

**JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
RESOLUTION**

At a meeting of the Jefferson County Industrial Development Agency, Jefferson County, New York (the "**Agency**") held at 800 Starbuck Avenue, Watertown, New York 13601, on the 7th day of February, 2008, the following members of the Agency were:

Present:	David Converse	Michelle Pfaff
	John Doldo Jr.	Graham Wise

Excused:	William Fulkerson	Urban Hirschey
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Also Present: James Fayle, Donald Alexander, Lyle Eaton, Peggy Sampson, Mary Anne Hanley, James Heary, Dennis Affianti, Rachel Hanley of the Watertown Daily Times, and Channel 7 News

After the meeting had been duly called to order, the Chairperson announced that among the purposes of the meeting was to take action on certain matters pertaining to the acquisition, construction and equipping of a new cheese and whey plant located at 23 Phelps Street, Adams, Jefferson County, New York, for the making of cheese and whey products and located on certain land to be owned by the Agency (the "**Facility**"). The Facility is to be leased to Great Lakes Cheese of New York, Inc. (the "**Company**").

The following resolution was duly moved, seconded, discussed and adopted with the following members present voting:

AYE

All

NAY

None

RESOLUTION authorizing the sale/leaseback of the Facility.

WHEREAS, the Title one of Article 18-A of the General Municipal Law of the State of New York, as amended from time to time, together with Chapter 1030 of the Laws of 1969 of the State of New York, as amended from time to time (collectively, the "**Act**"), the Agency was created with created with the authority and power to, among other things, acquire, construct, reconstruct and install certain industrial and commercial facilities, among others as authorized by the Acts; AND

WHEREAS, there has been submitted to the Agency by the Company a proposal that the Agency assist it in financing the Facility; and

WHEREAS, the Company, has represented to the Agency that the financing of the Facility will continue to promote and maintain the job opportunities, health, general prosperity and economic welfare of the Citizens of the Village of Adams, Town of Adams, County of Jefferson, State of New York and improve their standard of living and thereby serve the public purposes of the Act; and

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

NOW, THEREFORE, BE IT RESOLVED, by the Agency as follows:

Section 1. The Agency hereby finds and determines:

- a) By virtue of the Act, the Agency has been vested with all powers necessary and convenient to carry out and effectuate the purposes and provisions of the Act and to exercise all powers granted to it under the Act; and
- b) The Facility continues to constitute a "project" as such term is defined in the Act; and
- c) The lease of the Facility to the Company will promote and maintain the job opportunities, health, general prosperity and economic welfare of the citizens of Jefferson County and the State of New York and improve their standard of living and thereby serve the public purposes of the Act; and
- d) A public hearing was held on September 26, 2007. A copy of the minutes of which have been presented to the members at this meeting.
- e) The project will serve the public purpose of Article 18A of the General Municipal Law by preserving permanent, private sector jobs or increasing the overall number of permanent, private sector jobs in the State.
- f) As a part of its financial assistance to the Company, the Agency intends to enter into a Payment in Lieu of Tax Agreement with the Company and the affected taxing jurisdictions.

Section 2. In consequence of the foregoing, the Agency hereby determines to:

- a) Accept a deed from the Company conveying the Facility to the Agency.
- b) Lease the Facility to the Company pursuant to the Lease Agreement, to be dated as of February 1, 2008 between the Agency and the Company (the "**Lease Agreement**").
- c) Enter into a Payment in Lieu of Tax Agreement with the Agency and the Company with the approval of the affected taxing jurisdictions dated as of February 1, 2008.

Section 3. The form and substance of the Deed in substantially the form presented to this meeting is hereby approved.

Section 4. The form and substance of the Payment in Lieu of Tax Agreement in substantially the form presented to this meeting is hereby approved.

Section 5. The form and substance of the Lease Agreement in substantially the form presented to this meeting is hereby approved.

Section 6. The Agency determines that it will follow the Town of Adams Planning Board which has made a determination that the Project shall not have a significant impact on the environment pursuant to the State Environmental Quality Review Act (Article 8 of the Environmental Conservation Law). The Agency concurs with the action of the Town of Adams Planning Board that the Project will not have a significant impact on the environment.

Section 7. This resolution shall be effective immediately.

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

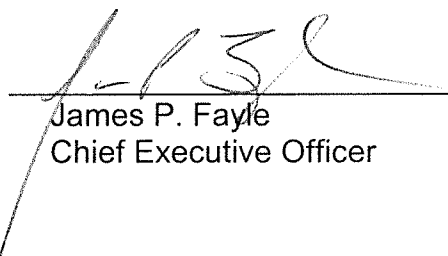
I, the undersigned James P. Fayle of the Jefferson County Industrial Development Agency, DO HEREBY CERTIFY:

That I have compared the annexed extract of the minutes of the meeting of the Jefferson County Industrial Development Agency (the "**Agency**"), including the resolution contained therein, held on the 7th day of February, 2008, with the original thereof on file in my office, and that the same is a true and correct copy of the proceedings of the Agency and of such resolutions set forth therein and of the whole of said original insofar as the same related to the subject matters therein referred to.

I FURTHER CERTIFY that public notice of the time and place of said meeting was duly given to the public and the news media in accordance with the Open Meetings Law, constituting Chapter 511 of the Laws of the 1976 of the State of New York, that all members of said Agency had due notice of said meeting and that the meeting was in all respects duly held.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Agency this 7th day of February, 2008.

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: 
James P. Fayle
Chief Executive Officer

PAYMENT IN LIEU OF TAXES AGREEMENT

THIS AGREEMENT, by and among **GREAT LAKES CHEESE OF NEW YORK, INC.**, a company duly organized and existing under the laws of the State of New York ("**Company**") and **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**, an Industrial Development Agency and a Public Benefit Corporation of the State of New York ("**Agency**").

WITNESSETH:

WHEREAS, the Agency was created by Chapter 369 of the Laws of 1971 of the State of New York pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York (collectively, the "**Act**"); and

WHEREAS, the Agency has agreed to (1) to own a parcel of land containing approximately 30 acres located at 23 Phelps Street, Village of Adams, Jefferson County, New York (the "**Land**"), (2) the construction on the Land of a Cheese and Whey Plant (the "**Facility**") and (3) the acquisition and installation therein and thereon of certain machinery and equipment (the "**Equipment**") (the Land, the Facility and the Equipment are hereinafter collectively referred to as the "**Project Facility**") and

WHEREAS, the Agency has agreed to lease the Project Facility to the Company pursuant to a Lease Agreement executed and entered into on February 28, 2008 (the "**Lease Agreement**") by and between the Agency and the Company; and

WHEREAS, pursuant to Section 874 (1) of the Act, and Section 412(a) of the Real Property Tax Law of the State of New York, the Agency is exempt from the payment of taxes and assessments imposed upon real property and improvements owned by it other than special ad valorem levies, special assessments and service charges against real property located in Jefferson County which are or may be imposed for special improvements or special district improvements; and

WHEREAS, Agency and the Company deem it necessary and proper to enter into this agreement for the benefit of the Taxing Jurisdictions (as hereinafter defined) making provision for payments in lieu of taxes by the Company to the Agency, for the benefit of the respective Taxing Jurisdictions within which the Project Facility is or is to be located ("**Taxing Jurisdictions**" means, individually and collectively, Jefferson County, Town of Adams, Village of Adams and the South Jefferson Central School District);

NOW, THEREFORE, in consideration of the covenants herein contained, it is mutually agreed as follows:

1. (a) Commencing with the tax year beginning on the next taxable status date following the execution of this Agreement and until the next taxable status date following the Completion Date (as defined in the Lease Agreement), the Company agrees to pay an amount equal to the real estate taxes, tangible personal property, inventory and/or other similar taxes and assessments (hereinafter referred to as "Real Estate Taxes") (in addition to paying when due all special ad valorem levies, special assessments and service charges which are or may be imposed for special improvements or special district improvements) which would be levied upon the Project Facility based on the assessed value of the tax parcels listed in Schedule "A" attached during such tax years as if the Project Facility were owned by the Company and not by the Agency.
- (b) Commencing with the tax year beginning on the next taxable status date after the Completion Date and annually thereafter or until the earlier termination of the Lease Agreement, the Company agrees to pay, in lieu of all Real Estate Taxes (in addition to paying all special ad valorem levies, special assessments and service charges which are or may be imposed for special improvements or special district improvements) which would be levied upon the Project Facility during such tax years if the Project Facility were owned by the Company and not by the Agency the following amounts:
 - (i) for the tax years 1 through and including 10, the sum of \$100,000.00 will be paid by the Company to the Agency. For the tax years 11 through 20 the Company shall pay to the Agency \$110,000 for year 11, \$120,000 for year 12, \$130,000 for year 13, \$140,000 for year 14, \$150,000 for year 15, \$160,000 for year 16, \$170,000 for year 17, \$180,000 for year 18, \$190,000 for year 19, \$200,000 for year 20 and thereafter 100% of all Real Estate Taxes which would be levied upon the Project Facility during such tax years if the Project Facility were owned by the Company and not by the Agency.
 - (ii) for the first tax year, the Agency shall pay \$25,000.00 to the Village of Adams. The balance of \$75,000.00 shall be disbursed pro rata to the Taxing Jurisdictions. Thereafter, all payments received by the Agency shall be disbursed pro rata to the Taxing Jurisdictions.
 - (iii) Upon receipt by the Agency of any payments made to it pursuant to Paragraph 1(b)(i), it will then pay each Taxing

Jurisdiction its pro rata share of the amount received by the Agency within the time period allowed by the Act.

