

APPROVING RESOLUTION

An adjourned meeting originally held on February 7, 2013 of Jefferson County Industrial Development Agency (the "Agency") was convened in public session at the offices of the Agency at 800 Starbuck Avenue, in the City of Watertown, Jefferson County, New York on February 11, 2013, at 9:00 a.m., local time.

The meeting was called to order by the Chairperson and, upon being called, the following members of the Agency were:

PRESENT: David Converse Kent Burto
 Donald DiMonda Michelle Pfaff

ABSENT: Urban Hirschey W. Edward Walldroff
 Michael Docteur

FOLLOWING PERSONS WERE ALSO PRESENT: Donald Alexander, David Zembiec, Lyle Eaton and Peggy Sampson

The following resolution was offered by Ms. Pfaff, seconded by Mr. Burto, to wit;

Resolution No.: 02.11.2013.01

RESOLUTION AUTHORIZING OFFICIAL ACTION IN CONNECTION WITH A LEASE/LEASEBACK TRANSACTION FOR A COMMERCIAL PROJECT FOR CLAYTON HARBOR HOTEL, LLC (THE "COMPANY").

WHEREAS, Jefferson County Industrial Development Agency (the "Agency") is authorized and empowered by the provisions of Chapter 1030 of Laws of 1969 of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 77 of the 1974 Laws of New York, as amended, constituting Section 902 of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, renovating, improving, maintaining, equipping and furnishing of commercial facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, to accomplish its stated purposes, the Agency is authorized and empowered under the Act to acquire, construct, reconstruct and install one or more "projects" (as defined in the Act) or to cause said projects to be acquired, constructed, reconstructed and installed, and to convey said projects or to lease said projects with the obligation to purchase; and

WHEREAS, pursuant to an application, including a cost benefits analysis (the "Application"), submitted to the Agency by Clayton Harbor Hotel, LLC (the "Company"), wherein the Agency has been requested to consider undertaking a project (the "Project"), consisting of the following:

- (A) (1) The acquisition of an interest in certain property located at 200 Riverside Drive, Clayton, New York (Tax Parcel Nos. 20.39-1-8, 20.39-1-1.1, 20.39-1-19, 20.39-1-11 and 20.39-1-9), in the Town of Clayton (the "Land") and,
 - (2) The construction on the Land of a 105-room hotel together with a 300-person ballroom/conference center, restaurant, indoor swimming pool and other facilities (the "Project") (the Land, the hotel and the related facilities being collectively referred to as the "Project Facility");
- (B) The granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including exemption from certain sales taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and
- (C) The lease or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, the Chief Executive Officer of the Agency has (A) caused notice of a public hearing of the Agency to hear all persons interested in the Project and the financial assistance being contemplated by the Agency with respect to the Project (the "Public Hearing") to be mailed on January 23, 2013 to the chief executive officer of the county and of each town, school district and village in which the Project is to be located, (B) caused notice of the Public Hearing to be published on January 24, 2013 in the Watertown Daily Times, a newspaper of general circulation available to residents of the County of Jefferson, (C) conducted the Public Hearing on February 6, 2013 at 10:00 o'clock a.m., local time at the Village of Clayton Municipal offices, located at 425 Mary Street, Clayton, New York, (D) prepared a report of the Public Hearing which fairly summarized the views presented at said Public Hearing and distributed same to the members of the Agency; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the SEQR Act") and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, "SEQRA"), the joint Planning Board of the town of Clayton and Village of Clayton (the "Planning Board") adopted a resolution on February 7, 2013, (the "Town Planning Board

SEQR Resolution”) in which the Planning Board determined: (A) that the Project constitutes a “Type 1 Action”; (B) therefore that the coordinated review procedures outlined in the Regulations are required; (C) that the Project will not have an environmental impact pursuant to SEQRA and, therefore that an environmental impact statement does not need to be prepared with respect to the Project, and after it was determined the Project would not have a significant impact on the environment, a negative declaration was declared; and (D) a negative declaration would be prepared with respect to the Project; and

WHEREAS, in order to consummate the Project and the granting of the Financial Assistance described in the notice of the Public Hearing, the Agency proposes to enter into the following documents with the Company (hereinafter collectively referred to as the “Agency Documents”):

- (A) A lease to the Agency (and a memorandum thereof) (the “Underlying Lease”) by and between the Company, as landlord, and the Agency, as tenant pursuant to which the Company will lease to the Agency the Project Facility;
- (B) A lease agreement (and a memorandum thereof) (the “Lease Agreement”) by and between the Agency and the Company, pursuant to which, among other things, the Company agrees to undertake the Project as agent of the Agency and the Company further agrees to lease the Project Facility from the Agency and to pay all legal fees and expenses incurred by the Agency with respect to the Project;
- (C) A payment in lieu of tax agreement (the “Payment in Lieu of Tax Agreement” or the “PILOT”) by and between the Agency and the Company, pursuant to which the Company will agree to make certain payments in lieu of taxes with respect to the Project Facility; and
- (D) Mortgages to be given by the Agency and the Company to Lenders in an amount approved by the Company upon terms and conditions as is satisfactory to the Agency’s Chief Executive Officer and approved by its counsel (the “Mortgage”); and
- (E) Various certificates relating to the Project (the “Closing Documents”); and

WHEREAS, the Agency has given due consideration to the Application and to the representations by the Company that the granting by the Agency of the Financial Assistance with respect to the Project will be in an inducement to the Company to undertake the Project in Jefferson County, New York; and

WHEREAS, the Company, the Agency, and the respective taxing jurisdictions have all agreed on a certain Payment in Lieu of Taxes Agreement and distribution schedule to the taxing jurisdictions of such payments in lieu of taxes in substantially the form and affect and appears at Exhibit “A” to this Resolution; and

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1 The Agency hereby finds and determines that:

- (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 Project constitutes a “project”, as such term is defined in the Act; and
- (C) The acquisition of the Project Facility and the lease of the Project Facility to the Company will promote and maintain the job opportunities, general prosperity and economic welfare of the citizens of Jefferson County, New York and the State of New York and improve their standard of living; and
- (D) It is desirable and in the public interest for the Agency grant to the Company the relief provided by the Payment In Lieu of Taxes Agreement, and to enter into the Agency Documents upon the satisfaction of all conditions thereto.

Section 2 In consequence of the foregoing, the Agency hereby determines that the granting of the Financial Assistance by the Agency with respect to the Project, through the granting of various tax exemptions described herein, and set forth on the exhibits attached hereto, will promote the job opportunities, health, general prosperity and economic welfare of the inhabitants of Jefferson County, New York and the State of New York, and improve their standard of living, and thereby serve the public purposes of the Act.

