

LEASE

THIS LEASE AGREEMENT, made as of the 1st day of October, 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 MADASA REALTY, having its principal offices at 117 Highland Lake Road, Highland Lake, New York 12743 ("Company").

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, the Company have 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 acquisition, renovation and equipping of a 16,322 square foot industrial building and related facilities ("Building") on real property ("Land") located at Route 42, South Fallsburg, County of Sullivan, New York 12779 (identified on the tax map of the Town of Fallsburg as Section 60, Block 1, Lot 22) and related facilities 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 the Company; and

WHEREAS, in order to induce the Company 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 the Company; and

WHEREAS, the Company has agreed with the Agency, on behalf of the Agency and as the Agency's agent, to acquire, construct, and equip the Facility in accordance with the plans and specifications presented to the Agency; and

WHEREAS, the Agency proposes to lease the Facility to the Company, and the Company desires to rent the Facility from the Agency, upon the terms and conditions hereinafter set forth in this Lease.

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:

ARTICLE I

REPRESENTATIONS AND COVENANTS

1.1. Representations and Covenants of the Agency. The Agency makes the following representations and covenants as the basis for the undertakings on its part herein contained:

- (a) The Agency is duly established under the provisions of the Act and has the power to enter into the transaction contemplated by this Lease and to carry out its obligations hereunder. Based upon the representations of the Company as to the utilization of the Facility, the Agency has the authority to take the actions contemplated herein under the Act.
- (b) The Agency has been duly authorized to execute and deliver this Lease.
- (c) The Agency will take title to the Facility, lease the Facility to the Company pursuant to this Lease and designate the Company as its agent for purposes of the Project, all for the purpose of promoting the industry, health, welfare, convenience and prosperity of the inhabitants of the State and the County of Sullivan and improving their standard of living.
- (d) Neither the execution and delivery of this Lease, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the provisions of this Lease will conflict with or result in a breach of any of the terms, conditions or provisions of the Act or of any corporate restriction or any agreement or instrument to which the Agency is a party or by which it is bound, or will constitute default under any of the foregoing, or result in the creation or imposition of any lien of any nature upon any of the property of the Agency under the terms of

any such instrument or agreement.

- (e) The Agency has been induced to enter into this Lease by the undertaking of the Company to acquire, construct and equip the Facility and the related jobs resulting therefrom in the County of Sullivan, New York.

1.2. Representations and Covenants of the Company. The Company makes the following representations and covenants as the basis for the undertakings on its part herein contained:

- (a) The Company is a limited liability company duly organized, existing and in good standing under the laws of the State of New York, has the authority to enter into this Lease and has duly authorized the execution and delivery of this Lease Agreement.
- (b) Neither the execution and delivery of this Lease, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the provisions of this Lease will conflict with or result in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Company is bound, or will constitute a default under any of the foregoing, or result in the creation or imposition of any lien of any nature upon any of the property of the Company under the terms of any such instrument or agreement.
- (c) The relocation of the Company within the state is necessary to preserve the competitive position of the Company within its industry.
- (d) The Facility and the operation thereof will conform with all applicable zoning, planning, building and environmental laws and regulations of governmental authorities having jurisdiction over the Facility, and the Company shall defend, indemnify and hold the Agency harmless from any liability or expenses resulting from any failure by the Company to comply with the provisions of this subsection (d).
- (e) The Company has caused to be transferred to the Agency a fee interest in all those properties and assets contemplated by this Lease and all documents related hereto.
- (f) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body pending or, to the knowledge of the Company, threatened, against or affecting the Company in which an adverse result would in any way diminish or adversely impact on the Company's ability to fulfill its obligations under this Lease.
- (g) The Company covenants (i) that the Facility will comply in all respects with all environmental laws and regulations, (ii) that no pollutants, contaminants, solid wastes, or toxic or hazardous substances will be stored, treated, generated, disposed of, or allowed to exist on the Facility except in compliance with all applicable laws,

(iii) The Company will take all reasonable and prudent steps to prevent an unlawful release of hazardous substances onto the Facility or onto any other property, (iv) that no asbestos will be incorporated into or disposed of on the Facility, (v) that no underground storage tanks will be located on the Facility except in full compliance at all times with all applicable laws, rules, and regulations, and (vi) that no investigation, order, agreement, notice, demand or settlement with respect to any of the above is threatened, anticipated, or in existence. The Company upon receiving any information or notice contrary to the representations contained in this Section (g) shall immediately notify the Agency in writing with full details regarding the same. The Company hereby releases the Agency from liability with respect to, and agrees to defend, indemnify, and hold harmless the Agency, its executive director, directors, officers, employees, members, agents, representatives, and their respective successors and assigns and personal representatives from and against any and all claims, demands, damages, costs, orders, liabilities, penalties, and expenses (including reasonable attorneys' fees) related in any way to any violation of the covenants or failure to be accurate of the representations contained in this Section (g). In the event the Agency in its reasonable discretion deems it necessary to perform due diligence with respect to any of the above, or to have an environmental audit performed with respect to the Facility, the Company agrees to pay the expenses of same to the Agency upon demand, and agrees that upon failure to do so, its obligation for such expenses shall be deemed to be additional rent.