- (c) The Company shall pay or cause to be paid to the Agency the amounts due pursuant to Paragraph 1(a) hereof within the grace period, without penalty, applicable to Real Estate Taxes, assessments, special ad valorem levies, special service charges or similar tax equivalents, as the case may be, on similar property subject to taxation by the Taxing Jurisdictions during such respective tax years, subject to any late payment penalties pursuant to §874 of the Act if not made within the grace period. The Company shall pay or cause to be paid the amounts set forth in Paragraph 1(b) hereof within ten (10) days from each taxable status date. Any failure on the part of the Company to make any payments due during the 10 day grace period shall be subject to any late payment penalties pursuant to §874 of the Act. Any failure on the part of the Company to timely make any payments pursuant to this Agreement within ten (10) days following written notice from the Agency shall be an event of default ("**Event of Default**") under this Agreement and under the Lease Agreement. Upon such Event of Default, the Agency shall have any and/or all of the Remedies on Default set forth in the Lease Agreement. Further, upon such Event of Default, the Payments In Lieu of Tax due under this Agreement shall, upon thirty (30) days written notice from the Agency to the Company, immediately be equal to 100% of all Real Estate Taxes which would be levied upon the Project Facility during such tax year if the Project Facility were owned by the Company and not by the Agency.
 - (d) The assessed value of the Project Facility shall be the value as finally determined on the Assessment Roll of the Taxing Jurisdiction for the applicable year.
2. In the event that the Project Facility is transferred from the Agency to the Company, the Project Facility shall be immediately subject to taxation pursuant to Sections 302 and 520 of the New York Real Property Tax Law, as amended. However, in no event shall Company be required to pay both a PILOT and real property, tangible personal property, inventory and/or similar taxes for a concurrent tax year or portion thereof. Therefore, should the Project Facility be conveyed to the Company and thus become taxable pursuant to New York RPTL §520, the Taxing Jurisdictions agree that any payments payable under this Agreement as Payments in Lieu of Taxes shall be reduced by the amount of any taxes which are required to be paid under RPTL §520 for any such concurrent

tax year or portion thereof, and should such Payment-in-Lieu-of-Taxes already have been made, the Taxing Jurisdictions shall refund any such amounts owing to Company.

3. To the extent the Project Facility or any part thereof is declared to be subject to taxation or assessments by an amendment to the Act, other legislative change, or by a final judgment of a court of competent jurisdiction, the obligations of the Company hereunder shall, to such extent, be null and void.
4. Any notice required to be given under this Agreement shall be deemed to have been duly given when delivered and, if delivered by mail, postage prepaid, return receipt requested, addressed to the respective parties hereto at their respective addresses specified below or such other addresses as either party may specify in writing to the other:

Agency: Jefferson County Industrial Development Agency
 Attention: Chief Executive Officer
 800 Starbuck Avenue, Suite 800
 Watertown, New York 13601


The Company: Great Lakes Cheese of New York, Inc.
 23 Phelps Street
 Adams, New York 13605

5. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.
6. This Agreement shall be binding upon and inure to the benefit of the parties, their respective successors and assigns.
7. The Company agrees to hold the Agency harmless from and against any liability arising from or any expense incurred under this Agreement, including any expense of the Agency in enforcing the terms and provisions hereof, except for any claims or liabilities arising out of the acts or omissions of the Agency.
8. This Agreement may not be assigned by the Company without the consent of the Agency.
9. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original for all purposes and all of which shall constitute collectively a single agreement. In making proof of this

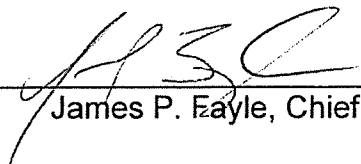
Agreement, it shall not be necessary to produce or account for more than one such counterpart.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement on the date set forth before the signature of its respective representative.

Dated: **GREAT LAKES CHEESE OF NEW YORK, INC.**

By: 
RUSSELL MULLINS
VICE PRESIDENT

Dated: **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

By: 
James P. Faule, Chief Executive Officer

The undersigned Taxing Jurisdictions hereby consent to the terms, covenants and conditions of this Agreement.

Town of Adams

South Jefferson Central School District

By: David W. Kellogg, Supervisor

By: Jamie Moesel, Superintendent

County of Jefferson

Village of Adams

By: Kenneth Blankenbush,
Chairman, Jefferson County
Board of Legislators

By: Dugal C. Peck, Mayor

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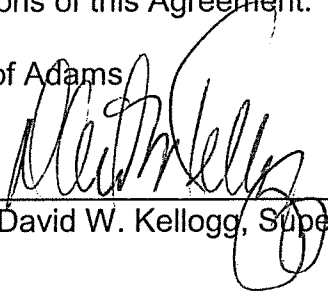
By: _____

Dated: **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

By: _____
James P. Fayle, Chief Executive Officer

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Town of Adams

By:  _____
David W. Kellogg, Supervisor

South Jefferson Central School District

By: _____
Jamie Moesel, Superintendent

County of Jefferson

By: _____
Kenneth Blankenbush,
Chairman, Jefferson County
Board of Legislators

Village of Adams

By: _____
Dugal C. Peck, Mayor

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By: _____

Dated: **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

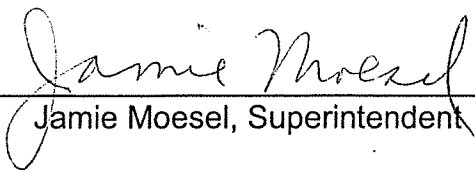
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David W. Kellogg, Supervisor

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Jamie Moesel, Superintendent

County of Jefferson

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Chairman, Jefferson County
Board of Legislators

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Dugal C. Peck, Mayor

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By: _____

Dated: **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

By: _____
James P. Fayle, Chief Executive Officer

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Town of Adams South Jefferson Central School District

By: _____ By: _____
David W. Kellogg, Supervisor Jamie Moesel, Superintendent

County of Jefferson Village of Adams

By: *Kenneth Blankenbush* By: _____
Kenneth Blankenbush, Dugal C. Peck, Mayor
Chairman, Jefferson County
Board of Legislators

Jcida/great lakes cheese/pilot/1/29/08

APPROVED AS TO FORM	5
COUNTY ATTORNEY	
4/8/08	
DATE	

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Dated: **GREAT LAKES CHEESE OF NEW YORK, INC.**

By: _____

Dated: **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

By: _____
James P. Fayle, Chief Executive Officer

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Town of Adams

South Jefferson Central School District

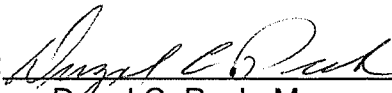
By: _____
David W. Kellogg, Supervisor

By: _____
Jamie Moesel, Superintendent

County of Jefferson

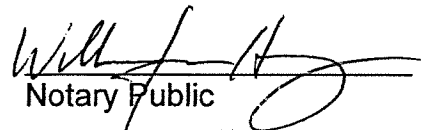
Village of Adams

By: _____
Kenneth Blankenbush,
Chairman, Jefferson County
Board of Legislators

By:  _____
Dugal C. Peck, Mayor

STATE OF NEW YORK)
)SS:
COUNTY OF JEFFERSON)

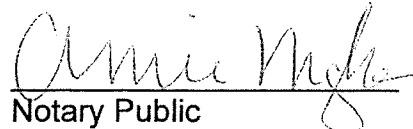
On the 28 day of Feb. in the year 2008 before me, the undersigned, a notary public in and for said state, personally appeared JAMES P. FAYLE personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.


Notary Public

William James Heary
Notary Public, State of New York
Appointed in Jefferson County
My Commission Expires: 5/31/2011

STATE OF OHIO)
)SS:
COUNTY OF GEAUGA)

On the 29th day of February in the year 2008 before me, the undersigned, a notary public in and for said state, personally appeared Russell Mullins, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.


Notary Public

AMIE LEE MECZKA, Atty.
NOTARY PUBLIC • STATE OF OHIO
My commission has no expiration date
Section 147.03 O.R.C.

SCHEDULE "A"

List of Tax Parcels

✓112.36-1-23
✓108.17-1-97
112.36-1-24 - 0
112.36-1-2 - 0
✓112.36-23-701
112.36-1-17 - 0
112.36-1-14 - 0
112.36-1-1 - 0
112.36-1-3 - 0

LEASE AGREEMENT

THIS LEASE AGREEMENT, dated as of the 19th day of February 2008, by and between the **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**, a public benefit corporation of the State of New York, having its office at 800 Starbuck Avenue, Watertown, New York, 13601, (the "**JCIDA**"), and **GREAT LAKES CHEESE OF NEW YORK, INC.**, a corporation organized and existing under the laws of the State of New York, having an office and place of business at 23 Phelps Street, Adams, New York 13605 (the "**Company**").

WITNESSETH:

WHEREAS, Title 1 Article 18-A of the General Municipal Law of the State of New York (the "**Enabling Act**") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York (the "**State**") as amended; 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, including industrial pollution control 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 to mortgage any or all of its facilities; and

WHEREAS, pursuant to and in accordance with the provisions of the Enabling Act

(which together with Chapter 916 of the Laws of 1969 of the State as amended collectively called the "**Act**"), JCIDA is empowered under the Act to undertake leasing of the facility described below; and

WHEREAS, said facility will consist of the constructing and equipping of a cheese and whey plant which is to be located on certain land (the "Land") owned by the JCIDA and more particularly described in Exhibit "A" (the "**Facility**" and also referred to as "**Project**"). The Facility is a project as defined in the Act; and

WHEREAS, the JCIDA proposes to lease the Facility to the Company, and the Company desires to rent the Facility from the JCIDA, upon the terms and conditions hereinafter set forth in this Agreement; and

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows, to wit:

ARTICLE I

DEFINITIONS

Section 1.1 Certain Definitions. All words and phrases defined in the Payment In Lieu of Tax Agreement (the "PILOT Agreement") attached hereto as Exhibit "B", and made a part hereof, shall have the same meaning in this Lease Agreement unless otherwise defined herein and/or the context or use herein indicates another or different meaning.