Section 3 In consequence of the foregoing, and subject to the satisfactions of any conditions as imposed herein or as may be required by the Act, the Agency hereby determines to:

- (A) Proceed with the Project;
- (B) Acquire the Project Facility;
- (C) Accept an Underlying Lease of the Project on terms to be determined by the Agency;
- (D) Lease the Project Facility to the Company pursuant to a Lease Agreement on terms to be determined by the Agency;
- (E) Enter into the Payment in Lieu of Tax Agreement in the form and substance as attached hereto; and
- (F) Execute and deliver the other Agency Documents including the mortgages upon terms and conditions satisfactory to the Chief Executive Officer; and
- (G) Execute and deliver the Closing Documents upon terms and conditions satisfactory to the Chief Executive Officer; and

(H) Grant the Financial Assistance with respect to the Project.

Section 4 The Agency is hereby authorized to acquire a leasehold interest in the Project Facility pursuant to an Underlying Lease and to do all things necessary or appropriate for the accomplishment thereof, and all acts heretofore taken by the Agency with respect to such acquisition are hereby approved, ratified and confirmed.

Section 5 The Agency is hereby authorized to acquire the Project Facility as described in the Lease Agreement and to do all things necessary or appropriate for the accomplishment thereof, and all acts heretofore taken by the Agency with respect to such acquisition are hereby ratified, confirmed and approved.

Section 6 (A) The Chief Executive Officer of the Agency is hereby authorized, on behalf of the Agency, to execute and deliver the Agency Documents and, where appropriate, the Secretary (or Assistant Secretary) of the Agency is hereby authorized to affix the seal of the Agency thereto and to attest the same, all in substantially the forms thereof presented to this meeting, with such changes, variations, omissions and insertions thereto as the Chief Executive Officer shall approve, the execution thereof by the Chief Executive Officer to constitute conclusive evidence of such approval.

(B) The Chief Executive Officer of the Agency is hereby further authorized, on behalf of the Agency, to designate any additional Authorized Representatives of the Agency (as defined in and pursuant to the Lease Agreement).

Section 7 The officers, employees and agents of the Agency are hereby authorized and directed for and in the name and on behalf of the Agency to do all acts and things required or provided for by the provisions of the Agency Documents, and to execute and deliver all such additional certificates, instruments and documents, to pay all such fees, charges and expenses and to do all such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, desirable and proper to effect the purposes of the foregoing Resolution and to cause compliance by the Agency with all of the terms, covenants and provisions of the Agency Documents binding upon the Agency.

Section 8 This Resolution shall take effect immediately.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

<u>David Converse</u>	VOTING <u>Yes</u>
<u>Urban Hirschey</u>	VOTING <u>Absent</u>
<u>Michael Docteur</u>	VOTING <u>Absent</u>
<u>Michelle Pfaff</u>	VOTING <u>Yes</u>
<u>W. Edward Walldroff</u>	VOTING <u>Absent</u>

Kent Burto

VOTING Yes

Donald DiMonda

VOTING Yes

The foregoing Resolution was thereupon declared and duly adopted.

EXHIBIT "A" to Approving Resolution

PAYMENT IN LIEU OF TAXES AGREEMENT

THIS AGREEMENT, by and between **CLAYTON HARBOR HOTEL, LLC**, a New York Limited Liability Company having an address of 617 Dingsens Street, Buffalo, New York 14206 ("**Company**") and **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**, an Industrial Development Agency and a Public Benefit Corporation of the State of New York having an address of 800 Starbuck Avenue, Watertown, New York 13601 ("**Agency**"),

WITNESSETH:

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

WHEREAS, the Agency by Resolution dated February 11, 2013, has agreed to undertake a project to construct, equip and lease a 105-room hotel together with a 300-person ballroom/conference center, restaurant, indoor swimming pool and other facilities (the "**Project**") on certain land (the "**Land**") located at 200 Riverside Drive, in the Village of Clayton, Jefferson County, New York (Tax Parcel Nos. 20.39-1-8, 20.39-1-1.1, 20.39-1-19, 20.39-1-11 and 20.39-1-9), as more particularly described in **Schedule "A"** attached hereto (the Project and the Land are hereinafter referred to as the "**Facility**"); and

WHEREAS, the Agency has agreed to lease the Facility to the Company pursuant to a Lease Agreement executed and entered into of even date herewith (the "**Lease Agreement**") by and between Agency and the Company; and

WHEREAS, pursuant to the terms of the Lease (1) the Company will agree to cause the Project to be undertaken and completed, and (2) the Agency will agree to undertake and complete the Project; and

WHEREAS, simultaneously with the execution and delivery of the Lease Agreement, the Company will execute and deliver to the Agency a certain Lease Agreement to Agency (the "**Underlying Lease**") pursuant to which the Company leases the Land under the Project; 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, the Taxing Jurisdictions which are the Town of Clayton ("**Town**"), Jefferson County ("**County**"), the Thousand Islands Central School District ("**School**") and

the Village of Clayton ("**Village**") have the following taxable years: the Town and County January 1 to December 31, the School July 1 to June 30 and the Village June 1 to May 31; and

WHEREAS, the Agency and the Company deem it necessary and proper to enter into this agreement with the approval of the Taxing Jurisdictions, 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 Facility is or is to be located;

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

1. (a) For the purpose of payments to be made pursuant to this Agreement, the Completion Date for the Project shall be the earlier of 24 months from the date the first building permit was issued for any part of the Project; or the Certificate of Occupancy for the Project. The Company shall notify each Taxing Jurisdiction and the Agency within 30 days from the date the first building permit is issued and from the anticipated Completion Date for the Project.

(b) Commencing with the tax year beginning on the next Taxable Status Date following the Completion Date and for the period set forth below or until the earlier termination of the Lease Agreement, the Company agrees to pay in lieu of all real estate, tangible personal property, inventory and/or other similar taxes and assessments (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 Facility during such tax years as if the Facility were owned by the Company and not by the Agency, in the amounts to each of the Taxing Jurisdictions as set forth in **Schedule "B"** attached hereto:

(c) The Company shall pay, or cause to be paid the amounts set forth in **Schedule "B"** hereof within the grace period, without penalty, applicable to 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. 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 immediately be an amount to each Taxing Jurisdiction in **Schedule "B"** computed for years 16 and thereafter. That is to say, the payment in lieu of tax payments shall be an amount equal to One Hundred Percent (100%) of Real Property taxes which

would have been due if the Facility was owned by the Company and not by the Agency.

(d) Not used.

(e) Prior to the Completion Date as defined in Paragraph 1(a) above of the Project, the Company shall not be required to pay to the Agency on the Project any amount for real estate taxes and assessments on the Land as if the Land were owned by the Company and not by the Agency.

2. This Agreement shall terminate, unless it is terminated sooner pursuant to the Lease Agreement or any other provisions of this Agreement, on a date which will be 180 months from the initial Taxable Status Date ("**Termination Date**") at which time the parties agree that the Lease and Underlying Lease for the Facility shall terminate. In the event of an early termination either pursuant to this Paragraph or any other termination pursuant to this Agreement, both the Lease and the Underlying Lease shall terminate.

