

RESOLUTION

No. _____

A RESOLUTION TO MAKE CERTAIN FINDINGS RELATING TO THE CHATTEM CHEMICALS, INC. PROJECT, TO DELEGATE CERTAIN AUTHORITY TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, AND TO AUTHORIZE THE MAYOR TO ENTER INTO AND EXECUTE AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES.

WHEREAS, pursuant to Tennessee Code Annotated, Section 7-53-305(b) the City of Chattanooga (the "City") is permitted to delegate to The Industrial Development Board of the City of Chattanooga (the "Board") the authority to negotiate and accept payments in lieu of ad valorem taxes from lessees of the Board upon a finding by the City that such payments are deemed to be in furtherance of the Board's public purposes; and

WHEREAS, Chattem Chemicals, Inc. (the "Company") is contemplating the acquisition and installation of certain machinery, equipment and other personal property to be located in a manufacturing facility in Chattanooga, Hamilton County, Tennessee, (the "Project") and because of the substantial economic benefits to the City and Hamilton County resulting from the Project, has asked the Board and the City Council to approve payments in lieu of ad valorem taxes; and

WHEREAS, the Council has determined that payments in lieu of ad valorem taxes from such a project would be in furtherance of the Board's public purposes as set forth within Chapter 53 of Title 7 of the Tennessee Code Annotated;

NOW, THEREFORE, BE IT RESOLVED BY THIS COUNCIL:

That we do hereby find that the Project is in the best interest of the City, and that payments in lieu of ad valorem taxes derived therefrom would be in furtherance of the Board's public purposes; and

That, having made such a finding in this instance, we do hereby delegate to the Board the authority to negotiate and accept payments in lieu of ad valorem taxes from the Company, it being further noted that this delegation is for this purpose and this project only; and

That the Mayor is hereby authorized to enter into an Agreement for Payments In Lieu Of Ad Valorem Taxes in substantially the form attached hereto, with such changes thereto as he shall approve; and,

BE IT FURTHER RESOLVED THAT THIS RESOLUTION TAKE EFFECT FROM AND AFTER ITS PASSAGE, THE PUBLIC WELFARE REQUIRING IT.

City of Chattanooga



Resolution/Ordinance Request Form

Date Prepared: 6/10/14

Preparer: Nick Wilkinson

Brief Description of Purpose for Resolution/Ordinance: _____ Res./Ord. # _____ Council District # _____ 7

A RESOLUTION TO MAKE CERTAIN FINDINGS RELATING TO THE CHATTEM CHEMICALS, INC. PROJECT, TO DELEGATE CERTAIN AUTHORITY TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, AND TO AUTHORIZE THE MAYOR TO ENTER INTO AND EXECUTE AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES.

Name of Vendor/Contractor/Grant, etc. _____
Total project cost \$ _____
Total City of Chattanooga Portion \$ _____
City Amount Funded \$ _____
New City Funding Required \$ _____
City's Match Percentage % _____

New Contract/Project? (Yes or No) _____
Funds Budgeted? (YES or NO) _____
Provide Fund _____
Provide Cost Center _____
Proposed Funding Source if not budgeted _____
Grant Period (if applicable) _____

List all other funding sources and amount for each contributor.

Amount(s)	Grantor(s)
\$ _____	_____
\$ _____	_____
\$ _____	_____

Agency Grant Number _____

CFDA Number if known _____

Other comments: (Include contingency amount, contractor, and other information useful in preparing resolution)

Approved by: _____

Reviewed by: FINANCE OFFICE

DESIGNATED OFFICIAL/ADMINISTRATOR

Please submit completed form to @budget, City Attorney and City Finance Officer

Revised: 1/26/09

**AGREEMENT FOR PAYMENTS IN LIEU
OF AD VALOREM TAXES**

THIS AGREEMENT (the “Agreement”) is made and entered into as of this the ___ day of _____, 2014, by and among **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA** (the “Board”); **CHATTEM CHEMICALS, INC.**, a Delaware corporation (the “Company”); the **CITY OF CHATTANOOGA** (the “City”); and **HAMILTON COUNTY** (the “County”) and is joined in, for purposes of evidencing their acceptance of the agency relationship established herein, by **WILLIAM F. HULLANDER and his successors, acting in the capacity of HAMILTON COUNTY TRUSTEE** (the “Trustee”), and by **WILLIAM C. BENNETT and his successors, acting in the capacity of HAMILTON COUNTY ASSESSOR OF PROPERTY** (the “Assessor”).

