

PAYMENT IN LIEU OF TAX AGREEMENT

THIS PAYMENT IN LIEU OF TAXATION AGREEMENT, made as of the 1st day of August, 1999, by and between the COUNTY OF SULLIVAN INDUSTRIAL DEVELOPMENT AGENCY, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, having its principal offices at 198 Bridgeville Road, Monticello, New York 12701 ("Agency") and NORMAN KAUFMAN residing at 18 Thomas Street, Monticello, New York 12701 and STEVEN L. KAUFMAN 7 Dora Lane, Monticello, New York 12701 (collectively referred to as "Kaufman").

RECITALS

WHEREAS, Title 1 of Article 18-A of the General Municipal Law of the State of New York ("Enabling Act") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York ("State"); and

WHEREAS, the Enabling Act authorizes the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and sell land and any building or other improvement, and all real and personal properties, including, but not limited to, machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, commercial or industrial facilities, in order to advance job opportunities, health, general prosperity and the economic welfare of the people of the State and to improve their standard of living; and

WHEREAS, the Enabling Act further authorizes each such agency to lease any or all of its facilities at such rentals and on such other terms and conditions as it deems advisable; and

WHEREAS, pursuant to and in connection with the provisions of the Enabling Act, Chapter 560 of the Laws of 1970 of the State (collectively referred to as the "Act") created the Agency which is empowered under the Act to undertake the providing, financing and leasing of the facility described below; and

WHEREAS, Kaufman has presented an application ("Application") to the Agency, a copy of which is on file at the office of the Agency, requesting that the Agency consider undertaking a project ("Project") consisting of (i) the construction on a parcel of real estate located at 30 North Street, Monticello, Sullivan County, New York 12701 (identified on the tax map of the Town of Thompson as Section 111, Block 4, Lots 26 & 27), ("Land") of a 2 story expansion to an existing building which shall consist of approximately 3,275 square feet in the aggregate (1,215 square feet to be used for commercial storage and 2,060 square feet to be used for office space) and related facilities thereto ("Building") to be owned by the Agency; (ii) the acquisition and installation thereon and therein of certain furniture, fixtures, machinery and equipment ("Equipment"); (iii) the

construction of improvements to the Land, the Building, the Equipment and other improvements therein (collectively referred to as the "Facility"); and (iv) the lease of the Facility from the Agency to Kaufman; and

WHEREAS, in order to induce Kaufman to develop the Facility, the Agency is willing to take title to the land, improvements and personal property constituting the Facility and lease said land, improvements and personal property back to Kaufman pursuant to the terms and conditions of a certain Lease Agreement; and

WHEREAS, the Agency and Kaufman deem it necessary and proper to execute and deliver to the Agency a Payment in Lieu of Tax Agreement ("PILOT Agreement") making provision for payments in lieu of taxes by Kaufman for the benefit of the County of Sullivan ("County"), and certain municipalities and taxing jurisdictions located therein (collectively referred to as the "Taxing Jurisdictions"); and

WHEREAS, all agreements of the Agency and Kaufman relating to payments in lieu of taxes shall be governed by this PILOT Agreement; and

NOW THEREFORE, in consideration of the foregoing recitals and the mutual terms, conditions, limitations and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is mutually agreed as follows:

1. Agreement to make payments in lieu of taxes. As long as the Facility is owned by the Agency, Kaufman agrees to pay annually to the Agency at 198 Bridgeville Road, Monticello, NY 12701, or at such other address as shall be designated from time to time by the Agency, annual payments in lieu of taxes ("PILOT payments") on or before the dates indicated below computed in accordance with this Agreement.
2. Computation of PILOT payments. PILOT payments shall be made in the amounts and in the manner contemplated by this ¶2 on account of the following premises located in the Town of Thompson ("Town"):

Section, Block & Lots

111-4-26 & 27

- a) Total Value Subject to PILOT. The total value subject to PILOT ("Total Value Subject to PILOT") shall be the following amounts for the following years:

Payment Date	Present Value	Improvement Value	Exemption Percentage	Exemption Amount	Improvement Value Net of Exemption	Total Value Subject to PILOT
February 15, 2001	\$115,100.	\$147,400.	50.00%	\$73,700.	\$73,700.	\$188,800.
February 15, 2002	\$115,100	\$147,400.	47.50%	\$70,015.	\$77,385.	\$192,485.
February 15, 2003	\$115,100	\$147,400.	45.00%	\$66,330.	\$77,385.	\$192,485.
February 15, 2004	\$115,100	\$147,400.	42.50%	\$62,645.	\$84,755.	\$199,855.
February 15, 2005	\$115,100	\$147,400.	40.00%	\$58,960.	\$58,440.	\$203,540.
February 15, 2006	\$115,100	\$147,400.	37.50%	\$55,275.	\$92,125.	\$207,250.
February 15, 2007	\$115,100	\$147,400.	35.00%	\$51,590.	\$95,810.	\$210,910.
February 15, 2008	\$115,100	\$147,400.	32.50%	\$47,905.	\$99,495.	\$214,595.
February 15, 2009	\$115,100	\$147,400.	30.00%	\$44,220.	\$103,180.	\$218,280.
February 15, 2010	\$115,100	\$147,400.	27.50%	\$40,535.	\$106,865.	\$221,965.
February 15, 2011	\$115,100	\$147,400.	25.00%	\$36,850.	\$110,550.	\$225,650.
February 15, 2012	\$115,100	\$147,400.	22.50%	\$31,165.	\$114,235.	\$229,335.
February 15, 2013	\$115,100	\$147,400.	20.00%	\$29,480.	\$117,920.	\$233,020.
February 15, 2014	\$115,100	\$147,400.	17.50%	\$25,795.	\$121,605.	\$236,705.
February 15, 2015	\$115,100	\$147,400.	15.00%	\$22,110.	\$125,290.	\$240,390.
February 15, 2016	\$115,100	\$147,400.	12.50%	\$18,425.	\$128,975.	\$244,075.
February 15, 2017	\$115,100	\$147,400.	10.00%	\$14,740.	\$132,660.	\$247,760.
February 15, 2018	\$115,100	\$147,400.	7.50%	\$11,055.	\$136,345.	\$251,445.
February 15, 2019	\$115,100	\$147,400.	5.00%	\$7,370.	\$140,030.	\$255,130.
February 15, 2020	\$115,100	\$147,400.	2.50%	\$3685.	\$143,715.	\$258,815.

(b) Calculation of Annual Payment in Lieu of Tax. The calculation of the annual PILOT payments shall be made as follows:

- (i) The Total Value Subject to PILOT shall be multiplied by the equalization rate as defined in ¶2c hereof; and
- (ii) The annual PILOT payment shall be determined by multiplying the amount derived in ¶2b(i) hereof by the tax rates identified in ¶2d hereof.

- (c) Equalization Rate. The equalization rate to be used in making the computation contemplated by ¶2b(i) hereof shall mean the equalization rate for the Town used by the County to allocate and levy County taxes in connection with the January 1st tax roll immediately preceding the due date of the PILOT payments. In the event that the equalization rate shall exceed one hundred (100%) percent, the equalization rate used in making the computation contemplated by ¶2b(i) shall be one hundred (100%) percent.
- (d) Tax Rates. For the purposes of determining the amount of the PILOT payments as contemplated by ¶2b(ii) hereof, the tax rates for each Taxing Jurisdiction shall mean the last tax rate used for levy of taxes by each such jurisdiction. For County and Town purposes, the tax rates used to determine the PILOT payment shall be the tax rates relating to the calendar year which includes the PILOT payment due date. For school district purposes, the tax rates used to determine the PILOT payment shall be the rate relating to the school tax year which began in the calendar year immediately preceding the year in which the PILOT payment is due. For Village tax purposes, the tax rates used to determine the PILOT payment shall be the rate relating to the Village tax year which began in the calendar year immediately preceding the year in which the PILOT payment is due. The chart which follows sets forth the years of the overall twenty (20) year period governed by this Agreement; the date that a PILOT payment is due; and the appropriate tax periods utilized in determining the tax rates for computing the PILOT payment:

Year	Payment Date	Village Fiscal Year Beginning	School Fiscal Year Beginning	County & Town
1	February 15, 2001	August 1, 2000	July 1, 2000	January 1, 2001
2	February 15, 2002	August 1, 2001	July 1, 2001	January 1, 2002
3	February 15, 2003	August 1, 2002	July 1, 2002	January 1, 2003
4	February 15, 2004	August 1, 2003	July 1, 2003	January 1, 2004
5	February 15, 2005	August 1, 2004	July 1, 2004	January 1, 2005
6	February 15, 2006	August 1, 2005	July 1, 2005	January 1, 2006
7	February 15, 2007	August 1, 2006	July 1, 2006	January 1, 2007
8	February 15, 2008	August 1, 2007	July 1, 2007	January 1, 2008
9	February 15, 2009	August 1, 2008	July 1, 2008	January 1, 2009
10	February 15, 2010	August 1, 2009	July 1, 2009	January 1, 2010
11	February 15, 2011	August 1, 2010	July 1, 2010	January 1, 2011

12	February 15, 2012	August 1, 2011	July 1, 2011	January 1, 2012
13	February 15, 2013	August 1, 2012	July 1, 2012	January 1, 2013
14	February 15, 2014	August 1, 2013	July 1, 2013	January 1, 2014
15	February 15, 2016	August 1, 2014	July 1, 2014	January 1, 2015
16	February 15, 2017	August 1, 2015	July 1, 2015	January 1, 2016
17	February 15, 2018	August 1, 2016	July 1, 2016	January 1, 2017
18	February 15, 2019	August 1, 2017	July 1, 2017	January 1, 2018
19	February 15, 2020	August 1, 2018	July 1, 2018	January 1, 2019
20	February 15, 2021	August 1, 2019	July 1, 2019	January 1, 2021

3. Other Agreements Relating to PILOT Payments. The Agency shall remit to the Taxing Jurisdictions amounts received hereunder within thirty (30) days of receipt and shall allocate the PILOT payments among the Taxing Jurisdictions in the same proportion as normal taxes would have been allocated but for the Agency's involvement.

The PILOT payments provided for herein shall commence as of February 15, 2001 which follows the first (1st) year of an approximately twenty (20) year period in which Kaufman is to receive tax benefits relative to the Facility. In no event shall Kaufman be entitled to receive tax benefits relative to the Facility for more than the period provided in this Agreement. Kaufman agrees that it will not seek any tax exemption for the Facility which could provide benefits for more than the periods provided for in this Agreement and specifically agrees that the exemptions provided for in this Agreement, to the extent actually received (based upon the number of years elapsed), supersede and are in substitution of the exemptions provided by §485-b of the Real Property Tax Law ("RPTL"). It is hereby agreed and understood that the Taxing Jurisdictions can rely upon and enforce this waiver to the same extent as if they were signatories hereto.

4. Determination of Total Value Subject to PILOT. The Agency and Kaufman have agreed upon the Total Value Subject to PILOT of the Facility. Such valuation was made without regard to the actual cost of construction of improvements to be made at the Facility. Such valuation shall not be increased or decreased if the Facility or any related work on or improvements are completed in substantial conformity with the plans and specifications. If there is a substantial change relating to the Facility or any related work or improvements during the construction phase, the Agency may redetermine the improvement value of the Facility. An increase in building size shall not be deemed to be a substantial change unless such increase or decrease is more than 375 square feet.

5. Valuation of Additions to the Facility. If there shall be an addition constructed to the Facility, or if there shall be any additional buildings or other structures constructed on the Land, Kaufman shall promptly notify the Agency of such addition ("Addition"). The notice to the Agency shall contain a copy of the application for a building permit, plans, specifications, and any other relevant information that the Agency may request. Upon the earlier of substantial completion, or the issuance of a Certificate of Occupancy, there shall be an increase in the PILOT payment. The Agency shall notify Kaufman of any proposed increase in the Total Value Subject to PILOT caused by such Addition. Absent an agreement to the contrary, the Total Value Subject to PILOT of any Addition shall be subject to calculation of PILOT payments in the manner established by ¶s 2 and 3 hereof. If Kaufman shall disagree with the Agency's determination of Total Value Subject to PILOT for any Addition, then and in that event that Total Value Subject to PILOT shall be the assessed value of the Addition determined by the Assessor for the Town.

6. Employment Obligations.

(a) Employment Goals.

(i) Employment Goal Definitions: For the purposes of this Agreement, the following terms shall have the meaning set forth in each definition:

(1) "Employee" shall mean a person first employed by Kaufman at the Facility on or after March 1, 1999.

(2) "Full-Time Equivalent Employee" or "FTE" shall mean an employee who works forty (40) hours in any seven (7) day period at the Facility and who earns a base compensation of at least \$250.00 during any such period.

