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November 17, 2020

Via Hand Delivery to:

Mr. Jim Ledbetter,
Gordon County Administrator
201 North Wall Street
Calhoun, Georgia 30701

Mr. Paul Worley
Administrator, City of Calhoun
226 S. Wall Street
Calhoun, Georgia 30701

Re: Development Authority of Gordon County – Project Teklas USA, Inc.

Dear Jim and Paul:

As you are aware, the Development Authority of Gordon County adopted a Bond Resolution for the issuance of \$6,500,000.00 of Industrial Revenue Bonds for Teklas USA, Inc. For your reference, I attach a copy of the Memorandum of Agreement relating to Lease Structure and Valuation of Interest in Lease. This document provides for the tax abatement previously offered to the company and requires your action and approval.

The Development Authority was in negotiations with the company for a number of months and ultimately provided an offer letter to the company which included a 7-year graded abatement schedule. In addition to the capital investment, the company will provide approximately 120 new jobs and, most importantly, will provide significant industrial diversification which has been the goal of the Authority and our local governments for a number of years.

In addition to the Authority's incentive, the State of Georgia is agreeing to provide grant assistance to this project and, therefore, there will be an associated Memorandum of Understanding and Performance and Accountability Agreement between the State of Georgia, the Development Authority and the company regarding the company's capital investment and job creation requirements. A copy of the State's recently-issued project announcement is attached to this correspondence.

The Development Authority, in association with the local District Attorney, has filed a petition for validation of these bonds in the Superior Court of Gordon County. The project will be advertised in The Calhoun Times on November 18 and November 25, 2020 and there will be a validation hearing before the Superior Court on December 3, 2020.

Please place this matter on the City and County's next agendas for consideration. On behalf of the Development Authority we will be asking for formal approval of the Agreement.

Please disseminate the attachments as you deem appropriate and I will be glad to answer any questions any interested party may have.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. R. Thompson, Jr.', with a long horizontal flourish extending to the right.

William R. Thompson, Jr.

WRTJr/fp

Attachments

cc: Ms. Kathy Johnson, President, Gordon County Chamber of Commerce
cc: Mr. Larry Roye, Chairman, Development Authority of Gordon County
cc: Ms. Dana Burch, Gordon County Tax Assessor
cc: Scott Clements, Gordon County Tax Commissioner

DEVELOPMENT AUTHORITY OF GORDON COUNTY

Larry Roye, Chairman
Jim Mathews, Vice Chairman
Jim Rosencrance, Secretary/Treasurer
Larry Vickery
Kenny Fuquea
Randall Fox
Jesse Vaughn

300 South Wall Street
Calhoun, GA 30701
706-625-3200
706-625-5062 (fax)

Bill Thompson, Attorney
williamrthompson@aol.com

Kathy Johnson, President
kjohnson@gordoncountychamber.com

August 27, 2020

Sent Via Email to:

Ms. Fernanda Kirchner fkirchner@georgia.org
Mr. Doug Coffey hdcoffey@southernco.com
Mr. Vedat Sahinkaya vsahinkaya@teklas.com.tr
Mr. Arcan Ergur aergur@teklas.com.tr

Re: Development Authority of Gordon County – Project Theos

Dear Madam & Sirs:

We appreciate your interest in Calhoun and Gordon County. The Development Authority of Gordon County is willing to propose an initial series of incentives for location of your Project. The Development Authority will pursue approval of incentives based on the assumptions provided below:

Assumptions for Project

Total Capital Investment - \$6,500,000.00

Proposed Investment Timeline/Machinery Only

2020 - \$ 683,000.00
2021 - \$2,802,000.00
2022 - \$2,015,000.00
2023 - \$1,000,000.00

Total Jobs – 125

Job Schedule	2021	29
	2022	24
	2023	21
	2024	46

Average Annual Salary - \$33,150 with benefits

Utility Usage – Information previously provided to City of Calhoun Utility Department

The Authority has been informed that the real estate is owned by a third party and investments therein are not to be included in the Assumptions above. The Authority’s Incentives are based upon capital investment, employment, industry diversification, and utility metrics. To the extent possible, the Authority is willing to consider additions to the above Assumptions and/or enhancements the Project may bring to the community based upon these community goals. Based upon the information currently provided, tax abatements offered are as follows:

Ad Valorem Tax Abatement Schedule:

7 years for equipment based upon a minimum of \$6,500,000.00 of “New Value” on a schedule as follows:

Year 1	100%
Year 2	100%
Year 3	100%
Year 4	50%
Year 5	50%
Year 6	25%
Year 7	25%

This abatement schedule includes an abatement of The City of Calhoun and Gordon County M&O for the affected years and the City School Tax is included. For the years in which the abatement is less than 100%, the company will pay PILOT payments to the City of Calhoun and to Gordon County as set forth in a PILOT Agreement hereinafter negotiated by the parties and approved by the respective taxing authorities.