"Completion Date" means the date on which the Project is substantially completed and a final Certificate of Occupancy is issued by the appropriate municipal authority or December 31, 2009, whichever date first occurs.

"Financing Documents" means any document to which the JCIDA is a party used in regards to any financing of the Facility.

ARTICLE II

REPRESENTATIONS AND COVENANTS

Section 2.1 Representations and Covenants of the JCIDA. The JCIDA makes the following representations and covenants as the basis for the undertakings on its part herein contained:

- (a) The JCIDA is duly established under the provisions of the Act and has the power to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. Based upon the representations of the Company as to the utilization of the Facility, the Facility will constitute a commercial facility. By proper corporate action the JCIDA has been duly authorized to execute and deliver this Agreement. As a public benefit corporation of the State, the JCIDA agrees that it shall not make a profit with respect to the Facility.
- (b) The JCIDA will purchase and acquire the Facility, cause the Facility to be constructed and equipped and will lease the Facility to the Company pursuant to this Agreement, all for the purpose of promoting the industry, commerce, health, welfare, convenience and prosperity of the inhabitants of the State and improving their standard of living.
- (c) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the provisions of this Agreement 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 JCIDA is a party or by which it 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 JCIDA under the terms of any such instrument or agreement or this Agreement.

Section 2.2 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 corporation duly organized and existing in good standing under the laws of New York State and is qualified to do business in the State and has full power and authority to execute and deliver, this Agreement executed by it and to carry out its obligations hereunder and has duly authorized the execution, delivery and performance of this Agreement and will remain qualified to do business in the State during the term of this Agreement.

- (b) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the provisions of this Agreement will conflict with or result in a breach of any of the terms, conditions or provisions of the Company's Certificate of Incorporation, any order or judgment, or any restriction, agreement or instrument to which the Company is a party or by which it 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 order, judgment, instrument or agreement except for this Agreement.
- (c) The providing of the Facility by the JCIDA and the leasing thereof by the JCIDA to the Company (i) will not result in the removal of a facility or other commercial activity of the Company from one area of the State to another area of the State nor result in the abandonment of one or more facilities of the Company located within the State, and (ii) is reasonably necessary to preserve the Company's competitive position in its industry.
- (d) The Facility and the operation thereof will comply with all applicable building, zoning, environmental, (including without limitation those relating to hazardous substances) planning and subdivision laws, ordinances, rules and regulations of all Federal, State and Municipal governments, departments, commissions, boards and offices (the "**Governmental Authorities**") having jurisdiction over the Facility (the applicability of such being determined both as if the JCIDA were the owner of the Facility and as if the Company and not the JCIDA were the owner of the Facility).
- (e) Any new employment opportunities created in connection with the Facility shall be listed with the New York State Department of Labor Job Service Division and with the administrative entity of the service delivery area created pursuant to the Job Training Company Act (P.L. 97-300) in which the Facility is located. In compliance with Executive Order No. 84, the Company shall deliver to the JCIDA, the local service delivery area office for the area in which the Facility is located, the office of the local job service superintendent, and the Regional Office of the New York State Department of Commerce, an employment plan detailing the number and types of employment opportunities projected to be generated by the Facility. The Company shall also provide such other information as the JCIDA may request with respect to the Facility.
- (f) No part of the Facility will be located outside of the County of Jefferson, New York.

ARTICLE III

FACILITY SITE

jcida/greatlakescheese/leaseagreementversion 5- 112907

Section 3.1 Agreement to Convey to JCIDA. The Company will convey or cause to be conveyed to the JCIDA all of its interest and/or the interest of any affiliate entity and/or entity controlled by the Company, in real property if any, including any structures or improvements thereon, described in Exhibit "A" attached hereto, located and/or intended for use thereon. The Company agrees that the title to such real property and any interests described in such Exhibit "A" vested in the JCIDA will be sufficient for the purposes intended by this Agreement.

ARTICLE IV

THE FACILITY

Section 4.1 The Facility.

- (a) The Company agrees that, on behalf of the JCIDA, it will construct and equip the Facility.
- (b) The JCIDA shall enter into such contracts as the Company may request in order to effectuate the purposes of this Section 4.1; provided, however, that the JCIDA shall have no liability to carry out the terms and/or conditions of such contracts.
- (c) The JCIDA hereby appoints the Company its true and lawful agent, and the Company hereby accepts such agency, (i) to construct and equip the Facility in accordance with the plans and specifications as prepared by the Company, (ii) to make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions with any other persons, and in general to do all things which may be requisite or proper, all for improving the Project with the same powers and with the same validity as the JCIDA could do if acting in its own behalf, (iii) to pay all fees, costs and expenses incurred in the improvement of the Project; (iv) to ask, demand, sue for, levy, recover and receive all such sums or money, debts, dues and other demands whatsoever which may be due, owing, payable to the JCIDA under the terms of any contract, order, receipt, or writing in connection with improvement and completion of the Project and to enforce the provisions of any contract, agreement, obligation, bond or other performance security.

Section 4.2 Financing of the Facility. The Company may at any time during the Lease Term so long as it is not in default request that the JCIDA execute the Financing Documents or any other documents in order to assist it using the Property as collateral in a financing or other transaction. All of the Financing Documents or other documents shall be in a form and substance satisfactory to the JCIDA and its attorney and shall contain the usual language that the JCIDA has no personal obligation to pay any or all of the part of any debt or other obligations being secured by the Financing Documents or any other documents.

Section 4.3 Remedies to be Pursued Against Contractors and Subcontractors and

jcida/greatlakescheese/leaseagreementversion 5- 112907

their Sureties. In the event of default of any contractor or subcontractor under any contract made by it in connection with the Facility or in the event of a breach of warranty with respect to any materials, workmanship, or performance guaranty, the Company may proceed, at its expense, either separately or in conjunction with others, to pursue any and all remedies of the Company and the JCIDA against the contractor or subcontractor so in default and against such surety for the performance of such contract. The Company may, in its own name or in the name of the JCIDA, prosecute or defend any action or proceeding or take any other action involving any such contractor, subcontractor or surety which the Company deems reasonably necessary, and in such event the JCIDA, 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 JCIDA in any such action or proceeding.

ARTICLE V

DEMISING CLAUSES AND RENTAL PROVISIONS

Section 5.1 Demise of Facility. The JCIDA hereby demises and leases the Facility to the Company and the Company hereby hires and takes the Facility from the JCIDA upon the terms and conditions of this Agreement.

Section 5.2 Duration of Lease Term: Quiet Enjoyment.

- (a) The JCIDA shall deliver to the Company sole and exclusive possession of the Facility (subject to the provisions of Section 8.2 hereof) and the leasehold estate created hereby shall commence on the date hereof and the Company shall accept possession of the Facility on such date.
- (b) Except as provided in Section 10.2(a)(i) and Article XI hereof, the Leasehold estate created hereby shall terminate on the same date that the PILOT Agreement terminates (the "Lease Term"). This Agreement is subject to early termination pursuant to the PILOT Agreement and this Agreement.
- (c) The JCIDA shall take no action, other than pursuant to Article XI of this Agreement, to prevent the Company from having quiet and peaceable possession and enjoyment of the Facility during the Lease Term 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 during the Lease Term.

Section 5.3 Rents and Other Amounts Payable. The Company shall pay rent for the Facility leased hereunder as follows:

- (a) On the due date, the amounts to be paid pursuant to the PILOT Agreement.

jcida/greatlakescheese/leaseagreementversion 5- 112907

- (b) In addition to the payments of rent pursuant to Section 5.3(a) hereof, throughout the Lease Term, the Company shall pay to the JCIDA as additional rent, within thirty (30) days of the receipt of demand therefor, an amount equal to the sum of the expenses of the JCIDA incurred (i) by reason of the JCIDA's ownership, financing or leasing of the Project and (ii) in connection with the carrying out of the JCIDA's duties and obligations under this Agreement, any document to which JCIDA is a party used in any financing of the Facility, the payment of which is not otherwise provided for under this Agreement.

Section 5.4 Obligations of Company Hereunder Unconditional. The obligations of the Company to make the payments required in Section 5.3 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 counter-claim it may otherwise have against the JCIDA. The Company agrees it will not (i) suspend, discontinue or abate any payment required by Section 5.3 hereof or (ii) fail to observe any of its other covenants or agreements in this Agreement or (iii) except as provided in Sections 11.1 or 11.2 hereof, terminate this Agreement for any cause whatsoever. Nothing contained in this Section 5.4 shall be construed to release the JCIDA from the performance of any of the agreements on its part contained in this Agreement or to affect the right of the Company to seek reimbursement in the event the JCIDA should fail to perform any such agreement. The Company may institute such action against the JCIDA as the Company may deem necessary to compel performance or recover damages for non-performance and the JCIDA covenants that it will not take any voluntary action which will adversely affect, or create any defect in its title to the Project or which will otherwise adversely affect the rights or estate of the Company hereunder, except upon written consent of the Company.