3. In the event that the Facility or any Phase is transferred from the Agency to the Company, the 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 the Company be required to pay both a PILOT payment pursuant to the Agreement and real property taxes for a concurrent tax year or portion thereof. Therefore, should the Facility be conveyed to the Company and thus become taxable pursuant to New York RPTL Section 520, any payments payable under this Agreement as Payments required in Lieu of Taxes shall be reduced by the amount of any taxes which are required to be paid under RPTL Section 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.

4. To the extent the 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.

5. 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:

If to the Agency: Jefferson County Industrial Development Agency
800 Starbuck Avenue, Suite 800
Watertown, New York 13601
Attn: Donald C. Alexander, CEO

With a copy to: James Heary, Attorney at Law, P.C.
120 Washington Street, Suite 500
Watertown, New York 13601
Attn: James Heary, Esq.

If to the Company: Clayton Harbor Hotel, LLC
617 Dingens Street
Buffalo, New York 14206
Attn: David P. Hart

With a copy to: Harris Beach, LLC
99 Garnsey Road
Pittsford, New York 14534
Attn: Shawn M. Griffin, Esq.

6. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

7. This Agreement shall be binding upon and inure to the benefit of the parties, their respective successors and assigns.

8. This Agreement may only be assigned by the Company with the written consent of the Agency and the Taxing Jurisdictions. In the event of such assignment, the Company will remain legally responsible to all of the other parties to this Agreement for all of the obligations and responsibilities herein imposed upon it.

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.

Date: _____, 2013

CLAYTON HARBOR HOTEL, LLC

By: _____
David P. Hart, Managing Member

Date: _____, 2013

**JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

By: _____
Donald C. Alexander, CEO

SCHEDULE "A"

Legal Description of Land

SCHEDULE "B"

Payments to be made to each of the Taxing Jurisdictions for the 15-year term of this PILOT

Payment amounts to each Taxing Jurisdiction is based on an agreed assessed value of the Facility of Ten Million Dollars (\$10,000,000.00) and an agreed combined tax rate for each Taxing Jurisdiction of \$23.948283 per \$1,000.00 broken down among the Taxing Jurisdictions as follows:

County	\$6.375964
Town	\$1.374323
School	\$10.00073
Village	\$6.197263

PAYMENT SCHEDULE

<u>Tax Years</u>	<u>County</u>	<u>Town</u>	<u>School</u>	<u>Village</u>
Years 1-5	\$15,940	\$3,436	\$25,002	\$15,493
Years 6-10	\$31,880	\$6,872	\$50,004	\$30,986
Years 11-15	\$47,820	\$10,307	\$75,005	\$46,479
Years 16+	One Hundred Percent (100%) of assessed value of the Facility as determined on the then tax rolls for each of the Taxing Jurisdictions times the actual tax rate for the respective Taxing Jurisdictions for the applicable year.			

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WITNESSETH:

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

WHEREAS, the Agency by Resolution dated February 11, 2013, has agreed to undertake a project to construct, equip and lease a 105-room hotel together with a 300-person ballroom/conference center, restaurant, indoor swimming pool and other facilities (the "**Project**") on certain land (the "**Land**") located at 200 Riverside Drive, in the Village of Clayton, Jefferson County, New York (Tax Parcel Nos. 20.39-1-8, 20.39-1-1.1, 20.39-1-19, 20.39-1-11 and 20.39-1-9), as more particularly described in **Schedule "A"** attached hereto (the Project and the Land are hereinafter referred to as the "**Facility**"); and

WHEREAS, the Agency has agreed to lease the Facility to the Company pursuant to a Lease Agreement executed and entered into of even date herewith (the "**Lease Agreement**") by and between Agency and the Company; and

WHEREAS, pursuant to the terms of the Lease (1) the Company will agree to cause the Project to be undertaken and completed, and (2) the Agency will agree to undertake and complete the Project; and

WHEREAS, simultaneously with the execution and delivery of the Lease Agreement, the Company will execute and deliver to the Agency a certain Lease Agreement to Agency (the "**Underlying Lease**") pursuant to which the Company leases the Land under the Project; 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, the Taxing Jurisdictions which are the Town of Clayton ("**Town**"), Jefferson County ("**County**"), the Thousand Islands Central School District ("**School**") and the Village of Clayton ("**Village**") have the following taxable years: the Town and

County January 1 to December 31, the School July 1 to June 30 and the Village June 1 to May 31; and

WHEREAS, the Agency and the Company deem it necessary and proper to enter into this agreement with the approval of the Taxing Jurisdictions, 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 Facility is or is to be located;

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

1. (a) For the purpose of payments to be made pursuant to this Agreement, the Completion Date for the Project shall be the earlier of 24 months from the date the first building permit was issued for any part of the Project; or the Certificate of Occupancy for the Project. The Company shall notify each Taxing Jurisdiction and the Agency within 30 days from the date the first building permit is issued and from the anticipated Completion Date for the Project.

(b) Commencing with the tax year beginning on the next Taxable Status Date following the Completion Date and for the period set forth below or until the earlier termination of the Lease Agreement, the Company agrees to pay in lieu of all real estate, tangible personal property, inventory and/or other similar taxes and assessments (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 Facility during such tax years as if the Facility were owned by the Company and not by the Agency, in the amounts to each of the Taxing Jurisdictions as set forth in **Schedule "B"** attached hereto:

(c) The Company shall pay, or cause to be paid the amounts set forth in **Schedule "B"** hereof within the grace period, without penalty, applicable to 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. 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 immediately be an amount to each Taxing Jurisdiction in **Schedule "B"** computed for years 16 and thereafter. That is to say, the payment in lieu of tax payments shall be an amount equal to One Hundred Percent (100%) of Real Property taxes which would have been due if the Facility was owned by the Company and not by the Agency.

(d) Not used.

(e) Prior to the Completion Date as defined in Paragraph 1(a) above of the Project, the Company shall not be required to pay to the Agency any in lieu of payments hereunder.

2. This Agreement shall terminate, unless it is terminated sooner pursuant to the Lease Agreement or any other provisions of this Agreement, on a date which will be 180 months from the initial Taxable Status Date described in Section 1(b) herein ("**Termination Date**") at which time the parties agree that the Lease and Underlying Lease for the Facility shall terminate. In the event of an early termination either pursuant to this Paragraph or any other termination pursuant to this Agreement, both the Lease and the Underlying Lease shall terminate.

3. In the event that the Facility or any Phase is transferred from the Agency to the Company, the 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 the Company be required to pay both a PILOT payment pursuant to the Agreement and real property taxes for a concurrent tax year or portion thereof. Therefore, should the Facility be conveyed to the Company and thus become taxable pursuant to New York RPTL Section 520, any payments payable under this Agreement as Payments required in Lieu of Taxes shall be reduced by the amount of any taxes which are required to be paid under RPTL Section 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.

4. To the extent the 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.

5. 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:

If to the Agency: Jefferson County Industrial Development Agency
800 Starbuck Avenue, Suite 800
Watertown, New York 13601
Attn: Donald C. Alexander, CEO

With a copy to: James Heary, Attorney at Law, P.C.
120 Washington Street, Suite 500
Watertown, New York 13601
Attn: James Heary, Esq.

