

AGREEMENT FOR PAYMENTS IN LIEU OF TAXES

AGREEMENT FOR PAYMENTS IN LIEU OF TAXES (the "PILOT Agreement"), dated as of April 23, 2014 by and between the COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York having its principal place of business at 5 Warren Street, Glens Falls, New York 12801 (the "Agency") and **THE PATTI COMPANY, LLC**, a limited liability company organized and existing under the laws of the State of New York, with its principal place of business at 53 Carey Road, Queensbury, New York 12804 (the "Company").

RECITALS

WHEREAS, by Title 1 of Article 18-A of the General Municipal Law of the State of New York (the "State"), as amended, and Section 890-c of the General Municipal Law of the State (collectively, the "Act"), the Agency was created and granted the authority to enter into agreements for the purpose of acquiring, constructing and equipping certain commercial facilities; and

WHEREAS, to advance the public purposes for which it was created, the Agency, upon application of the Company, has agreed to undertake an additional project (the "Project") consisting of (i) the construction of a 30,300 ± square foot addition to its existing facility located at 53 Carey Road, Town of Queensbury, New York (the "Facility Addition"); (ii) the acquisition of and installation therein of certain equipment comprising fixtures (the "Equipment" and together with the Facility Addition, the "Project Facility") to be used in connection with the contemplated uses, and (iii) the leasing of the Project Facility to the Company, all pursuant to the Act; and

WHEREAS, the Agency has agreed to sell and the Company has agreed to buy the Project Facility pursuant to a certain lease agreement dated as of December 28, 1999 (the "Lease Agreement"), which shall be modified and extended to cover the 10-year abatement period of this PILOT Agreement; and

WHEREAS, the Agency will hold title to the Land and all improvements thereon until such time as it may convey title to the Project Facility pursuant to the Lease Agreement; and

WHEREAS, under Section 412-a of the Real Property Tax Law and Section 874 of the General Municipal Law, the Agency is exempt from the payment of taxes and assessments on any real property acquired by it or taken under its jurisdiction, supervision or control; and

WHEREAS, Section 6.3 of the Lease Agreement provides that the Company will make certain payments in lieu of city, county, school district and other governmental taxes and charges; and

WHEREAS, in accordance with Section 874(4)(a) of the New York State General Municipal Law, the Agency has established a uniform tax exemption policy (the "Uniform Tax Exemption Policy").

COPY

NOW, THEREFORE, in partial consideration of the Agency undertaking the Project, the Company and Agency agree as follows:

AGREEMENT

SECTION 1. Definitions. Unless the context or use unambiguously indicates otherwise, all capitalized terms used herein shall have the meanings given to them in the Lease Agreement.

SECTION 2. Description of Property. This PILOT Agreement shall apply to the Land, as more particularly described within Schedule A hereto. Said Land, as of the date of this PILOT Agreement, is further identified on the Town of Queensbury Tax Map as #308.20-1-2 (formerly identified as old Tax Map #s: 137-2-1.12 and 137-2-1.22.).

SECTION 3. Company Obligations.

(A) Throughout the period title to the Land and the improvements is in the Agency, the Company shall pay to the Agency, in accordance with the terms of this agreement, certain taxes, assessments, rents and other governmental charges levied upon or against the Land and the improvements thereon (the "PILOT Payments"). In determining the amount of any PILOT Payment, such payment shall be calculated (1) as if title to the Land is in the Company and not the Agency, (2) the improvements contemplated by the Plans and Specifications are completed on or before Completion Date and (3) in accordance with the PILOT Payment Schedule as set forth in Schedule B hereto. Payments hereunder shall be made at such times and in such amounts as would be due were title to the Land and the improvements in the Company and not the Agency.

(B) In addition to the payments set forth in subparagraph (A) above, the Company shall be responsible for the payment to the Agency of all assessments, water/sewer rents and other governmental charges not included in Schedule B that would be levied upon or against the Land and the improvements thereon were title to them in the Company and not the Agency.