- (h) The Company covenants and agrees that, in consideration of the participation of the Agency in the transactions contemplated herein, it will, except as otherwise provided by collective bargaining contracts to which it is a party, cause any new employment opportunities created in connection with the Facility to be listed with the New York State Department of Labor, Community Services Division and with the administrative entity of the service delivery area created pursuant to the Job Training Partnership Act (PL 97-300) in which the Facility is located (collectively referred to as the "Referral Agencies"). The Company also agrees that it will, except as otherwise provided by the collective bargaining contracts to which it is a party, first consider for such new employment opportunities persons eligible to participate in federal job training partnership (PL 97-300) programs who shall be referred by the Referral Agencies.

ARTICLE II

FACILITY SITE, DEMISING CLAUSES AND RENTAL PROVISIONS

- 2.1. Agreement to Convey to Agency. The Company has conveyed or has caused to be conveyed to the Agency a fee interest in the real property, including any buildings, structures or improvements thereon, described in Schedule A attached hereto and the Company has or will convey all of its interest in the furniture, fixtures, machinery and equipment described in Schedule B ("Equipment"). The Company agrees the Agency's interest in the Facility

resulting from said conveyances will be sufficient for the purposes intended by this Lease and agrees that it will defend, indemnify and hold the Agency harmless from any expense or liability or loss or damage arising out of a defect in title or a lien adversely affecting the Facility and will pay all reasonable expenses incurred by the Agency in defending any action respecting title to or a lien affecting the Facility.

- 2.2. Construction and Equipping of the Facility. The Company, as agent for the Agency, will acquire, construct and equip the Facility. The Company shall operate the facility as agent of Agency under the terms of the Agent Agreement dated as of October 1, 1999 ("Agent Agreement"). The Company hereby covenants and agrees to annually file with the State Department of Taxation and Finance the statement required by General Municipal Law Section 874(8) concerning the value of sales tax exemptions claimed.
- 2.3. Demise of Facility. The Agency hereby demises and leases the Facility to the Company and the Company hereby rents and leases the Facility from the Agency upon the terms and conditions of this Lease.
- 2.4. Remedies to be Pursued Against Contractors and Subcontractors and its Sureties. In the event of a default by any contractor, subcontractor or any other person under any contract made by it in connection with the Facility or in the event of a breach of warranty or other liability with respect to any materials, workmanship, or performance, or guaranty, the Company at its expense, either separately or in conjunction with others, may pursue any and all remedies available to them and the Agency, as appropriate, against the contractor, subcontractor or manufacturer or supplier or other person so in default and against such surety for the performance of such contract. The Company in its own name or in the name of the Agency, may prosecute or defend any action or proceeding or take any other action involving any such contractor, subcontractor, manufacturer, supplier or surety or other person which is reasonably necessary, and in such events the Agency, at the Company's expense, hereby agrees to cooperate fully with the Company and to take all action necessary to effect the substitution of the Company for the Agency (including but not limited to reasonable attorney's fees) in any such action or proceeding.
- 2.5. Duration of Lease Term: Quiet Enjoyment.
 - (a) The Agency shall deliver to the Company sole and exclusive possession of the Facility (subject to the provisions hereof) and the leasehold estate created hereby shall commence on the date hereof.
 - (b) The leasehold estate created hereby shall terminate at 11:59 P.M. on February 15, 2020, or on such earlier date as may be permitted by Section 8.1 hereof.
 - (c) The period commencing on the date described in Section 2.5(a) herein through the date described in Section 2.5(b) herein shall be herein defined as the Lease Term.

- (d) The Agency shall, subject to the provisions of hereof, neither take nor suffer nor permit any action, other than pursuant to Articles VII or VIII of this Lease, to prevent the Company during the term of this Lease from having quiet and peaceable possession and enjoyment of the Facility and will, at the request of the Company and at the Company's cost, cooperate with the Company in order that the Company may have quiet and peaceable possession and enjoyment of the Facility as hereinabove provided.

2.6. Rents and Other Consideration. The rental obligations during the Lease Term are hereby reserved and the Company shall pay rent for the Facility as follows:

- (a) Upon execution of this Lease, Two Thousand Five Hundred (\$2500.00) Dollars for the period commencing on the date hereof and ending on December 31, 2000 and on January 1, 2001, and on January 1st of each calendar year thereafter One Thousand Fifty (\$1050.00) Dollars annually.
- (b) In addition to the payments of rent pursuant to Section 2.6(a) hereof, throughout the term of this Lease, the Company shall pay to the Agency as additional rent, within thirty (30) days of the receipt of demand therefor, an amount equal to the sum of the expenses of the Agency and the members thereof incurred (i) for the reason of the Agency's ownership, or leasing of the Facility and (ii) in connection with the carrying out of the Agency's duties and obligations under this Lease.
- (c) The Company agrees to make the above mentioned payments, without any further notice, in lawful money of the United States of America as, at the time of payment, shall be legal tender for the payment of public or private debts. In the event the Company shall fail to timely make any payment required in this Section 2.6 the Company shall pay the same together with interest from the date said payment is due at the rate of twelve percent (12%) per annum.