If to the Company: Clayton Harbor Hotel, LLC
617 Dingens Street
Buffalo, New York 14206
Attn: David P. Hart

With a copy to: Harris Beach, LLC
99 Garnsey Road
Pittsford, New York 14534
Attn: Shawn M. Griffin, Esq.

6. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

7. This Agreement shall be binding upon and inure to the benefit of the parties, their respective successors and assigns.

8. This Agreement may only be assigned by the Company with the written consent of the Agency and the Taxing Jurisdictions. In the event of such assignment, the Company will remain legally responsible to all of the other parties to this Agreement for all of the obligations and responsibilities herein imposed upon it.

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.

Date: _____, 2013

CLAYTON HARBOR HOTEL, LLC

By: _____
David P. Hart, Managing Member

Date: Feb. 26, 2013

**JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

By: 
Donald C. Alexander, CEO

6. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

7. This Agreement shall be binding upon and inure to the benefit of the parties, their respective successors and assigns.

8. This Agreement may only be assigned by the Company with the written consent of the Agency and the Taxing Jurisdictions. In the event of such assignment, the Company will remain legally responsible to all of the other parties to this Agreement for all of the obligations and responsibilities herein imposed upon it.

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

Date: February 26, 2013

CLAYTON HARBOR HOTEL, LLC

By: _____


David P. Hart, Managing Member

Date: _____, 2013

**JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

By: _____

Donald C. Alexander, CEO

SCHEDULE 'A'

7.04 Acre Parcel

All that parcel of land located in the Village of Clayton, County of Jefferson and State of New York bounded and described as follows:

Beginning at a drill hole set at the intersection of the northeast margin of Webb Street with the northwest margin of Hugunin Street; and runs thence from the point of beginning, North 20 degrees 19 minutes West, 355.00 feet along the northeast margin of Webb Street to a 5/8 inch rebar set with red plastic cap at its intersection with the northwest margin of Riverside Drive, said rebar also being in the southeast line of lands conveyed to the Village of Clayton (Liber 914, Page 708); thence North 84 degrees 27 minutes East, 12.64 feet along the southeast line of lands conveyed to the Village of Clayton to a 5/8 inch rebar set with red plastic cap at the southeast corner thereof; thence North 20 degrees 03 minutes West, 27.29 feet along the east line of lands conveyed to the Village of Clayton to a point; thence N 01 degrees 14 minutes W, 58.12 feet continuing along the east line of lands conveyed to the Village of Clayton to a point; thence North 88 degrees 03 minutes 45 seconds East, 202.62 feet to a point; thence South 74 degrees 46 minutes East, 259.10 feet to a point; thence South 58 degrees 12 minutes 30 seconds East, 50.00 feet to a point; thence South 37 degrees 06 minutes East, 198.16 feet to a point; thence South 20 degrees 13 minutes East, 459.40 feet to a point in the northwest margin of Jane Street; thence South 69 degrees 41 minutes West, 73.33 feet along the northwest margin of Jane Street to an existing iron pipe at the southeast corner of lands conveyed to Frances M. Vogt (Liber 1774, Page 151), said iron pipe being South 20 degrees 21 minutes 26 seconds East, 65.85 feet from an existing iron pipe; thence North 20 degrees 21 minutes 26 seconds W, 157.39 feet along the northeast line of lands conveyed to Vogt, passing through the last mentioned iron pipe, and, to and along the northeast line of lands conveyed to Danial J. Woodley and Linda T. Woodley (Liber 1309, Page 263), to a 5/8 inch rebar set with red plastic cap at the northeast corner of said lands conveyed to Woodley; thence South 69 degrees 40 minutes 29 seconds West, 132.12 feet along the northwest line of lands conveyed to Woodley to a 5/8 inch rebar set with red plastic cap in the northeast margin of Franklin Street; thence North 20 degrees 13 minutes West, 66.21 feet along the northeast margin of Franklin Street to a drill hole set; thence South 69 degrees 47 minutes West, 49.50 feet to a 5/8 inch rebar set with red plastic cap in the southwest margin of Franklin Street; thence South 20 degrees 13 minutes East, 147.93 feet along the southwest margin of Franklin Street to a 5/8 inch rebar set with red plastic cap at the northeast corner of lands conveyed to Gerald Marshall and Beth J. Marshall (Liber 1750, Page 320); thence South 69 degrees 58 minutes West, 80.11 feet along the northwest line of lands conveyed to Marshall to a 5/8 inch rebar set with red plastic cap at the northwest corner thereof; thence South 20 degrees 02 minutes East, 77.21 feet along the southwest line of lands conveyed to Marshall to a 5/8 inch rebar set with red plastic cap in the northwest margin of Jane Street; thence South 69 degrees 58 minutes West, 52.80 feet along the northwest margin of Jane Street to a 5/8 inch rebar set with red plastic cap at its intersection with the northeast line of lands conveyed to George Phillip Schafer II (Liber 874, Page 29); thence North 20 degrees 13 minutes West, 471.53 feet along the northeast line of lands conveyed to Schafer, to and along the northeast line of lands conveyed to Richard C. Bertrand and Patricia L. Bertrand (Liber 812, Page 1059), Jonathan P. Ludlow (Instrument 2003-00008128), Kevin E. Durr and Jennifer L. Durr (Instrument 2005-00009948), Gerald R. Scales and Helen M. Scales (Liber 884, Page 355), and, George Kittle and Patricia Kittle (Instrument 2004-00004513), and crossing the northeast end of Hugunin Street, to a point in the northwest margin of Hugunin Street; thence South 69 degrees 00 minutes West, 133.88 feet along the northwest margin of Hugunin Street to the point of beginning, containing 7.04 acres of land, more or less.

The above described parcel being a part of lands conveyed by the County of Jefferson to the Town of Clayton and Clayton Local Development Corporation Inc. by deed dated February 8, 2005 and recorded in the Jefferson County Clerk's Office on February 17, 2005 at Instrument 2005-00002523.

SCHEDULE "A" (con't)

Together with and subject to rights, covenants, easements, restrictions and rights of way of record.
(File 2012C-27), December 20,2012

The conveyance of the above-described premises is conditioned upon Grantee obtaining within 36 months from the date of this Instrument all necessary permits to construct a 104 room hotel pursuant to a certain Proposal submitted by Grantee to the Grantor dated October 15, 2012. In the event Grantee fails to satisfy this condition subsequent, Grantor shall have the right to reacquire the above-described premises by repayment to Grantee of so much of the Impact Fee and Purchase Price (as those terms are defined in a Disposition Agreement between the parties dated December 19, 2012) as may have been paid to Grantor by Grantee as of the date of the exercise of this Right of Reacquisition. This Right of Reacquisition is reserved pursuant to Section 6-4.6 of the New York State Estates Powers and Trusts Law.