(C) If title to the Project Facility remains in the Agency beyond the term allowed herein, the Company shall pay to the Agency all taxes that would have been levied on or against the Facility were title to it in the Company and not the Agency. Payments hereunder shall be made at such times and in such amounts as would be due were title to the Facility in the Company and not the Agency.

(D) If any payments under paragraph (A) and (B) of this Section 3 are untimely, such payments shall be subject to late charges, costs, expenses and penalties in accordance with Section 874(5) and Section 874(6) of the General Municipal Law, as amended.

SECTION 4. Sales Tax Exemption. The initial construction and equipping of the Project Facility shall be exempt from sales tax. The initial sales tax exemption period for the Project Facility shall expire at the earlier of (i) April 1, 2015, (ii) the completion of the Project Facility, or (iii) the termination or suspension of the Letter of Authorization for Sales Tax Exemption,

subject to extension by approval of the Agency. No sales tax exemption shall be granted to the Company for the operations of the Project Facility.

SECTION 5. Mortgage Tax Exemption. All mortgages for Project Facility Costs placed against the Project Facility shall be exempt from the payment of mortgage recording tax, as would otherwise be charged pursuant to the Tax Law, as amended. If a mortgage amount exceeds Project Facility Costs, the amount of the mortgage in excess of Project Facility Costs are not exempt from mortgage recording tax.

SECTION 6. Recapture of Benefits. All benefits derived hereunder shall be subject to the Uniform Recapture of Benefits Policy of the Agency as set forth on Schedule C hereto.

SECTION 7. Distribution of Payments. The Agency shall distribute each payment hereunder among the tax districts within which the Facility is located in accordance with '858(15) of the General Municipal Law, as amended.

SECTION 8. Event of Default. Failure of the Company to make any payment required hereunder, such a failure continuing for 30 days, shall constitute an Event of Default under the Lease Agreement.

SECTION 9. Term of Agreement. The term of the PILOT Agreement shall be from the date hereof, to the date title to the Land, upon which the addition is located, is conveyed to the Company (or any other Person) by the Agency pursuant to the provisions of the Lease Agreement. Ownership of the Land and improvements is in the name of the Agency. The Company shall be liable for all real property taxes levied on, or which could be levied on, the improvements based on the assessment roll in effect on the date of this PILOT Agreement. The Company shall be liable for all real property taxes levied on, or which could be levied on, the Land and improvements from the date of conveyance from the Agency to the Company pursuant to the provisions of Section 520 of the Tax Law of the State of New York.

SECTION 10. Grievance Procedure.

(A) The Agency hereby assigns to the Company all of the Agency's rights under the Real Property Tax Law to contest any assessment on or real property tax levied against the Land and the Facility. Should the Company commence any real property assessment review proceeding under this Section 10, the Company shall have the right to prosecute such action or administrative adjudication in the name of the Agency. If the Company shall prevail in such proceeding, the Agency shall pass through to the Company any refunds of payments in lieu of taxes the Agency receives from the taxing jurisdictions based upon the final order or judgment of the court or Governmental Authority reviewing the assessment or tax.

(B) The rights assigned in paragraph (A) of this Section 10 are subject to those rights and obligations created by the Lease Agreement.

SECTION 11. Assignment of Company Obligations. The obligations of the Company under the PILOT Agreement may not be assigned in whole or in part to any other Person without the prior written consent of the Agency.

SECTION 12. Merger of Agency.

(A) Nothing contained in the PILOT Agreement shall prevent the consolidation of the Agency with, or merger of the Agency into or assignment by the Agency of its rights and interests hereunder to any other body corporate and politic and public instrumentality of the State or political subdivision thereof which has the legal authority to perform the obligations of the Agency hereunder, provided that upon any such consolidation, merger or assignment, the due and punctual performance and observance of all the agreements and conditions of the PILOT Agreement and the Lease Agreement to be kept and performed by the Agency shall be expressly assumed in writing by the public instrumentality or political subdivision resulting from such consolidation or surviving such merger or to which the Agency's rights and interests hereunder shall be assigned.