2.7. Obligations of the Company Hereunder Unconditional. The obligations of the Company to make the payments required in Section 2.6 hereof and to perform and observe any and all of the other covenants and agreements on its part contained herein shall be a general obligation of the Company and shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment or counterclaim it may otherwise have against the Agency. The Company agrees it will not (i) suspend, discontinue or abate any payment required by Section 2.6 hereof or (ii) fail to observe any of its other covenants or agreements in this Lease or (iii) except as provided in Section 8.1 hereof, terminate this Lease for any cause whatsoever including, without limiting the generality of the foregoing, failure to complete the Facility, any defect in the title, design, operation, merchantability, fitness or condition of the Facility or in the suitability of the Facility for the Company's purposes and needs, failure of consideration, destruction of or damage to the Facility, commercial frustration of purpose, or the taking by Condemnation of title to or the use of all or any part of the Facility, any

change in the tax or other laws of the United States of America or administrative rulings of or administrative actions by the State or any political subdivision of either, or any failure of the Agency to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with this Lease, or otherwise. Subject to the foregoing provisions, nothing contained in this Section 2.7 shall be construed to release the Agency from the performance of any of the agreements on its part contained in this Lease or to affect the right of the Company to seek reimbursement, and in the event the Agency should fail to perform any such agreement, the Company may institute such separate action against the Agency as the Company may deem necessary to compel performance or recover damages for nonperformance, and the Agency covenants that it will not, subject to the provisions of Section 5.2, take any action which will adversely affect, or create any defect in its title to the Facility or which will otherwise adversely affect the rights of estates of the Company hereunder, except upon written consent of the Company. None of the foregoing shall relieve the Company of its obligations under Section 5.2 hereof.

ARTICLE III

MAINTENANCE, MODIFICATIONS, TAXES AND INSURANCE

3.1. Maintenance and Modifications of Facility By the Company.

- (a) The Company shall not abandon the Facility or cause or permit any waste to the Facility. The Company agrees that during the term of this Lease it will (i) keep the Facility in reasonably safe condition; (ii) make all necessary repairs and replacements to the Facility (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen); (iii) operate the Facility in a sound and prudent manner; (iv) operate the Facility such that it continues to qualify under the Act and pursuant to the terms contained herein; and (v) the Company will indemnify, defend and hold the Agency harmless from any liability or expenses from the failure by the Company to comply with this subsection (a).
- (b) The Company, at its own expense, and with the prior written approval of the Agency (which shall not be unreasonably withheld) from time to time may make any structural additions, modifications or improvements to the Facility or any addition, modifications or improvements to the Facility or any part thereof which it may deem desirable for its business purposes and uses that do not adversely affect the structural integrity or impair the operating efficiency of the Facility or substantially change the nature of the Facility. All such structural additions, modifications or improvements so made by the Company shall become a part of the Facility; provided, however, the Company shall not be qualified for a sales and use tax exemption when making said additions, modifications or improvements except to the extent (i) the Company is acting as agent for the Agency under an Agent Agreement between the Agency and the Company which contemplates said additions, modifications or improvements or (ii) as otherwise provided by law. The Company agrees to deliver to the Agency all

documents which may be necessary or appropriate to convey to the Agency title to or other satisfactory interest in, such Property.

3.2. Installation of Additional Equipment. The Company from time to time may install additional furniture, fixtures, machinery, and equipment or other personal property in the Facility (which may be attached or affixed to the Facility), and such furniture, fixtures, machinery, and equipment or other personal property shall not become, or be deemed to become, a part of the Facility. The Company from time to time may remove or permit the removal of such furniture, fixtures, machinery and equipment or other personal property; provided that any such removal of such furniture, fixtures, machinery, equipment or other personal property shall not adversely affect the structural integrity of the Facility or impair the overall operating efficiency of the Facility for the purposes for which it is intended and provided further that if any damage is occasioned to the Facility by such removal, the Company agrees to promptly repair such damage at its own expense.

3.3. Taxes, Assessments and Utility Charges.

(a) The Company agrees to pay, as the same respectively become due, (i) all taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Facility and any machinery, equipment or with respect to the Facility and any machinery, equipment or other property installed or brought by the Company therein or thereon, including without limiting the generality of the foregoing any taxes levied upon or with respect to the income or revenues of the Agency from the Facility; (ii) all payments under a certain payment in lieu of tax agreement, dated as of the date hereof by and between the Agency and the Company ("PILOT Agreement"); (iii) all utility and other charges, including "service charges", incurred or imposed for the operation, maintenance, use, occupancy, upkeep and improvement of the Facility; and (iv) all assessments and charges of any kind whatsoever lawfully made by any governmental body for public improvements; provided that, with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Company shall be obligated under this Lease to pay only such installments as are required to be paid during the term of this Lease.

(b) The Company, at its own expense and in its own name or in the name and on behalf of the Agency, but only with prior written notice to the Agency, may in good faith contest any such taxes, assessments and other charges. In the event of any such contest, the Company may, with prior written notice to the Agency, permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Agency reasonably requests payment prior to settlement.