WITNESSETH:

WHEREAS, the Company is contemplating the acquisition of machinery, equipment and other personal property, as more particularly described on Exhibit A attached hereto and incorporated herein (the “Property”), for installation in connection with an expansion to the Company’s manufacturing facility located in Chattanooga, Hamilton County, Tennessee (the “Project”), resulting in the creation of at least 25 full-time jobs by the Company and the addition of approximately \$6,000,000 in personal property over a three (3) year period ending [July 1, 2017], which jobs shall have an average annual wage (excluding benefits) equal to at least \$43,500.00 (collectively the “Investment, Jobs and Wage Projection”), and has requested the Board’s assistance with the Project; and

WHEREAS, the Company is further contemplating an additional expansion of the Company’s manufacturing facilities on the Property (the “Optional Expansion”), resulting in the creation of at least 25 additional full-time jobs by the Company and the addition of approximately \$10,000,000 in property (the “Expansion Property”) over an additional three (3) year period, as is described more fully in Section 4, below; and

WHEREAS, substantial economic benefits to the City and County economies will be derived from the Project; and

WHEREAS, the Board has agreed to take title to the Property and, as applicable, the Expansion Property, together with all additions thereto, replacements thereof, and substitutions therefor and to lease the Property and Expansion Property to the Company (the “Lease”); and

WHEREAS, because the Property and, as applicable, the Expansion Property are to be owned by the Board, which is a public corporation organized under the provisions of Tennessee Code Annotated, §7-53-101, et seq., the Property and Expansion Property will be exempt from ad valorem property taxes (“property taxes”) normally paid to the City and to the County, so long as such property is owned by the Board, pursuant to the provisions of Tennessee Code Annotated, § 7-53-305; and

WHEREAS, for the public benefit of the citizens of the City and the County, the Board has requested that the Company make certain payments to the Board in lieu of the

payment of property taxes that would otherwise be payable on the Property and the Expansion Property; and

WHEREAS, the Company has agreed to make such payments to the Board in lieu of the property taxes otherwise payable on the Property and, as applicable, the Expansion Property (the “In Lieu Payments”), as more particularly set forth hereinafter; and

WHEREAS, the Board has been authorized to receive the In Lieu Payments in lieu of property taxes by resolutions adopted by the City and the County, acting through their duly elected Council and Commission, respectively, which resolutions delegate to the Board the authority to accept the In Lieu Payments upon compliance with certain terms and conditions, including, without limitation, the requirement that the Board collect and expend such payments in furtherance of the public purposes for which the Board was created; and

WHEREAS, the Company and the Board have agreed that all In Lieu Payments made to the Board by the Company, shall be paid to the Trustee, who shall disburse such amounts to the City and the County in accordance with the requirements specified herein; and

WHEREAS, the Board wishes to designate the Assessor as its agent to appraise the Property and assess a percentage of its value in the manner specified herein; and

WHEREAS, the Board wishes to designate the Trustee as its agent to receive the In Lieu Payments in accordance with the terms of this Agreement;

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Designation of Assessor; Appraisal and Assessment of Property and Expansion Property. The Board hereby designates the Assessor as its agent to appraise and assess the Property and, as applicable, the Expansion Property. The Assessor shall appraise and assess the Property in accordance with the Constitution and laws of the State of Tennessee as though such property were subject to property taxes. The Assessor shall give the Trustee, the City Treasurer, the Board, and the Company written notice of any changes in appraisals of the Property and Expansion Property in the same manner that notices are given to owners of taxable property. The Assessor shall make available to the Board and the Company all records relating to the appraisal and assessment of the Property and the Expansion Property.

2. Designation of Trustee; Computation and Billing of Payments In Lieu of Taxes. The Board hereby designates the Trustee as its agent to compute the amounts of the In Lieu Payments, to receive such payments from the Company, and to disburse such payments to the City and the County. On or about October 1 of each year during the term of this Agreement, the Trustee shall compute the taxes which would be payable on the Property and, as applicable, the Expansion Property, if such property 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 the Board and the Company bills for appropriate amounts of In Lieu Payments (the “Tax Bill”).

3. Payments in Lieu of Taxes. After receipt of the Tax Bill, the Company shall pay to the Trustee the amounts indicated on the Tax Bill in accordance with the amount set forth below in Paragraph 4. The In Lieu Payments shall be made in lieu of the property taxes which would otherwise be payable on the Property if it were subject to property taxes.

4. Amount of Payments by the Company.

(a) Initial Period ([2015 – 2018]). For the four (4) year period covering and inclusive of years [2015 through 2018] (the “Initial Period”), the Company shall make In Lieu Payments with respect to the Property in an amount, as determined by the Assessor and the Trustee, equal to the following percentage of taxes that would have been paid on the Property if the Property were subject to such taxes:

Year	City General Fund	County General Fund	County School Fund
2015	0%	0%	100%
2016	25%	25%	100%
2017	40%	40%	100%
2018	50%	50%	100%

For the avoidance of doubt, the parties intend that the Company shall make (i) In Lieu Payments in an amount equal to one hundred percent (100%) of all ad valorem taxes that would be dedicated to the support of the County school system, which the parties acknowledge and agree currently equates to twenty-seven and one tenth percent (27.1%) of the amount of the total City and County taxes that would have been payable on the Property if it were subject to property taxes (the “School Portion”), and (ii) In Lieu Payments in an amount equal to the above graduated amounts for all other ad valorem taxes of the City and the County, excluding the educational portion of the County ad valorem taxes.