ARTICLE VI

MAINTENANCE, MODIFICATIONS, TAXES AND INSURANCE

Section 6.1 Maintenance and Modifications of Facility By Company.

- (a) The Company agrees that during the Lease Term it will (i) keep the Facility in as reasonably safe condition as its operations shall permit; (ii) make all necessary repairs and replacements to the Facility (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen); and (iii) operate the Facility in a sound and economic manner and in compliance with all applicable Federal, State and local laws, rules, regulations and orders; and (iv) indemnify and hold the JCIDA harmless from any liability or expenses from the failure by the Company to comply with (i), (ii), or (iii) above.

- (b) With the written consent of the JCIDA, which shall not be unreasonably withheld by the JCIDA but may be subject to such commercially reasonable conditions as the JCIDA may require, the Company from time to time may make any structural additions, modifications or improvements to the Project or any part thereof which it may deem desirable. All such structural additions, modifications or improvements so made by the Company shall become a part of the Project. The Company may make additions, modifications or improvements to the Project (which cost, in the aggregate, less than \$5,000,000.00) during any rolling five (5) year period. Any additions, modifications or improvements in excess of such limits shall be made only with the written consent of the JCIDA, which such consent shall not be unreasonably withheld.

Section 6.2 Installation of Additional Equipment. The Company from time to time may install additional machinery, equipment or other personal property in the Project. If such additional machinery, equipment or other personal property is or becomes attached or affixed to the Project such machinery, equipment or other personal property shall become, or be deemed to become, a part of the Project.

Section 6.3 Taxes, Assessments and Utility Charges.

- (a) The Company agrees to pay, as the same respectively become due (i) for as long as the Facility is owned by the JCIDA and leased to the Company, in lieu of all real estate taxes that would have been assessed against the Facility as if it were owned by a taxable entity, such as the Company, the amounts due pursuant to the PILOT Agreement; (ii) to the extent not subject to the PILOT Agreement, all other taxes and any other 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 other property installed or brought 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 JCIDA from the Facility (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) to the extent not otherwise subject to the PILOT Agreement, 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 Agreement to pay only such installments as are required to be paid during the Lease Term.
- (b) The Company shall defend, indemnify and hold the JCIDA harmless from any liability or expenses resulting from any failure by the Company to comply with the provisions of subsection (a) of this Section 6.3.

Section 6.4 Insurance Required. The Company shall maintain insurance with respect to the Facility 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 with respect thereto, including, but not necessarily limited to:

- (a) During and prior to completion of the Facility, builder's risk (or equivalent coverage) insurance upon any work done or material furnished in connection with the acquisition, construction and installation of the Facility issued to the Company and the JCIDA as an additional insured as their interests may appear, and, written in completed value form for the full insurable value of the Facility and at such time that builder's risk insurance is no longer available by virtue of completion of the Facility, insurance protecting the interests of the Company and the JCIDA as insured's as their interests may appear, against loss or damage to the Facility by fire, lightning, vandalism, malicious mischief and other perils normally insured against with a uniform extended coverage endorsement, such insurance at all times to be in an amount not less than the greater of the unpaid principal amount or the actual replacement value of the Facility.
- (b) To the extent applicable, workers' compensation insurance, disability benefits insurance and such other forms of insurance which the Company is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees of the Company who are located at or assigned to the Facility or who are responsible for the acquisition, construction or installation of the Facility.
- (c) Insurance protecting the Company and the JCIDA against loss or losses from liabilities imposed by law or assumed in any written contract and arising from personal injury or death or damage to the Facility or 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 and applicable workers' compensation law, and a separate umbrella policy protecting the Company and the JCIDA with a limit of not less than \$5,000,000.
- (d) If the Facility is located within an area identified by the Secretary of Housing and Urban Development as having special flood hazards, insurance against loss by floods in an amount at least equal to the unpaid principal amount or to the maximum limit of coverage made available, whichever is less.
- (e) The JCIDA does not in any way represent that the insurance specified herein whether in scope or in limits of coverage, is adequate or sufficient to protect the Company's business or interest.

(f) IN THE EVENT, THE LIABILITY INSURANCE REQUIRED PURSUANT TO

jcida/greatlakescheese/leaseagreementversion 5- 112907

THIS ARTICLE LAPSES, OR IF IT IS FOR A LESSER AMOUNT THAN REQUIRED PURSUANT TO THIS ARTICLE, THEN, IN EITHER SUCH EVENT, THE JCIDA ON OR AFTER SUCH DATE MAY, WITHOUT NOTICE TO ANY PARTY CONVEY THE FACILITY TO THE COMPANY AND THIS AGREEMENT SHALL TERMINATE EFFECTIVE ON THE DATE OF SUCH CONVEYANCE.

Section 6.5 Additional Provisions Respecting Insurance.

- (a) All insurance required by Section 6.4 hereof shall be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the Company and authorized to write such insurance in the State and having a Best rating satisfactory to the JCIDA. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the Company is engaged. All policies evidencing such insurance shall name the Company and the JCIDA as insured's and in the case of the insurance specified under Subsection (c) of Section 6.4 hereof and shall provide for at least thirty (30) days' written notice to the Company and the JCIDA prior to cancellation, lapse, reduction in policy limits or material change in coverage thereof. All insurance required hereunder shall be in form, content and coverage satisfactory to the JCIDA. Certificates satisfactory in form and substance to the JCIDA to evidence all insurance required hereby shall be delivered to the JCIDA on or before the Closing Date. At least thirty (30) days prior to the expiration of any such policy, the Company shall furnish to the JCIDA evidence that the policy has been renewed or replaced or is no longer required by this Agreement.
- (b) All premiums with respect to the insurance required by Section 6.4 hereof, shall be paid by the Company; provided, however, that if the premiums are not timely paid, the JCIDA may pay such premiums and the Company shall pay immediately upon demand all sums so expended by the JCIDA together with interest at the highest rate permitted by law.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.1 Damage Destruction and Condemnation.

- (a) If the Project shall be damaged or destroyed (in whole or in part) at any time during the Lease Term:
 - (i) The JCIDA shall have no obligation to replace, repair, rebuild or restore

jcida/greatlakescheese/leaseagreementversion 5- 112907

the Project;

- (ii) There shall be no abatement or reduction in the amounts payable by the Company under this Agreement (whether or not the Project is replaced, repaired, rebuilt or restored);
 - (iii) The Company shall promptly give notice thereof to the JCIDA; and
 - (iv) Except as otherwise provided in subsection (b) of this Section 7.1 the Company shall promptly replace, repair, rebuild or restore the Project to substantially the same condition and value as an operating entity as existed prior to such damage or destruction, provided that such replacements, repairs, rebuilding or restoration do not so change the nature of the Project that it does not constitute a "Project" as such quoted term is defined in the Act.
- (b) If the Land or the Facility, or any part thereof, shall be condemned for any reason, including without limitation fire or earthquake damage, or otherwise taken for public or quasi-public use under the power of eminent domain, or be transferred in lieu thereof, all damages or other amounts awarded for the taking of, or injury to, the Land or the Facility shall be paid to the Company.
- (c) All replacements, repairs, rebuilding or restoration made pursuant to Sections (a) or (b) whether or not requiring the expenditure of the Company's own money, shall automatically become part of the Facility as if the same were specifically described herein.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.1 NO WARRANTY OF CONDITION OR SUITABILITY BY JCIDA; ACCEPTANCE "AS IS". THE JCIDA MAKES NO WARRANTY EITHER EXPRESS OR IMPLIED, AS TO THE CONDITIN, TITLE, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS OF THE FACILITY OR ANY PART THEREOF OR AS TO THE SUITABILITY OF THE FACILITY OR ANY PART THEREOF FOR THE COMPANY'S PURPOSES OR NEEDS. THE COMPANY SHALL TAKE TITLE TO FACILITY "AS IS" WITHOUT RECOURSE OF ANY NATURE AGAINST THE JCIDA FOR ANY CONDITION NOW OR HEREAFTER EXISTING. NO WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY IS MADE. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE, WHETHER PATENT OR LATENT, NOR SHALL THE JCIDA HAVE ANY RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO.

