



Stanly County
Board of Commissioners
1000 North First Street, Suite 10
ALBEMARLE, NORTH CAROLINA
28001

Tony Dennis, Chairman
Gary Lowder V/Chair
Gene McIntyre
Sherrill Smith
Dr. Nalin Mehta

June 26, 2006

Gene Ellis
Alcoa
Post Office Box 576
Highway 740
Badin, North Carolina 28009

Re: Response of Stanly County to the Proposed APGI Licensing Agreement In Principle

Dear Gene,

Over the past months, Stanly County, the City of Albemarle and the Town of Badin have attempted to reach a joint agreement with APGI regarding the proposed re-licensing application. At this time, as presented, Stanly County will not be able to positively endorse the re-licensing Agreement In Principle (AIP).

Unfortunately there are a number of issues that have not been resolved to such a point that we can offer our support. The most critical and important of these unaddressed concerns are listed as follows:

- ♦ The requested donation or ground lease of a site suitable for the creation of a historically styled lodge and corporate meeting facility. In order to stimulate interaction within the village center and increase economic spin off, to be located within walking distance of the business district and lake.
- ♦ Requested assistance for the aging Badin water and sewer system, originally installed more than 80 years ago by Alcoa and given to the Greater Badin Water and Sewer District at the end of its useful life, and which is in desperate need of major repair and in certain cases replacement. This failing system, currently under citation (the sewer system is currently stretched beyond capacity due to severe infiltration problems), reduces water quality and limits the potential for successful redevelopment. We have repeatedly requested that significant improvements be made to the water and especially sewer systems in order to protect water quality and ensure future sustainability. The total cost of necessary upgrades to this system is estimated at 10 million dollars.
- ♦ The requested donation of a parcel suitable for new industrial development that can utilize the unique convergence of assets located in Badin. Additionally, such a site, served by rail, may reinforce the commitment of rail road service providers to the local area.
- ♦ The development of an operational agreement regarding the donation of the existing water tanks located in Badin, which are tied into the municipal water system, and have a

positive impact on system pressures. With the possible sale of these lands to the state, it is critical that we ensure access to these tanks for future operations.

- ♦ Failure to develop any form of revenue enhancement or policy changes that will positively impact the Town of Badin or Stanly County with regards to the dramatically decreased revenues formally generated from the now idled Badin Works facility. We have twice submitted proposals with regards to potential scenarios. We continue to respectfully request that APGI, whose operations were born from the Alcoa operations in Stanly County, provide some form of direct or indirect compensation to the municipal partners that support, protect and ensure their operations.

The above concerns have all been previously submitted in correspondence between our two organizations. Again, as stated above, if we are unable to resolve some or all of these issues, Stanly County will not be able to endorse the AIP.

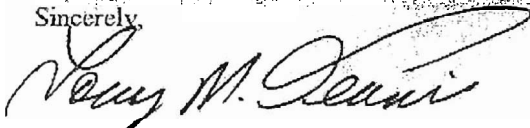
At this time it appears as if a significant amount of real-estate may be leaving the ownership of APGI and turned over to the State of North Carolina or another entity. This raises a number of concerns regarding the possibility of landfills or "dump sites" that may contain materials or chemicals on properties currently owned by either Alcoa or APGI. It is our strong desire that a comprehensive set of environmental studies be conducted to assure the County that once the property is transferred to new ownership and/or Alcoa ceases their operation at the Badin facility, that the County or the State is not faced with a substantial environmental clean up project. These lakes serve as a source of drinking water for our residents and the close proximity of these possible sites require that we pay extremely close attention to potential water quality issues and request that you examine the groundwater in those areas for potential leaching into our drinking water supply.

It should also be noted that this correspondence addresses the concerns of Stanly County independently from the Town of Badin and the City of Albemarle. It is not our intent, nor desire through this document to convey either their potential willingness or unwillingness to endorse the proposed AIP.

Recognizing that there is still an opportunity to resolve these items, it remains our hope that through additional discussion we can reach an outcome that satisfies all parties.

We look forward to your response regarding this matter.

Sincerely,



Tony M. Dennis, Chairman
Stanly County Board of Commissioners

cc: Mayor Whit Whitley, City of Albemarle
Mayor James L. Harrison, Town of Badin