(b) Optional Expansion. The Company shall have the option, but not the obligation, to activate an additional incentive period by electing to undertake an “Optional Expansion”. To make such an election, the Company must give written notice of such election to the City, County and Board at any time on or before [July 1, 2018]. By electing to undertake an Optional Expansion, the Company shall be required to make or cause to be made an additional capital investment in its facilities and operations in the County of at least \$10,000,000 (as defined above, the “Expansion Property”) and to create at least 25 new employees in the County within the three (3) investment and job creation period specified in the Company’s notice (but in no event ending later than [July 1, 2021]) (the “Optional Expansion Investment and Job Creation Period”), which jobs shall have an average annual wage (excluding benefits) equal to at least \$43,500.00 (the “Optional Expansion Investment, Jobs and Wage Projection”). Upon the election of the Company, the Expansion Property shall be eligible for an additional “Optional Expansion Period” of five (5) years beginning January 1 of the year after the year in which the Company gives notice of its election and covering and inclusive of five (5) years. For the term of the Optional Expansion Period, the Company shall make In Lieu Payments with respect to the Expansion Property in an amount, as determined by the Assessor and the Trustee, equal to the following percentages of taxes that would have been paid on the Expansion Property if the Expansion Property were subject to such taxes:

Year	City General Fund	County General Fund	County School Fund
Year 1	0%	0%	100%
Year 2	25%	25%	100%
Year 3	40%	40%	100%
Year 4	50%	50%	100%
Year 5	50%	50%	100%

For the avoidance of doubt, the parties intend that the Company shall make (i) In Lieu Payments in an amount equal to one hundred percent (100%) of all ad valorem taxes that would be dedicated to the support of the County school system, which the parties acknowledge and agree currently equates to twenty-seven and one tenth percent (27.1%) of the amount of the total City and County taxes that would have been payable on the Expansion Property if it were subject to property taxes (the “School Portion”), and (ii) In Lieu Payments in an amount equal to the above graduated amounts for all other ad valorem taxes of the City and the County, excluding the educational portion of the County ad valorem taxes.

(c) Other Periods; Offset of Tax Payments. For any periods before the Initial Period or after the Initial Period that the Property is owned by the Board and leased to the Company and, if applicable, for any periods before or after the Optional Expansion Period that the Expansion Property is owned by the Board and leased to the Company, the Company shall make In Lieu Payments in an amount, as determined by the Assessor and the Trustee, equal to one hundred percent (100%) of the amount of taxes that would have been payable on the Property or Expansion Property, as applicable, if it were subject to property taxes. Notwithstanding the above, any amounts assessed as property taxes against the Property or the Expansion Property shall be credited against any In Lieu Payments due under this Agreement.

5. Penalties and Late Charges. The Company shall make the In Lieu Payments for each year during the term before March 1 of the following year. All In Lieu Payments shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If the Company fails to make any In Lieu Payment when due, and such failure to pay shall continue and not be fully paid by March 1, 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 for each thirty (30) day period when there remains any outstanding unpaid amount. Additional late charges of one and one-half percent (1-1/2%) of the amount shall accumulate and become immediately due and payable upon the expiration of each subsequent thirty (30) day period when there remains any outstanding unpaid amount.

(b) If the Company should fail to pay all amounts and late charges due as provided hereinabove, then the Board, the City or the County may bring suit against the Company in the Chancery Court of Hamilton County to seek to recover the In Lieu Payments due, late charges, expenses and costs of collection in addition to reasonable attorneys’ fees.

(c) If the Company fails to achieve the Investment, Jobs and Wage Projection for the Initial Period by **[July 1, 2017]**, then the City and the County reserve the right

but are not obligated to adjust the terms and conditions of the tax abatement granted to the Company under this Agreement for the Initial Period by requiring the Company to pay an additional amount of the In Lieu Payments on the Property based upon the actual jobs, wages and investment associated with the Initial Period as compared to the Investment, Jobs and Wage Projection. If the City and the County elect to consider making an adjustment to the terms and conditions of the tax abatement for the Initial Period, the Assessor and Trustee shall confer with the Chattanooga Area Chamber of Commerce and shall make a reasonable determination of the terms and conditions of the tax abatement for the Initial Period by applying the policies, practices and procedures in effect as of **[January 1, 2014]** to the actual jobs, wages and investment associated with the Initial Period as of **[July 1, 2017]**. The Assessor and Trustee shall provide this determination to the City and the County. The City and the County may then require the Company to pay an amount up to the difference between the amounts of the In Lieu Payments required pursuant to Paragraph 3 of this Agreement and the amounts that the Company would have paid using the actual jobs, wages and investment associated with the Initial Period. Except as specifically provided in paragraph (e), immediately below, which shall be the exclusive remedy for a closure of the Project or a relocation of the Project from the County, the remedy under this paragraph (c) shall be the sole remedy for any shortfall in the Investment, Jobs and Wage Projection during the Initial Period.

