



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
EXEMPTION CERTIFICATE

ST-9 (Rev. 9/9/03) 5011

**NOT VALID WHEN EXTENDED
TO CONSTRUCTION
CONTRACTORS, THEIR
SUB-CONTRACTORS, OR
THEIR MATERIAL SUPPLY
MEN.**

KAPSTONE KRAFT PAPER CORPORATION
1101 SKOKIE BLVD STE 300
NORTHBROOK, IL 60062

This certificate is issued in accordance with Section 12-36-2120 of Article 21, Section 12-36-120 of Article 1, Section 12-36-2510 of Article 25 of Chapter 36 of title 12, Section 58-25-80 of title 58, or Section 44-96-160(V)(1) of title 44 of the Code of Laws of South Carolina 1976, as amended.

CERTIFICATE ISSUED TO:
KAPSTONE CHARLESTON KRAFT LLC
5600 VIRGINIA AVE
N CHARLESTON, SC 29406
ALL LOCATIONS
REISSUE CERTIFICATE

CERTIFICATE NUMBER 2420356-000
DATE ISSUED: 08/20/08
EXEMPTIONS: 19

NOTICE:

The numbers in parentheses, which are a part of your certificate number, have reference to the specific type(s) of exemptions granted by this certificate. **Should this property be diverted to a taxable use, liability for payment of the tax thereon rests with your company. In the event the nature of your operations changes, you should notify the Department of Revenue immediately as this could affect the validity of this certificate.**

SCHEDULE OF EXEMPTION UNDER SECTION 12-36-2120 of Article 21

- (7) Coal, or coke or other fuel sold to manufacturers, electric power companies, and transportation companies for:
- Use or consumption in the production of by-products;
 - The generation of heat or power used in manufacturing tangible personal property for sale. For purposes of this item, 'manufacturer' or 'manufacturing' includes the activities of a processor;
 - The generation of electric power or energy for use in manufacturing tangible personal property for sale; or
 - The generation of motive power for transportation. For purposes of this item, 'manufacturing' includes the activities of mining and quarrying.
- (9) Supplies and machinery used by laundries, cleaning, dyeing, pressing or garment or other textile rental establishment in the direct performance of their primary function, but not sale of supplies and machinery used by coin-operated laundromats;
- (11) Wrapping paper, wrapping twine, paper bags and containers, used incident to the sale and delivery of tangible personal property;
- (12) Electricity use by cotton gins, manufacturers, miners, or quarriers to manufacture, mine, or quarry tangible personal property for sale. For purposes of this item, 'manufacturer' or 'manufacturing' includes the activities of processors.
- (13) Machines used in manufacturing, processing, recycling, compounding, mining, or quarrying tangible personal property for sale. 'Machines' include the parts of machines, attachments, and replacements used, or manufactured for use, on or in the operation of the machines and which (a) are necessary to the operation of the machines and are customarily so used, or (b) are necessary to comply with the order of an agency of the United States or this State for the prevention or abatement of pollution of air, water, or noise that is caused or threatened by any machine used as provided in this section. This exemption does not include automobiles or trucks. As used in this item 'recycling' means any process by which materials that otherwise would become solid waste are collected, separated, or processed and reused, or returned to use in the form of raw materials or products, including composting, for sale. In applying this exemption to machines used in recycling, the following percentage of the gross proceeds of sale, or sales price of, machines used in recycling are exempt from the taxes imposed by this chapter: Fiscal Year of Sale Percentage, Fiscal year 1997-98 fifty percent; after June 30, 1998, one hundred percent.

- (26) All supplies, technical equipment, machinery and electricity sold to radio and television stations, and cable television systems, for use in producing, broadcasting, or distribution of programs;
- (35) Fuels used in commercial fishing vessels.
- (43) All supplies, technical equipment, machinery and electricity sold to motion picture companies for use in filming or producing motion pictures. For the purposes of this item, 'motion picture' means any audiovisual work with a series of related images either on film, tape, or other embodiment, where the images shown in succession impart an impression of motion together with accompanying sound, if any, which is produced, adapted, or altered for exploitation as entertainment, advertising, promotional, industrial, or educational media; and a 'motion picture company' means a company generally engaged in the business of filming or producing motion pictures;
- (45) Meals or food stuffs, either prepared or packaged for the homeless or needy that are sold to nonprofit organizations, or food stuffs that are subsequently sold or donated by a nonprofit organization to another nonprofit organization. This subitem is only applicable to food stuffs which are eligible for purchase under the USDA food stamp program.
- (48) Items sold by organizations exempt under Section 12-37-220 A(3) and (4) and B(5), (6), (7), (16), (19), (22), and (24), if the net proceeds are used exclusively for exempt purposes and no benefit inures to any individual. An organization whose sales are exempted by this item is also exempt from the retail license tax provided in Article 5 of this chapter.
- (52) Parts and supplies used by persons engaged in the business of repairing or reconditioning aircraft owned by or leased to the federal government or commercial air carriers. This exemption does not extend to tools and other equipment not attached to or that do not become a part of the aircraft.
- (56) "Machines used in research and development. 'Machines' includes machines and parts of machines, attachments, and replacements which are used or manufactured for use on or in the operation of the machines, which are necessary to the operation of the machines, and which are customarily used in that way. 'Machines used in research and development' means machines used directly and primarily in research and development, in the experimental or laboratory sense, of new products, new uses for existing products, or improvement of existing products." Effective for tax years beginning after June 30, 2001.

EXCLUSIONS UNDER SECTION 12-36-120 of Article 1

- (17) Tangible personal property to a manufacturer or compounder as an ingredient or component part of the tangible personal property or products manufactured or compounded for sale;
- (18) Tangible personal property to licensed retail merchants, jobbers, dealers, or wholesalers for resale, and do not include sales to users or consumers.

DIRECT PAY PERMIT UNDER SECTION 12-36-2510 of Article 25

- (19) Notwithstanding other provisions of this chapter, when in the opinion of the Department, the nature of a taxpayer's business renders it impracticable for the taxpayer to account for the sales or use taxes, as imposed by this chapter at the time of purchase, the Department may issue its certificate to the taxpayer authorizing the purchase at wholesale and the taxpayer is liable for the taxes imposed by this chapter with respect to the gross proceeds of sale, or sales price, of the property withdrawn, used or consumed by the taxpayer within this State.

CERTIFICATE UNDER SECTION 58-25-80

- (50) Exempt from any state or local ad valorem, income, sales, fuel, excise, or other use taxes from which municipalities and counties are exempt.

CERTIFICATE UNDER SECTION 44-96-160(V)(I)

- (96) A motor carrier, which purchases lubricating oils not for resale used in its fleet is exempt from the solid waste fee.