Conditions

Incentives outlined above are subject to the following conditions and/or limitations:

- a. Any tax abatement schedule will be subject to formal approval by the appropriate governmental agency, which may include The City of Calhoun and Gordon County and/or the Gordon County Tax Assessor and/or the Gordon County Tax Commissioner.
- b. Ad Valorem Tax Concessions are subject to the issuance of Industrial Revenue Bonds and the proper structuring of the transaction, which includes confirmation of the bonds in the Superior Court of Gordon County, as well as the payment of normal and necessary fees for the transaction.

c. All incentives are based upon investments that comprise "New Value". New Value includes real property and equipment investments pursuant to the assumptions outlined above, but do not include real and/or personal property and the taxes assessed thereon prior to construction of this Project.

d. Under limited circumstances, the Authority is willing to act as an applicant for grants awarded to the Project by the State of Georgia. The Authority's willingness to act as a grant applicant is conditioned on the type of grant being offered to the company and an agreement concerning grant monitoring responsibilities and costs associated therewith.

The above-listed incentives and conditions comprise the community's offer to your Project. See Exhibit "A" for a preliminary cash value of abatements offered.

On behalf of the Authority and the local governments, it is both an honor and a pleasure to work with you on your Project and we thank you for showing an interest in our community.

Sincerely,

T. Larry Roye, Chairman

/TLR

EXHIBIT “A”

Example of Calculation of Tax Abatements

Calhoun/Gordon County Tax Rates for 2020

Gordon County M&O – 9.631

City M&O – 2.60

City School Board – 17.733

Total Millage - 29.964

Tax Abatements – Manufacturing Facility - \$6,500,000.00

Year 1	100% - \$77,906.00
Year 2	100% - \$77,906.00
Year 3	100% - \$77,906.00
Year 4	50% - \$ 38,953.00
Year 5	50% - \$38,953.00
Year 6	25% - \$19,477.00
Year 7	25% - <u>\$19,477.00</u>
Total	\$350,578.00

Disclaimer & Assumptions

1. Tax Rates – Tax Rates are based upon current millage rates for the Gordon County and the City of Calhoun, including the City of Calhoun Schools. Tax rates are subject to change in future years, and, therefore, the calculations outlined above cannot be relied upon as to a specific dollar figure. The above schedules are merely examples of the savings that may be provided based on the PILOT percentages stated above.
2. Depreciation – Equipment is subject to depreciation allowances for ad valorem tax purposes. As the Authority has not been provided specific information on the nature of the equipment, no depreciation allowance has been provided for in the above calculations. Basic information on depreciation for ad valorem tax purposes can be obtained from the Gordon County Board of Tax Assessors. The Chief Appraiser is Dana Burch and she may be contacted at 706-629-6812 or at dburch@gordoncounty.org.
3. Assumptions – Calculations are based upon all capital expenditures being made in a single year.
4. Fees and Grant Expenses – The Authority charges a bond issuance fee of 1/8th of 1% of the total amount of the bond. The Authority reserves the right to alter the bond issuance fee based upon other expenses incurred by the Authority in connection with the transaction. Bond counsel fees and Issuer’s counsel fees are negotiated and based upon the size of the Project and the complexity of the Project. Therefore, the Authority cannot give any specific sums or estimates based upon the information currently available.

**MEMORANDUM OF AGREEMENT
REGARDING LEASE STRUCTURE AND
VALUATION OF INTEREST IN LEASE**

Teklas USA, Inc., a Delaware corporation (the “Company”), has evaluated the feasibility of financing certain improvements, fixtures and equipment for a manufacturing and warehouse facility in Gordon County, Georgia (the “Project”) to be owned by the Development Authority of Gordon County (the “Authority”) and leased to the Company. The Project is located 320 S. Industrial Boulevard in the City of Calhoun, Gordon County, Georgia on land more particularly described on Exhibit A attached hereto (the “Project Site”). The equipment (the “Equipment”) making up the Project is more particularly described on Exhibit B attached hereto and made part hereof. The Project does not include the Project Site.

The Company estimates that by December 31, 2025, it would have theretofore made or caused to be made aggregate capital expenditures of approximately \$6,500,000 towards the acquisition, construction, and installation of the Project on behalf of the Authority, for lease to the Company. The Project will generate approximately 120 permanent employment opportunities for individuals able to present the paperwork necessary to obtain legal employment. The parties agree that nothing herein contained shall be construed as an attestation by Gordon County Board of Tax Assessors (the “Board”) or the Authority as to the economic viability of the Project. The parties acknowledge that they have entered into this Memorandum in good faith, and that the Board and the Authority make no representations or warranties regarding any outcome or consequences of any future legal challenges.