(d) If the Company elects to undertake an Optional Expansion but fails to achieve the Optional Expansion Investment, Jobs and Wage Projection for the Optional Expansion by the end of the three (3) year Optional Expansion Investment and Job Creation Period, then the City and the County reserve the right but are not obligated to adjust the terms and conditions of the tax abatement granted to the Company under this Agreement for the Optional Expansion Period by requiring the Company to pay an additional amount of the In Lieu Payments on the Expansion Property based upon the actual jobs, wages and investment associated with the Optional Expansion Period as compared to the Optional Expansion Investment, Jobs and Wage Projection. If the City and the County elect to consider making an adjustment to the terms and conditions of the tax abatement for the Optional Expansion Period, the Assessor and Trustee shall confer with the Chattanooga Area Chamber of Commerce and shall make a reasonable determination of the terms and conditions of the tax abatement for the Optional Expansion Period by applying the policies, practices and procedures in effect as of **[January 1, 2014]** to the actual jobs, wages and investment associated with the Optional Expansion Period as of the end of the three (3) year Optional Expansion Investment and Job Creation Period. The Assessor and Trustee shall provide this determination to the City and the County. The City and the County may then require the Company to pay an amount up to the difference between the amounts of the In Lieu Payments required pursuant to Paragraph 3 of this Agreement and the amounts that the Company would have paid using the actual jobs, wages and investment associated with the Optional Expansion Period as of the end of the three (3) year Optional Expansion Investment and Job Creation Period. Except as specifically provided in paragraph (e), immediately below, which shall be the exclusive remedy for a closure of the Project or a relocation of the Project from the County, the remedy under this paragraph (d) shall be the sole remedy for any shortfall in the Optional Expansion Investment, Jobs and Wage Projection.

(e) In the event the Project closes or moves from the County during the Initial Period, the City and the County reserve the right to immediately terminate the tax

abatements provided by this Agreement and require the partial repayment of amounts that would have been payable on the Property during the Initial Period as if it were subject to property taxes. In the event the Company elects to undertake an Optional Expansion but the Project closes or moves from the County during the term of the Optional Expansion Period, the City and the County reserve the right to immediately terminate the tax abatements provided by this Agreement and require the partial repayment of amounts that would have been payable on the Expansion Property during the Optional Expansion Period as if it were subject to property taxes.

6. Disbursements by Trustee. All sums received by the Trustee pursuant to Paragraph 3 shall be disbursed to the general funds of the City and the County in accordance with this paragraph and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All sums received shall be divided into two (2) accounts, one for the use and benefit of the City and the other for the use and benefit of the County. The account for the use and benefit of the City shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the City, and the account for the use and benefit of the County shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the County. All sums received by the Trustee pursuant to Paragraph 3 for the benefit of the County school system shall be disbursed to the County and thereafter deposited into an account for the educational use and benefit of the County schools. All disbursements to the general funds of the City and County shall be made by the Trustee subject to the requirement that all funds disbursed may be used by the City and the County only in furtherance of the public purposes of the Board, as described in Tennessee Code Annotated, § 7-53-102.

7. Contest by the Company. The Company shall have the right to contest the appraisal or assessment of the Property or the Expansion Property by the Assessor and the computation by the Trustee of the amount of the In Lieu Payments. If the Company contests any such appraisal or assessment, then they shall present evidence to the Assessor in favor of its position. If the In Lieu 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 for a period not to exceed sixty (60) days to resolve any disputes as to appraisal, assessment or computation of the In Lieu Payments. 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 Hamilton 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.

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

9. Term. This Agreement shall become effective on the date that the Board leases the Property to the Company and shall continue for so long as the Board holds title to any of the Property or the Expansion Property and leases such property to the Company or has made all payments required hereunder, whichever shall later occur.

10. Leasehold Taxation. The Board, the City, the County, the Trustee and the Assessor covenant and agree that the Company's personal property leasehold interest in the Property and Expansion Property shall not be subject to assessment for ad valorem tax purposes, as the Company's leasehold interest is subject to this agreement for payments in lieu of taxes. If the leasehold interest of the Company should be subject to ad valorem taxation, then any amounts assessed as taxes thereon shall be credited against any In Lieu Payments due hereunder, and the parties shall take all reasonable steps, at no additional cost to the Board, to restructure this Agreement and the related Lease Agreement to eliminate the positive leasehold value and to deliver the same economic benefit to the Company as is contemplated under this Agreement without the imposition of any ad valorem taxes on such leasehold value.

11. Notices, etc. All notices and other communications provided for hereunder shall be written (including facsimile transmission and telex), and mailed or sent via facsimile transmission or delivered addressed as follows:

Board or to the City: Wade A. Hinton
City Attorney
City of Chattanooga
Suite 200, 100 E. 11th Street
Chattanooga, Tennessee 37402

The County: Rheubin M. Taylor
County Attorney
Hamilton County Government
Room 204, County Courthouse
Chattanooga, Tennessee 37402

Company: Chattem Chemicals, Inc.
3708 St. Elmo Avenue
Chattanooga, Tennessee 37409
Attention: Jason Paul Allen

With a Copy to: Miller & Martin PLLC
832 Georgia Avenue
Suite 1000
Chattanooga, Tennessee 37402
Attention: Mark W. Smith

The Trustee: Hamilton County Trustee
Hamilton County Courthouse
Chattanooga, Tennessee 37402

The Assessor: Hamilton County Assessor of Property
Hamilton County Courthouse
Chattanooga, Tennessee 37402

Any such person may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communication shall be sent. All such notices and communications shall, when mailed by registered and certified mail, return receipt requested, Express Mail, or facsimile, be effective when deposited in the mails or if sent upon facsimile transmission, confirmed electronically, respectively, addressed as aforesaid, or, if otherwise mailed, be effective upon receipt.