Section 8.2: Hold Harmless Provisions.

jcida/greatlakescheese/leaseagreementversion 5- 112907

- (a) The Company hereby release the JCIDA and its members, officers, agents (other than the Company) and employees from, agrees that the JCIDA and its members, officers, agents (other than the Company) and employees shall not be liable for and agrees to indemnify, defend and hold the JCIDA and its members, officers, agents (other than the Company) and employees harmless from and against any and all claims, causes of action, judgments, liabilities, damages, losses, costs and expenses arising as a result of the JCIDA's undertaking the Project, including, but not limited to: (1) liability for loss or damage to property or bodily injury to or death of any and all persons that may be occasioned, directly or indirectly, 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 of any person or property on, in or about the Facility; (2) liability arising from or expense incurred by the JCIDA's financing, acquiring, constructing, reconstructing, equipping, installing, owning or selling the Facility, including, without limiting the generality of the foregoing, any sales or use taxes which may be payable with respect to goods supplied or services rendered with respect to the Facility, all liabilities or claims arising as a result of the JCIDA's obligations under this Agreement or any of the other Agreement or the enforcement of or defense of validity of any provision of any Financing Documents, (3) all claims arising from the exercise by the Company of the authority conferred on it pursuant to Section 4.1(c) hereof, and (4) all causes of action and attorneys' fees and other expenses incurred in connection with any suits or actions which may arise as a result of any of the foregoing; provided that any such claims, causes of action, judgments, liabilities, damages, losses, costs or expenses of the JCIDA are not incurred or do not result from the intentional wrongdoing of the JCIDA or any of its members, officers, agents (other than the Company) or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence on part of the JCIDA or any of its officers, members, agents (other than the Company) or employees and notwithstanding the breach of any statutory obligation or any rule or comparative or apportioned liability.
- (b) In the event of any claim against the JCIDA or its members, officers, agents (other than the Company) or employees by any employee of the Company or any contractor of the Company or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the obligations of the Company hereunder shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for the Company or such contractor under workers' compensation laws, disability benefits laws or other employee benefit laws.
- (c) To effectuate the provisions of this Section 8.2, the Company agrees to insure, in the liability policies required by Section 6.4(c) of this Agreement, its liabilities

assumed pursuant to this Section 8.2.

jcida/greatlakescheese/leaseagreementversion 5- 112907

- (d) Notwithstanding any other provisions of this Agreement, the obligations of the Company pursuant to Section 8.2 (a) shall remain in full force and effect after the termination of this Agreement until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters herein described may be brought and the payment in full or the satisfaction of such claim, cause of action or prosecution relating to the matters herein described may be brought and the payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all expenses, charges and costs incurred by the JCIDA or its officers, members, agents (other than the Company) or employees, relating thereto.

Section 8.3 Right to Inspect the Facility. The JCIDA shall have the right at all reasonable times to inspect the Facility after giving written notice to the Company and complying with all reasonable rules and regulations of the Company.

Section 8.4 Compliance With Orders, Ordinances, etc.

- (a) The Company agrees that it will, throughout the Lease Term, promptly comply 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 and shall defend, indemnify and hold the JCIDA harmless from any liability or expenses resulting from any failure by the Company to so comply.
- (b) NOT USED

Section 8.5 No Recourse: Special Obligation

- (a) The obligations and agreements of the JCIDA contained herein and in any other instrument or document executed in connection herewith or therewith, and any instrument or document supplemental hereto or thereto, shall be deemed the obligations and agreements of the JCIDA, and not of any member, officer, agent (other than the Company) or employee of the JCIDA in his individual capacity, and the members, officers, agents (other than the Company) and employees of the JCIDA 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. The obligations and

agreements of the JCIDA contained herein or therein shall not constitute or give

jcida/greatlakescheese/leaseagreementversion 5- 112907

rise to an obligation of the State or of the County of Jefferson, nor of the Town of Adams, and neither the State nor the County of Jefferson nor the Town of Adams shall be liable hereon or thereon, and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the JCIDA, but rather shall constitute limited obligations of the JCIDA, payable solely from the revenues of the JCIDA derived and to be derived from the lease, sale or other disposition of the Facility. The limitations on the obligations of the JCIDA contained in this Section 8.5(a) by virtue of any lack of assurance required by Paragraph (b) hereof shall not be deemed to prevent the occurrence of any Event of Default pursuant to Section 10.1 hereof.

- (b) No order or decree of specific performance with respect to any of the obligations of the JCIDA hereunder or thereunder shall be sought or enforced against the JCIDA unless (i) the party seeking such order or decree shall first have requested the JCIDA 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 JCIDA 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, and (ii) if the JCIDA refuses to comply with such request and the JCIDA'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 JCIDA an amount or undertaking sufficient to cover such reasonable fees and expenses, and (iii) if the JCIDA refuses to comply with such request and the JCIDA's refusal to comply is based on its reasonable expectation that it or any of its members, officers, agents (other than the Company) or employees shall be subject to potential liability, the party seeking such order or decree shall (a) agree to indemnify and hold harmless the JCIDA and its members, officers, agents (other than the Company) and employees against any liability incurred as a result of its compliance with such demand, and (b) if the Company is the party seeking such order or decree, if requested by the JCIDA, the Company shall furnish to the JCIDA a letter of credit in an amount to be determined by mutual agreement of the parties in light of the circumstances for the purpose of protecting the JCIDA and its members, officers, agents (other than the Company) and employees against all liability expected to be incurred as a result of compliance with the Company's request. In the event the parties hereto are unable to agree on the amount of the letter of credit, the JCIDA would be under no duty to act and the Company shall indemnify it for any claims arising out of its failure to act. In such event, the Company will indemnify and hold the JCIDA harmless from any claims made against the JCIDA arising out of its failure to act.

Section 8.6 Authorization to Conduct Business in the State. Throughout the Lease

jcida/greatlakescheese/leaseagreementversion 5- 112907

Term, the Company shall continue to be duly authorized to conduct its business in the State.

Section 8.7 Agreement to Provide Information. The Company agrees, whenever requested by the JCIDA, to provide and certify or cause to be provided and certified such information concerning the Company, its finances, and other topics necessary to enable the JCIDA to make any reports required by law, governmental regulation, the Agreement or any other such information as may reasonably be requested by the JCIDA. In the event, the Company in good faith believes the information to be furnished to be confidential or proprietary shall immediately notify the JCIDA of its position. It shall immediately thereafter take such action as is reasonably requested by the JCIDA to relieve the Company from disclosing such information. In the event, after such action has been commenced a final determination finds that the Company is required to make such information available it shall do so with an explanation why it deems such information is confidential or proprietary. The Company agrees to indemnify and hold harmless the JCIDA from any claim made against it by reason of the Company's failure to provide such information and agrees to pay to the JCIDA its reasonable out of pocket expenses in defending itself against such claim including reasonable attorney's fees.

Section 8.8 NOT USED

Section 8.9 Discharge of Liens and Encumbrances.

- (a) The Company shall not permit or create or suffer to be permitted or created any lien upon the Project 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 Project or any part thereof and shall defend, indemnify and hold harmless JCIDA from any liability or expenses resulting from any failure by the Company to so comply.
- (b) Notwithstanding the provisions of subsection (a) of this Section 8.9, the Company may in good faith contest any such lien. In such event, the Company may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom.

Section 8.10 Identification of Machinery and Equipment. All machinery and equipment which is or may become the property of the JCIDA pursuant to the provisions of this Agreement shall be properly identified by the Company by such appropriate records, including computerized records. In this regard all improvements, machinery, equipment and other property of whatever nature affixed or attached to the Land or used by the Company in connection with the Land or the Project shall be deemed presumptively to be owned by the JCIDA, rather than the Company, and such improvements, machinery, equipment and other property were properly identified by such appropriate records.

Section 8.11 Depreciation Deductions and Tax Credits. The parties agree that (as
jcida/greatlakescheese/leaseagreementversion 5- 112907

between them) the Company shall be entitled to all depreciation deductions and accelerated cost recovery system deductions with respect to any portions of the Project pursuant to Sections 167 and 168 of the Internal Revenue Code of 1986, as amended (the "Code") and to any investment credit pursuant to Section 38 of the Code with respect to any portion of the Project which constitutes "Section 38 Property" and to all other state and/or federal income tax deductions and credits which may be available with respect to the Project.

Section 8.12 Sales and Use Tax Exemption.

- (a) Pursuant to Section 874 of the Act, the parties understand that the JCIDA is except from certain sale taxes and use taxes imposed by the State and local governments of the State, and that the Project may be exempted from those taxes due to the involvement of the JCIDA in the Project. Any exemption from the payment of New York sales or use taxes resulting from the involvement of the JCIDA with the Project shall be limited to purchases of services and tangible personal property conveyed to the JCIDA or utilized by the JCIDA or by the Company as agent of the JCIDA as a part of the Facility prior to the Facility's Completion or incorporated within the Facility prior to its Completion. No operating expenses of the Facility and no other purchases of services or property shall be subject to an exemption from the payment of New York sales or use tax.
- (b) Pursuant to Section 874(8) of the Act, if the Company claims any sales tax exemption by virtue of the JCIDA's involvement in the Project, the Company agrees to annually file and cause any sublessee or other operator of the Facility to file annually, with the New York State Department of Taxation and Finance (the "Annual Sales Tax Report"), on a form and in such manner as is prescribed by the New York State Commission of Taxation and Finance, a statement of the value of all sales and use tax exemptions claimed by the Company and all contractors, subcontractors, consultants and other agents of the Company under the authority granted to the Company by the JCIDA. Pursuant to Section 874(8) of the Act, the penalty for failure to file an Annual Sales Tax Report shall be removal of authority to act as agent of the JCIDA. Additionally, if the Company shall fail to comply with the requirements of this subsection (b) the Company shall immediately cease to be the agent of the JCIDA in connection with the Project. For future filings of the Annual Sales Tax Report, the Company is responsible for obtaining from the New York State Department of Taxation and Finance any updated or revised versions of such Annual Sales Tax Reports.
- (c) The Company agrees to furnish the JCIDA a copy of each such annual report submitted to the New York State Department of Taxation and Finance by the Company pursuant to Section 874(8) of the Act.
- (d) Pursuant to 874(8) of the Act, the Company agrees to file within thirty (30) days

from the date of this Agreement with the New York State Department of Taxation

jcida/greatlakescheese/leaseagreementversion 5- 112907

and Finance, on a form and in such manner as is prescribed by the New York State Commissioner of Taxation and Finance (the "Thirty Day Sales Tax Report"), a statement identifying the Company as agent of the JCIDA, setting forth the taxpayer identification number of the Company, giving a brief description of the goods and/or services intended to be exempted from sales taxes as a result of such appointment as agent, indicating a rough estimate of the value of the goods and/or services to which such appointment as agent relates, indicating the date when such designation as agent became effective and indicating the date upon which such designation as agent shall cease. For future filings of the Thirty-Day Sales Tax Report, the Company is responsible for obtaining from the New York State Department of Taxation and Finance any updated or revised versions of such Thirty Day Sales Tax Report.