SCHEDULE "B"

Payments to be made to each of the Taxing Jurisdictions for the 15-year term of this PILOT

Payment amounts to each Taxing Jurisdiction is based on an agreed assessed value of the Facility of Ten Million Dollars (\$10,000,000.00) and an agreed combined tax rate for each Taxing Jurisdiction of \$23.948283 per \$1,000.00 broken down among the Taxing Jurisdictions as follows:

County	\$6.375964
Town	\$1.374323
School	\$10.00073
Village	\$6.197263

PAYMENT SCHEDULE

<u>Tax Years</u>	<u>County</u>	<u>Town</u>	<u>School</u>	<u>Village</u>
Years 1-5	\$15,940	\$3,436	\$25,002	\$15,493
Years 6-10	\$31,880	\$6,872	\$50,004	\$30,986
Years 11-15	\$47,820	\$10,307	\$75,005	\$46,479
Years 16+	One Hundred Percent (100%) of assessed value of the Facility as determined on the then tax rolls for each of the Taxing Jurisdictions times the actual tax rate for the respective Taxing Jurisdictions for the applicable year.			

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

AND

CLAYTON HARBOR HOTEL, LLC

LEASE AGREEMENT

DATED AS OF FEBRUARY 28, 2013

**RESPECTING THE PREMISES LOCATED AT 200
RIVERSIDE DRIVE, VILLAGE OF CLAYTON, JEFFERSON
COUNTY, NEW YORK.**

**THIS LEASE AGREEMENT CONSTITUTES A SECURITY
AGREEMENT UNDER THE UNIFORM COMMERCIAL
CODE OF THE STATE OF NEW YORK.**

LEASE AGREEMENT

THIS LEASE AGREEMENT dated as of February 28, 2013 (the "**Lease Agreement**") by and between **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**, a public benefit corporation organized and existing under the laws of the State of New York having an office for the transaction of business located at 800 Starbuck Avenue, Watertown, New York (the "**Agency**"), and **CLAYTON HARBOR HOTEL, LLC**, a limited liability company organized and existing under the laws of the State of New York having an office for the transaction of business located at 617 Dingens Street, Buffalo, New York (the "**Company**");

W I T N E S S E T H

WHEREAS, Title 1 of 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; and

WHEREAS, the Enabling Act authorizes and provides for the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State of New York (the "State") and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and dispose of 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 purposes, in order to advance the job opportunities, health, general prosperity and 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, for the purpose of carrying out any of its corporate purposes, to lease or sell any or all of its facilities, whether then owned or thereafter acquired; and

WHEREAS, the Agency was created, pursuant to and in accordance with the provisions of the Enabling Act, by Chapter 916 of the Laws of 1969 of the State (collectively, with the Enabling Act, the "Act") and is empowered under the Act to undertake the Project (as hereinafter defined) in order to so advance the job opportunities, health, general prosperity and economic welfare of the people of the State and improve their standard of living; and

WHEREAS, the Chief Executive Officer of the Agency (A) caused notice of a public hearing of the Agency to hear all persons interested in the Project and the financial assistance being contemplated by the Agency with respect to the Project (the "Public Hearing") to be mailed on January 23, 2013 to the Chief Executive Officer of the county and of each city, town, village and school district in which the Project is to be located, (B) caused notice of the Public Hearing to be published on January 24, 2013 in the Watertown Daily Times, a newspaper of general circulation available to residents of the County of Jefferson, (C) conducted the Public Hearing on February 6, 2013 at 10:00 o'clock a.m., local time at the Village of Clayton Municipal Building, located at 425 Mary Street, in the Village of Clayton, Jefferson County,

New York, and (D) prepared a report of the Public Hearing which fairly summarized the views presented at said public hearing and distributed same to the members of the Agency; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the SEQR Act”) and the regulations (the “Regulations”) adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, “SEQRA”), the joint Planning Board of the town of Clayton and Village of Clayton (the “Planning Board”) adopted a resolution on February 7, 2013, (the “Town Planning Board SEQR Resolution”) in which the Planning Board determined: (A) that the Project constitutes a “Type 1 Action”; (B) therefore that the coordinated review procedures outlined in the Regulations are required; (C) that the Project will not have an environmental impact pursuant to SEQRA and, therefore that an environmental impact statement does not need to be prepared with respect to the Project, and after it was determined the Project would not have a significant impact on the environment, a negative declaration was declared; and (D) a negative declaration would be prepared with respect to the Project; and

WHEREAS, by Resolution adopted by the members of the Agency on February 11, 2013, (the “Approving Resolution”), the Agency determined to grant the Financial Assistance and to enter into a Lease Agreement dated as of February 28, 2013, (the “Lease Agreement” between the Agency and the Company and certain other documents related thereto and to the Project (collectively with the Lease Agreement, the “Basic Documents”); and

WHEREAS, pursuant to the terms of the Lease Agreement:

(A) The Company will agree (1) to cause the Project to be undertaken and completed, and (2) as agent of the Agency, to undertake and complete the Project; and

(B) The Agency has leased the Project Facility to the Company for a lease term ending on the earlier to occur of (1) termination of the Payment In Lieu Of Taxes Agreement, or (2) the date on which the Lease Agreement is terminated pursuant to the termination provisions thereof. The Lease Agreement grants to the Company certain options to acquire the Project Facility from the Agency; and

WHEREAS, pursuant to the provisions of the Lease Agreement:

(A) The Company will, as agent of the Agency, undertake and complete the Project; and

(B) The Agency will lease (with an obligation to purchase) the Project Facility to the Company; and

WHEREAS, simultaneously with the execution and delivery of the Lease Agreement (the "Closing"):

(A) The Company will execute and deliver to the Agency (1) a certain lease to agency dated as of February 28, 2013, (the "Underlying Lease"), pursuant to which the Company leases to the Agency the portion of the Land under the Facility (the "Facility Parcel") for a lease term ending on the earlier to occur of (a) termination of the Payment In Lieu Of Taxes Agreement, or (b) the date on which the Lease Agreement is terminated pursuant to the termination provisions thereof, and (2) a bill of sale dated as of February 28, 2013, (the "Bill of Sale to Agency"), from the Company to the Agency, pursuant to which the Company will convey to the Agency its interest in the portion of the Project Facility constituting the Equipment, fixtures and other personal property;

(B) The Company and the Agency will execute and deliver a payment in lieu of tax agreement dated as of February 28, 2013 (the "Payment in Lieu of Tax Agreement") by and between the Agency and the Company, pursuant to which the Company will agree to pay certain payments in lieu of taxes with respect to the Facility Parcel and the Facility; and

(C) A copy of a New York State Board of Real Property Services Form 412-a (the form required to be filed by the Agency in order for the Agency to obtain a real property tax exemption with respect to the Facility Parcel and the Facility under Section 412-a of the Real Property Tax Law) (the "Real Property Tax Exemption Form") relating to the Facility Parcel and the Facility and the Payment in Lieu of Tax Agreement will be mailed by the Agency to the assessor and the chief executive officer of each "Affected Tax Jurisdiction" (within the meaning of such quoted term in Section 854(16) of the Act); and

WHEREAS, the providing of the Project Facility and the lease of the Project Facility to the Company pursuant to this Lease Agreement is for a proper purpose, to wit, to advance the job opportunities, health, general prosperity and economic welfare of the inhabitants of the State, pursuant to the provisions of the Act; and

WHEREAS, all things necessary to constitute this Lease Agreement a valid and binding agreement by and between the parties hereto in accordance with the terms hereof have been done and performed, and the creation, execution and delivery of this Lease Agreement have in all respects been duly authorized by the Agency and the Company.