(B) As of the date of any such consolidation, merger or assignment, the Agency shall give notice thereof in reasonable detail to the Company. Pursuant to Section 9.2 of the Lease Agreement, the Agency shall promptly furnish to the Company such additional information with respect to any such consolidation, merger or assignment as the Company reasonably may request.

SECTION 13. Uniform Tax Exemption Policy. This PILOT Agreement and its provisions are in compliance with the Agency's Uniform Tax Exemption Policy.

SECTION 14 Empire Zone Eligible Real Property Taxes. The Land is located within the Warren County Empire Zone pursuant to Article 18-B of the General Municipal Law and the Company has been certified as a Qualified Empire Zone Enterprise ("QEZE") as QEZE No.72-0063-2873. The payments required pursuant to this agreement are intended to qualify as "eligible real property taxes", as defined within Tax Law Section 15(e), as added by Chapter 85 of the Laws of 2002 of the State.

SECTION 15. Counterparts. This PILOT Agreement may be executed in several counterparts each of which shall be an original and all of which shall constitute but one instrument.

SECTION 16. Applicable Law. This PILOT Agreement shall be governed exclusively by the applicable laws of the State.

SECTION 17. Section Headings. The section headings of this PILOT Agreement have been prepared for convenience only and shall not affect the meaning of any provision of this PILOT Agreement.

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SIGNATURE PAGE FOLLOWS]

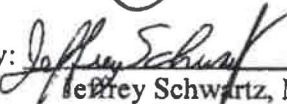
IN WITNESS WHEREOF, the Agency and the Company have caused this PILOT Agreement to be executed and sealed by their Authorized Representatives as of the date first above written.

COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

[SEAL]

By: 
Harold G. Taylor, Chairman

THE PATTI COMPANY, LLC

By: 
Jeffrey Schwartz, Member

ACKNOWLEDGMENTS

STATE OF NEW YORK)
) ss.:
COUNTY OF WARREN)

On the 22 day of April in the year 2014, before me, the undersigned, personally appeared **Harold G. Taylor**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

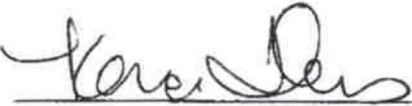


Notary Public

KARA I. LAIS
Notary Public, State of New York
Saratoga Co. #02LA6105701
Commission Expires Feb. 17, 20 16

STATE OF NEW YORK)
) ss.:
COUNTY OF WARREN)

On the 30 day of April in the year 2014, before me, the undersigned, personally appeared **Jeffrey Schwartz**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



Notary Public

KARA I. LAIS
Notary Public, State of New York
Saratoga Co. #02LA6105701
Commission Expires Feb. 17, 20 16

SCHEDULE A

DESCRIPTION OF THE LAND

ALL THAT CERTAIN lot, piece or parcel of land, situate in the Town of Queensbury, County of Warren and State of New York, shown on a map entitled Northern Distributing Subdivision, Town of Queensbury, Phase 1, made by Rist-Frost Associates, P.C., dated October 28, 1987, filed in the Office of the County Clerk of the County of Warren on October 3, 1989 in the Oversized Map Cabinet as Map E-5, as Lot Number 4.

ALSO ALL THAT CERTAIN lot, piece or parcel of land, situate in the Town of Queensbury, County of Warren and State of New York, shown on a map entitled Northern Distributing Subdivision, Town of Queensbury, Phase 2, made by Rist-Frost Associates, P.C. dated February, 1989, filed in the Office of the County Clerk of the County of Warren on October 3, 1989 in the Oversized Map Cabinet as Map E-3, as Lot Number 13.