3.4. Insurance Required. At all times throughout the term of the Lease, including without limitation during any period of construction of the Facility, the Company shall maintain or

cause to be maintained insurance against such 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 in respect thereto, including, but not necessarily limited to:

- (a) Insurance against loss or damage by fire, lightning and other casualties, with a uniform standard extended coverage endorsement, such insurance to be in an amount not less than the full replacement value of the Facility, exclusive of excavations and foundations, as determined by a recognized appraiser or insurer selected by the Company.
- (b) Worker's compensation insurance, disability benefits insurance, and each other form of insurance which the Agency or 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 Facility.
- (c) Insurance against loss or losses from liabilities imposed by law or assumed in any written contract (including the contractual liability assumed by the Company under Section 5.2 hereof) and arising from personal injury and death or damage to the property of others caused by any accident or occurrence, with limits of not less than \$1,000,000 per accident or occurrence on account of personal injury, including death resulting therefrom, and \$1,000,000 per accident or occurrence on account of damage to the property of others, excluding liability imposed upon the Company by any applicable Worker's Compensation Law; and a blanket excess liability policy in the amount not less than \$2,000,000, protecting the Company against any loss or liability or damage for personal injury or property damage.

3.5. Additional Provisions Respecting Insurance.

- (a) All insurance required by Section 3.4(a) hereof shall name the Agency as a named insured and all other insurance required by Section 3.4 shall name the Agency as an additional insured. All insurance shall be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the Company (and reasonably satisfactory to the Agency) and authorized to write such insurance in the State. Such insurance may be written with deductible amounts not exceeding \$2,500.00. All policies evidencing such insurance shall provide for (i) payment of the losses of the Company and the Agency as their respective interest may appear, and (ii) at least thirty (30) days written notice of the cancellation thereof to the Company and the Agency.
- (b) All such certificates of insurance of the insurers that such insurance is in force and effect, shall be deposited with the Agency on or before the commencement of the term of this Lease. Prior to expiration of the policy evidenced by said certificates, the Company shall furnish the Agency evidence that the policy has been renewed or replaced or is no longer required by this Lease.

3.6. Application of Net Proceeds of Insurance. The net proceeds of the insurance carried pursuant to the provisions of Section 3.4 hereof shall be applied as follows:

- (a) the net proceeds of the insurance required by Section 3.4(a) hereof shall be applied as provided in Section 4.1 hereof, and
- (b) the net proceeds of the insurance required by Section 3.4(b) and (c) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

3.7. Right of Agency to Pay Taxes, Insurance Premiums and Other Charges. If the Company fails (i) to pay any tax, assessment or other governmental charge required to be paid by Section 3.3 hereof or (ii) to maintain any insurance required to be maintained by Section 3.4 hereof, the Agency may pay such tax, assessment or other governmental charge or the premium for such insurance. The Company shall, on demand, reimburse the Agency for any amount so paid together with interest thereon from the date of payment at twelve percent (12%) per annum.

ARTICLE IV

DAMAGE, DESTRUCTION AND CONDEMNATION

4.1. Damage or Destruction.

- (a) If the Facility shall be damaged or destroyed (in whole or in part) at any time during the term of this Lease:
 - (i) the Agency shall have no obligation to replace, repair, rebuild or restore the Facility;
 - (ii) there shall be no abatement or reduction in the amounts payable by the Company under this Lease; and
 - (iii) except as otherwise provided in subsection (b) of this Section 4.1, the Company shall promptly replace, repair, rebuild or restore the Facility to substantially the same condition and value as an operating entity as existed prior to such damage or destruction, with such changes, alterations and modifications as may be desired by the Company and may use insurance proceeds for all such purposes.

All such replacements, repairs, rebuilding or restoration made pursuant to this Section 4.1, whether or not requiring the expenditure of the Company's own money, shall automatically become a part of the Facility as if the same were specifically described herein.

- (b) The Company shall not be obligated to replace, repair, rebuild or restore the Facility, and the net proceeds of the insurance shall not be applied as provided in subsection (a) of this Section 4.1, if the Company shall exercise its option to terminate this Lease pursuant to Section 8.1 hereof.
- (c) The Company may adjust all claims under any policies of insurance required by Section 3.4(a) hereof.

4.2. Condemnation.

- (a) If at any time during the term of this Lease the whole or any part of title to, or the use of, the Facility shall be taken by condemnation, the Agency shall have no obligation to restore or replace the Facility and there shall be no abatement or reduction in the amounts payable by the Company under this Lease. The Agency shall not have any interest whatsoever in any condemnation award, and the Company shall have the exclusive right to same.

Except as otherwise provided in subsection (b) of this Section 4.2, the Company shall promptly:

- (i) restore the Facility (excluding any land taken by condemnation) to substantially the same condition and value as an operating entity as existed prior to such condemnation, or
- (ii) acquire, by construction or otherwise, facilities of substantially the same nature and value as an operating entity as the Facility subject to Agency consent.

The Facility, as so restored, or the substitute facility, whether or not requiring the expenditure of the Company's own moneys, shall automatically become part of the Facility as if the same were specifically described herein.