In order to induce and facilitate the development of the Project within Gordon County, upon the Company’s request the Authority will make available to the Company conduit taxable revenue bond financing in an amount not to exceed \$6,500,000 (the “Bond Financing”), which covers all or a part of the anticipated capital investment at the Project, and the Board proposes to utilize the ad valorem valuation methodology set forth in this Memorandum.

Under the proposed transaction and contemporaneously with, or subsequent to, the closing of the Bond Financing, the Company, through itself and its affiliates, would transfer the Project and all components thereof, as then existing, to the Authority, or cause the same to be so transferred, and the Authority and the Company would enter into a lease agreement (the “Lease”) under which the Authority would lease the Project as then or thereafter existing to the Company. The Company’s rental payments under the Lease would be an amount sufficient, and would be payable at such times, as would permit the Authority to pay the principal of and interest on the bonds issued as part of the Bond Financing (the “Bond”) as and when the same become due and payable. The Lease would grant to the Company an option to acquire the Project before or at the termination of the Lease; provided that appropriate provision is made for the retirement of the Bond prior to or in connection with any such conveyance of the Project at the termination of the Lease. The Lease would contain provisions permitting the assignment of the Company’s interest thereunder pursuant to certain conditions and requirements.

The Company may purchase the Bond itself or through one of its affiliates, or would otherwise arrange for purchase of the Bond issued by the Authority. If the Company or any affiliate of the Company is the holder of the Bond, the Company may prepay all Lease rentals

and all Bond indebtedness by surrendering the Bond or causing the Bond to be surrendered to the Authority for cancellation.

It is anticipated that legal transfer of the Project to the Authority will commence and the execution and delivery of the Lease between the Company and the Authority therefor would occur on or before December 31, 2020 (the “**Legal Transfer Date**”), and that completion of the acquisition, renovation and equipping of the Project is anticipated on or before December 31, 2023. The earlier of (a) December 31, 2025, or (b) the substantial completion and/or commencement of commercial operation of the Project by the Company shall constitute the completion date (the “**Completion Date**”) for purposes of this Memorandum. As provided in the Lease, the Company will have access to and full use of the Project prior to the Completion Date in order to complete the acquisition, construction, installation, and leasing of the Project. The term of the Lease will expire on or about seven (7) years from the date of the Legal Transfer Date.

All parties to this Memorandum recognize and agree that the Authority is not subject to ad valorem taxation on its interest in the Project under the Lease. The parties further understand and agree that the Company will be subject to ad valorem taxation on its interest in the Project under the Lease (the “**Company’s Interest**”). Pursuant to O.C.G.A. 36-80-16.1(e) and the decision of the Supreme Court of Georgia in *W. C. Harris, et al. vs. DeKalb County Board of Tax Assessors*, 248 Ga. 277 (1981) (the “*Harris Case*”), which permits the Board to agree in advance with the Company as lessee and the Authority to fixed or percentage, reasonable and non-arbitrary valuation methods, the Company (including any assignee of the Company pursuant to an assignment in accordance with the applicable provisions of the Lease), the Authority and the Board desire to agree upon an appropriate, reasonable and non-arbitrary methodology for valuation of the Company’s Interest. The Board expressly confirms that it will discharge its official responsibility relating to the valuation of property within Gordon County for ad valorem tax purposes by appraising and valuing the fair market value of the Company’s Interest in accordance with applicable law, including specifically *Sherman v. Fulton County Board of Assessors, et. al.*, 288 Ga. 88 (2010), *SJN Properties, LLC v. Fulton County Board of Assessors, et al.*, 296 Ga. 793 (2015) and the *Harris Case* and the valuation technique therein set forth.

In order to provide the Company with sufficient information and certainty upon which it can base its decision to carry out the Project in Gordon County, the parties agree that it is important to set forth the methodology by which it is agreed that the Company Interest in the Project will be valued for ad valorem property purposes. That methodology, which represents the utilization by the Board of the “income approach to appraisal” with a reasonable and non-arbitrary discounted cash flow analysis for the successive years of the Lease term, is as follows:

1. Beginning on January 1, 2021, assets acquired by the Authority in connection with the Project will be valued for ad valorem property tax purposes based on the following seven (7)-year schedule, which has been determined based on the precedent established in the *Harris Case*. During each year, the Company’s Interest in the assets acquired and owned by the Authority in connection with the Project will be subject to taxation by the applicable governmental jurisdiction at the fair market value of the Company’s Interest in that year as determined by the Board in accordance with this Memorandum. It is agreed that the fair market value of the Company’s Interest in such assets for any year will equal the “applicable

percentage” for such year as described above and as set forth below, multiplied by the fair market value of the fee interest of such assets in such year. The “applicable percentage” in each year during this seven (7)-year period will be as follows:

Year 1	0%
Year 2	0%
Year 3	0%
Year 4	50%
Year 5	50%
Year 6	75%
Year 7	75%

Following the seventh (7th) year, the Company’s Interest will be subject to taxation at 100% of the fair market value of the fee interest.