ARTICLE IX

RELEASE OF CERTAIN LAND: ASSIGNMENT AND SUBLEASING: MORTGAGE AND PLEDGE OF INTERESTS

Section 9.1 Restriction on Sale of Facility. Except as otherwise specifically provided herein, the JCIDA 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.

Section 9.2 Assignment and Subleasing. This agreement may not be assigned in whole or in part without the written consent of the JCIDA, which shall not be unreasonably withheld; nor may it be subleased without its written consent which shall not be unreasonably withheld.

Section 9.3 NOT USED

Section 9.4 Merger of JCIDA.

- (a) Nothing contained in this Agreement shall prevent the consolidation of the JCIDA with, or merger of the JCIDA into, or transfer of title to the Facility as an entirety to any other public benefit corporation which has the legal authority to own and lease the Facility, provided that:
 - (i) In the opinion of independent counsel, reasonably satisfactory to the Company, upon any such consolidation, merger or transfer, the due and punctual performance and observance of all the agreements and conditions of this Agreement to be kept and performed by the political subdivision or public benefit corporation resulting from such consolidation or surviving such merger or to which the Facility shall be transferred.

- (b) At least ninety (90) days prior to the consummation of any such consolidation, merger or transfer of title, the JCIDA shall give notice thereof in reasonable detail to the Company, together with the written legal opinion referenced in Section 9.4(a) hereof. The JCIDA promptly shall furnish such additional information with respect to any such transaction as the Company reasonably may request.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.1 EVENTS OF DEFAULT DEFINED.

- (a) The following shall be "Events of Default" under this Agreement and the terms "Event of Default" or "Default" shall mean, whenever they are used in this Agreement, any one or more of the following events:
- (i) The failure by the Company to pay or cause to be paid the amounts specified to be paid pursuant to Section 5.3 hereof or any other amounts payable by Company pursuant to this Agreement and the PILOT Agreement;
 - (ii) Any representation or warranty of the Company herein or in this transaction is false or misleading in any material respect;
 - (iii) The receivership or liquidation of the Company or the filing of a voluntary or involuntary petition in bankruptcy, on the part of the Company;
 - (iv) The failure of the Company to perform any term, covenant or condition to be performed by it pursuant to this Agreement or another agreement to which it and JCIDA are parties to; or
 - (v) Any Event of Default pursuant to the PILOT Agreement.
- (b) Except for the JCIDA's rights to terminate this Agreement and take other remedial action pursuant to Section 6.4(f) herein and the PILOT Agreement the JCIDA will give the Company written notice of an Event of Default. The Company shall have thirty (30) days from the date of the written notice to cure the Event of Default before the JCIDA may take any remedial action pursuant to this Agreement.

Section 10.2 Remedies on Default.

- (a) Whenever any Event of Default shall have occurred and be continuing, the

JCIDA may take, to the extent permitted by law, one or more of the following

jcida/greatlakescheese/leaseagreementversion 5- 112907

remedial steps:

- (i) Without the consent of the Company, convey the Facility to the Company at the Company's cost and expense, thereby terminating this Agreement.
 - (ii) Take any other action at law or in equity which may appear necessary or desirable 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 Agreement and/or the PILOT Agreement.
- (b) No action taken pursuant to this Section 10.2 shall relieve the Company from its obligation to make all payments required by Section 5.3 hereof, nor its obligation to indemnify JCIDA pursuant to any of the terms of this Agreement.

Section 10.3 Remedies Cumulative. No remedy herein conferred upon or reserved to the JCIDA 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 Agreement 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.

Section 10.4 Agreement to Pay Attorneys' Fees and Expenses. In the event the Company should default under any of the provisions of this Agreement and the JCIDA 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, the Company shall, on demand therefor, pay to the JCIDA the reasonable fees of such attorneys and such other expenses so incurred.

Section 10.5 No Additional Waiver Implied by One Waiver. In the event any agreement contained herein should be breached by either party and thereafter waived by the 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 XI

EARLY TERMINATION OF AGREEMENT: OPTIONS IN FAVOR OF COMPANY

Section 11.1 Early Termination of Agreement. The Company shall have the option at any time to terminate this Agreement upon the filing with the JCIDA a certificate stating the Company's intention to do so pursuant to this Section 11.1 and upon compliance with the requirements set forth in Section 11.2 hereof.

Section 11.2 Condition to Early Termination of Agreement. In the event the Company exercises its option to terminate this Agreement in accordance with the provisions of Section 11.1 hereof, the Company shall comply with the requirements set forth in the following three subsections:

- (a) The following payments shall be made to the JCIDA:
 - (i) Any amounts due the JCIDA pursuant to Section 5.3 hereof or any other amounts due it pursuant to this Agreement or the PILOT Agreement.
 - (ii) To the JCIDA: an amount certified by the JCIDA sufficient to pay all unpaid fees and expenses of the JCIDA incurred under this Agreement; and
 - (iii) To the appropriate person: an amount sufficient to pay all other fees, expenses or charges, if any, due and payable or to become due and payable under or with respect to this Agreement.
- (b) The certificate required to be filed pursuant to Section 11.1 permitting early termination of this Agreement shall also specify the date upon which the payments pursuant to subdivision (a) of this Section 11.2 shall be made, which date shall be not less than ten (10) nor more than sixty (60) days from the date such certificate is filed with the JCIDA.

Section 11.3 Duty to Purchase Facility. Upon termination of this Lease Agreement or upon the expiration of the Lease Term, in accordance with Section 5.2 or Section 11.1 hereof, the Company will purchase the Facility from the JCIDA for the purchase price of One Dollar (\$1.00). The Company shall purchase by giving written notice to the JCIDA (which may be contained in the certificate referred to in Section 11.2(b) hereof) (i) declaring the Company's intent to purchase, and (ii) fixing the date of closing such purchase, which shall be the date on which this Agreement is to be terminated.

Section 11.4 Conveyance on Purchase. At the closing of any purchase of the Facility pursuant to Section 11.3 hereof, the JCIDA shall, at the Company's expense, upon receipt of the purchase price, deliver to the Company all necessary documents:

- (a) To convey to the Company its interests in the Facility being purchased, as such Facility exists, subject only to the following:
 - (i) Any liens to which title to such Property was subject when conveyed to the JCIDA; and
 - (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

jcida/greatlakescheese/leaseagreementversion 5- 112907

acquiesced.

- (b) To release and convey to the Company all of the JCIDA'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, and

ARTICLE XII

MISCELLANEOUS

Section 12.1 Notices. All notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered and, if delivered by mail, shall be sent by registered mail, postage prepaid, addressed as follows:

To the JCIDA: Jefferson County Industrial Development Agency
 Attention: Chief Executive Officer
 800 Starbuck Avenue
 Watertown, New York 13601

To the Company: Great Lakes Cheese of New York, Inc.
 23 Phelps Street
 Adams, New York 13605

With copies to: Great Lakes Cheese Co., Inc.
 17825 Great Lakes Cheese Parkway
 Hiram, Ohio 44234-1806
 Attention: Vice President, Finance

Hahn Loeser & Parks LLP
200 Public Square
Suite 3300
Cleveland, Ohio 44118
Attention: Craig Owen White, Esq.

The JCIDA and the Company may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

Section 12.2 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the JCIDA, the Company and their respective successors and assigns.

Section 12.3 Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

Section 12.4 Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered or terminated without the written consent of each party.

Section 12.5 Survival of Obligations.

- (a) The obligations of the Company to make the payments required by Section 5.3 hereof or any other payments due pursuant to this Agreement and the PILOT Agreement and to provide the indemnity required by Section 8.2 hereof shall survive the termination of this Agreement and all such payments after such termination shall be made upon demand of the party to whom such payment is due.
- (b) All representations and warranties made by Company under or in connection with this Agreement.

Section 12.6 Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.


Section 12.6 Applicable Law. This Agreement shall be governed exclusively by the applicable laws of the State.

Section 12.7 Recording and Filing. This Agreement, or a Memorandum thereof, may be recorded in the Jefferson County Clerk's Office.


Section 12.8 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.

IN WITNESS WHEREOF, the JCIDA and the Company have caused this Lease Agreement to be executed in their respective names, all as of the date first above written.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

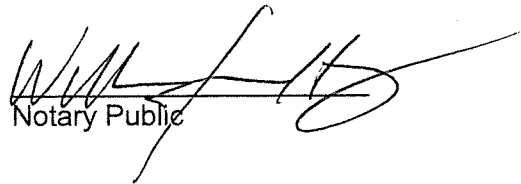
By: 
James P. Fayle
Chief Executive Officer

GREAT LAKES CHEESE OF NEW YORK, INC.

By: 
RUSSELL MULLINS
VICE PRESIDENT

STATE OF NEW YORK)
)SS:
COUNTY OF JEFFERSON)

On the 28 day of February in the year 2008 before me, the undersigned, a notary public in and for said state, personally appeared JAMES P. FAYLE, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

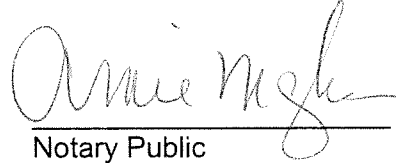

Notary Public

William James Heary
Notary Public, State of New York
Appointed in Jefferson County
My Commission Expires: 5/31/2011

STATE OF OHIO)
jcida/greatlakescheese/leaseagreementversion 5- 112907

COUNTY OF GEAUGA)SS:
)

On the 29th day of February in the year 2008 before me, the undersigned, a notary public in and for said state, personally appeared Russell Mullins, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



Notary Public

AMIE LEE MECZKA, Atty.
NOTARY PUBLIC • STATE OF OHIO
My commission has no expiration date
Section 147.03 O.R.C.