- (b) The Company shall not be obligated to restore the Facility or acquire a substitute facility, and the net proceeds of any condemnation award shall not be applied as provided in Section 4.2(a), if the Company shall exercise its option to terminate this Agreement pursuant to Section 8.1 hereof.
- (c) The Agency shall cooperate fully with the Company in the handling and conduct of any condemnation proceeding with respect to the Facility. In no event shall the Agency voluntarily settle, or consent to the settlement of, any condemnation proceeding with respect to the Facility without the written consent of the Company.
- (d) The Company hereby waives the provisions of Real Property Law Section 227 or any law of like import now or hereafter in effect.

- 4.3. Condemnation of the Company-Owned Property. The Company shall be entitled to the proceeds of any condemnation award or portion thereof made for damage to or taking of any property which, at the time of such damage or taking, is not part of the Facility.

ARTICLE V

SPECIAL COVENANTS

- 5.1. No Warranty of Condition or Suitability by the Agency. THE AGENCY MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION, TITLE, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS OF THE FACILITY OR THAT IT IS OR WILL BE SUITABLE FOR THE COMPANY'S PURPOSES OR NEEDS.
- 5.2. Hold Harmless Provisions. The Company hereby releases the Agency from, agrees that the Agency shall not be liable for, and agrees to indemnify, defend and hold harmless the Agency, its executive director, directors, officers, employees, members, agents, representatives, and their respective successors and assigns and personal representatives from and against any and all (i) liability for loss or damage to property or injury to or death of any and all persons that may be occasioned by any cause whatsoever pertaining to the Facility or arising by reason of or in connection with the occupation or the use thereof or the presence on, in or about the Facility or (ii) liability arising from or expense incurred by the Agency's financing, construction, renovation, equipping, owning and leasing of the Facility, including without limiting the generality of the foregoing, all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing. The foregoing indemnities shall apply notwithstanding the fault or negligence on the part of the Agency, or its executive director, directors, officers, employees, members, agents, representatives, and their respective successors and assigns and personal representatives and irrespective of the breach of a statutory obligation or the application of any rule of comparative or apportioned liability. The foregoing obligations of the Company shall remain in full force and effect after the termination of this Lease.
- 5.3. Right to Inspect the Facility. The Agency and its duly authorized agents shall have the right at all reasonable times and upon reasonable notice to inspect the Facility. The Agency shall honor and comply with any reasonable restricted access policy of the Company relating to the Facility.
- 5.4. Agreement to Provide Information. The Company agrees, whenever requested by the Agency, to provide and certify or cause to be provided and certified, without delay, such information concerning the Company, the Facility and other topics necessary to enable the Agency to make any report required by law or governmental regulation.
- 5.5. Books of Record and Account: Financial Statements. The Company at all times agrees to maintain proper accounts, records and books in which full and correct entries shall be made, in accordance with generally accepted accounting principles, of all business and affairs of

the Company relating to the Facility.

5.6. Compliance With Orders, Ordinances, Etc.

- (a) The Company agrees that it will, throughout the term of this Lease, promptly comply in all material respects with all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all federal, state, county, municipal and other governments, departments, commissions, boards, companies or associations insuring the premises, courts, authorities, officials and officers, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Facility or any part thereof, or to any use, manner of use or condition of the Facility or any part thereof.
- (b) Notwithstanding the provisions of subsection (a) of this Section 5.6, the Company may in good faith contest the validity of the applicability of any requirement of the nature referred to in such subsection (a). In such event, the Company may fail to comply with the requirement or requirements so contested during the period of such contest and any appeal therefrom. The Company shall give prompt notice of the foregoing to the Agency.

5.7. Discharge of Liens and Encumbrances.

- (a) The Company shall not permit or create or suffer to be permitted or created any lien upon the Facility or any part thereof by reason of any labor, services or materials rendered or supplied or claimed to be rendered or supplied with respect to the Facility or any part thereof.
- (b) Notwithstanding the provisions of subsection (a) of this Section 5.7, the Company may in good faith contest any such lien. In such event, the Company, with the prior written notice to the Agency may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Agency shall notify the Company to promptly secure payment of all such unpaid items by filing the requisite bond, in form and substance satisfactory to the Agency thereby causing a lien to be removed.

5.8. Depreciation, Deductions and Investment Tax Credit. The Company shall be entitled to all depreciation deductions with respect to any depreciable property in the Facility pursuant to Section 167 of the Internal Revenue Code and to any investment credit pursuant to Section 38 of the Internal Revenue Code with respect to any portion of the Facility which constitutes "Section 38 Property".

ARTICLE VI

RESTRICTION ON SALE: ASSIGNMENTS AND SUBLEASING: MORTGAGE AND PLEDGE OF INTERESTS

6.1. Restriction on Sale of Facility.

- (a) Except as otherwise specifically provided in this Article VI and except for the granting of a mortgage interest and security interests to lenders designated by the Company ("Lender") under a mortgage, security agreement and/or assignment of leases and rents in a form acceptable to the Agency, Lender and the Company, for purposes of financing the construction and improvement of the Facility along with all modifications, substitutions and/or restatements thereof with the Lender or its successors and/or assigns the Agency shall not sell, convey, transfer, encumber or otherwise dispose of the Facility or any part thereof or any of its rights under this Agreement, without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed. Under no circumstances shall the Agency be required to mortgage, grant a security interest in or assign its rights to receive the rentals described in Section 2.6 or its rights to be indemnified under Sections 1.2(c), 1.2(f), 2.1, 3.1(a) and 5.2 herein (collectively referred to as "Unassigned Rights").

