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October 30, 2014

Via Hand Delivery to:

Mr. John Allen King, III
Gordon County Administrator
Calhoun, Georgia 30701

Re: Development Authority – Mohawk/Aladdin 2014 Bond Issue

Dear John:

Attached is a Payment in Lieu of Taxes (PILOT) Agreement for the above-referenced project. This Project is equipment only and will be located in a building already owned by the company within the city limits of Calhoun. The proposed abatement is for 5 years with year 1 starting at 100% and decreasing by 20% per year until the abatement period is completed after the 5th year; therefore, this PILOT Agreement would only affect Gordon County's M&O millage for the years in question.

The Development Authority approved this transaction on Tuesday and will move forward with a validation proceeding in the Superior Court of Gordon County in November with a possible validation hearing on December 4, 2014. After confirmation, the parties will attempt to immediately close the transaction before the end of the year.

As you are aware, Mohawk/Aladdin has made significant investments in our community in the recent past and a number of jobs have already been created in the community. From the Development Authority's perspective, this is a transaction in the best interest of our community.

I would ask that you place this Agreement on the next available County Commission agenda for consideration and, hopefully, approval. I will be available to assist in any way you may deem appropriate.

Very truly yours,

William R. Thompson, Jr.

WRTJr/fp

cc: James F. Ledbetter, Esq.
County Attorney
Attachment

PILOT AGREEMENT

THIS PILOT AGREEMENT (this "**Agreement**"), dated as of November 1, 2014, but effective on the date the Bond referred to below is issued (the "**Effective Date**"), by and between the **DEVELOPMENT AUTHORITY OF GORDON COUNTY** (the "**Issuer**"), a development authority and public body corporate and politic duly created by the Development Authorities Law, O.G.C.A. §36-62-1, *et seq.* (the "**Act**"), **ALADDIN MANUFACTURING CORPORATION**, a Delaware corporation (the "**Company**"), the **CITY OF CALHOUN, GEORGIA** (the "**City**"), a municipal corporation of the State of Georgia, **GORDON COUNTY, GEORGIA** (the "**County**"), the **BOARD OF TAX ASSESSORS OF GORDON COUNTY** (the "**Board of Assessors**") and the **TAX COMMISSIONER OF GORDON COUNTY** (the "**Tax Commissioner**").

W I T N E S S E T H:

Section 1. The Lease. On the Effective Date, the Issuer is issuing its Taxable Industrial Development Revenue Bond (Aladdin Manufacturing Corporation Project), Series 2014 in the maximum principal amount of $4,000,000 (the "**Bond**") to acquire new and used trade fixtures, machinery and equipment (the "**Project**") located or to be located at the Company's existing facility at 296 South Industrial Boulevard, Calhoun, Georgia (the "**Facility**") located in the City and the County. The Project does not include any trade fixtures, machinery or equipment already located at the Facility on or before January 1, 2014, or any real property. The Project is being leased by the Issuer to the Company under a Lease Agreement, dated as of November 1, 2014 (the "**Lease**"), for use by the Company in its flooring manufacturing business. Legal title to the Project is to be vested in the Issuer while the Lease is in effect. The Lease is to expire on October 31, 2021. All capitalized terms used herein that are defined in the Lease, but are not defined herein, shall have the same meaning as in the Lease. In consideration of the execution of the Lease by the Issuer and the Company and in further consideration of the Issuer's issuance of the Bonds, the Parties have entered into this Agreement.

Section 2. Taxes and Payments in Lieu of Taxes.

(a) Taxes on Non-Project Property. Property titled to the Company on January 1 of each year is subject to *ad valorem* property taxes in such year. The Company shall file returns and pay *ad valorem* property taxes in accordance with law, with respect to taxable property in the City and the County to which the Company holds title (and, hence, which is not a part of the Project on such January 1).

