

PAYMENT IN LIEU OF TAXATION AGREEMENT

THIS PAYMENT IN LIEU OF TAXATION AGREEMENT ("Agreement"), made the 24th day of May, 2021, 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 548 Broadway, Monticello, New York 12701 ("Agency") and SVG 26 LLC, a New York limited liability company, with an address of 1301 47th Street, Brooklyn, New York 11219 ("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 its 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, on or about August 12, 2009, Catskill Distilling Company, Ltd ("CDC"), Redford, LLC ("Redford") and the Agency entered into a sale/leaseback transaction wherein the Agency acquired a fee interest in certain real property in the Town of Bethel ("Town"), County of Sullivan ("County"), State and identified on the Town tax map as Section 26, Block 1, Lot 6 and Section 22, Block 1, Lot 62 ("Project Land") to facilitate the construction and equipping of a distillery, office, barrel storage house and restaurant/saloon ("Project"); and

WHEREAS, the Agency took title to Bethel Section 22, Block 1, Lot 62 by Bargain and Sale Deed from Redford to the Agency dated August 12, 2009, which Deed was recorded in the Office of the Clerk of Sullivan County on August 14, 2009 in Deed Liber 3603 at page 365; and

WHEREAS, the Agency took title to Bethel Section 26, Block 1, Lot 6 by Bargain and Sale Deed from Redford to the Agency dated August 12, 2009, which Deed was recorded in the Office of the Clerk of Sullivan County on August 14, 2009 in Deed Liber 3603 at page 371; and

WHEREAS, on or about May 1, 2018, Redford merged into CDC; and

WHEREAS, on November 19, 2019, CDC filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, initiating a bankruptcy proceeding in the United States Bankruptcy Court for the Southern District of New York (“Bankruptcy Proceeding”); and

WHEREAS, on July 31, 2020, CDC and the Company entered into an Asset Purchase Agreement pursuant to the terms of which the Land and other assets of CDC were to be acquired by the Company (“APA”); and

WHEREAS, on May 3, 2021, the Company 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 (i) the continuation of financial assistance to the Company on the same terms as contemplated by the various agreements in place between the Agency and CDC at the time of commencement of the Bankruptcy Proceeding and (ii) the Agency enter into a lease/leaseback involving three (3) additional parcels of property which were required to be mortgaged by the lender providing financing to the Company to complete the transactions contemplated by the APA (“Additional Premises” and together with the Project Land, the “Leased Premises”); and

WHEREAS, by Resolution 16-2021, duly adopted on May 10, 2021, the Agency approved the Company’s application conditioned on the Company and Agency entering into a direct contractual relationship; and

WHEREAS, the Agency and CDC entered into a Project Termination Agreement of even date herewith pursuant to which the prior transaction documents between the Agency and CDC were terminated; and

WHEREAS, on or about May 24, 2021, the Agency transferred the Project Land to CDC and CDC transferred the Leased Premises to the Company; and

WHEREAS, in order to induce the Company to purchase and operate the Project, the Agency is willing to enter into a lease/leaseback transaction involving a lease of the Leased Premises from the Company to the Agency and a leaseback of the Leased Premises from the Agency to the Company; and

WHEREAS, pursuant to Section 874(1) of the Act, the Agency is exempt from the payment of taxes imposed upon real property and improvements owned by it or under its jurisdiction, control or supervision, other than special *ad valorem* levies, special assessments and service charges against real property which are or may be imposed for special improvements or special district improvements; and

WHEREAS, the Agency and the Company deem it necessary and proper to execute and deliver to the Agency this Agreement making provision for payments in lieu of taxes by the Company for the benefit of the County, Town and the Monticello Central School District ("School" and together with the County and the Town, the "Taxing Jurisdictions"); and