6.2. Removal of Equipment.

- (a) The Agency shall not be under any obligation to remove, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary item of Equipment. In any instance where the Company determines that any item of Equipment has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Company may remove such item of Equipment from the Facility (provided the Company shall not do any damage to the Facility) and may sell, trade-in, exchange or otherwise dispose of the same, as a whole or in part.
- (b) The Agency shall execute and deliver to the Company all instruments necessary or appropriate to enable the Company to sell or otherwise dispose of any such item of Equipment. The Company shall pay any costs (including reasonable attorneys' fees) incurred in transferring title to and releasing any item of Equipment removed pursuant to this Section 6.2.
- (c) The removal of any item of Equipment pursuant to this Section 6.2 shall not entitle the Company to any abatement of or diminution of the rents payable under Section 2.6 hereof.

6.3. Maintaining Existence and Assignment and Subleasing.

- (a) This Lease may not be assigned in whole or in part, and the Facility may not be

subleased, in whole or in part, without the prior written consent of the Agency in each instance. Any assignment or sublease shall be on the following conditions, as of the time of each assignment or sublease:

- (i) no assignment or sublease shall relieve the Company from primary liability for any of its obligations hereunder;
 - (ii) the assignee or sublessee shall assume the obligations of the Company hereunder to the extent of the interest assigned or subleased;
 - (iii) the Company shall, within ten (10) days after the delivery thereof, furnish or cause to be furnished to the Agency a true and complete copy of such assignment or sublease and the instrument of assumption; and
 - (iv) the Facility shall continue to constitute a "project" as such quoted term is defined in the Act.
- (b) If the Agency shall so request, as of the purported effective date of any assignment or sublease pursuant to subsection (a) of this Section 6.3, the Company at its cost shall furnish to the Agency with an opinion, in form and substance satisfactory to the Agency as to items (i), (ii) and (iv) above.

ARTICLE VII

DEFAULT

7.1. Events of Default Defined.

- (a) Each of the following shall be an "Event of Default" under this Lease:
- (i) If the Company fails to pay the amounts required to be paid pursuant to Section 2.6 or 3.3 or 3.7 of this Lease and such failure shall have continued for a period of ten (10) days after the Agency gives written notice of such failure to the Company; or
 - (ii) If there is any purposeful, willful and knowing breach by the Company of any of its other agreements or covenants set forth in this Lease; or
 - (iii) If there is any failure by the Company to observe or perform any other covenant, condition or agreement required by this Lease to be observed or performed and such failure shall have continued for a period of thirty (30) days after the Agency gives written notice to the Company, specifying that failure and stating that it be remedied, or in the case of any such default which can be cured with due diligence but not within such thirty (30) day

period, the Company's failure to proceed promptly to cure such default and thereafter prosecute the curing of such default with due diligence; or

- (iv) If any representation or warranty of the Company contained in this Lease is incorrect in any material respect; or
- (v) Any default by the Company under the PILOT Agreement or Agent Agreement.

(b) Notwithstanding the provisions of 7.1 (a), if by reason of *force majeure* either party hereto shall be unable in whole or in part to carry out its obligations under this Lease and if such party shall give notice and full particulars of such *force majeure* in writing to the other party within a reasonable time after the occurrence of the event or cause relied upon, the obligations under this Lease of the party giving such notice, so far as it is affected by such *force majeure*, shall be suspended during continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The suspension of such obligations for such period pursuant to this subsection (b) shall not be deemed an Event of Default under this Section 7.1. Notwithstanding anything to the contrary in this subsection (b), an event of *force majeure* shall not excuse, delay or in any way diminish the obligations of the Company to or make the payments required by Section 2.6, Section 3.3 and Section 3.7 hereof, to obtain and continue in full force and effect the insurance required by Section 3.4 hereof, and to provide the indemnity required by Section 5.2 hereof and to comply with the terms of Sections 5.2, 5.3, 5.6, 5.7, and 7.1(a) (i) hereof. The term "*force majeure*" as used herein shall include, without limitation, acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, acts, priorities or orders of any kind of the government of the United States of America or of the State or any of its departments, agencies, governmental subdivisions, or officials, any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, shortages of labor or materials or delays of carriers, partial or entire failure of utilities, shortage of energy or any other cause or event not reasonably within the control of the party claiming such inability and not due to its fault. The party claiming such inability shall remove the cause for the same with all reasonable promptness. It is agreed that the settlement of strikes, lock-outs and other industrial disturbances shall be entirely within the discretion of the party having difficulty, and the party having difficulty shall not be required to settle any strike, lockout and other industrial disturbances by acceding to the demands of the opposing party or parties.