(b) No Actual Taxes on Project While Owned by Issuer. Under the Act, the Issuer's ownership interest in the Project is exempt from *ad valorem* property taxes. Under the terms of the Lease, the Company's interest in the Project is treated as a bailment for hire which is intended to be nontaxable for purposes of *ad valorem* property taxes. Thus, the Company shall not be required to pay actual *ad valorem* property taxes on the Project while the same is owned by the Issuer and leased to the Company under the Lease. If, on account of the expiration or termination of the Lease, the exercise by the Company of its option to purchase the Project or otherwise, the Project is no longer owned by the Issuer, then actual taxes rather than payments in lieu of taxes shall be paid with respect to the Project.

(c) Payments in Lieu of Taxes. In order to prevent the local taxing authorities from being totally deprived of revenues relating to the Project during the period in which title thereto is in the Issuer which would be occasioned by total tax abatement on account of the Issuer's interest and the Company's leasehold interests therein being exempt from *ad valorem* property taxes, the Issuer and the Company agree, that as additional consideration for the Issuer's leasing the Project to the Company, the Company shall, so long as the Lease is in effect, make payments in lieu of taxes to the Tax Commissioner as provided in this subsection (c).

(i) Valuation and Calculation of Normal Taxes and Procedural Matters. Not later than March 1 of each year commencing in the year 2015, the Company shall file with the Issuer and with the Tax Commissioner, a report (the "**Annual Report turn**") in which the Project shall be valued as of January 1 of such year at "**Full Value**," as follows: trade fixtures, machinery, equipment and other tangible personal property shall be valued at cost less depreciation (as per guidelines set forth in Georgia Department of Revenue Rule 560-11-10-.08). The resulting Full Value shall be multiplied by forty percent (40%) to determine the "**Assessed Value**" of the Project. The "**Normal Taxes**" that would be payable to any taxing authority is an amount determined by multiplying the Assessed Value by that taxing authority's millage rate, and the Tax Commissioner shall send to the Company a statement of what the Normal Taxes would be for the Project for such year.

(ii) Payments in Lieu of Taxes on the Project. Following receipt of the statement referenced in clause (i) above, the Company shall pay to the Tax Commissioner at the time normal *ad valorem* taxes are due (or if the above-mentioned statement has not then been received, then upon receipt), as payments in lieu of taxes, an amount equal to the applicable percentage for such year (stated below) of Normal Taxes that the Company would pay on the Project if the Company were the owner of the Project on January 1 of such year. Such amount paid to the City and the County shall be paid over by the Tax Commissioner to the applicable taxing authorities in proportion to their respective millage rates. The applicable percentage for the assets comprising the Project shall be as follows in the following years. For any such asset, "Year 1" shall be determined as provided in (iii), below.

Payment Schedule

Year	Payment Percentage
1	0%
2	20%
3	40%
4	60%
5	80%
6 and thereafter	100%

(iii) Year 1. For purposes of the Payment Schedule in (ii), above, "Year 1" shall be 2015 with respect to the investments in the Project made in 2014; provided, however, that with respect to the investments in the Project made in 2015 and 2016 financed through additional draws on the Bond, the calendar year following the calendar year in which such investment is made is deemed to be Year 1 for those assets. That is to say, every new bond-financed investment in Project assets at the Facility during 2015 and 2016 will receive a separate five-year Payment Schedule beginning with its respective Year 1. With respect to investments in the Project made after 2016, the Payment Schedule shall be applied as if Year 1 were 2017 (e.g., for assets purchase in 2017, for 2018 the Payment Percentage will be 20%).

(d) Recovery Provisions.

(i) Job Goal. The Issuer has communicated the importance of the Company's creation of new employment opportunities at the Facility and the Company acknowledges the importance of this matter to the Issuer. The Company intends to create at least five (5) new full-time employment opportunities at the Facility on or by January 1, 2016 (the "**Jobs Goal**"). There shall be deemed to be no new full-time jobs increase unless the number of new full-time jobs is in excess of 119 (the "**Base Amount**"), such being the agreed number of full-time jobs at the Facility as of January 1, 2014. Schedule 2 attached hereto determines how the number of full-time jobs shall be calculated and provides rules that shall apply to satisfying the Jobs Goal.