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

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. Exemption From General Ad Valorem Property Taxes. Based on the prior completion and filing of State Form RP-412-a Application For Real Property Tax Exemption under Section 412-a of the State Real Property Tax Law and Section 874 of the Act, the Project Land has been exempt from real estate taxes commencing since the July 1, 2010 School year and the January 1, 2011 County and Town tax year. Subject to the completion and filing by March 1, 2022 ("2022 Taxable Status Date") of the State Form RP-412-a Application For Real Property Tax Exemption ("2022 Exemption Application") under Section 412-a of the State Real Property Tax Law and Section 874 of the Act, the Leased Premises shall be exempt from real estate taxes commencing with the July 1, 2022 School year and the January 1, 2023 County and Town tax year. For the purposes of the foregoing "Real Estate Taxes" shall mean all general ad valorem real property taxes levied against the Leased Premises by the Taxing Jurisdictions. The Company shall provide the Agency the information necessary for the completion and filing of the 2022 Exemption Application and the Agency shall file the 2022 Exemption Application prior to the 2022 Taxable Status Date. Notwithstanding anything contained herein or in the Lease Agreement to the contrary, in the event the exemption from Real Estate Taxes is denied for any reason, the Company shall pay (and hereby agrees to pay, subject to the Company's right to challenge the underlying assessments on the Leased Premises pursuant to ¶10 hereof) all Real Estate Taxes levied upon the Leased Premises as they become due. After giving written notice to the Agency, the Company may in good faith contest the denial of the 2022 Exemption Application, provided that (i) the Project continues to qualify as a "project" under the Act; (ii) neither the Project nor any part of or interest in it would be in any danger of being sold, forfeited or lost; or (iii) neither the Company nor the Agency, as a result of such contest, shall be in any danger of any civil or criminal liability. The Company hereby waives any claim or cause of action against the Agency, and releases the Agency from any liability to the Company, arising from the denial of an exemption from Real Estate Taxes except to the extent that such denial results solely from the failure of the Agency to timely file the 2022 Exemption Application with the appropriate assessors or Boards of Assessment Review by the 2022 Taxable Status Date.
2. Agreement to Make Payments in Lieu of Taxes. As long as the Leased Premises are leased to the Agency, the Company or CDC has previously paid on the Project Land and agrees

to pay annually on the Leased Premises to the Agency at 548 Broadway, Monticello, New York 12701, or at such other address as shall be designated from time to time by the Agency, annual payments in lieu of taxes (each a, "PILOT Payment") computed in accordance with this Agreement.

3. Computation of PILOT Payments. PILOT Payments shall be on the following premises located in the Town:

PROJECT LAND
Section - Block - Lot
26 – 1 – 6
22 – 1 – 62

ADDITIONAL PREMISES
Section - Block - Lot
22 – 1 – 56
22 – 1 – 59
22 – 1 – 60

- (a) Total Value Subject to PILOT.

- (i) The total value subject to PILOT ("TVSP") for the 2009 Project constructed on the Project Land shall be the following amounts for the years 2021-2025:

Payment Date	Present Value	Improvement Value	Exemption Percentage	Exemption Amount	Improvement Value Net of Exemption	TVSP
February 1, 2022	\$ 400,000	\$ 300,000	30.00%	\$ 90,000	\$ 210,000	\$ 610,000
February 1, 2023	\$ 400,000	\$ 300,000	20.00%	\$ 60,000	\$ 240,000	\$ 640,000
February 1, 2024	\$ 400,000	\$ 300,000	10.00%	\$ 30,000	\$ 270,000	\$ 670,000
February 1, 2025	\$ 400,000	\$ 300,000	0.00%	\$ -	\$ 300,000	\$ 700,000

- (ii) The TVSP for the 2015 Project constructed on the Project Land shall be the following amounts for the following years:

Payment Date	Improvement Value	Exemption Percentage	Exemption Amount	TVSP
February 1, 2022	\$ 413,700	80.0%	\$ 330,960	\$ 82,740
February 1, 2023	\$ 413,700	70.0%	\$ 289,590	\$ 124,110
February 1, 2024	\$ 413,700	60.0%	\$ 248,220	\$ 165,480
February 1, 2025	\$ 413,700	50.0%	\$ 206,850	\$ 206,850
February 1, 2026	\$ 413,700	40.0%	\$ 165,480	\$ 248,220
February 1, 2027	\$ 413,700	30.0%	\$ 124,110	\$ 289,590
February 1, 2028	\$ 413,700	20.0%	\$ 82,740	\$ 330,960
February 1, 2029	\$ 413,700	10.0%	\$ 41,370	\$ 372,330
February 1, 2030	\$ 413,700	0.0%	\$ -	\$ 413,700

(b) Calculation of Annual PILOT Payment on or before 2/1/2025. The calculation of the annual PILOT Payments for the Payment Dates on or before February 1, 2025 shall be made as follows:

- (i) The aggregate TVSP for the 2009 Project and the 2015 Project shall be multiplied by the equalization rate as defined in ¶3(e) hereof; and
- (ii) The annual PILOT Payment shall be determined by multiplying the amount derived in ¶3(b)(i) hereof by the tax rates identified in ¶3(f) hereof.

(c) Calculation of Annual PILOT Payment 2/1/2026-2/1/2030. The calculation of the annual PILOT Payments for the Payment Dates February 1, 2026 through February 1, 2030 shall be made as follows:

- (i) The PILOT Payment for the 2009 Project constructed on the Project Land shall be an amount equal to the Assessed Value times the Tax Rates. It is the intent of this subsection (i) that for the 2026 - 2030 PILOT Payment for the 2009 Project constructed on the Project Land to be equal to what real estate taxes would have been if the Agency was not involved with the 2009 Project.

Payment Date	PILOT Payment
February 1, 2026	(2025 Assessed Value x Tax Rates)
February 1, 2027	(2026 Assessed Value x Tax Rates)
February 1, 2028	(2027 Assessed Value x Tax Rates)
February 1, 2029	(2028 Assessed Value x Tax Rates)
February 1, 2030	(2029 Assessed Value x Tax Rates)

- (ii)(x) The TVSP for the 2015 Project shall be multiplied by the Equalization Rate as defined in ¶3(e); and

- (y) The Annual PILOT Payment for the 2015 Project shall be the amount determined by multiplying the amount derived in 3(c)(ii)(x) by the Tax Rates identified in ¶3(f) hereof.

(d) Calculation of PILOT Payment for the Additional Premises. The Annual PILOT Payment for the Additional Premises for the Payment Dates February 1, 2022 through February 1, 2030 shall be an amount equal to the Assessed Value times the Tax Rates. It is the intent of this Subsection (d) that the Annual PILOT Payment on the Additional Premises be equal to what real estate taxes would have been if the Agency was not involved with the Additional Premises.

(e) Equalization Rate. The equalization rate to be used in making the computation contemplated by ¶3(b)(i) and ¶3(c)(ii)(x) 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 Payment. In the event that the equalization rate shall exceed one hundred (100%) percent, the equalization rate used in making the computation contemplated by ¶3(b)(i) and ¶3(c)(ii)(x) shall be one hundred (100%) percent.

(f) Tax Rates. For the purposes of determining the amount of the PILOT Payments as contemplated by ¶3(b)(ii), ¶3(c)(ii)(y) and ¶3(d) 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 tax 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. The chart which follows sets forth the last nine (9) years of the overall 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:

PILOT Payment Due Date	School Fiscal Year Beginning	County & Town
February 1, 2022	July 1, 2021	January 1, 2022
February 1, 2023	July 1, 2022	January 1, 2023
February 1, 2024	July 1, 2023	January 1, 2024
February 1, 2025	July 1, 2024	January 1, 2025
February 1, 2026	July 1, 2025	January 1, 2026
February 1, 2027	July 1, 2026	January 1, 2027
February 1, 2028	July 1, 2027	January 1, 2028
February 1, 2029	July 1, 2028	January 1, 2029
February 1, 2030	July 1, 2029	January 1, 2030

4. 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 Real Estate Taxes would have been allocated but for the Agency's involvement.