7.2. Remedies on Default. Whenever any Event of Default shall have occurred and be continuing, the Agency may take, to the extent permitted by law, any one or more of the following remedial steps;

- (i) Declare, by written notice to the Company, to be immediately due and payable, whereupon the same shall become immediately due and payable: (i) all unpaid installments of rent payable pursuant to Section 2.6 hereof and (ii) all other payments due under this Lease.
- (ii) Take any other action as it shall deem necessary to cure any such Event of Default, provided that the taking of any such action shall not be deemed to constitute a waiver of such Event of Default.
- (iii) Take any other action at law or in equity which may appear necessary or desirable including, without limitation, to seek and obtain damages and specific performance or other monetary or equitable relief, and to collect the payments then due or thereafter to become due hereunder, and to enforce the obligations, agreements or covenants of the Company under this Lease.
- (iv) Terminate this Lease and reconvey the Facility to the Company. Such termination is in addition to all other rights and remedies available to the Agency hereunder and without mitigation of such rights and remedies. 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 the Company and the recording of said deed in the Sullivan County Clerk's Office shall be deemed to be delivery thereof. The Company 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.

7.3. Remedies Cumulative. No remedy herein conferred upon or reserved to the Agency is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

7.4. Agreement to Pay Attorneys' Fees and Expenses. In the event the Company should default under any of the provisions of this Lease and the Agency should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligations or agreements on the part of the Company herein contained, or for obtaining other relief, the Company shall, on demand therefor, pay to the Agency, the reasonable fees of such attorneys and such other expenses so incurred.

7.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained herein should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other

breach hereunder.

ARTICLE VIII

EARLY TERMINATION OF AGREEMENT: OBLIGATIONS OF COMPANY

8.1. Early Termination of Agreement.

- (a) The Company shall have the option at any time to terminate this Lease upon filing with the Agency a certificate signed by the Company stating the Company's intention to do so pursuant to this Section 8.1 and upon compliance with the requirements set forth in Section 8.2 hereof.
- (b) The Agency shall have the option at any time to terminate this Lease and to demand immediate payment in full of the rental reserved and unpaid as described in Section 2.6 hereof, and the sums due under Sections 3.3 or 3.7, upon written notice to the Company of the occurrence of an Event of Default hereunder.

8.2. Obligation to Purchase Facility. Upon termination of this Lease in accordance with Section 2.5, 7.2 or Section 8.1 hereof, the Company shall purchase the Facility from the Agency (or if the Agency's interest is a leasehold, the Agency shall surrender its leasehold estate) for the purchase price of One Dollar (\$1.00) plus all rental reserved and unpaid as described in Section 2.6 hereof, plus all payments due under Sections 3.3 and 3.7 hereof, ("Termination Payment"). The Company shall exercise its obligation to purchase or option to have the Agency's leasehold interest terminated by giving written notice to the Agency and paying said amount to the Agency.

8.3. Conveyance on Purchase. At the closing of any purchase of the Facility pursuant to Section 8.2 hereof, the Agency shall, upon receipt of the purchase price, deliver to the Company all necessary documents to reflect either (i) a transfer by quitclaim deed of a fee interest (if the Agency holds a fee interest) or (ii) termination of the Agency's leasehold interest:

- (a) to convey to the Company title to the Facility being purchased, as such Facility exists, subject only to the following:
 - (i) any liens to which title to the Facility was subject when conveyed to the Agency,
 - (ii) any liens created at the request of the Company or to the creation of which the Company consented or in the creation of which the Company acquiesced,
 - (iii) any liens resulting from the failure of the Company to perform or observe any of the agreements on its part contained in this Lease; and

- (b) to release and convey to the Company all of the Agency's rights and interest in and to any rights of action or any net proceeds of insurance or condemnation awards with respect to the Facility (specifically excluding all rights of the Agency hereunder including its rights to indemnification hereunder).

ARTICLE IX

GENERAL PROVISIONS

- 9.1. 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
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 the Company:

Madasa Realty, LLC.
117 Highland Lake Road.
Highland Lake, New York 12743
Attn: Larry Fishman

With a Copy to:

Michael McKean, Esq.
P.O. Box 182
Barryville, New York 12719

or at such other address as any party may from time to time furnish to the other party by

notice given in accordance with the provisions of this Section. All notices shall be deemed given when mailed or personally delivered in the manner provided in this Section.

- 9.2. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Agency, the Company and its respective permitted successors and assigns.
- 9.3. Waiver. No Waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver or any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.
- 9.4. 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 its 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.
- 9.5. Governing Law, Venue. This Lease shall be governed, construed and enforced in accordance with the laws of the State of New York for contracts to be wholly performed therein. 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.
- 9.6. Survival of Obligations. The obligations of the Company to make payments required by Sections 2.6, 3.3 and 3.7 and all indemnities shall survive any termination or expiration of this Lease.
- 9.7. 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 Lease.
- 9.8. Recording and Filing. This Lease or a memorandum thereof, shall be recorded or filed, as the case may be, in the Office of the Clerk of Sullivan County, New York, or in such other office as may at the time be provided by law as the proper place for the recordation or filing thereof.
- 9.9. Merger of Agency.
 - (a) Notwithstanding anything to the contrary or otherwise contained in this Agreement, nothing contained in this Lease shall prevent the consolidation of the Agency with, or merger of the Agency into, or transfer of title to the entire Facility to any other public benefit corporation or political subdivision which has the legal authority to own and lease the Facility, provided that upon any such consolidation, merger or transfer, the due and punctual performance and observance of all the agreements and conditions of this Lease to be kept and performed by the Agency shall be expressly assumed in writing by the public benefit corporation or political subdivision resulting from such consolidation or surviving such merger or to which the Facility shall be transferred.

