

**Counties of Warren and Washington Industrial Development Agency**

Resolution No. 20-26  
Adopted December 21, 2020

Introduced by Mr. Craig Leggett  
who moved its adoption.

Seconded by Mr. Michael Bittel

**RESOLUTION TAKING PRELIMINARY ACTION TOWARD UNDERTAKING A CERTAIN PROJECT, AS DEFINED HEREIN, APPOINTING KDBF VENTURES LLC (THE “COMPANY”), AS AGENT OF THE AGENCY FOR THE PURPOSE OF CONSTRUCTING AND EQUIPPING THE PROJECT FACILITY (AS DEFINED HEREIN) AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN AGENT AGREEMENT AND CLOSING DOCUMENTS BY AND BETWEEN THE AGENCY AND THE COMPANY**

WHEREAS, the Counties of Warren and Washington Industrial Development Agency (the “Agency”) is a body corporate and politic duly organized and existing under Sections 856 and 890-c of the General Municipal Law (“GML”) of the State of New York (the “State”), with its principal place of business at 5 Warren Street, Glens Falls, New York; and

WHEREAS, KDBF Ventures LLC, a limited liability company established pursuant to the laws of the State of New York, having an address of 29 Old Aspetong Road, Katonah, New York 10536 (the “Company”) has requested that the Agency provide financial assistance in the form of a payment in lieu of taxes, a mortgage recording tax exemption and sales tax abatements regarding a project (the “Project”) to consist of: (i) the acquisition by the Agency of a leasehold interest in certain real property located at 6030 State Route 9 in the Town of Chester, County of Warren, New York (the “Land”); (ii) the planning, design, expansion, renovation, operation and maintenance by the Company of an approximately 18,000+/- square foot facility which will be used by the Company for the manufacture of medical cannabis and an approximately 42,000 +/- square foot greenhouse facility for use by the Company (collectively, the “Improvements”); (iii) the acquisition of and installation in and around the Land and Improvements by the Company of machinery, equipment, fixtures and other items of tangible personal property (the “Equipment” and, collectively with, the Land and the Improvements, the “Facility”); and (iv) entering into a straight lease transaction (within the meaning of subdivision (15) of Section 854 of the Act), pursuant to which the Agency will retain a leasehold interest in the Facility for a period of time and sublease such interest in the Facility back to the Company (the “Straight Lease Transaction”), all pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York, Chapter 862 of the Laws of 1971 of the State of New York (collectively, the “Act”), as amended; and

WHEREAS, under Article 18-A of the General Municipal Law (the “Act”), the Legislature of the State of New York has granted the Agency the power and authority to undertake the Project, as the Act authorizes the Agency to promote, develop, encourage and assists projects such as this

Project and to advance job opportunities, health general prosperity and economic welfare of the people of the State of New York; and

WHEREAS, the Project will require the Agency and the Company to enter into an agreement whereby the Company will acquire, by lease, and construct the Project Facility and the Agency will lease the Project Facility to the Company; and

WHEREAS, the Company has agreed to indemnify the Agency against certain losses, claims, expenses, damages and liabilities which may arise in connection with the transactions contemplated by the lease of the Facility; and

WHEREAS, a lease agreement (the “Lease Agreement”) with respect to the Project, along with certain financing documents, will be executed by and between the Company and the Agency; and

WHEREAS, the Agency is a state agency under Section 8-0105 of the Environmental Conservation Law of the State of New York and the Project is an action under Article 8 of said law (Article 8 hereinafter being referred to as the “State Environmental Quality Review Act” or “SEQRA”) and under 6 NYCRR Part 617, §§ 617.2(b) and 617.3(g); and

WHEREAS, the Company has submitted to the Agency, and the Agency has reviewed information needed to determine whether or not the Project will have a significant impact on the environment; and

WHEREAS, the acquisition, construction and installation of the Project Facility has not been commenced, and the Agency has not yet authorized the Project; and

WHEREAS, the Agency conducted a public hearing on December 3, 2020 pursuant to Article 18-A of the New York State General Municipal Law (the “Law”) before taking official action relating to the Project.