12. 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 thereof 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.

13. 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.

14. No Liability of Board's 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 Board, whether past, present or future, either directly or through the Board. 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.

15. 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.

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

17. 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.

18. Annual Report. On or before January 31 of each year this Agreement is in effect, the Company shall provide a report to the Mayor of the City and the Mayor of the County summarizing its investment, job creation and wages associated with the Property and, as applicable, the Expansion Property for purposes of analyzing the Company's progress in achieving the applicable Investment, Jobs and Wage Projection.

19. Stormwater Fees. Nothing in this Agreement shall impact the Company's obligation to pay stormwater fees assessed by the City against the real property associated with the Project.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first above written.

ATTEST:

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF CHATTANOOGA**

By: _____
Secretary

By: _____
Chairman

CHATTEM CHEMICALS, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Mayor

HAMILTON COUNTY, TENNESSEE

By: _____
County Mayor

WILLIAM F. HULLANDER

By: _____
Hamilton County Trustee

WILLIAM C. BENNETT

By: _____
Hamilton County Assessor of Property

EXHIBIT “A”
TO PILOT AGREEMENT

PROPERTY

During the Initial Period, the Property shall include all machinery, equipment and other tangible personal property that is located on or about the Company’s facilities located at 3708 St. Elmo Avenue, Chattanooga, Tennessee 37409 or other locations of the Company within the City of Chattanooga and/or Hamilton County on or before **[July 1, 2017]**.

During the Optional Expansion Period, the Expansion Property shall also include all machinery, equipment and other tangible personal property that is located on or about the Company’s facilities located at 3708 St. Elmo Avenue, Chattanooga, Tennessee 37409 or other locations of the Company within the City of Chattanooga and/or Hamilton County during the three (3) year Optional Expansion Investment and Job Creation Period in connection with the Optional Expansion.

LEASE AGREEMENT

THIS LEASE AGREEMENT (the “Agreement”), dated for reference purposes as of _____, 2014, by and between **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**, a public corporation duly created and existing under the laws of the State of Tennessee (the “Board”), and **CHATTEM CHEMICALS, INC.**, a Delaware corporation (“Company”).

WITNESSETH:

In consideration of the respective covenants and agreements hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Board and the Company agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. The following terms when used in this Agreement, unless the context shall clearly indicate another or different meaning or intent, shall be construed as follows:

“Act” means the Tennessee Industrial Development Corporations Act of 1955, Chapter 210 of the Public Acts of 1955, as codified in Tennessee Code Annotated Sections 7-53-101 et seq., as heretofore amended and as hereafter amended from time to time.

“Act of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Company or the Board under any applicable bankruptcy, insolvency or similar law as now or hereafter in effect.

“Agreement” means this Agreement as it now exists and as it may hereafter be amended.

“Board” means The Industrial Development Board of the City of Chattanooga, a public corporation duly created and existing under the Act, and its successors and assigns.

“Building” means the building or buildings located on the Land from time to time together with related fixtures and improvements, additions thereto, replacements thereof and substitutions therefor.

“City” means the City of Chattanooga, Tennessee.

“County” means Hamilton County, Tennessee.

The terms “default” and “event of default” mean any occurrence or event specified in Section 10.01 hereof.

The term “pending” with respect to any proceedings commenced by an Act of Bankruptcy means that such proceedings have not been dismissed, or are subject to further appeal.

“Land” means the real property described in **Exhibit “A”** attached hereto and made a part hereof.

“Personal Property” means all machinery, equipment and other tangible personal property that is acquired or placed in service by the Company and installed or otherwise located on or about the Real Property on or before **[July 1, 2017]**, together with replacements thereof and substitutions therefor, in connection with the Company’s operations. If the Company exercises its option to undertake the “Optional Expansion”, as that term is defined in the PILOT Agreement, “Personal Property” shall also include all machinery, equipment and other tangible personal property that is located on or about the Real Property during the three (3) year Optional Expansion Investment and Job Creation Period (as defined in the PILOT Agreement) in connection with the Optional Expansion, together with replacements thereof and substitutions therefor, in connection with the Company’s operations.

“PILOT Agreement” means the Agreement for Payments in Lieu of Ad Valorem Taxes entered into by and among the Board, the City, the County and the Company.

“Project” means the Personal Property comprising an expansion of the Company’s facilities for manufacturing, distribution and related purposes.

“Real Property” means the Land and the Building.

ARTICLE II

CERTIFICATIONS

Section 2.01 Certifications by Board. The Board makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Board is a public corporation of the State of Tennessee, duly organized and existing under the provisions of the Act. The Act authorizes the Board to acquire land, buildings, machinery and equipment and related facilities and to own, lease and dispose of the same for the purpose of maintaining and increasing employment opportunities by promoting industry, trade and commerce and by inducing manufacturing, industrial and commercial enterprises to locate in or remain in the State of Tennessee. The Board is authorized to act in furtherance of such purposes in the State of Tennessee.

(b) The Board has found and does hereby declare that the acquisition, construction and equipping of the Project and the leasing of the same to the Company will increase employment in the State of Tennessee, and will be in furtherance of the public purposes for which the Board was created.