(3) "Base Compensation" shall be determined in accordance with the provisions of the Fair Labor Standards Act.

(4) "At the Facility" shall mean that an FTE is employed primarily at the Facility.

(ii) FTE Employment Goals: Kaufman agrees that an FTE-employment goal of four (4) jobs shall be maintained for the calendar year 2000 and thereafter throughout the term of this Agreement.

Kaufman shall file with the Agency not later than February 1, 2001 and on February 1 of each year thereafter a statement certified under oath setting forth the actual FTE's employed at the Facility for the preceding calendar year. Such statement shall contain such additional information as the Agency may reasonably request. Kaufman shall make available to the Agency such

information as it may request to verify the information provided to the Agency including but not limited to State and Federal employment tax forms and payroll records of Kaufman. "Actual average FTE - employment" shall be determined by adding the actual FTEs employed in each month of the applicable calendar year and dividing such sum by twelve (12).

(iii) Computation of PILOT Payment if FTE Goals Not Attained: In the event the FTE goal is not attained with respect to the calendar year preceding any payment due date, the amount due ("Adjusted PILOT Payment") shall be the amount calculated in ¶s 2 and 3 above, plus an amount equal to the tax calculated as if an exemption under RPTL §485-b were in effect, less the amount calculated in ¶s 2 and 3, times the percentage:

- (1) the numerator of which is equal to four (4) minus the actual average FTE employment for the prior calendar year, and
- (2) the denominator of which is four (4).

By way of example, if in calendar year 2002 (i) the actual average FTE employment is two (2) jobs; (ii) the Town equalization rate used by the County to allocate 2003 taxes is 103%; (iii) the Town combined village, school, county and town rate relating to the 8/1/2002, the 9/1/2002 school tax and 1/1/2003 county and town tax bills is \$4.00 per \$1,000.00 of assessed value (iv) the assessed value of the Facility in the Town is Thompson is 22,500 land and 262,500 full value; (v) \$150,000 of improvement value would have been eligible for the §485(b) exemption at a rate of 40% then the Adjusted PILOT payment due the Taxing Jurisdictions would be computed as follows:

PILOT Payment

PILOT Payment = Total Value Subject to PILOT x Equalization Rate x tax rates

$$\$7,699.40 = \$192,485 \times 100\% \times \$4.00/1000$$

Tax under §485(b)

Tax under §485(b) = Assessed Value - §485(b) exemption x tax rates

$$\$8,100.00 = [\$262,500 - (\$150,000 \times 40\%)] \times \$4.00/1000$$

Adjusted PILOT Payment

Adjusted PILOT Payment = PILOT Payment + [(tax under §485(b) - PILOT payment amount)]

$$\$7,899.70 = \$7,699.40 + [(\$8,100.00 - \$7,699.40) \times 2/4]$$

In no event shall the Adjusted PILOT Payment exceed the amount payable if the Facility were subject to taxation and a § 485(b) exemption had been granted to eligible portions of the Facility.

- (b) Job Posting and Hiring Requirements. Kaufman agrees that they shall comply with the provisions of General Municipal Law §858-b which requires that unless otherwise provided by collective bargaining contracts or agreements, new employment opportunities created as a result of projects of the Agency shall be listed with the administrative entities of the service delivery area created by the Federal Job Training Partnership Act (P.L. No. 97-300) serving Sullivan County and the New York State Department of Labor Community Services Division. Except as otherwise provided by collective bargaining contracts or agreements, Kaufman will first consider for new employment opportunities persons eligible to participate in the Federal Job Training Partnership (P.L. No. 97-300) program who shall be referred by administrative entities of the service delivery area servicing Sullivan County or by the New York State Department of Labor Community Services Division.

