year, which agreements shall be in a form substantially similar to EDGE's standard form as approved by the Board, and consistent with the provisions of this Term Sheet.
5. In the absence of an explicit written waiver of this condition, no conveyance will be deemed to have been accepted by EDGE, the IDB or any other affiliate or agent of EDGE unless and until all of the documents for the subject transaction, including the PILOT lease agreement, have been negotiated and delivered.