(ii) Jobs Shortfall. If, on or by January 1, 2017, or any January 1 of any year thereafter while the Lease is in effect (each a tax-year), the aggregate number of new full-time jobs at the Facility (*i.e.*, full-time jobs in excess of the Base Amount) has not reached the Jobs Goal, the amount of actual new full-time jobs as of such January 1 shall be subtracted from the Jobs Goal to determine the "**Jobs Shortfall**" for such tax year. The Jobs Shortfall for such tax-year shall be divided by the Jobs Goal and the result shall be the "**Jobs Shortfall Percentage**" for such tax-year.

(iii) *Force Majeure*. Notwithstanding the foregoing, the Jobs Goal in any year is subject to the effect of *force majeure* as provided below, if the Company certifies to the Issuer in writing the dates of the commencement and, if the event of *force majeure* has abated, the date of the abatement, of such event of *force majeure*. For purposes hereof, "*force majeure*" means any unexpected event (including, without limitation, any event or act of god, war, civil commotion, flood, fire, explosion,

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earthquake or other natural disaster, any strikes, walkouts or other labor unrest and terrorist acts) which prevents the Company from attaining the Jobs Goal in such year, which act or event is (i) beyond the reasonable control and not arising out of the fault of the Company, (ii) the Company has been unable to overcome such act or event by the exercise of due diligence and reasonable efforts, skill and care, exclusive of the expenditure of unbudgeted sums of money, and (iii) has a material adverse effect on the employment at the Facility; provided, however, notwithstanding anything contained herein, the Company shall not be obligated to negotiate, settle or otherwise take any actions to end any strike, walkout or other labor unrest if it deems such to be in the best interest of the Company. The effect of *force majeure* shall be that, for any year in which the Company claims the benefit of such provision, the Jobs Goal for such year shall be reduced by the number of full-time jobs that the Company shall demonstrate were not filled as a result of such *force majeure*.

(iv) Annual Certification. Not later than March 1, 2017, and not later than March 1 of each year thereafter (to and including the March 1 of the year following the last year in which the Company realizes any tax savings hereunder), the Company shall provide to the Issuer and the Tax Commissioner a certificate of an authorized officer of the Company (the "**Annual Certification**") stating the average number of full-time jobs at the Facility during the immediately preceding calendar year. The Company shall provide such other supporting documentation as the Issuer or the Tax Commissioner may from time to time reasonably request. The Issuer and the Tax Commissioner shall have the right to inspect the payroll records (consistent with the privacy rights of its employees) of the Company relating to the Project to verify the correctness of the Annual Certification and may make adjustments in the jobs information if an error is found.

(v) Tax Savings Recovery Payments. If the Annual Certification (or an adjustment thereto) shows that the average number of full-time jobs at the Facility in the immediately preceding year was less than the Jobs Goal, then the Job Shortfall Percentage shall be calculated. If there is a Job Shortfall Percentage of greater than twenty percent (20%), the tax savings recovery payments ("**Tax Savings Recovery Payments**") shall be calculated as follows: the Job Shortfall Percentage shall be multiplied by the *ad valorem* tax savings received by the Company during the immediately preceding calendar year as a result of the tax savings provided hereby (such savings being the difference between normal taxes and the payment in lieu of taxes paid in the prior year (excluding any additional payment in lieu of taxes made in the immediately preceding year on account of any Tax Savings Recovery Payments made in the preceding year)). Tax Savings Recovery Payments shall constitute additional payments in lieu of taxes which shall be paid by the Company to the Tax Commissioner within thirty (30) days following the date of the Annual Certification. If the Job Shortfall Percentage is twenty percent (20%) or less, there shall be no Tax Savings Recovery Payment due.

(e) Company to Pay Other Amounts. The Company shall be responsible for all costs paid by the Issuer or the Tax Commissioner for the collection of the payments required herein, including but not limited to reasonable attorneys' fees, administrative costs or other collection expenses.

Section 3. Safeguard. If the Project is judicially determined to be lawfully subject to *ad valorem* taxation for any tax year, or if the Company agrees that the Project is subject to such taxes in such tax year, then it shall pay, or cause to be paid, such lawful taxes in accordance with its covenants in the Lease, but it shall not be obligated to pay payments in lieu of taxes, pursuant to Section 2, above, for any tax year for which actual *ad valorem* taxes are due with respect to that Project.