NOW, THEREFORE, BE IT RESOLVED:

SECTION 1. Findings. The Agency has reviewed the application to determine compliance with the requirements of the Act and based on the representations of the Company to the Agency in said application and elsewhere, the Agency hereby makes the following findings and determinations with respect to the Project:

(A) The Agency has been vested with all powers necessary and convenient to carry out and effectuate the purposes of the Act and to exercise all powers granted to it under the Act;

(B) The Project constitutes a “project”, as that quoted term is defined in the Act;

(C) The acquisition, construction and installation of the Facility and the lease of the Facility to the Company (i) will promote and maintain the job opportunities, health, general

prosperity and economic welfare of the citizens of the State of New York and the Counties of Warren and Washington and improve their standard of living; and (ii) will not result in the removal of an industrial or manufacturing plant of the Company from one area of the State to another area of the State nor will the completion of the Project result in the abandonment of one or more plants or facilities of the Company or any other proposed occupant of the Facility located within the State of New York;

(D) It is in the public interest for the Agency to undertake the Project on behalf of the Company;

(E) The location of the site of the Project is acceptable to the Agency;

(F) The Facility is not known by the Agency to be in material violation of the local zoning laws and planning regulations of the Town of Chester and all regional and local land use plans for the area in which the Facility shall be located;

(G) The Facility and the operations of the Company are not known by the Agency to cause or result in the violation of the health, labor, environmental or other laws of the United States of America, the State of New York, the County of Warren or the Town of Chester;

(H) The Project is an “Unlisted Action” under SEQRA for which the Town of Chester Planning Board (the “Planning Board”) has acted as lead agency. On or about May 20, 2019, the Planning Board reviewed the Project Site Plan Application submitted on behalf of the Company and approved said Site Plans, and issued its Negative Declaration finding that the Project will not have a significant impact on the environment; and (ii) the Agency has thoroughly reviewed the environmental assessment form, negative declaration and related supporting information presented to the Agency within the Company’s Application for Assistance in order to determine whether the Project might have any potential significant adverse impacts upon the environment. After conducting this review, the Agency has determined that the acquisition, construction and equipping of the Project Facility are consistent with social, economic and other essential considerations and will not result in any significant adverse impacts on the environment. The Agency hereby ratifies the findings and Negative Declaration of the Town of Chester Planning Board. In doing so, the Agency satisfies the requirements of Part 617 of Title 6 of the New York Code of Rules and Regulations and no further SEQRA review is required for the Project; and

(I) The Agency further determines that the Project will consist of a private investment of \$7,000,000.00 and the Agency hereby determines this to be a Material Term, as defined in the Agency’s Recapture of Benefits Policy, as amended from time to time, for the purposes of monitoring in accordance with the policies and procedures of the Agency; and

(J) Undertaking the Project will lead to the retention of twenty three (23) and the creation of eighteen (18) full time equivalent job opportunities for the inhabitants of the Counties of Warren and Washington and in the State of New York, the Agency hereby determines this to be a Material Term, as defined in the Agency’s Recapture of Benefits Policy, as amended from time to time, in its determination to approve the Project and will require the Company to annually

report its job numbers as required by law.

SECTION 2. Determinations. The Agency hereby determines to:

(A) enter into, execute and deliver the a lease agreement from the Company to the Agency and the Lease Agreement with the Company for the Project Facility subject to the approval of said documents by the Chairman and counsel to the Agency; and

(B) execute and deliver all other certificates and documents subject to the review and approval of said documents by the Chairman and counsel to the Agency.

The Company shall complete the Project by December 31, 2021 (the "Completion Date"). Unless an extension is granted by the Agency, the failure of the Company to complete the Project by the Completion Date shall be considered a "significant change in the use of the facility" as set forth in the Agency's Recapture of Benefits Policy, as amended from time to time.

SECTION 3. Company Appointed Agent of Agency.

(A) The Company is hereby appointed the true and lawful agents of the Agency to:

- (1) construct and install the Project Facility;
- (2) make, execute, acknowledge, and deliver all contracts, orders, receipts, instructions, and writings needed to complete the Project; and
- (3) do all other things requisite and proper for the completion of the Project.

(B) The Company is authorized to proceed with the acquisition, construction and installation of the Project Facility, subject to receiving appropriate municipal approvals needed prior to commencement of construction, and to advance such funds as may be necessary to accomplish these goals.

(C) The Company is also authorized to appoint third party agents to undertake the Project and thereby make available to such third-party agents an exemption from New York State sales and use taxes in connection with undertaking the Project. This provision is subject to the Company entering into an Agent Agreement with the Agency.

(D) The Agency hereby authorizes exemptions from State and local sales and use taxes for purchases and rentals related to the undertaking of the Project in an amount not to exceed Seven Thousand Dollars (\$7,000.00), based on eligible Project costs of One Hundred Thousand Dollars (\$100,000.00); which exemption shall expire December 31, 2021.

(E) The Agency hereby approves of the Agent Agreement, a copy of which is incorporated herein by reference, with the Company which shall be subject to the termination and recapture of benefits policy of the Agency. The Agency further authorizes the execution and delivery of the Agent Agreement and any additional documents relative

thereto.