For the avoidance of doubt, Year 1 shall commence on January 1, 2021.

3. The determination of the fair market value of the Leasehold Interest in any asset (prior to being reduced by the applicable percentage) will be subject to periodic reassessment, for which the Board will employ its standard valuation methods. The fair market value of the Company’s Interest valued thereunder, after being reduced by the applicable percentage, shall be multiplied by 40% to determine the assessed value of each such category for such year and thereafter multiplied by the millage rate established by Gordon County, the Gordon County School District and any applicable municipality, to the extent the Project is located within the geographical boundaries of such municipality, with respect to such year, to determine the ad valorem tax for such year.

On an annual basis, the Company shall return the property comprising the Project for ad valorem taxation purposes in Gordon County and shall also deliver to the Authority and the Board on or before the anniversary date of this Memorandum such additional documentation and information as may be necessary in order for the Board to value the Project, portions thereof and the Company’s Interest. It is the responsibility of the Company to provide to the Authority and the Board a copy of the certificate of occupancy for the Project, if applicable, in order for the Board to properly value the Project and apply the above schedule.

IT IS ANTICIPATED THAT THE COMPANY WILL INSTALL THE IMPROVEMENTS, FIXTURES AND EQUIPMENT COMPRISING THE PROJECT IN STAGES OVER A PERIOD OF YEARS. THE COMPANY ACKNOWLEDGES THAT TO QUALIFY FOR REDUCTION DESCRIBED IN SECTION 2 ABOVE WITH RESPECT TO PERSONAL PROPERTY, EACH YEAR THE PERSONAL PROPERTY MUST BE TIMELY TRANSFERRED BY THE COMPANY BY BILL OF SALE TO THE AUTHORITY. FOR EXAMPLE, PERSONAL PROPERTY NOT TRANSFERRED TO THE AUTHORITY PRIOR TO JANUARY 1 OF A TAX YEAR WILL NOT BENEFIT FROM REDUCTION IN THAT TAX YEAR. FAILURE TO TIMELY CONVEY PERSONAL PROPERTY TO THE AUTHORITY WILL RESULT IN THE LOSS OF *AD VALOREM* PROPERTY TAX BENEFITS ON SUCH PERSONAL PROPERTY, UNTIL THE TAX YEAR FOLLOWING

THE TAX YEAR IN WHICH THE PERSONAL PROPERTY IS TRANSFERRED TO THE AUTHORITY.

By their signature appearing at the end of this Memorandum, all parties (including any assignee of the Company pursuant to an assignment in accordance with the applicable provisions of the Lease) acknowledge having reviewed the specific terms of the Lease and now concur in the above valuation of the Company's Interest for ad valorem tax purposes by Board.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

**CITY OF CALHOUN AND
GORDON COUNTY
ACKNOWLEDGEMENT AND CONSENT**

The undersigned acknowledges the foregoing Memorandum.

CITY OF CALHOUN

By: _____
Its: _____

GORDON COUNTY

By: _____
Its: _____

EXHIBIT A

LEGAL DESCRIPTION

All that tract or parcel of land lying and being in Land Lot Nos. 264, 265, 276 and 277 of the 14th District, 3rd Section of Gordon County, Georgia and being more particularly described according to a plat of survey prepared for Triple E Properties, LLC by H. Gregory Massey, Georgia Registered Land Surveyor No. 2760, dated April 12, 2019, and being more particularly described according to said survey as follows:

BEGINNING at the point of intersection of the north right of way line of Wellco Lane (50' R/W) and the northwest right of way line of South Industrial Circle (50' R/W); thence north 89 degrees 40 minutes 21 seconds west, along the north right of way line of Wellco Lane, a distance of 652.26 feet; thence leaving said right of way line and running north 00 degrees 20 minutes 27 seconds east a distance of 569.30 feet to an iron pin; thence south 89 degrees 51 minutes 13 seconds east a distance of 1,101.48 feet to an iron pin in the northwest right of way line of South Industrial Circle; thence south 38 degrees 26 minutes 30 seconds west, along the northwest right of way line of South Industrial Circle, a distance of 728.00 feet to the POINT OF BEGINNING.

EXHIBIT B

EQUIPMENT

Bills of sale relating to "Leased Equipment" (as defined in the Lease) to be located on the Project Site (as described on Exhibit A) for use by the Company will be provided to the Board upon transfer by the Company to the Authority.