In no event shall the Company be entitled to receive tax benefits relative to the Project Land for more than the period provided in this Agreement. The Company agrees that it will not seek any tax exemption for the Project Land 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 it were signatories hereto.

5. Determination of TVSP. The Agency and the Company have agreed upon the TVSP of the 2009 and 2015 Project. Such valuation was made without regard to the actual cost of construction of improvements to be made at each such Project.
6. Valuation of Additions to the Project. If there shall be an addition constructed on the Project Land, or if there shall be any additional buildings or other structures constructed on the Project Land, the Company 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 TVSP. The Agency shall notify the Company of any proposed increase in the TVSP caused by such Addition. Absent an agreement to the contrary, the TVSP of any Addition shall be subject to calculation of PILOT Payments in the manner established by ¶3 hereof. If the Company shall disagree with the Agency's determination of TVSP for any Addition, then and in that event the TVSP shall be the assessed value of the Addition determined by the Town Assessor.
7. 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 the Company at the Project on or after October 1, 2009.
 - (2) "Full-Time Equivalent Employee" or "FTE" shall mean an employee who works forty (40) hours in any seven (7) day period at the Project.
 - (3) "Base Compensation" shall be determined in accordance with the provisions of the Fair Labor Standards Act.
 - (4) "At the Project" shall mean that an FTE is employed primarily at the Project.
 - (ii) FTE Employment Goals: The Company agrees that an FTE-employment goal of five (5) jobs shall be maintained throughout the term of this Agreement.

The Company will file with the Agency prior to November 1, 2021 and shall file on November 1st of each year thereafter a statement certified under oath setting forth the actual FTE's employed at the Project for the preceding October 1st to September 30th period (each, an "Employment Year"). Such statement shall contain such additional information as the Agency may reasonably request. The Company 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 the Company. "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 any October 1st to September 30th periods preceding any PILOT Payment due date, the amount due ("Adjusted PILOT Payment") shall be the amount calculated in ¶3(b) 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 ¶3(b), times the percentage:
- (1) the numerator of which is equal to five (5) minus the actual average FTE employment for the prior Employment Year, and
 - (2) the denominator of which is five (5).

By way of example, if in Employment Year 2023 (i) the actual average FTE employment is four (4); (ii) the Town equalization rate used by the County to allocate 2024 taxes is sixty (60%) percent; (iii) the Town combined school, county and town rate relating to the 9/1/2023 school tax and 1/1/2024 county and town tax bills is \$35.00 per \$1,000.00 of assessed value (iv) the assessed value of the Project Land on the Final Assessment Roll is \$1,200,000; (v) \$400,000 of improvement value would have been eligible for the §485-b exemption at a rate of ten (10%) percent, then the Adjusted PILOT Payment due the Taxing Jurisdictions would be computed as follows:

PILOT Payment

$$\begin{aligned} \text{PILOT Payment} &= \text{TVSP} \times \text{Equalization Rate} \times \text{tax rates} \\ \$17,545 &= \$835,480 \times 60\% \times 35/1,000 \end{aligned}$$

Tax under §485b

$$\begin{aligned} \text{Tax under §485b} &= (\text{Assessed Value} - \text{§485b exemption}) \times \text{tax rates} \\ \$40,600 &= [\$1,200,000 - (400,000 \times 10\%)] \times 35/1,000 \end{aligned}$$

Adjusted PILOT Payment

$$\begin{aligned} \text{Adjusted PILOT Payment} &= \text{PILOT Payment} + [(\text{tax under §485b} - \text{PILOT} \\ &\text{Payment amount}) \times \text{Percentage of Underemployment}] \\ \$22,156 &= \$17,545 + [(\$40,600 - \$17,545) \times 20\%] \end{aligned}$$

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

- (b) Job Posting and Hiring Requirements. The Company agrees that it 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 Workforce Investment Act of 1998 (P.L. 105-220) (formerly the Federal Job Training Partnership Act (P.L. No. 97-300)) (“WIA”) serving County and the State Department of Labor Community Services Division. Except as otherwise provided by collective bargaining contracts or agreements, the Company will first consider for new employment opportunities persons eligible to participate in the WIA program who shall be referred by administrative entities of the service delivery area servicing County or by the State Department of Labor Community Services Division.