SCHEDULE "A"

Parcel I

ALL THAT TRACT OR PARCEL OF LAND situate in the Village of Adams, Town of Adams, County of Jefferson and State of New York, and very front of the first and second parcels as mentioned in a deed from Albert N. Whipple, a widower, to Helena Amelia Standish and Albert N. Whipple, dated July 16, 1941, and recorded in the Jefferson County Clerk's Office on September 5, 1941 in Liber 436 of Deeds at page 102, bounded and described as follows: BEGINNING south 67° 5' east 42' from the east line of Elmwood Avenue and 3 chs. north 19° 46' east from the center of Railroad Street; thence south 67° 5' east, 1 ch. 86 2/10 lks. to a stake in east line of the cement sidewalk on the west side of Parkway Road; thence south 18° 25' west along the east line of said sidewalk 84 8/10 lks.; thence north 66° 35' west 1 ch. and 88 9/10 lks. to an angle bar; thence north 19° 46' east 85 lks. to the PLACE OF BEGINNING, containing 16/100 acres of land, more or less, as surveyed September 16, 1941.

It being the intent to describe the same parcel of land conveyed from Marjorie M. Ramsey to Alan Ramsey by deed dated September 27, 1994 and recorded in the Jefferson County Clerk's Office on October 4, 1994 in Liber 1421 at Page 207.

SCHEDULE "A"

Parcel II

THAT TRACT OR PARCEL OF LAND known as 41 West Church Street and situate on the northerly side thereof and the easterly side of Elmwood Avenue in the Village of Adams, Town of Adams, County of Jefferson, State of New York and being further described as follows:

BEGINNING at a $\frac{1}{2}$ inch iron bolt found in the northerly occupied margin of West Church Street (New York State Route 178); said iron bolt marks the intersection of the southeast corner of the parcel of land herein described and the southwest corner of a 0.14 acre parcel of land that was conveyed by Margaret M. VanEpps to Robert A. and Katherine R. Houghmaster by deed dated May 7, 1982 and recorded in the Jefferson County Clerk's Office on the same date in Liber 922 of Deeds at page 471;

THENCE from said point of beginning North 67 degrees, 00 minutes West along the northerly occupied margin of West Church Street a distance of 40.00 feet to a $\frac{1}{2}$ inch iron pipe set at the intersection of margin of West Church Street with the easterly deed margin of Elmwood Avenue;

THENCE North 18 degrees 34 minutes 21 seconds East along the easterly deed margin of Elmwood Avenue a distance of 169.83 feet to a point which marks the northwest corner of the parcel of land herein described said point being situate South 66 degrees 37 minutes 40 seconds East a distance of 5.95 feet from a $\frac{1}{2}$ inch iron pipe set at the west end of a wooden picket fence;

THENCE South 66 degrees 37 minutes 40 seconds East along the southerly line of a parcel of land that was conveyed to Leonard Mosher by deed dated August 1, 1984 (Liber 952, Page 227) and being a part along a wooden picket fence a distance of 42.00 feet to a $\frac{1}{2}$ inch iron pipe set at the base of a wooden fencepost corner and on the easterly side thereof; said iron pipe also marks the intersection of the northeast corner of the parcel of land herein described and the northwest corner of a parcel of land that was conveyed to Edward J. and Marjorie M. Ramsey by deed dated December 26, 1956 (Liber 650, page 120);

THENCE South 19 degrees 14 minutes 22 seconds West along the division line between the parcel of land herein described to the west from the above referenced Ramsey parcel of land and also the Houghmaster parcel of land a distance of 169.42 feet to the point of beginning.

CONTAINING 0.159 acres of land more or less.

TOGETHER with all right, title and interest, if any, the parties of the first part have in and to the land lying between the occupied margin of West Church Street as herein described and the pavement centerline thereof and also between the deed margin of Elmwood Avenue as herein described and the pavement centerline thereof.

SUBJECT to any other rights and restrictions of record.

Matilda Maitland died in the City of Watertown in July 1988.

AS SURVEYED by Patsy A. Storina, Licensed Land Surveyor, on July 18, 1989 and shown on a plat titled, "Survey Plat of a Parcel of Land Known as 41 W. Church St.," and dated July 21, 1989.

ALL BEARINGS REFERENCED to magnetic north as observed on survey date.

It being the intent to describe the same parcel of property deeded from Edward A. Hanrahan and Mildred J. Hanrahan to Susan Marie Keech by deed dated August 24, 1999 and recorded in the Jefferson County Clerk's Office on August 24, 1999 in Book 1691 at Page 288.

SCHEDULE "A"

Parcel III

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Town and Village of Adams, County of Jefferson and State of New York, bounded and described as follows, viz: BEGINNING in the south line of Elmwood Cemetery in the Village of Adams, and at the west side of Elmwood Avenue where it enters the cemetery; thence South $19^{\circ} 31'$ West along the west line of said avenue 3 chains 5 links to a stake; thence North 97° W. 5 chains 12 links to a stake standing in the easterly line of the Hart land; thence North 14° East along said Hart's line 2 chains 83 links to the Southwest corner of said Elmwood Cemetery; thence along the South line of said cemetery North 89° E. 3 chains 20 links to an angle; thence east along said cemetery line 2 chains 4 links to the place of beginning, CONTAINING one acre and $52/100$ of an acre of land, be the same more or less.

SUBJECT to an easement and right of way given by Frank Reed and Mina Reed by instrument dated May 20, 1968 and recorded in the Office of the Clerk of the County of Jefferson on the 28th day of May, 1968 in Liber 806 of Deeds, at Page 203.

Being the same premises as conveyed by George Williams and Ruth J. Williams to Scott J. Luiz and Penny A. Luiz by Warranty Deed dated and recorded in the Jefferson County Clerk's Office on June 5, 1997 in Liber 1570 of Deeds at Page 139.

SCHEDULE A

Parcel IV

ALL THAT TRACT OR PARCEL OF LAND situate on the west side of Elmwood Avenue in the Village of Adams, County of Jefferson, State of New York and being further described as follows:

BEGINNING at a 3/4 inch iron pipe set in the westerly margin of Elmwood Avenue at its intersection with the southeast corner of a parcel of land conveyed to Mary Hungerford in May 1953 (Liber 504, Page 187) and the northeast corner of the parcel of land herein described;

THENCE from said point of beginning S. 19° 20' W. along the westerly margin of Elmwood Avenue a distance of 211.03 feet to a 3/4 inch iron pipe set in said margin; said iron pipe being the northeast corner of a parcel of land conveyed to Harry Taylor in 1963 (Liber 734, Page 3);

THENCE N. 82° 24' W. along the division line between the parcel of land herein described to the north and the Taylor parcel of land to the south a distance of 333.92 feet to a 3/4 inch iron pipe set;

THENCE N. 17° 13' E. a distance of 104.86 feet to a concrete highway monument found set in the easterly margin of the entrance ramp to Interstate route no. 81;

THENCE N. 26° 15' E. along the easterly margin of the entrance ramp to Interstate route no. 81 being marked by a wire fence, a distance of 120.40 feet to a 3/4 inch iron pipe set; said iron pipe being the southwest corner of the above referenced Hungerford parcel of land and the northwest corner of the parcel of land herein described;

THENCE S. 80° 35' E. along the division line between the parcel of land herein described to the south and the Hungerford parcel of land to the north a distance of 321.64 feet to the point of beginning..

CONTAINING 1.63 acres of land more or less.

AS SURVEYED BY Patsy A. Storino Licensed Land Surveyor, #49013 on July 9 and 12, 1977 and recertified by Patsy A. Storino on October 20, 1984.

ALL BEARINGS referenced to magnetic north as observed on July 8, 1977.

BEING AND INTENDING TO DESCRIBE the premises conveyed from Kirk F. Douglas and Candace A. McNeil to Mary L. Sanford and Shamus P. O'Brien by warranty deed dated July 18, 2007 and recorded in the Jefferson County Clerk's Office on August 7, 2007 as Instrument No. 2007-13794.

SCHEDULE A

Parcel V

ALL THOSE TRACTS OR PARCELS OF LAND situate in the Village of Adams, Town of Adams, County of Jefferson, State of New York described in the following deeds:

1. Deed from Dairylea Cooperative, Inc. to the Jefferson County Industrial Development Agency dated December 26, 1984 and recorded in the Jefferson County Clerk's Office in Liber 967 of Deeds at page 33;
2. Deed from Harry Taylor to Great Lakes Cheese of New York, Inc. recorded in the Jefferson County Clerk's Office on October 28, 1985 in Liber 1001 of Deeds at page 11;
3. Deed from William Whiting to Great Lakes Cheese of New York, Inc. dated July 15, 1998 and recorded in the Jefferson County Clerk's Office in Liber 1628 of Deeds at page 302;
4. Deed from Harold Rochette to Great Lakes Cheese Company of New York, Inc. dated September 17, 1998 and recorded in the Jefferson County Clerk's Office in Liber 1639 of Deeds at page 64;
5. Deed from Marjorie Ramsey as surviving tenant to Great Lakes Cheese of New York, Inc. dated November 24, 1999 and recorded in the Jefferson County Clerk's Office in Liber 1706 of Deeds at page 190;
6. Deed from Paul F. Hungerford and Mary E. Hockey to Great Lakes Cheese of New York, Inc. dated July 15, 1998 and recorded in the Jefferson County Clerk's Office in Liber 1628 of Deeds at page 299; and
7. Deed from Agway, Inc. to Great Lakes Cheese Company of New York, Inc. dated August 12, 2002 and recorded in the Jefferson County Clerk's Office in Liber 1874 of Deeds at page 293.