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 DEFINITIONS The following words and terms used in this Lease Agreement shall have the respective meanings set forth below, unless the context or use indicates another or different meaning or intent:

"Act" means Title 1 of Article 18-A of the General Municipal Law of the State, as amended from time to time, together with Chapter 916 of the 1969 Laws of the State, constituting Section 892(e) of the General Municipal Law of the State, as amended from time to time.

"Agency" means (A) Jefferson County Industrial Development Agency and its successors and assigns, and (B) any public benefit corporation or other public corporation resulting from or surviving any consolidation or merger to which Jefferson County Industrial Development Agency or its successors or assigns may be a party.

"Applicable Laws" means all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof (the applicability of such statutes, codes, laws, acts, ordinances, orders, rules, regulations, directions and requirements to be determined both as if the Agency were the owner of the Project Facility and as if the Company and not the Agency were the owner of the Project Facility), including but not limited to (1) applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (2) restrictions, conditions or other requirements applicable to any permits, licenses or other governmental authorizations issued with respect to the foregoing, and (3) judgments, decrees or injunctions issued by any court or other judicial or quasi-judicial Governmental Authority.

"Approving Resolution" means the resolution duly adopted by the Agency on February 11, 2013 authorizing and directing the undertaking and completion of the Project and the execution and delivery of the Basic Documents to which the Agency is a party.

"Authorized Representative" means the person or persons at the time designated to act in behalf of the Agency or the Company, as the case may be, by written certificate furnished to the Agency or the Company, as the case may be, containing the specimen signature of each such person and signed on behalf of (A) the Agency by its Chief Executive Officer or such other person as may be authorized by resolution of the members of the Agency to act on behalf of the Agency, and (B) the Company by its President or any Vice President or its Secretary or such other person as may be authorized in writing by the President or any Vice President or the board of directors of the Company to act on behalf of the Company.

"Basic Documents" means the Underlying Lease, the Bill of Sale to Agency, the Lease Agreement and the Payment in Lieu of Tax Agreement, and all other instruments and documents related thereto and executed in connection therewith, and any other instrument or document supplemental thereto, each as amended from time to time.

"Bill of Sale to Agency" means the bill of sale delivered on the Closing Date from the Company to the Agency conveying all of the Company's interest in the Equipment to the Agency.

"**Bill of Sale to Company**" means the bill of sale from the Agency to the Company conveying all of the Agency's interest in the Equipment to the Company, substantially in the form attached as **Exhibit "C"** to the Lease Agreement.

"**Business Day**" means a day on which banks located in the County of Jefferson, New York are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"**Closing**" means the closing at which the Basic Documents are executed and delivered by the Company and the Agency.

"**Closing Date**" means the date of the Closing.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Treasury Department promulgated thereunder.

"**Company**" means Clayton Harbor Hotel, LLC, a limited liability company duly organized and existing under the laws of the State of New York, and its successors and assigns, to the extent permitted pursuant to Section 8.4 of the Lease Agreement.

"**Completion Date**" means the same as the Completion Date defined in paragraph 1a of the PILOT Agreement.

"**Condemnation**" means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any Governmental Authority.

"**Default Interest Rate**" means a per annum rate of interest equal to twelve percent (12%) per annum, or the maximum rate of interest permitted by law, whichever is less.

"**Equipment**" means all equipment, fixtures, machines, building materials and items of personal property and all appurtenances intended to be acquired in connection with the completion of the Project prior to the Completion Date with the proceeds of any payment made by the Company pursuant to Section 4.1(H) of the Lease Agreement, and such substitutions and replacements therefor as may be made from time to time pursuant to the Lease Agreement, including without limitation, all the Property described in **Exhibit "B"** attached to the Lease Agreement.

"**Event of Default**" means, with respect to any particular Basic Document, any event specified as an Event of Default pursuant to the provisions thereof.

"**Facility**" means the approximate 105-room hotel together with a 300-person ballroom/conference center, restaurant, indoor swimming pool and other facilities to be constructed on the Facility Parcel as part of the Project and any other improvements on the Land.

"**Facility Parcel**" means the portion of the Land as the site for the Facility, as more particularly described on **Exhibit "A"** attached to the Lease Agreement.

"Facility Premises" means the Facility and the Facility Parcel.

"Facility Term" shall have the meaning assigned to such term in Section 3.2 of the Underlying Lease.

"Financial Assistance" shall have the meaning assigned to such term in the fifth recital clause to the Lease Agreement.

"Governmental Authority" means the United States of America, the State, any other state and any political subdivision thereof, and any agency, department, commission, court, board, bureau or instrumentality of any of them.

"Gross Proceeds" means one hundred percent (100%) of the proceeds of the transaction with respect to which such term is used, including, but not limited to, the settlement of any insurance or Condemnation award.

"Hazardous Materials" shall mean all hazardous materials including, without limitation, any flammable explosives, radioactive materials, radon, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials as set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), Articles 15 or 27 of the State Environmental Conservation Law, or in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule or regulation.

"Indebtedness" means (1) the monetary obligations of the Company to the Agency and its members, officers, agents, servants and employees under the Lease Agreement and the other Basic Documents, and (2) all interest accrued on any of the foregoing.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and not a full-time employee of the Company or the Agency.

"Land" means the land located at 200 Riverside Drive, Village of Clayton, Jefferson County, New York, as more particularly described on **Exhibit "A"** attached to the Lease Agreement.

"Lease Agreement" means the lease agreement dated as of February 28, 2013, by and between the Agency, as landlord, and the Company, as tenant, pursuant to which, among other things, the Agency has leased the Project Facility to the Company, as said lease agreement may be amended or supplemented from time to time.

"Lien" means any interest in Property securing an obligation Owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a

security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or a judgment against the Company. The term "Lien" includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics', materialmen's, warehousemen's and carriers' liens and other similar encumbrances affecting real property. For purposes of the Basic Documents, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Net Proceeds" means so much of the Gross Proceeds with respect to which that term is used as remain after payment of all fees for services, expenses, costs and taxes (including attorneys' fees) incurred in obtaining such Gross Proceeds.

"Payment in Lieu of Tax Agreement" means the payment in lieu of tax agreement dated as of February 28, 2013, by and between the Agency and the Company, pursuant to which the Company has agreed to make payments in lieu of taxes with respect to the Facility and the Facility Parcel, as such agreement may be amended or supplemented from time to time.