The Company acknowledges that it is not now bound by the provisions of collective bargaining contracts or agreements which limit or restrict the Company from listing such employment opportunities or from giving first consideration to persons eligible to participate in job training partnership act programs. The Company 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 the Company 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 WIA programs under apprenticeship programs conducted by such union or

employee organization. The Company 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. The Company shall provide the Agency with copies of collective bargaining contracts or agreements hereinafter executed.

The Company shall submit to the Agency a statement of the manner in which the Company 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 WIA 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, the Company shall be in compliance with the 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 the Company shall fail to file a certification of FTE's employed as required by ¶7(a)(ii) 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 the Company thereafter files such a statement and the filing results in a determination that the Company has made an overpayment, the Agency shall refund to the Company an amount equal to ninety (90%) percent 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 the Company fails to provide information reasonably requested by the Agency necessary to determine the eligibility of one or more persons to be considered as an FTE, the Agency may, upon fifteen (15) days' notice to the Company, compute the PILOT Payment as if the person(s) were not eligible FTEs. No calculation so made shall be subject to recomputation.
 - (iii) Compliance with Other Hiring Requirements: If the Company shall fail to comply with the Job Posting and Hiring Act requirements set forth in ¶7(b)

or the Equal Opportunity requirements set forth in ¶7(c), the Agency, upon fifteen (15) days' notice to the Company, may disallow in the calculation of the PILOT Payment any employees 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 ¶7(b), or the Equal Opportunity requirements set forth in ¶7(c), 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 the Company 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 TVSP.
- (vi) Payment Required: Timely payment of all amounts due shall be made by the Company 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 the Company 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 the Company prior to the institution of such action or proceeding.

8. Additional Payments. In addition to the PILOT Payments to be made by the Company to the Agency pursuant to this Agreement, the Company 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 the Company. Such charges shall be paid without adjustment, exemption or other deduction provided; in each case, however, to the Company's right to obtain exemption and credits, if any, which would be afforded a private owner of the Project. The Company hereby authorizes the Agency to request that any Taxing Jurisdiction bill the Company 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 the Company is directly billed for such charges, the Company shall pay such charges within the time in which such statement or bill may be paid without interest or penalty.

9. Representations and Warranties.

- (a) The Company is duly authorized under all applicable provisions of law to enter into and perform this Agreement. The Company'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 the Company is a party and will not result in the creation of any lien, charge or encumbrance upon any of the assets of the Company under any such agreement or instrument.

- (b) The Company is not a party to any agreement or subject to any restriction (including without limitation any agreement among or between its shareholders or members) that materially and adversely effects its business assets or financial condition.
- (c) When executed, this Agreement will be a valid and binding obligation of the Company.

10. The Company's Right to Challenge. Except as otherwise provided in this Agreement, the Company 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 the Company is obligated to make a payment pursuant to this Agreement, as if and to the same extent as if the Company were the owner of the Leased Premises.

Except as otherwise provided in this Agreement, the Company shall have all of the rights and remedies of a taxpayer as if and to the same extent as if the Company were the owner of the Leased Premises, with respect to the assessed value of the Leased Premises 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.