EXHIBIT "B"

PAYMENT IN LIEU OF TAXES AGREEMENT

THIS AGREEMENT, by and among **GREAT LAKES CHEESE OF NEW YORK, INC.**, a company duly organized and existing under the laws of the State of New York ("**Company**") and **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**, an Industrial Development Agency and a Public Benefit Corporation of the State of New York ("**Agency**").

WITNESSETH:

WHEREAS, the Agency was created by Chapter 369 of the Laws of 1971 of the State of New York pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York (collectively, the "**Act**"); and

WHEREAS, the Agency has agreed to (1) to own a parcel of land containing approximately 30 acres located at 23 Phelps Street, Village of Adams, Jefferson County, New York (the "**Land**"), (2) the construction on the Land of a Cheese and Whey Plant (the "**Facility**") and (3) the acquisition and installation therein and thereon of certain machinery and equipment (the "**Equipment**") (the Land, the Facility and the Equipment are hereinafter collectively referred to as the "**Project Facility**") and

WHEREAS, the Agency has agreed to lease the Project Facility to the Company pursuant to a Lease Agreement executed and entered into on _____ (the "**Lease Agreement**") by and between the Agency and the Company; and

WHEREAS, pursuant to Section 874 (1) of the Act, and Section 412(a) of the Real Property Tax Law of the State of New York, the Agency is exempt from the payment of taxes and assessments imposed upon real property and improvements owned by it other than special ad valorem levies, special assessments and service charges against real property located in Jefferson County which are or may be imposed for special improvements or special district improvements; and

WHEREAS, Agency and the Company deem it necessary and proper to enter into this agreement for the benefit of the Taxing Jurisdictions (as hereinafter defined) making provision for payments in lieu of taxes by the Company to the Agency, for the benefit of the respective Taxing Jurisdictions within which the Project Facility is or is to be located ("**Taxing Jurisdictions**" means, individually and collectively, Jefferson County, Town of Adams, Village of Adams and the South Jefferson Central School District);

NOW, THEREFORE, in consideration of the covenants herein contained, it is mutually agreed as follows:

1. (a) Commencing with the tax year beginning on the next taxable status date following the execution of this Agreement and until the next taxable status date following the Completion Date (as defined in the Lease Agreement), the Company agrees to pay an amount equal to the real estate taxes, tangible personal property, inventory and/or other similar taxes and assessments (hereinafter referred to as "Real Estate Taxes") (in addition to paying when due all special ad valorem levies, special assessments and service charges which are or may be imposed for special improvements or special district improvements) which would be levied upon the Project Facility based on the assessed value of the tax parcels listed in Schedule "A" attached during such tax years as if the Project Facility were owned by the Company and not by the Agency.

- (b) Commencing with the tax year beginning on the next taxable status date after the Completion Date and annually thereafter or until the earlier termination of the Lease Agreement, the Company agrees to pay, in lieu of all Real Estate Taxes (in addition to paying all special ad valorem levies, special assessments and service charges which are or may be imposed for special improvements or special district improvements) which would be levied upon the Project Facility during such tax years if the Project Facility were owned by the Company and not by the Agency the following amounts:
 - (i) for the tax years 1 through and including 10, the sum of \$100,000.00 will be paid by the Company to the Agency. For the tax years 11 through 20 the Company shall pay to the Agency \$110,000 for year 11, \$120,000 for year 12, \$130,000 for year 13, \$140,000 for year 14, \$150,000 for year 15, \$160,000 for year 16, \$170,000 for year 17, \$180,000 for year 18, \$190,000 for year 19, \$200,000 for year 20 and thereafter 100% of all Real Estate Taxes which would be levied upon the Project Facility during such tax years if the Project Facility were owned by the Company and not by the Agency.

 - (ii) for the first tax year, the Agency shall pay \$25,000.00 to the

Village of Adams. The balance of \$75,000.00 shall be

disbursed pro rata to the Taxing Jurisdictions. Thereafter, all payments received by the Agency shall be disbursed pro rata to the Taxing Jurisdictions.

(iii) Upon receipt by the Agency of any payments made to it pursuant to Paragraph 1(b)(i), it will then pay each Taxing Jurisdiction its pro rata share of the amount received by the Agency within the time period allowed by the Act.

(c) The Company shall pay or cause to be paid to the Agency the amounts due pursuant to Paragraph 1(a) hereof within the grace period, without penalty, applicable to Real Estate Taxes, assessments, special ad valorem levies, special service charges or similar tax equivalents, as the case may be, on similar property subject to taxation by the Taxing Jurisdictions during such respective tax years, subject to any late payment penalties pursuant to §874 of the Act if not made within the grace period. The Company shall pay or cause to be paid the amounts set forth in Paragraph 1(b) hereof within ten (10) days from each taxable status date. Any failure on the part of the Company to make any payments due during the 10 day grace period shall be subject to any late payment penalties pursuant to §874 of the Act. Any failure on the part of the Company to timely make any payments pursuant to this Agreement within ten (10) days following written notice from the Agency shall be an event of default ("**Event of Default**") under this Agreement and under the Lease Agreement. Upon such Event of Default, the Agency shall have any and/or all of the Remedies on Default set forth in the Lease Agreement. Further, upon such Event of Default, the Payments In Lieu of Tax due under this Agreement shall, upon thirty (30) days written notice from the Agency to the Company, immediately be equal to 100% of all Real Estate Taxes which would be levied upon the Project Facility during such tax year if the Project Facility were owned by the Company and not by the Agency.

(d) The assessed value of the Project Facility shall be the value as finally determined on the Assessment Roll of the Taxing Jurisdiction for the applicable year.

2. In the event that the Project Facility is transferred from the Agency to the

Company, the Project Facility shall be immediately subject to taxation

pursuant to Sections 302 and 520 of the New York Real Property Tax Law, as amended. However, in no event shall Company be required to pay both a PILOT and real property, tangible personal property, inventory and/or similar taxes for a concurrent tax year or portion thereof. Therefore, should the Project Facility be conveyed to the Company and thus become taxable pursuant to New York RPTL §520, the Taxing Jurisdictions agree that any payments payable under this Agreement as Payments in Lieu of Taxes shall be reduced by the amount of any taxes which are required to be paid under RPTL §520 for any such concurrent tax year or portion thereof, and should such Payment-in-Lieu-of-Taxes already have been made, the Taxing Jurisdictions shall refund any such amounts owing to Company.

3. To the extent the Project Facility or any part thereof is declared to be subject to taxation or assessments by an amendment to the Act, other legislative change, or by a final judgment of a court of competent jurisdiction, the obligations of the Company hereunder shall, to such extent, be null and void.
4. Any notice required to be given under this Agreement shall be deemed to have been duly given when delivered and, if delivered by mail, postage prepaid, return receipt requested, addressed to the respective parties hereto at their respective addresses specified below or such other addresses as either party may specify in writing to the other:

Agency: Jefferson County Industrial Development Agency
 Attention: Chief Executive Officer
 800 Starbuck Avenue, Suite 800
 Watertown, New York 13601

The Company: Great Lakes Cheese of New York, Inc.
 23 Phelps Street
 Adams, New York 13605

5. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.
6. This Agreement shall be binding upon and inure to the benefit of the parties, their respective successors and assigns.

7. The Company agrees to hold the Agency harmless from and against any liability arising from or any expense incurred under this Agreement, including any expense of the Agency in enforcing the terms and provisions hereof, except for any claims or liabilities arising out of the acts or omissions of the Agency.
8. This Agreement may not be assigned by the Company without the consent of the Agency.
9. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original for all purposes and all of which shall constitute collectively a single agreement. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement on the date set forth before the signature of its respective representative.

Dated:

**GREAT LAKES CHEESE OF NEW YORK,
INC.**

By: _____

Dated:

**JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

By: _____
James P. Fayle, Chief Executive Officer

The undersigned Taxing Jurisdictions hereby consent to the terms, covenants and conditions of this Agreement.

Town of Adams

South Jefferson Central School District

By: _____
David W. Kellogg, Supervisor

By: _____
Jamie Moesel, Superintendent

County of Jefferson

Village of Adams

By: _____
Kenneth Blankenbush,
Chairman, Jefferson County
Board of Legislators

By: _____
Dugal C. Peck, Mayor

STATE OF NEW YORK)
)SS:
COUNTY OF JEFFERSON)

On the ____ day of _____ in the year 2008 before me, the undersigned, a notary public in and for said state, personally appeared JAMES P. FAYLE personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

STATE OF OHIO)
)SS:
COUNTY OF GEAUGA)

On the ____ day of _____ in the year 2008 before me, the undersigned, a notary public in and for said state, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in

his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the

individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

SCHEDULE "A"

List of Tax Parcels

112.36-1-23
108.17-1-97
112.36-1-24
112.36-1-2
112.36-23-701
112.36-1-17
112.36-1-14
112.36-1-1
112.36-1-3