Kaufman acknowledges that they are not now bound by the provisions of collective bargaining contracts or agreements which limit or restrict Kaufman from listing such employment opportunities or from giving first consideration to persons eligible to participate in job training partnership act programs. Kaufman agrees not to enter into any collective bargaining contracts or agreements which create such restriction or limitation unless the union or employee organization with which Kaufman shall negotiate a collective bargaining contract or agreement has a bona fide program for apprenticeship in such union or has a comparable program for providing employment opportunities to persons eligible to participate in such Job Training Partnership Act Programs under apprenticeship programs conducted by such union or employee organization. Kaufman agrees that any agreement which creates or imposes or changes any such restriction or limitation shall be first submitted to the Agency for review prior to ratification of such Agreement. Kaufman shall provide the Agency with copies of collective bargaining contracts or agreements hereinafter executed. Kaufman shall submit to the Agency a statement of the manner in which Kaufman has complied with the provisions of this section of this Agreement. Such statement (together with documentation of each such referral and plan of hiring) shall be made under oath and shall be submitted no later than December 1st (or such other date as the parties shall agree) of each year of this Agreement. After an audit by the Agency and a determination that there has been a failure for a period of two (2) years to list such job opportunities as herein provided or to hire and retain persons eligible for Job Training Partnership Act Programs without a reason for the failure to do so shall give rise to a presumption of intentional noncompliance with the provision of this section.

- (c) Equal Opportunity Requirements. During the term of this Agreement, Kaufman shall be in compliance with the Sullivan County "Equal Opportunity Policy

Statement", providing equal employment opportunity without regard to age, race, religion, creed, color, and other non-merit factors in compliance with State and Federal laws.

- (d) Defaults and Remedies Relating to Employment Obligations. The following remedies shall apply to Employment Obligation defaults:
- (i) **Employment Goal Filing:** If Kaufman shall fail to file a certification of FTE's employed prior to the time such statement is required to be filed with the Agency, the Agency may make the calculation of the PILOT payment based on no FTEs for the affected year and the amount so calculated shall be paid. If Kaufman thereafter files such a statement and the filing results in a determination that Kaufman has made an overpayment, the Agency shall refund to Kaufman an amount equal to ninety (90%) of the overpayment, less the actual costs incurred by the Agency to enforce this provision of this Agreement. In the Agency's sole discretion, such refund may be applied as a credit against the next succeeding PILOT payment(s).
 - (ii) **Employment Eligibility Requirements:** If Kaufman fails to provide information reasonably requested by the Agency necessary to determine the eligibility of one or more persons to be considered as an Employee, the Agency may, upon fifteen (15) days notice to Kaufman, compute the PILOT payment as if the person(s) were not eligible employees. No calculation so made shall be subject to recomputation.
 - (iii) **Compliance with Other Hiring Requirements:** If Kaufman shall fail to comply with the Job Posting and Hiring Act requirements set forth in ¶7b or the Equal Opportunity requirements set forth in ¶7c, the Agency, upon fifteen (15) days notice to Kaufman, may disallow in the calculation of the PILOT payment any employee(s) hired in violation of the foregoing requirements.
 - (iv) **Intentional Non-Compliance:** In the event of a finding by the Agency of intentional non-compliance with the Job Posting and Hiring requirements set forth on ¶7b, or the Equal Opportunity requirements set forth in ¶7c, the Agency may compute the PILOT payment by adjusting the exemption amount to the level of exemption the Project would have received if eligible for exemption under RPTL §485(b).
 - (v) **Continuous Underemployment:** If Kaufman shall fail for a period of two (2) consecutive years to employ at least two (2) FTEs for each year, the Agency may compute the PILOT payment by adjusting the exemption amount to the level of exemption the Project would have received if eligible for exemption under RPTL §485(b). Such an adjustment shall relate to the exemption level only, and not the Total Value Subject to PILOT.

- (vi) **Payment Required:** Timely payment of all amounts due shall be made by Kaufman notwithstanding any dispute related to the calculation of the PILOT payment.
- (vii) **Condition Precedent to Suit:** It shall be a condition precedent to the institution of any action or proceeding by Kaufman against the Agency with respect to the calculation of any amount claimed to be due the Agency that all amounts claimed to be due shall have been paid to the Agency by Kaufman prior to the institution of such action or proceeding.

7. **Additional Payments.** In addition to the PILOT payments to be made by Kaufman to the Agency pursuant to this Agreement, Kaufman shall pay to the Agency all special assessments, special ad valorem levies, and any other charges for which the Agency shall be liable and for which it is not wholly exempt from taxation. Such payments shall be made within ten (10) days after the date upon which a bill shall be rendered by the Agency to Kaufman. Such charges shall be paid without adjustment, exemption or other deduction provided; in each case, however, to Kaufman's right to obtain exemption and credits, if any, which would be afforded a private owner of the Facility, including any available exemptions under RPTL §485-b with respect to the Facility. Kaufman hereby authorizes the Agency to request that any Taxing Jurisdiction bill Kaufman directly for all special assessments, special ad valorem levies and any other charges for which the Agency shall be liable and for which it is not wholly exempt from taxation. In the event Kaufman is directly billed for such charges, Kaufman shall pay such charges within the time in which such statement or bill may be paid without interest or penalty.