(c) The Board has been induced to enter into this undertaking by the promises of the Company to acquire the Personal Property for installation in the Building and to create jobs as more particularly described in the PILOT Agreement.

(d) There are no actions, suits, proceedings, inquiries or investigations pending, or to the knowledge of the Board threatened, against or affecting the Board in any court or before any governmental authority or arbitration board or tribunal, which involve the possibility of materially and adversely affecting the transactions contemplated by this Agreement or which, in any way, would materially and adversely affect the validity or enforceability of this Agreement or any agreement or instrument to which the Board is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby.

Section 2.02 Certifications by the Company. The Company makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Company is a corporation duly incorporated under the laws of the State of Delaware, is in good standing under its incorporation documents, has full power and authority to enter into this Agreement and to perform all obligations contained herein, and has, by proper company and corporate action, been duly authorized to execute and deliver this Agreement on its behalf and, when executed and delivered by the parties thereto, this Agreement will constitute the valid and binding obligation of the Company enforceable in accordance with its terms.

(b) The agreement of the Board to own the Project and lease the Personal Property to the Company induced the Company to make certain investments and increase employment in the State of Tennessee.

(c) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein by the Company, nor the fulfillment of or compliance with the terms and conditions of this Agreement, conflicts or will conflict with or result in a breach of the terms, conditions or provisions of any restriction or internal governing document of the Company or any agreement or instrument to which the Company is now a party or by which it is bound, or any existing law, rule, regulation, judgment, order or decree to which it is subject, or constitutes a default under any of the foregoing.

(d) No event has occurred and no condition exists with respect to the Company that would constitute an “event of default” under this Agreement, or which, with the lapse of time or with the giving of notice, or both, would become such an “event of default.”

ARTICLE III

LEASING CLAUSES

Section 3.01 Lease of Project. The Board hereby leases to the Company, and the Company hereby leases from the Board, the Personal Property for the consideration set forth in Section 5.03 hereof and in accordance with the provisions of this Agreement.

Section 3.02 Quiet Enjoyment. The Board covenants and agrees that it will warrant and defend the Company in the quiet enjoyment and peaceable possession of the Personal Property, free from all claims of all persons whatsoever, throughout the Lease Term. If the Board shall at any time be called upon to defend the title to said property for claims not created by, through or for Board, it shall not be required to incur any costs or expenses in connection therewith unless indemnified to its satisfaction against all such costs and expenses.

ARTICLE IV

ACQUISITION AND INSTALLATION OF THE PERSONAL PROPERTY

Section 4.01 Agreement to Acquire and Install the Personal Property. The Company agrees that:

(a) It will cause title to the Personal Property to be vested in the Board.

(b) It will install the Personal Property and equip the Building and prepare it for use for manufacturing, distribution and related purposes.

ARTICLE V

EFFECTIVE DATE; DURATION OF LEASE TERM; CONSIDERATION

Section 5.01 Effective Date of this Agreement; Duration of Lease Term. This Agreement shall become effective upon its execution and delivery by the Board and the Company and the leasehold estate created hereunder shall then begin, and, subject to the other provisions of this Agreement, shall expire at midnight, [_____, 2017] unless the Company shall exercise its option under the PILOT Agreement to undertake an Optional Expansion (as defined in the PILOT Agreement), in which case, this Agreement shall expire at midnight, [_____, 2020] (the "Lease Term"). Thereafter, this Agreement shall continue until either the Board or the Company terminates this Agreement at any time upon sixty (60) days' prior notice to the other party.

Section 5.02 Delivery and Acceptance of Possession. The Board agrees to deliver to the Company sole and exclusive possession of the Personal Property, and the Company agrees to accept possession of the Personal Property upon such delivery.

Section 5.03 Consideration for Lease. In consideration of the lease granted hereunder the Company agrees to:

(a) Acquire the Personal Property and cause title to be vested in the Board, as described in Section 4.01 hereof;

(b) Install the Personal Property and operate the Project for its own benefit and for the benefit of the citizens of the County and the City; and

(c) Make the payments required of it under the PILOT Agreement.

ARTICLE VI

MAINTENANCE; MODIFICATION; TAXES AND INSURANCE

Section 6.01 Maintenance and Modification of Project by Company. The Company agrees that throughout the term of this Agreement it will, at its own expense, keep the Personal Property (i) in as reasonably safe condition as its operations shall permit, and (ii) in good repair and in good operating condition, normal wear and tear and obsolescence excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Section 6.02 Removal of Machinery and Equipment Included in the Project. The Board shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary machinery or equipment constituting a part of the Project. In any instance where the Company in its sole discretion determines that any items of such machinery or equipment have become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the Company may remove such items of machinery or equipment and (on behalf of the Board) sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Board therefor.

Section 6.03 Taxes, Other Governmental Charges and Utility Charges. The Board and the Company acknowledge that under present law the Project will be exempt from taxation in the State of Tennessee, but will be subject to in lieu of tax payments. The Company will pay as the same becomes lawfully due and payable, (i) all taxes and governmental charges of any kind whatsoever upon or with respect to the Personal Property which are not specifically provided for in the PILOT Agreement and (ii) its respective portion of all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project.