11. Transfer of Project to the Company. In the event the Company 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, the Company 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 Leased Premises if the Leased Premises 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.
12. Involuntary Termination of Agreement. To the extent the Leased Premises 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, the Company's obligations hereunder shall, to such extent, be amended.
13. 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 the Company as a bankrupt and the failure to vacate, set aside or terminate such adjudications within ninety (90) days thereafter;
- (c) The failure of the Company to pay the amounts required to be paid pursuant to Sections 2.6, 3.3 or 3.7 of the Lease Agreement 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;
- (d) The appointment by any court of a receiver or trustee to take possession of all, or substantially all, of the assets of the Company which said appointment shall not have been discharged within a period of ninety (90) days after the filing of same;
- (e) The making by the Company of an assignment for the benefit of creditors;
- (f) The abandonment of the Project by the Company for a period of thirty (30) consecutive 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 the Company contributing thereto; provided, however, that in the event of fire or other catastrophe, the Company elects within ninety (90) days from the happening of such event to reconstruct the Project;
- (g) The attachment, execution or other seizure of all or substantially all of the assets of the Company, which such attachment, execution or other seizure is not discharged within a period of sixty (60) days after the date of levy; or
- (h) The failure, refusal or neglect of the Company to perform, keep or observe any of the terms, covenants and agreements herein contained on the part of the Company to be performed, kept or observed.

14. Remedies on Default in Payment; Termination. Upon the happening of an event of default as defined in ¶13(a) hereof, the Agency may immediately terminate this Agreement without notice to the Company 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 terminating the Agency's leasehold interest in the Leased Premises under the Leaseback Agreement, as determined by the Agency and the recording of Memorandums of Termination of Leaseback Agreement and Lease Agreement ("Termination Memorandums") in the County Clerk's Office shall be deemed to be delivery thereof. The Company hereby appoints the Chief Executive Officer and Chairman, each acting individually, as its attorneys-in-fact for the limited purpose of signing any forms that must necessarily accompany the Termination Memorandums in order for the Termination

Memorandums to be recorded. The Company acknowledges that the foregoing appointment is coupled with an interest and is irrevocable.

15. Remedies On Other Defaults; Termination. Upon the happening of any event of default as defined in ¶13(b - h) hereof, if after thirty (30) days written notice to the Company specifying the event of default, the default shall not have been remedied within such thirty (30) day period (or such other longer period specified in ¶13(b), (d), (f) and (g)), (or if, with reasonable diligence the default cannot be remedied within such thirty (30) day period (or such other longer period specified in ¶13(b), (d), (f) and (g)), 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; or
 - (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 terminating the Agency's leasehold interest in the Leased Premises under the Leaseback Agreement, as determined by the Agency and the recording of Memorandums of Termination of Leaseback Agreement and Lease Agreement ("Termination Memorandums") in the County Clerk's Office shall be deemed to be delivery thereof. The Company hereby appoints the Chief Executive Officer and Chairman, each acting individually, as its attorneys-in-fact for the limited purpose of signing any forms that must necessarily accompany the Termination Memorandums in order for the Termination Memorandums to be recorded. The Company acknowledges that the foregoing appointment is coupled with an interest and is irrevocable.

16. 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, the Company 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 lawsuit or action at law or in equity in any court or before anybody, provided such expenses were actually and necessarily incurred.

17. 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, the Company shall pay penalties and interest as provided herein. With respect to PILOT Payments, if said payment is not received by the payment due date, the Company 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 received when due or by the last day of any applicable cure period, the Company 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.

18. Termination of Use, Modification. If the substantial use of the Project shall be discontinued by the Company, the TVSP may be modified. It is understood that the benefits of this Agreement have been extended to the Company on the grounds set forth in various related agreements between the parties; that new jobs at the Project will be an economic asset to the County's economy; that the creating of new jobs in the County is considered beneficial to the well-being of the County as of the date of this Agreement and for the foreseeable future; and that the discontinuance of the substantial use of the Project by the Company would alter the purpose for which this Agreement was made. In such event, the Agency may give notice to the Company that modification is required. If the parties cannot agree on the basis of modification the Agency may increase the TVSP to an amount not exceeding the assessed value of the Leased Premises as determined by the Town Assessor.
19. Indemnification. The Company shall indemnify, defend and hold the Agency (and its directors, officers, members, agents (except the Company), employees, servants and their successors, representative and assigns) 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 Leased Premises, including expenses incurred by the Agency (and its directors, officers, members, agents (except the Company), employees, servants and their successors, representative and assigns) in defending any claim, suit or action which may result as a result of the foregoing.
20. No Recourse, Special Obligation.
 - (a) The obligations and agreements of the Agency contained herein and any other instrument or document executed in connection herewith, and any other instrument or document supplemental thereto or hereto, shall be deemed the obligations and agreements of the Agency, and not any director, officer, employee, member, agent (other than the Company), or representative of the Agency in his individual capacity, and the directors, officers, employees, members, agents (other than the Company) or representatives of the Agency shall not be liable personally hereon or 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.
 - (b) The obligations and agreements of the Agency contained hereby shall not constitute or give rise to an obligation of the State or of the County and neither the State nor the County shall be liable hereon or thereon, and, further, such obligations and

agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency payable solely from the revenues of the Agency derived and to be derived from the Project (except for revenues derived by the Agency with respect to the Unassigned Rights) (as such term is defined in the Lease Agreement).

- (c) No order or decree of specific performance with respect to any of the obligations of the Agency hereunder shall be sought or enforced against the Agency unless (i) the party seeking such order or decree shall first have requested the Agency in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Agency shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten (10) days, shall have failed to institute and diligently pursue action to cause compliance with such request) or failed to respond within such notice period, (ii) if the Agency refuses to comply with such request and the Agency's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Agency an amount or undertaking sufficient to cover such reasonable fees and expenses, and (iii) if the Agency refuses to comply with such request and the Agency's refusal to comply is based on its reasonable expectation that it or any of its directors, officers, employees, members, agents (other than the Company) or representatives of the Agency shall be subject to potential liability, the party seeking such order or decree shall agree to indemnify and hold harmless the Agency and its directors, officers, employees, members, agents (other than the Company) and representatives of the Agency against all liability expected to be incurred as a result of compliance with such request.
- (d) The obligations and agreements of the Company contained herein and any other instrument or document executed in connection herewith, and any other instrument or document supplemental thereto or hereto, shall be deemed the obligations and agreements of the Company, and not of any member, direct or indirect beneficial owners, affiliates, partners, shareholders, officers, directors, agents, employees or representatives of the Company in his or their individual capacity, and the members, direct or indirect beneficial owners, affiliates, partners, shareholders, officers, directors, agents and employees or representatives of the Company shall not be liable personally hereon or 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.

21. 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 personally 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
548 Broadway
Monticello, New York 12701
Attn: Chief Executive Officer

with a copy to:

GARIGLIANO LAW OFFICES, LLP
449 Broadway
P.O. Drawer 1069
Monticello, New York 12701-1069
Attn: Agency Counsel

If to the Company:

SVG 26 LLC
1301 47th Street
Brooklyn, New York 11219
Attn: Solomon Ellner, Managing Member

with a copy to:

Shawn Law Offices, P.C.
30 North Street, Suite 1
Monticello, New York 12701
Attn: Henri Shawn, Esq.

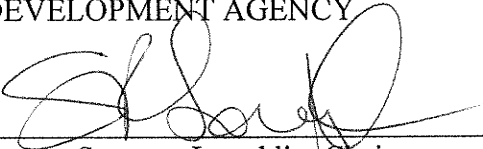
or at such other addresses and/or addressees as any party may from time to time furnish to the other party by notice given in accordance with the provisions of this Section.

- (b) Assignment. This Agreement may not be assigned by the Company, nor shall any person other than the Company 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 Agreement shall inure to the benefit of and shall be binding upon the Agency, the Company and its 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 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.
- (f) Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State. The parties hereby designate a court of proper jurisdiction located in the 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 the Company to make PILOT Payments and all of the Company's indemnification obligations shall survive any termination or expiration of this Agreement.
- (h) Section Headings Not Controlling. The headings of the several sections in this Agreement 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 Agreement.
- (i) Entire Agreement. This Agreement together with the Lease Agreement and 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 as of the date hereof.

COUNTY OF SULLIVAN INDUSTRIAL
DEVELOPMENT AGENCY



By: Suzanne Loughlin, Chairperson

SVG 26 LLC



By: Solomon Ellner, Managing Member