(b) Within thirty (30) days after the consummation of any such consolidation, merger or transfer of title, the Agency shall give notice thereof in reasonable detail to the Company. The Agency shall furnish such additional information with respect to any such transaction as the Company may reasonably request.

9.10. 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 herewith or therewith shall be deemed the obligation and agreements of the Agency, and not of any executive director, directors, officers, employees, members, agents, representatives, and their respective successors and assigns and personal representatives in his or her individual capacity, and the executive director, directors, officers, employees, members, agents, representatives, and their respective successors and assigns and personal 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, the County, or any of the 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.

9.11. 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 Agency and the Company have caused this Lease to be executed in its respective names, all as of the date first above written.

County of Sullivan Industrial Development Agency



By: Allan C. Scott
Title: Vice Chairman

Madasa Realty, LLC.



By: Laurence Fishman
Title: Sole Member

Schedule A

All that parcel of land situate in the Town of Fallsburg, County of Sullivan, State of New York, being part of Division Lot 20, Great Lot One of the Hardenburgh Patent, and being bounded and described as follows:

BEGINNING at a point in the center of the pavement of Route 42 running between Kiamesha Lake and South Fallsburg, said point being South 35 degrees 20' West 268.4 feet, and South 35 degrees West 150.0 feet along said road center from the northwesterly corner of the property of Fallsburg Development Corporation as conveyed by Sam Glickman in 1959 (Liber 580 of Deeds, page 16), and runs thence South 54 degrees 21' East, passing 13.9 feet southerly of a water hydrant and passing through the center of a 12" maple tree, a distance of 400 feet; thence South 35 degrees 50' West 130 feet; thence North 54 degrees 21' West 400 feet to the center of the pavement of the aforesaid road; thence along said road center North 36 degrees 04' East 25.9 feet; and North 35 degrees East 104.1 feet to place of beginning, containing 1.2 acres of land, more or less, as surveyed by Robert F. Bruns, L.S., Liberty, New York, August, 1962.

Excepting and reserving the portion used or conveyed for public road purposes.

That said lot or parcel of land is subject to existing rights of way over the same of public utilities corporations, easements, rights of way of record and portions used for highway purposes. That said limitations will not interfere with the use and enjoyment of said premises or diminish the size thereof.

Said above described lot or parcel of land is subject to the following restrictions; The portion of the above premises lying between the South Fallsburg-Monticello Highway and the Trolley Road on the premises, are restricted so that no chicken or animal farming, garbage dump or dumps of any kind shall be conducted and maintained thereon. Anything to the contrary notwithstanding, no loading, loading platforms or storage shall at any time be maintained within a distance of 75 feet from the New York State South Fallsburg-Monticello Highway No. 42 right of way fronting the premises on said New York State South Fallsburg-Monticello Highway No.42 and in no event shall and will any loading platform or storage facilities extend beyond the front of any commercial building or structure on said premises and the premises are further restricted that no commercial structure or building shall be erected and maintained on the frontage of said New York State South Fallsburg-Monticello Highway No. 42 with loading platforms or open storage facilities on the front of said commercial structure of building and facing New York State South Fallsburg-Monticello Highway No. 42. All of the above restrictions are covenants running with the land forever.

Being the same premises described in a deed dated October 5, 1962 made by Fallsburg Development Corporation to Victor Properties, Inc. and recorded in the Sullivan County Clerk's Office on October 5, 1962 in Liber 644 of Deeds at Page 436.

Schedule B

DESCRIPTION OF THE EQUIPMENT

All equipment, furniture, fixtures, machines, building materials and items of personal property and all appurtenances (A) acquired, construed and/or intended to be installed and/or to be acquired, constructed or installed in connection with the acquisition, renovation, and equipping of a 16,322 square foot industrial building located and related facilities located on the real property described on Exhibit A hereto ("Land"), said Project to be acquired, constructed and equipped by Madasa Realty, LLC. ("Company") as agent of the Agency pursuant to a Lease Agreement dated as of October 1, 1999 ("Lease Agreement") by and between the Agency and the Company and (B) now or hereafter attached to, contained in or used in connection with the Land or placed on any part thereof, though not attached thereto, including but not limited to, pipes, screens, fixtures, heating, lighting, plumbing, ventilation, air conditioning, compacting and elevator plants, telephone and information systems, furniture, rugs, movable partitions, cleaning equipment, maintenance equipment, shelving, signs, waste containers, outdoor benches, drapes, blinds and accessories, sprinkler systems and other fire prevention and extinguishing apparatus.