The Company may, at its own expense and in its own name, in good faith contest any such taxes, assessments or other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom. The Board will cooperate fully with the Company in any such contest.

Section 6.04 Maintenance of Insurance. Throughout the term of this Agreement, the Company shall keep the Personal Property continuously insured against such risks and in such amounts as are reasonably determined by the Company. The Company shall pay all premiums in respect to such coverages as the same become due.

Section 6.05 Indemnification of Board. To the extent caused by the Company, the Company shall and hereby agrees to indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against 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 Personal Property during the term of this Agreement, and against and from all claims arising during the term of this Agreement, from

- (a) any condition of the Personal Property caused by the Company;

(b) any breach or default on the part of the Company in the performance of any of its obligations under this Agreement; and

(c) any act of negligence of the Company or of any agents, contractors, servants, employees or licensees of the Company.

To the extent caused by the Company, the Company shall indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all costs and expenses incurred in or in connection with any action or proceeding brought thereon, and, upon notice from the Company, and to the extent caused by the Company, the Company shall defend the Board and any such officer, director, agent, servant or employee or any of them in any such action or proceeding.

Section 6.06 Board Expenses. In addition to other payments required to be made hereunder, the Company shall pay any reasonable expenses not specifically mentioned herein which are incurred by the Board in connection with the execution and administration of this Agreement.

Section 6.07 Depreciation and Investment Credit. The Board covenants and agrees that depreciation expenses and investment tax credit, if any, with respect to the Personal Property shall be made available to the Company, and the Board will fully cooperate in any effort by the Company to avail itself of any such depreciation expenses or investment tax credit, but the Board shall have no responsibility or liability for failure of the Company to receive any such expenses or credits.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.01 Damage and Destruction. If during the term hereof the Personal Property is damaged by fire or other casualty, the Board shall cause the proceeds received by it, if any, from insurance to be paid to the Company.

Section 7.02 Condemnation of Project. If title in and to, or the temporary use of, the Personal Property or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Board shall cause the proceeds received by it, if any, from any award made in such eminent domain proceeding to be paid to the Company.

The Board shall cooperate fully with the Company in the handling and conduct of any prospective or pending eminent domain proceeding with respect to the Personal Property or any part thereof and shall, to the extent it may lawfully do so, permit the Company to litigate in any such proceeding in the name and on behalf of the Board. In no event will the Board voluntarily settle, or consent to the settlement of, any prospective or pending eminent domain proceeding with respect to the Personal Property or any part thereof without the written consent of the Company.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.01 No Warranty of Condition or Suitability by Board. The Board makes no warranty, either express or implied, as to the condition of the Personal Property or that it will be suitable for the purposes or needs of the Company. The Company releases the Board from, agrees that the Board shall not be liable for, and agrees to hold the Board and its officers, directors, agents, servants and employees harmless against, any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Personal Property in accordance with the provisions of Section 6.05. The members of the Board of Directors of the Board shall incur no liability either individually or collectively by reason of the obligations undertaken by the Board hereunder.

Section 8.02 Identification of Machinery and Equipment. The Company will, at all times maintain in its permanent records a complete list of the machinery and equipment constituting a part of the Project, which will specifically identify each item of such machinery and equipment as being property of the Board.

ARTICLE IX

ASSIGNMENT, SUBLEASING, PLEDGING AND SELLING

Section 9.01 Assignment or Subleasing. This Agreement may be assigned and subleased, as a whole or in part, (including collateral assignments, leasehold mortgages and similar pledges) by the Company without the prior written consent of the Board provided that:

(a) Unless authorized in writing by the Board, no assignment or subleasing shall relieve the Company from primary liability for any of its obligations hereunder, and, in the event of any such assignment or subleasing, the Company shall continue to remain primarily liable for performance and observance of the agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment or subleasing has been made.

(b) The assignee or sublessee shall assume the obligations of the Company hereunder to the extent of the interest assigned or subleased.

Section 9.02 Restrictions on Sale of Personal Property by Board. The Board agrees that, except for transactions effected in accordance with Section 11.03 hereof or pursuant to a request from the Company, it will not sell, assign, mortgage, transfer or convey the Personal Property during the Lease Term or create or suffer to be created any debt, lien or charge on the rents, revenues or receipts arising out of or in connection with its ownership of the Personal Property, and it will not take any other action which may reasonably be construed as tending to cause or induce the levy or assessment of ad valorem taxes; provided, that if the laws of the State of Tennessee at the time shall permit, nothing contained in this Section shall prevent the consolidation of the Board with, or merger into, or transfer of the Personal Property as an entirety to, any public corporation whose property and income are not subject to taxation and

which has corporate authority to carry on the business of owning, leasing and selling of the Personal Property; provided that such consolidation, merger or transfer shall be authorized by the governing body of the State of Tennessee.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.01 Events of Default Defined. The following shall be “events of default” under this Agreement, and the terms “event of default” or “default” shall mean, whenever they are used in this Agreement, any one or more of the following events:

Failure by the Board or the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to one party by the other, unless the one giving notice shall agree in writing to an extension of such time prior to its expiration. If a failure under this Section 10.01 is such that it can be corrected but not within the applicable period, it shall not constitute an event of default if appropriate corrective action is instituted within the applicable period and diligently pursued until the default is corrected.