SCHEDULE B

PILOT PAYMENT SCHEDULE

The abatements shall consist of a ten-year abatement on the increase in assessed value due to the Facility Addition (a 30,300 +/- square foot addition to existing Company facilities) to be applied as follows:

<u>Tax Year</u>		<u>Abatement Schedule</u>
<u>School</u>	<u>Town/County</u>	
2015/16	2016	100% abatement on the Facility Addition
7 2016/17	2017	100% abatement on the Facility Addition
2017/18	2018	100% abatement on the Facility Addition
2018/99	2019	100% abatement on the Facility Addition
2019/20	2020	100% abatement on the Facility Addition
2020/21	2021	50% abatement on the Facility Addition
2021/22	2022	50% abatement on the Facility Addition
2022/23	2023	50% abatement on the Facility Addition
2023/24	2024	50% abatement on the Facility Addition
2024/25	2025	50% abatement on the Facility Addition
2025/26 & on	2026 & on	0% abatement on the Facility Addition

*Superseded
see next page*

Revised

Per Board approval
Feb. 17, 2015

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PILOT PAYMENT SCHEDULE

The abatements shall consist of a ten-year abatement on the increase in assessed value due to the Facility Addition (a 30,300 +/- square foot addition to existing Company facilities) to be applied as follows:

<u>Tax Year</u>		<u>Abatement Schedule</u>
<u>School</u>	<u>Town/County</u>	
2016/17	2017	100% abatement on the Facility Addition
2018/17	2018	100% abatement on the Facility Addition
2018/19	2019	100% abatement on the Facility Addition
2019/20	2020	100% abatement on the Facility Addition
2020/21	2021	100% abatement on the Facility Addition
2021/22	2022	50% abatement on the Facility Addition
2022/23	2023	50% abatement on the Facility Addition
2023/24	2024	50% abatement on the Facility Addition
2024/25	2025	50% abatement on the Facility Addition
2025/26	2026	50% abatement on the Facility Addition
2026/27 & on	2027 & on	0% abatement on the Facility Addition

SCHEDULE C

Counties of Warren and Washington Industrial Development Agency

UNIFORM RECAPTURE OF BENEFITS POLICY

A. For companies receiving real property tax abatements the recapture of benefits schedule (applicable to the real property tax abatements) is as follows:

Within 1 year	100%
Within 2 years	100%
Within 3 years	100%
Within 4 years	50%
Within 5 years	25%
After 5 years	0%

The time period above is from the effective date of the PILOT Agreement. Imposition of any recapture is at the sole discretion of the Agency and is reviewed/considered on a case by case basis. Reasons for the recapture of benefits include the following:

1. Sale or closure of the facility and departure of the company from the counties of Warren and Washington.
2. Significant change in the use of the facility and/or the business activities of the company.
3. Significant employment reductions not reflective of the company's (normal) business cycle and/or local and national economic conditions.
4. Failure to comply with annual reporting requirements.
5. Failure to achieve the minimum number of net new jobs specified in the application within 3 years. (Jobs of thirty (30) or more hours per week will be considered as one full time job. Part time permanent jobs of less than thirty (30) hours per week will be converted to full time equivalent jobs by dividing the total number of part time hours by 30.)

B. In addition to the above reasons for recapture, the Agency shall recover, recapture, receive or otherwise obtain from the Company, or its subagents, sales tax benefits that were taken or purported to be taken which are:

1. In excess of the amounts authorized; or
2. For property or services not authorized; or
3. For a project that failed to comply with a material term or condition to use property or services in the manner required by any and all provisions of the agreements that the Company has entered into with the Agency.

For purposes of this Recapture of Benefits Policy, the Company and its subagents shall cooperate with the Agency in its efforts to recover, recapture, receive or otherwise obtain such State sales and use benefit exemptions and shall promptly pay over such amount to the Agency that it requests. The failure to pay over such amounts to the Agency shall be grounds for the Commissioner of Taxation and Finance to assess and determine State sales and use taxes due from the Company under Article 28 of the New York State Tax Law, together with any penalties and interest due on such amounts.

In the event that the Agency recovers, recaptures, receives or otherwise obtains any amount of State sales and use tax exemption benefits from the Company or its agents, the Agency shall, within thirty (30) days of coming into possession of such amount, remit it to the Commissioner of Taxation and Finance, together with such other information and report that the Commissioner deems necessary to administer payment over such amount.

NOTE: The Agency, at its discretion, reserves the right to deviate from its Recapture of Benefits Policy, and to impose more severe penalties and restrictions.