

## PAYMENT IN LIEU OF TAX (PILOT) AGREEMENT

This Agreement is made as of \_\_\_\_\_, 2013 by and among RB DISTRIBUTION, INC. (the "Company"), a Pennsylvania corporation; COUNTY OF GALLATIN, KENTUCKY (the "County"), a political subdivision of the Commonwealth of Kentucky (the "Commonwealth"); BOARD OF EDUCATION OF GALLATIN COUNTY, KENTUCKY (the "School District"), a political subdivision of the Commonwealth; and THE CITY OF WARSAW, KENTUCKY (the "City"), a municipal corporation and political subdivision of the Commonwealth; and the COMMONWEALTH OF KENTUCKY by and through its Department of Revenue (the "Revenue Department").

### Recitals

A. Pursuant to the Industrial Buildings for Cities and Counties Act, as amended, KRS 103.200 to 103.285 (the "Act") and an ordinance adopted by the County on April \_\_, 2013, the County has concurrently herewith (i) entered into a Lease and Financing Agreement of even date herewith (the "Lease") by and among the County, as lessor, the Company, as lessee, and RBVest, a Delaware corporation, as the Bondholder identified therein; and (ii) has issued under the Lease the County's Industrial Building Revenue Bonds, Series 2013 (Dorman Products Project) in the principal amount of \$7,000,000 (the "Bonds") to defray the cost of constructing and equipping an addition of approximately 170,000 square feet to the Company's existing warehouse and distribution facility on a tract of approximately 15 acres, title to which the Company previously conveyed to the County, located within the County at 25 Dorman Drive, Warsaw, Kentucky (such building addition, the site thereof, and the equipment to be acquired and installed therein being hereinafter collectively referred to as the "Project").

B. As set forth in the Bond Ordinance and the Lease, the County has found and determined that the Project constitutes an "industrial building" within the meaning of KRS 103.210.

C. KRS 103.285 provides that all properties, both real and personal, which a county may acquire to be rented or leased to an industrial concern according to KRS 103.200 to 103.280 shall be exempt from taxation to the same extent as other public property used for public purposes, as long as the property is owned by the county.

D. KRS 132.200(7) provides that all privately owned leasehold interests in industrial buildings, as defined under KRS 103.200, owned and financed by a tax-exempt governmental unit under the provisions of KRS Chapter 103 shall be subject to taxation for state purposes only, except that the rate shall not apply to the proportion of value of the leasehold interest created through any private financing.

E. KRS 132.020(1)(b) provides that the owner shall pay an annual ad valorem tax for state purposes at the rate of 1-1/2 cents (\$0.015) upon each one hundred dollars (\$100) of value of all privately-owned leasehold interests in industrial buildings, as defined under KRS 103.200, owned and financed by a tax-exempt governmental unit under the provisions of KRS Chapter 103, upon the prior approval of the Kentucky Economic Development Finance

Authority ("KEDFA"), except that the rate shall not apply to the proportion of value of the leasehold interest created through any private financing.

F. KRS 103.210(1) provides that any industrial buildings financed by bonds pursuant to KRS 103.200 to 103.285 and leased in connection with the bond financing from a tax-exempt governmental unit shall require the prior approval by KEDFA of the reduced *ad valorem* tax for industrial buildings under KRS 132.020. Pursuant to KRS 103.210(1), KEDFA has approved the application of the County and the Company for reduced *ad valorem* tax for the Project under KRS 132.020 upon the terms provided in this Agreement.

G. In order to induce the Company to undertake the acquisition, construction, equipping, and operation of the Project, the County, the City, and the Revenue Department are willing to afford to the Company an abatement, through the operation of KRS 103.285, 132.200(7), and 132.020(1)(b), of a portion of the *ad valorem* property taxes with respect to the Project that would otherwise be payable to the County. However, as a condition to the issuance of the Bonds, the County, the City, and the Revenue Department have required that the Company enter into this Agreement whereby the Company agrees to make payments in lieu of taxes ("PILOT Payments") as provided herein.

NOW, THEREFORE, the parties hereto agree as follows:

1. During the term of this Agreement, as defined below, the Company shall make PILOT Payments:

A. to the Gallatin County School District in the same amounts and at the same times as the annual *ad valorem* taxes that would be levied by the School District on the Project for such year were title to the Project not held by the County; and

B. to the County, the City, and the Commonwealth equal to twenty five percent (25%) of the respective amounts and at the same times as the annual *ad valorem* taxes that would be levied by the County, the City, and the Commonwealth on the Project for such year were title to the Project not held by the County.

2. As used herein, the "term of this Agreement" means the first calendar year commencing after the date of this Agreement to and including the calendar year during which the Bonds are retired, the Lease terminates, and the County no longer holds title to the Project.

3. Nothing in this Agreement shall preclude the Company from contesting as provided by law the assessed value of the Project or any portion thereof.

4. All bills, notices, and other communications hereunder shall be sent to the Company at the following address:

RB Distribution, Inc.  
3400 E. Walnut Street  
Colmar, Pennsylvania 18915  
Attention: General Counsel

or to such other address, or to the attention of such other person, as the Company designates in writing to the other parties hereto.

5. All references herein to the Company shall include its successors and assigns as lessee under the Lease.

6. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth.

7. This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

RB DISTRIBUTION, INC.

By: \_\_\_\_\_  
Vice President


COUNTY OF GALLATIN, KENTUCKY

By: \_\_\_\_\_  
County Judge/Executive

BOARD OF EDUCATION OF GALLATIN  
COUNTY, KENTUCKY

By: \_\_\_\_\_  
Superintendent

CITY OF WARSAW, KENTUCKY

By:  \_\_\_\_\_  
Mayor

THE COMMONWEALTH OF KENTUCKY, by  
and through its Department of Revenue

By: \_\_\_\_\_

Title: \_\_\_\_\_

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