The foregoing provisions are subject to the following limitations: if by reasons of force majeure, the Board or the Company is unable in whole or in part to carry out the agreements on its part herein referred to, the failure to perform such agreements due to such inability shall not constitute an event of default nor shall it become an event of default upon appropriate notification or the passage of this stated period of time. The term “force majeure” as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; act of public enemies; orders of any kind of the government of the United States of America or of the State of Tennessee or any of their respective departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires, hurricanes, tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Board or the Company. The Board and the Company agree, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Board or the Company, as the case may be and the Board and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Board or the Company, unfavorable to it.

Section 10.02 Remedies on Default. Whenever any event of default referred to in Section 10.01 hereof shall have occurred and be subsisting, the Board or the Company, as the case may be, may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant under this Agreement.

ARTICLE XI

OPTIONS IN FAVOR OF COMPANY

Section 11.01 Option to Terminate. The Company shall have the following options to cancel or terminate the Lease Term of this Agreement prior to expiration of the Lease Term (individually each as an “Option to Terminate”):

(a) At any time, as to the entire Personal Property, by giving written notice to the Board of an exercise of such an Option to Terminate.

(b) At any time, as to a part of the Personal Property, by giving written notice to the Board of an exercise of such an Option to Terminate, and such termination shall forthwith become effective as to that part of the Personal Property.

Section 11.02 Option to Purchase. The Company shall have the following continuing and exclusive options to simultaneously (i) cancel or terminate the Lease Term with respect to the Personal Property or a part of the Personal Property, and (ii) purchase said Personal Property or part of the Personal Property, as the case may be, for the purchase price, in each case, of One Dollar (\$1.00) (individually each as an “Option to Purchase”):

(a) At any time, as to the entire Personal Property, by giving written notice to the Board of an exercise of such an Option to Purchase.

(b) At any time, as to a part of the Personal Property, by giving written notice to the Board of an exercise of such an Option to Purchase, and such exercise shall forthwith become effective as to that part of the Personal Property.

Each Option to Purchase may be exercised whether or not the Company is in default hereunder.

Section 11.03 Conveyance on Exercise of Option to Purchase. Upon the exercise of an Option to Purchase, the Board will, upon receipt of the purchase price, deliver to the Company documents conveying title to Personal Property or the appropriate part of the Personal Property, as the case may be, by appropriate bills of sale, subject only to

(a) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Board;

(b) those liens and encumbrances created by or with the consent of the Company in accordance with Section 9.02; and

(c) those liens and encumbrances resulting from the failure of the Company to perform or observe any of the agreements on its part contained in this Agreement.

ARTICLE XII

MISCELLANEOUS

Section 12.01 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by first class United States mail, postage prepaid, or sent by telegram addressed as follows:

Board: The Industrial Development Board of the City of
Chattanooga
100 E. 11th Street
Suite 200
Chattanooga, Tennessee 37402
Attention: Wade A. Hinton

Company: Chattem Chemicals, Inc.
3708 St. Elmo Avenue
Chattanooga, Tennessee 37409
Attention: Jason Paul Allen

With a Copy to: Miller & Martin PLLC
832 Georgia Avenue
Suite 1000
Chattanooga, Tennessee 37402
Attention: Mark W. Smith

Any such person may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communication shall be sent.

Section 12.02 Amendment. This Agreement may be amended only in writing, signed by the Board and the Company.

Section 12.03 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Board, the Company and their respective successors and assigns.

Section 12.04 Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.05 Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.06 Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope, extent or intent of any provision or Section hereof.

Section 12.07 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Tennessee.

SIGNATURES ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the Board and the Company have caused this Agreement to be duly executed in their respective corporate names, all as of the date first above written.

BOARD:

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF CHATTANOOGA**

ATTEST

By: _____
Secretary

By: _____
Chairman

Date: _____

COMPANY:

CHATTEM CHEMICALS, INC., a Delaware corporation

By: _____

Name: _____

Title: _____

Date: _____

STATE OF _____
COUNTY OF _____

Personally appeared before me, _____, Notary Public, _____ and _____, with whom I am personally acquainted, and who acknowledged that they executed the within instrument for the purposes therein contained, and who further acknowledged that they are the Chairman and Secretary of the Maker, **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**, and are authorized by the Board to execute this instrument on behalf of the Board.

WITNESS my hand, at office, this ____ day of _____, 2014.

Notary Public
My Commission Expires: _____

STATE OF _____
COUNTY OF _____

Personally appeared before me, _____, Notary Public, _____, with whom I am personally acquainted, and who acknowledged that he executed the within instrument for the purposes therein contained, and who further acknowledged that he is the _____ of **CHATTEM CHEMICALS, INC.** and is authorized by the Company to execute this instrument on behalf of the Company.

WITNESS my hand, at office, this ____ day of _____, 2014.

Notary Public
My Commission Expires: _____

EXHIBIT "A"

REAL PROPERTY

The real property includes the Company's facilities located at 3708 St. Elmo Avenue, Chattanooga, Tennessee 37409 or other locations of the Company within the City of Chattanooga and/or Hamilton County.