(F) The Agency hereby acknowledges and approves a mortgage tax exemption relating to the Project in an estimated amount of \$62,500.00, based on an estimated mortgage amount of \$5,000,000.00.

**SECTION 4. Payment in Lieu of Tax (PILOT) Agreement.** The Agency's approval is subject to the Company entering into a PILOT Agreement with the Agency whereby the Company agrees to make payments in lieu of taxes in any given year as if the Company were the owner of the Project and not the Agency. The Agency's approval is also subject to the Company agreeing to the terms of the Agency's Recapture of Benefits Policy. The following PILOT schedule is consistent with the Agency's uniform policy is approved as follows:

<b>Tax Roll Year</b>	<b>Town/County</b>	<b>School</b>
2021	Tax Bill	PILOT (\$1,378,000 Base)
2022	PILOT (\$1,135,920 Base)	PILOT (\$1,378,000 Base) + 0% Imp.
2023	PILOT (\$1,196,440 Base) + 0% Imp	PILOT (\$1,378,000 Base) + 0% Imp.
2024	PILOT (\$1,256,960 Base)+ 0% Imp.	PILOT (\$1,378,000 Base) + 0% Imp.
2025	PILOT (\$1,317,480 Base)+ 0% Imp.	PILOT (\$1,378,000 Base) + 0% Imp.
2026	PILOT (\$1,378,000 Base)+ 0% Imp.	PILOT (\$1,378,000 Base) + 0% Imp.
2027	PILOT (\$1,378,000 Base)+ 0% Imp.	PILOT (\$1,378,000 Base) + 50% Imp.
2027	PILOT (\$1,378,000 Base)+ 50% Imp.	PILOT (\$1,378,000 Base) + 50% Imp.
2028	PILOT (\$1,378,000 Base)+ 50% Imp.	PILOT (\$1,378,000 Base) + 50% Imp.
2029	PILOT (\$1,378,000 Base)+ 50% Imp.	PILOT (\$1,378,000 Base) + 50% Imp.
2030	PILOT (\$1,378,000 Base)+ 50% Imp.	PILOT (\$1,378,000 Base) + 50% Imp.
2031	PILOT (\$1,378,000 Base)+ 50% Imp.	Property returned to tax rolls

At all times, including during the term of the PILOT Agreement, the Company shall be responsible for the full payment of water and sewer assessments, as may be applicable and any other special district assessments.

The estimated real property tax benefit during the term of the PILOT Agreement is Four Hundred Fifty Eight Thousand Thirty Dollars (\$458,030.00).

As required by the Agency's Uniform Tax Exemption Policy, due to the structure of the base value, the PILOT Agreement as contemplated herein was approved by the Town Board of the Town of Chester on December 8, 2020.

The substance and form of the Agreement for Payments in Lieu of Taxes is hereby approved, subject to approval as to content by the Chairman and the Agency's counsel.

SECTION 5. Administrative and Legal Fees. The Company will pay all costs incurred by the Agency, including but not limited to attorney's fees, which arise out of Company's Application for Financial Assistance, whether or not such assistance is ultimately issued. Agency's attorney's fees will be calculated at a time rate of \$275.00 per hour for attorney's time and \$105.00 per hour for senior legal assistant's time, plus disbursements. Upon closing of all of the Project documents, the Company will pay to the Agency an administrative fee (the "Administrative Fee") of \$52,500.00 based upon an estimated Project cost of \$7,000,000.00 pursuant to the schedule set forth below and contained within the Company's Application for Financial Assistance:

First \$10 Million of Project Costs:	¾ of 1%
Next \$10 Million of Project Costs:	½ of 1%
Next \$10 Million of Project Costs:	¼ of 1 %
Above \$30 Million of Project Costs:	1/8 of 1%.

Following the completion of the Project Facility, the Company shall confirm, in writing, the actual Project cost. In the event that the total Project cost exceeds the estimate provided herein, the Agency may require the payment of the difference that would otherwise be due pursuant to the above-schedule.

SECTION 6. Insurance. The Company shall deliver to the Agency a certificate of insurance, complying with the requirements as required by the Agency, and indicating that:

(a) The Company maintains insurance with respect to the Facility providing the coverage against the risks and for such amounts as are customarily insured against by businesses of like size and type, paying, as the same become due and payable, all premiums with respect thereto, and mandated by the Agency, including, but not necessarily limited to the following:

(i) Insurance protecting the interests of the Company and the Agency against loss or damage to the Project Facility by fire, lightning and other casualties normally insured against with a uniform standard extended coverage endorsement, such insurance at all times to be in an amount not less than the total cash replacement value of the Project Facility, as determined by a recognized appraiser or insurer selected by the Company; provided, however, that the Company may, insure all or a portion of the Project Facility under a blanket insurance policy or policies covering not only the Project Facility or portions thereof but other property. The parties agree that for purposes of this Project the Company will be responsible for providing builders risk insurance.