"Permitted Encumbrances" means (A) utility, access and other easements, rights of way, restrictions, encroachments and exceptions that exist on the Closing Date and benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B) mechanics', materialmen's, warehousemen's, carriers' and other similar Liens, to the extent permitted by Section 8.8 of the Lease Agreement, (C) Liens for taxes, assessments and utility charges, to the extent permitted by Section 6.2(B) of the Lease Agreement, (D) any Lien on the Project Facility obtained through any Basic Document, and (E) any Lien requested by the Company in writing and consented to by the Agency, which consent shall not be unreasonably withheld or delayed.

"Person" means an individual, partnership, corporation, trust, unincorporated organization or Governmental Authority.

"Plans and Specifications" means the description of the Project appearing in the fifth recital clause to the Lease Agreement.

"Prime Rate" means a per annum rate of interest equal to the highest "prime rate" of interest quoted, from time to time, in the Money Rates column of the Wall Street Journal as the "base rate on corporate loans at large U.S. money center commercial banks", provided, however, that in the event that the Wall Street Journal does not publish the National Prime Rate, the Prime Rate shall be the per annum rate of interest quoted as the "Bank Prime Loan Rate" for "this week" in Statistical Release H.15(519) published from time to time by the Board of Governors of the Federal Reserve System calculated on actual days elapsed in a year of 360 days, such rate to be adjusted each Business Day based on the Prime Rate as reported for the previous Business Day. Any provisions to the contrary notwithstanding, in no event shall the Prime Rate be established beyond the maximum rate allowed by law.

"Project" means the project undertaken by the Agency consisting of (A) (1) the acquisition of a leasehold interest in the Facility Parcel, (2) the construction of the Facility on the Facility Parcel, and (3) the acquisition and installation therein and thereon of the Equipment, all of the foregoing to constitute an office building to be operated by the Company and occupied in part by the Company and in part by tenants providing related services; (B) the granting of certain Financial Assistance with respect to the foregoing, and (C) the lease of the Project Facility to the Company pursuant to the Lease Agreement.

"Project Facility" means the Facility Parcel, the Facility and the Equipment.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Real Property Tax Exemption Form" means a New York State Board of Real Property Services Form RP-412-a.

"Sales Tax Exemption Letter" shall have the meaning assigned to such term in Section 8.12 of the Lease Agreement.

"SEQRA" means Article Eight of the Environmental Conservation Law of the State and the statewide regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York.

"State" means the State of New York.

"Termination of Lease Agreement" means a termination of lease agreement by and between the Company, as tenant, and the Agency, as landlord, intended to evidence the termination of the lease agreement, substantially in the form attached as **Exhibit "D"** to the Lease Agreement.

"Termination of Underlying Lease" means the termination of the underlying lease by and between the Agency and the Company, substantially in the form attached as **Exhibit "E"** to the Lease Agreement.

"Unassigned Rights" means (A) the rights of the Agency granted pursuant to Sections 2.2, 3.2, 3.3, 4.1(B), 4.1(D), 4.1(E)(2), 4.1(G), 5.2(A), 5.3(B), 5.4(B), 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 7.1, 7.2, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.12, 8.13, 9.1, 9.3, 11.4, 11.8 and 11.10 of the Lease Agreement, (B) the moneys due and to become due to the Agency for its own account or the members, officer, agents and employees of the Agency for their own account pursuant to Sections 2.2(F), 3.3, 4.1, 5.3, 6.4(B), 8.2, 10.2 and 10.4 of the Lease Agreement, (C) the moneys due as payments in lieu of taxes pursuant to Section 6.6 of the Lease Agreement and the Payment in Lieu of Tax Agreement, and (D) the right to enforce the foregoing pursuant to Article X of the Lease Agreement.

"**Underlying Lease**" means the lease to agency dated as of February 28, 2013 by and between the Company, as landlord, and the Agency, as tenant, pursuant to which the Company has leased the Facility Premises to the Agency, as said lease to agency may be amended or supplemented from time to time.

SECTION 1.2 INTERPRETATION In this Lease Agreement, unless the context otherwise requires:

(A) The terms "hereby", "hereof", "herein", "hereunder" and any similar terms as used in this Lease Agreement, refer to this Lease Agreement, and the term "heretofore" shall mean before, and the term "hereafter" shall mean after, the date of this Lease Agreement;

(B) Words of masculine gender shall mean and include correlative words of feminine and neuter genders;

(C) Words importing the singular number shall mean and include the plural number, and vice versa; and

(D) Any certificates, letters or opinions required to be given pursuant to this Lease Agreement shall mean a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Lease Agreement.

ARTICLE II REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 2.1 REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE AGENCY The Agency makes the following representations, warranties and covenants as the basis for the undertakings on its part herein contained:

(A) The Agency is duly established under the provisions of the Act and has the power to enter into this Lease Agreement and the other Basic Documents to which the Agency is a party and to carry out its obligations hereunder and thereunder. Based upon the representations of the Company as to the utilization of the Project Facility, the Project will constitute a "project", as such quoted term is defined in the Act. By proper official action, the Agency has been duly authorized to execute, deliver and perform this Lease Agreement and the other Basic Documents to which the Agency is a party.

(B) Neither the execution and delivery of this Lease Agreement or the other Basic Documents to which the Agency is a party, the consummation of the transactions contemplated hereby or thereby nor the fulfillment of or compliance with the provisions of this Lease Agreement or the other Basic Documents to which the Agency is a party will conflict with or result in a breach by the Agency of any of the terms, conditions or provisions of the Act, the By-Laws of the Agency or any order, judgment, agreement or instrument to which the Agency is a party or by which the Agency is bound, or will constitute a default by the Agency under any of the foregoing.

(C) Pursuant to the Basic Documents, the Agency will acquire a leasehold interest in the Facility Premises, the Agency will cause the Project Facility to be acquired, constructed and installed and will lease the Project Facility to the Company pursuant to this Lease Agreement, all for the purpose of advancing the job opportunities, health, general prosperity and economic welfare of the people of the State and improving their standard of living.

(D) Except as provided in Article IX and Article X hereof, the Agency, to the extent of its interest therein, shall not sell, assign, transfer, encumber or pledge as security the Project Facility or any part thereof and shall maintain the Project Facility free and clear of all Liens or encumbrances, except as contemplated or allowed by the terms of this Lease Agreement and the other Basic Documents.

SECTION 2.2 REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY The Company makes the following representations, warranties and covenants as the basis for the undertakings on its part herein contained:

(A) The Company is a limited liability company duly organized and validly existing under the laws of the State of New York, is qualified and authorized to do business in the State and all other jurisdictions in which its operations or ownership of Properties so require, and has the power to enter into this Lease Agreement and the other Basic Documents to which the Company is a party and to carry out its obligations hereunder and thereunder. By proper action of its members, the Company has been duly authorized to execute, deliver and perform this Lease Agreement and the other Basic Documents to which the Company is a party.