8. **Representations and Warranties.**

- (a) Kaufman is duly authorized under all applicable provisions of law to enter into and perform this Agreement. Kaufman's entry into and performance of this Agreement will not violate any applicable provisions of law and will not result in a breach of or a default under any agreement of instrument to which Kaufman is a party and will not result in the creation of any lien, charge or encumbrance upon any of the assets of Kaufman under any such agreement or instrument.
- (b) Kaufman is not a party to any agreement or subject to any restriction (including without limitation any agreement among or between its shareholders) that materially and adversely effects their business assets or financial condition.
- (c) When executed, this PILOT Agreement will be a valid and binding obligation of Kaufman.

9. **Kaufman's Right to Challenge.** Except as otherwise provided in this Agreement, Kaufman shall have all of the rights and remedies of a taxpayer with respect to any tax, service charge, special benefit, ad valorem levy, assessment, or special assessment or service charge in lieu

of which Kaufman is obligated to make a payment pursuant to this Agreement, as if and to the same extent as if Kaufman were the owner of the Facility.

Except as otherwise provided in this Agreement, Kaufman shall have all of the rights and remedies of a taxpayer as if and to the same extent as if Kaufman were the owner of the Facility, with respect to the assessed value of the Facility by any of the Taxing Jurisdictions and shall be entitled to protest before and be heard by the appropriate assessors or Board of Assessment Review, and shall be entitled to take any and all appropriate appeals or initiate any proceedings to review the validity or amount of any assessment.

10. Transfer of Facility to Kaufman. In the event that the Facility is transferred from the Agency to Kaufman, and Kaufman is ineligible for a continued tax exemption under some other tax incentive program, or any available exemptions result in a payment to the Taxing Jurisdictions in excess of the payment computed pursuant to this Agreement, Kaufman shall pay, no later than the next tax lien date (plus any applicable grace period), to each of the Taxing Jurisdictions, an amount equal to the taxes and assessments which would have been levied on the Facility if the Facility had been classified as fully taxable as of the date of transfer or loss of eligibility of all or a portion of the exemptions provided for herein.
11. Involuntary Termination of Agreement. To the extent the Facility is declared to be subject to taxation or assessment by an amendment to the Act, other legislative change, or by final judgment of a Court of competent jurisdiction, Kaufman's obligations hereunder shall, to such extent, be amended.
12. Event of Default. During the term of this Agreement, the following shall be an event of default:
 - (a) The failure to make PILOT payments within the time allowed for payment, time being of the essence;
 - (b) The adjudication of both Norman Kaufman and Steven L. Kaufman as a bankrupt and the failure to vacate, set aside or terminate such adjudications within ninety (90) days thereafter;
 - (c) The appointment by any court of a receiver or trustee to take possession of all, or substantially all, of the assets of Kaufman which said appointment shall not have been discharged within a period of ninety (90) days after the filing of same;
 - (d) The making by both Norman Kaufman and Steven L. Kaufman of an assignment for the benefit of creditors;
 - (e) The abandonment of the Facility by Kaufman for a period of thirty (30) days or more, unless such abandonment is caused by fire or other catastrophe, war, act of God or governmental order or decree without fault of Kaufman contributing thereto;

provided, however, that in the event of fire or other catastrophe, Kaufman elects within ninety (90) days from the happening of such event to reconstruct the Facility;

- (f) The attachment, execution or other seizure of all or substantially all of the assets of both Norman Kaufman and Steven L. Kaufman, which such attachment, execution or other seizure is not discharged within a period of sixty (60) days after the date of levy;
- (g) The failure, refusal or neglect of Kaufman to perform, keep or observe any of the terms, covenants and agreements herein contained on the part of Kaufman to be performed, kept or observed;

13. Remedies on Default in Payment; Termination. Upon the happening of any even of default as defined in ¶12 (a) hereof, the Agency may immediately terminate this Agreement without notice to Kaufman and without prejudice or limitation as to all other rights or remedies herein and/or under law or in equity. Such termination may be accomplished by conveying title to the land by quitclaim deed as well as title to the Facility and Equipment, all as determined by the Agency, from the Agency to Kaufman and the recording of said deed in the Sullivan County Clerk's Office shall be deemed to be delivery thereof. Kaufman hereby appoints the Executive Director of the Agency as its attorney-in-fact for the limited purpose of signing any forms which must necessarily accompany the deed in order for the deed to be recorded. Kaufman acknowledges that the foregoing appointment is coupled with an interest and is irrevocable.