(ii) Workers' compensation insurance, disability benefits insurance, and each other form of insurance which the Company is required by law to

provide, covering loss resulting from injury, sickness, disability or death of employees of the Company who are located at or assigned to the Project Facility and for all contractors and subcontracts.

(iii) Insurance protecting the Company and the Agency against loss or losses from liabilities imposed by law or assumed in any written contract and arising from personal injury and death or damage to the Property of others caused by any accident or occurrence, with a single combined limit of not less than \$2,000,000.00 per accident or occurrence on account of personal injury, including death resulting therefrom, and damage to the Property of others, excluding liability imposed upon the Company by any applicable workers' compensation law; and a blanket excess liability policy in the amount not less than \$5,000,000.00 protecting the Company and the Agency against any loss or liability or damage for personal injury, death or Property damage.

(iv) If applicable and if it is determined that the Project Facility is located within an area identified by the Secretary of Housing and Urban Development as having special flood hazards, insurance against loss by floods in an amount not less than \$1,000,000.00 or to the maximum limit of coverage made available, whichever is less.

(v) Other insurance coverage required by any Governmental Authority in connection with any Requirement.

(b) all policies evidencing such insurance,

(i) name the Company and the Agency as insureds, as their interests may appear, and

(ii) provide for at least thirty (30) days' written notice to the Agency prior to cancellation, lapse, reduction in policy limits or material change in coverage thereof.

**SECTION 7. Approval of Closing Documents.** The substance and form of the Underlying Lease, the Lease Agreement, Project Agreement, Agent Agreement, Environmental Compliance and Indemnification Agreement and accompanying NYS forms, and all other certificates or documents to be delivered or executed and delivered by the Agency (hereinafter collectively referred to as the "Closing Documents") are hereby approved, subject to approval as to content by the Chairman and the Agency's counsel.

**SECTION 8. Approval of Company's Financing Documents.** The Chairman or the Vice Chairman of the Agency are hereby authorized, on behalf of the Agency, to execute and deliver any mortgage, assignment of leases and rents, security agreement, UCC-1 Financing Statements and all documents reasonably contemplated by these resolutions or required by any lender identified by the Company in an estimated principal amount of \$5,000,000.00 to undertake the

Project, acquire the Facility and/or finance equipment and other personal property and related transactional costs. The Agency hereby approves of a mortgage tax exemption in connection with the mortgage, assignment of leases and rents, and/or security agreement set forth in this Section.

SECTION 9. Approval of Sublease. It is the intention of the Company to sublease the Project Facility to Etain, LLC, a limited liability company organized pursuant to the laws of the State of New York. The Agency hereby approves and consents to the sublease from the Company to Etain, LLC, subject to Etain, LLC agreeing to certain terms of the Closing Documents.

SECTION 10. Authorized Representatives. (A) The Chairman or the Vice Chairman is hereby authorized to execute and deliver any and all documents necessitated by this Resolution. If required, the signature of the Chairman or Vice Chairman shall be attested by the Secretary or Treasurer of the Agency (or Agency Counsel, in the absence of a Secretary/Treasurer) who, if required, shall affix a facsimile of the Agency's seal to documents required to be under seal. (B) On the advice of Counsel to the Agency, the Chairman or Vice Chairman shall make such reasonable changes to the documents as shall be required to promote and protect the Agency's interests with respect to the Project. All such changes shall be made prior to the closing.

SECTION 11. Public Inspection. A copy of this resolution and a copy of the Company's Application for Assistance, together with all other application materials not protected under applicable Freedom of Information Laws, shall be placed on file in the office of the Agency. Such documents shall be available for public inspection during normal business hours.

SECTION 12. Document Preparation. Counsel to the Agency is hereby authorized and directed to cooperate with counsel to the Company, as well as all other necessary parties in order to prepare the documents need to undertake the Project and to effectuate the provisions of this Resolution.

SECTION 13. Distribution of Resolution. The Chairman of the Agency is hereby authorized to distribute copies of this resolution to the Company and all other persons requesting it.

SECTION 14. Public Hearing. A public hearing for this Project was duly authorized and held on December 3, 2020 in accordance with the provisions of Article 18-A of the General Municipal Law.

SECTION 15. Further Action. The Chairman of the Agency is authorized to take such further action as shall be necessary to give effect to and implement this resolution.

SECTION 16. Effective Date. This resolution shall take effect immediately.

The question of the adoption of the foregoing resolution was duly put to a vote by roll call and was thereupon declared duly adopted.

{Acknowledgement to Follow}