Section 4. Termination. This Agreement shall terminate at such time as there are no further payments which may thereafter be required to be made hereunder.

Section 5. Successors and Assigns. This Agreement shall inure to the benefit of, and the obligations of the respective parties hereunder shall be binding upon, the successors and assigns of the respective parties hereto.

Section 6. Severability. In the event any clause, sentence, paragraph or provision of this Agreement shall be determined to be voidable, void or unenforceable, the voidableness, voidness, or unenforcability of such clause, sentence, paragraph shall not affect the validity or enforceability of any other clause, sentence, paragraph or provision hereof. Without in any way limiting the generality of the foregoing, if the agreements of the Issuer set forth herein should be determined to be voidable, void or unenforceable, the obligations of the Company shall not be deemed to be unenforceable for lack of consideration or lack of mutuality; the Company hereby agrees that the agreement of the Issuer to issue the Bond and to lease the Project to the Company under the Lease are sufficient and adequate consideration to support the Company's agreements and obligations hereunder.

Section 7. Validation. The parties hereto understand that this Agreement is to be one of the documents to be presented to the Superior Court of Gordon County in proceedings to validate the Bond and related documents.

Section 8. Governing Law, Jurisdiction and Venue. This Agreement shall be governed by the law of the State of Georgia and shall be subject to enforcement in the appropriate court in Gordon County, Georgia.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, to be effective as of the Effective Date.

The "Issuer":

DEVELOPMENT AUTHORITY OF GORDON COUNTY

By: ______________________________
T. Larry Foye, Chairman

ATTEST:

____
Donna McEntyre, Secretary-Treasurer

[SEAL]

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

The "Company":

ALADDIN MANUFACTURING CORPORATION, a Delaware corporation

By: ______________________________(SEAL)

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

The "City":

CITY OF CALHOUN, GEORGIA

By: ______________________________

[CITY SEAL]

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

The "County":

GORDON COUNTY, GEORGIA

By: ____________________________________

[COUNTY SEAL]

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

The "Board of Tax Assessors":

THE BOARD OF TAX ASSESSORS OF GORDON COUNTY

By: ____________________________________

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

The "Tax Commissioner":

THE TAX COMMISSIONER OF GORDON COUNTY

By: ______________________________________

SCHEDULE 2

RULES FOR SATISFYING THE JOBS GOAL

1. For purposes of this Agreement, the number of new "full-time jobs" shall be defined and determined, from time to time, as provided follows:

   a) Subject to subsection (b) below, only direct employees of the Company working at the Facility shall be counted.

   b) Jobs created by a third-party logistics provider or employment services company at the direction of the Company that otherwise meet the definition of a full-time job set forth below shall count hereunder as jobs created by the Company.

   c) "**Full-time job**" means the following: a job with no predetermined end date (other than a retirement date), with a regular work week of 35 hours or more on average for the entire normal year of local Company operations, and with benefits provided to other regular employees of the local Company, but does not mean a job classified for federal tax purposes as an independent contractor. Part-time jobs are counted on a full-time equivalent basis (for example, 17.5 hours per week equals one-half full-time job).

2. The number of full-time jobs shall be calculated as provided below.

   a) The number of jobs shall be determined based on the monthly average number of full-time employees subject to Georgia income tax withholding for the taxable year.

   b) The monthly average number of full-time employees in a taxable year shall be determined by the following method:

   (i) for each month of the taxable year, count the total number of full-time employees of the business enterprise that are subject to Georgia income tax withholding as of the last payroll period of the month or as of the payroll period during each month used for the purpose of reports to the Georgia Department of Labor, less the Base Jobs;

   (ii) add the monthly totals of full-time employees; and

   (iii) divide the result by the number of months the business enterprise was in operation during the taxable year. Transferred jobs, except for jobs transferred to the Facility from outside the State of Georgia, and replacement jobs may not be included in the monthly totals.