14. Remedies on Other Defaults; Termination.

Remedies. Upon the happening of any event of default as defined in ¶12 (b - g) hereof, after thirty (30) days written notice to Kaufman specifying the event of default, if the default shall not be remedied within such thirty (30) day period, (or if, with reasonable diligence the default cannot be remedied within such thirty (30) day period, then within such extended period as may be reasonably required therefor) the Agency, at its option, may take any action hereinafter set forth and all such remedies shall be cumulative and not exclusive:

- (i) Recover damages for the breach of any covenant or condition hereof,
- (ii) Seek an injunction to bar any actual or threatened violation or breach of this Agreement;
- (iii) Seek any other remedy authorized by law or in equity.
- (iv) terminate this Agreement, without prejudice or limitation as to all other rights or remedies herein and/or under law or in equity. Such termination may be accomplished by conveying title to the land by quitclaim deed from the Agency to Kaufman and the recording of said deed in the Sullivan County

Clerk's Office shall be deemed to be delivery thereof. Kaufman hereby appoints the Executive Director of the Agency as its attorney-in-fact for the limited purpose of signing any forms which must necessarily accompany the deed in order for the deed to be recorded.

15. Legal Fees on Default. If the Agency shall be required to take any action to enforce this Agreement or to collect any amount due hereunder, Kaufman shall be liable to pay, in addition to any other costs and expenses incurred by the Agency, its reasonable legal fees and the reasonable fees of any experts, accountants, or other professionals retained by it, without regard to whether the Agency shall have instituted any law suit or action at law or in equity in any court or before any body, provided such expenses were actually and necessarily incurred.
16. Late charges. If any PILOT payment is not made by the Payment Due Date, or if any other payment required to be made hereunder is not made when due by the last day of any applicable cure period, Kaufman shall pay penalties and interest as provided herein. With respect to PILOT payments, if said payment is not received by the Payment Due Date, Kaufman shall pay, in addition to the PILOT payment, a late charge equal to four percent (4%) of the amount due plus interest on said payment equal to one percent (1%) per month or fraction thereof until the PILOT payment, penalty and interest is paid in full. With respect to all other payments due hereunder, if said payment is not paid when due or by the last day of any applicable cure period, Kaufman shall pay, in addition to said payment, the greater of (a) a late charge equal to four (4%) percent of the amount due plus interest on said payment equal to one (1%) percent per month or fraction thereof until said payment, penalty and interest is paid in full; or (b) penalties and interest which would have been incurred had payments made hereunder been made to the Taxing Jurisdictions.
17. Termination of Use, Modification. If the substantial use of the Facility shall be discontinued by Kaufman, the Total Value Subject to PILOT may be modified. It is understood that the benefits of this Agreement have been extended to Kaufman on the grounds set forth in various related agreements between the parties; that new jobs at the Facility will be an economic asset to the Sullivan County economy; that the creating of new jobs in Sullivan County is considered beneficial to the well being of the County as of the date of this PILOT Agreement and for the foreseeable future; and that the discontinuance of the substantial use of the Facility by Kaufman would alter the purpose for which this Agreement was made. In such event, the Agency may give notice to Kaufman that modification is required. If the parties cannot agree on the basis of modification the Agency may increase the Total Value Subject to PILOT to an amount not exceeding the assessed value of the premises as determined by the Town Assessor(s)
18. Indemnification. Kaufman shall indemnify, defend and hold the Agency (and its members, officer, agents, employees and servants) harmless from all claims and liabilities for loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever in relation to the Project, including expenses incurred by the Agency (and

its members, officer, agents, employees and servants) in defending any claim, suit or action which may result as a result of the foregoing.

