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May 28, 2014

Via Hand Delivery to:

Mr. John Allen King, III
Gordon County Administrator

Re: Development Authority of Gordon County – Project Blue

Dear John:

Enclosed is a copy of the final draft of the PILOT (Payment in Lieu of Taxes) Agreement that the Development Authority took action on yesterday. From the Agreement, it is obvious who the industry is; however, this is referred to as Project Blue. You may disseminate this Agreement and correspondence as you deem appropriate; however, I would ask that you keep the identity of the company confidential.

The outlines of the transaction are as follows: A number of years ago, during the height of the financial crisis, Project Blue closed its facility located off of Mauldin Road and as a result several hundred individuals lost their jobs. The Development Authority was re-contacted by the company and a bond issue was approved several years ago to re-open the plant. The facility currently employs approximately 290 workers. The Development Authority was again contacted by the company in recent months in order to expand its operations and this PILOT Agreement is the result of those negotiations.

The company has been given a structured tax abatement on Gordon County's ad valorem tax for both the County's M&O and the County's school tax. What our community would receive in return is an \$8,000,000.00 additional investment in the facility; the creation of additional employment as outlined in the Agreement; and a job retention component for the five (5) years of the abatement. In addition, there will be substantial inventory placed in the facility which will be subject to ad valorem taxation. Gordon County currently has a 40% Freeport exemption for raw materials, goods-in-process, and finished goods, i.e., inventory. This means that the inventory, which may be as high as \$50,000,000.00, will be subject to tax at the lower rate.


John Allen King, III
County Administrator
May 27, 2014
Page Two

The proposed abatement does not affect land, plant and equipment already subject to ad valorem taxation; therefore, even assuming the Freeport exemption and the proposed abatement, it is anticipated that ad valorem tax revenue will actually increase rather than decrease.

I am going to ask that you place this issue on the Board's agenda for its June meeting and I will be present on behalf of the Authority to explain the transaction and answer any questions the Board may have. As the Agreement indicates, it must be voted on by the Board of Commissioners and executed prior to closing of the transaction. As with all of these deals, a Bond confirmation will take place in the Superior Court of Gordon County and several other approvals are also required, including approval by the Gordon County Board of Education.

I will be glad to answer any questions you may have regarding this PILOT Agreement.

Very truly yours,



William R. Thompson, Jr.

WRTJr/fp

Attachment