19. No Recourse, Special Obligation. Notwithstanding anything to the contrary contained herein, the obligations and agreements of the Agency contained herein and in any other agreement executed by the Agency and in any other instrument or document supplemental thereto executed in connection therewith shall be deemed the obligation and agreements of the Agency, and not of any director, member, officer, agent, employee or representative of the Agency in his or her individual capacity, and the directors, members, officers, agents, employees and representatives of the Agency shall not be liable personally thereon or be subject to any personal liability or accountability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby. The obligations and agreements of the Agency contained herein or therein shall not constitute or give rise to an obligation of the State of New York, the County of Sullivan, or any of the Taxing Jurisdictions, and neither the State, County, or any other Taxing Jurisdictions shall be liable thereon, and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute a limited obligation of the Agency payable solely from revenues derived from the sale of the Facility.

20. General Provisions.

(a) Notices. All notices provided for by this Agreement shall be made in writing, and shall be deemed to have been given on the date of delivery if served on the party to whom notice is to be given, or on the next day after mailing if mailed to the party to whom notice is to be given by overnight courier of national reputation providing evidence of receipt and properly addressed, or on the third day after mailing if mailed to the party to whom notice shall be given by First Class, Certified mail, postage prepaid and properly addressed to the following:

If to the Agency:

County of Sullivan Industrial Development Agency, Inc.
198 Bridgeville Road
Monticello, New York 12701
Attn: Executive Director

With a Copy to:

Walter F. Garigliano, Esq.
265 Broadway
P.O. Drawer 1069
Monticello, New York 12701-1069

To Kaufman:

Norman Kaufman and Steven L. Kaufman
31 North Street
Monticello, New York 12701

With a Copy to:

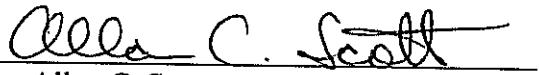
Henri Shawn, Esq.
30 North Street
Monticello, New York 12701

- (b) Assignment. This Agreement may not be assigned by Kaufman, nor shall any person other than Kaufman be entitled to succeed to or otherwise obtain any benefits hereunder without the prior written consent of the Agency, which consent may be withheld by the Agency in its sole and absolute discretion.
- (c) Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Agency, Kaufman and their respective permitted successors and assigns.
- (d) Waiver. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.
- (e) Severability. If any provision of this Agreement shall be determined to be illegal and unenforceable by any court of law or any competent governmental or other authority, the remaining provisions shall be severable and enforceable in accordance with their terms so long as this Agreement without such terms or provisions does not fail of its essential purpose or purposes. The parties will negotiate in good faith to replace any such illegal or unenforceable provision or provisions with suitable substitute provisions which will maintain the economic purposes and intentions of this Agreement.
- (f) Governing Law, Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. The parties hereby designate Supreme Court, Sullivan County as the exclusive venue for resolution of any disputes which may arise under or by reason of this Agreement.
- (g) Survival of Obligations. The obligations of Kaufman to make PILOT payments and all of Kaufman's indemnification obligations shall survive any termination or expiration of this PILOT Agreement.
- (h) Section Headings Not Controlling. The headings of the several sections in this Lease have been prepared for convenience of reference only and shall not control, affect the meaning or be taken as an interpretation of any provision of this PILOT Agreement.

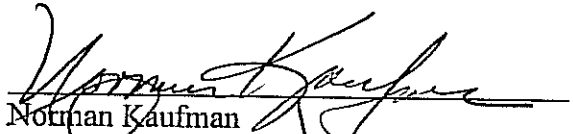
- (i) Entire Agreement. This Agreement sets forth the entire Agreement and understanding between the parties relating to the subject matter hereof and supersedes all prior discussions and negotiations between them. This Agreement may not be amended in any respect except by a written amendment expressly referring to this Agreement and executed by the parties to be bound thereby.

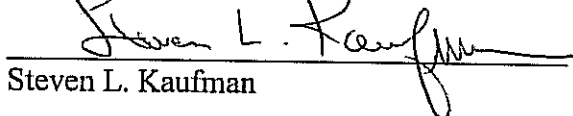
IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective the 1st day of August, 1999.

County of Sullivan
Industrial Development Agency



By: Allan C. Scott
Title: Vice Chairman


Norman Kaufman


Steven L. Kaufman

STATE OF NEW YORK)
)ss:
COUNTY OF SULLIVAN)

On the 3rd day of August in the year 1999 before me, the undersigned, a Notary Public in and for said State, personally appeared Steven L. Kaufman, 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 his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



Henri Shawn.
Notary Public, State of New York
Sullivan County Clerk's # 1197
Commission Expires 9/30/99