(B) Except as has been heretofore disclosed to the Agency, neither the execution and delivery of this Lease Agreement or the other Basic Documents to which the Company is a party, the consummation of the transactions contemplated hereby and thereby nor the fulfillment of or compliance with the provisions of this Lease Agreement or the other Basic Documents to which the Company is a party will (1) conflict with or result in a breach of any of the terms, conditions or provisions of the Company's articles of organization or operating agreement or any other corporate restriction, order, judgment, agreement or instrument to which the Company is a party or by which the Company or any of its Property is bound, or constitute a default by the Company under any of the foregoing, or result in the creation or imposition of any Lien of any nature upon any Property of the Company under the terms of any such instrument or agreement, other than the Permitted Encumbrances, (2) require consent (which has not been heretofore received) under any corporate restriction, agreement or instrument to which the Company is a party or by which the Company or any of its Property may be bound or affected, or (3) require consent (which has not been heretofore obtained) under or conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court (domestic or foreign) having jurisdiction over the Company or any of the Property of the Company.

(C) The completion of the Project Facility will not result in the removal of a plant or facility of the Company or any other proposed occupant of the Project Facility from one area of the State of New York to another area of the State of New York or in the abandonment of a plant or facility of any proposed occupant of the Project Facility (other than the Company) located in

the State of New York and, although the completion of the Project Facility may result in the abandonment of one or more plants or facilities of the Company located in the State of New York, such abandonment is reasonably necessary to preserve the competitive position of the Company in its industry.

(D) Not used.

(E) The Basic Documents to which the Company is a party constitute, or upon their execution and delivery in accordance with the terms thereof will constitute, valid and legally binding obligations of the Company, enforceable in accordance with their respective terms.

(F) The Project Facility is, and so long as this Lease Agreement shall remain in effect, the Project Facility will continue to be a "project", as such quoted term is defined in the Act, and the Company will not take any action (or omit to take any action required by the Basic Documents or which the Agency advises the Company in writing should be taken), or allow any action to be taken, which action (or omission) would in any way (1) cause the Project Facility not to constitute a "project", as such quoted term is defined in the Act, or (2) cause the Financial Assistance to be applied in a manner contrary to that provided in the Basic Documents.

(G) The Project Facility and the operation thereof will comply in all material respects with all Applicable Laws, and the Company will defend and save the Agency and its officers, members, agents and employees harmless from all fines and penalties due to failure to comply therewith. The Company shall cause all notices as required by all Applicable Laws to be given, and shall comply or cause compliance with all Applicable Laws, and the Company will defend and save the Agency and its officers, members, agents and employees harmless from all fines and penalties due to failure to comply therewith.

(H) The Project will not have a "significant effect on the environment" (within the meaning of such term as used in SEQRA), and the Company hereby covenants to comply with all mitigating measures, requirements and conditions, if any, enumerated in the Approving Resolution issued by the combined Planning Board of the Town and Village of Clayton on February 7, 2013, under SEQRA applicable to the acquisition, construction and installation of the Project Facility and in any other approvals issued by any other Governmental Authority with respect to the Project. No material changes with respect to any aspect of the Project Facility have arisen from the date of the issuance of such negative declaration which would cause the determination contained therein to be untrue.

(I) The Company acknowledges receipt of notice of Section 874(8) of the Act, which requires that the Company as agent of the Agency must annually file a statement with the New York State Department of Taxation and Finance, on a form and in such a manner as is prescribed by the Commissioner of Taxation and Finance, of the value of all sales tax exemptions claimed by the Company under the authority granted by the Agency.

(J) The Company acknowledges receipt of notice of Section 858-b of the Act, which requires that the Company list new employment opportunities created as a result of the Project

with the following entities (hereinafter, the "JTPA Entities"): (1) the New York State Department of Labor Community Services Division and (2) the administrative entity of the service delivery area created by the federal job training partnership act (P.L. No. 97-300) in which the Project Facility is located. The Company agrees, where practicable; to first consider for such new employment opportunities persons eligible to participate in federal job training partnership programs that shall be referred by the JTPA Entities.

(K) The Company acknowledges receipt of notice of Section 874(9) of the Act, which requires the Company, as agent of the Agency, to file within thirty (30) days of the date the Company is appointed the agent of the Agency, a statement with the New York State Department of Taxation and Finance, on a form and in such a manner as is prescribed by the Commissioner of Taxation and Finance, identifying the Company as agent of the Agency, 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.

ARTICLE III CONVEYANCE TO AGENCY AND USE OF PROJECT FACILITY

SECTION 3.1 CONVEYANCE TO THE AGENCY

(A) Pursuant to the Underlying Lease, the Company has or will convey, or will cause to be conveyed, to the Agency a leasehold interest in the Facility Parcel. Pursuant to the Bill of Sale to the Agency, the Company has or will convey, or will cause to be conveyed, to the Agency title to the Equipment.

(B) The Company hereby represents and warrants that it has good and marketable title to the Land and the Equipment.

(C) The Company shall execute, deliver and record or file all instruments necessary or appropriate to so vest title in the Agency and shall take all action necessary or appropriate to protect such title against claims of any third Persons. The Company also agrees to pay all reasonable expenses incurred by the Agency in defending any action with respect to title to or a Lien affecting the Project Facility, except for Permitted Encumbrances.

SECTION 3.2 USE OF PROJECT FACILITY Subsequent to the Closing Date, the Company shall be entitled to use the Project Facility in any manner not otherwise prohibited by the Basic Documents or the Act, provided such use causes the Project Facility to qualify or continue to qualify as a "project" under the Act and does not tend, in the reasonable judgment of the Agency, to bring the Project Facility into disrepute as a public project; provided, further, however, that at no time shall any such use be other than as an office building and uses related thereto without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed.

SECTION 3.3 HAZARDOUS MATERIALS

(A) To the best of its knowledge, the Company represents, warrants and covenants that the Company has not used Hazardous Materials on, from or affecting the Project Facility in any manner which violates in any material respect any Applicable Law, including but not limited to those governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and that, to the best of the Company's knowledge, no prior owner of the Project Facility or any tenant, subtenant, prior tenant or prior subtenant has used Hazardous Materials on, from or affecting the Project Facility in any manner which violates any Applicable Law, including but not limited to those governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials.

(B) The Company shall keep or cause the Project Facility to be kept free of Hazardous Materials. Without limiting the foregoing, the Company shall not cause or permit the Project Facility to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all material Applicable Laws, nor shall the Company cause or permit, as a result of any intentional or unintentional act or omission on the part of the Company, or any tenant or subtenant of the Company, an unlawful release of Hazardous Materials onto the Project Facility or onto any other property.

(C) The Company shall comply with, and ensure compliance by all tenants and subtenants of the Company with, all Applicable Laws regarding Hazardous Materials whenever and by whoever triggered, and shall obtain and comply with, and ensure that all tenants and subtenants of the Company obtain and comply with, any and all approvals, registrations or permits required thereunder.

(D) The Company shall (1) conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions necessary to clean up, remove or contain all Hazardous Material on, from or affecting the Project Facility (a) in accordance with all Applicable Laws, and (b) in accordance with the orders and directives of all federal, state and local governmental authorities and (2) defend, indemnify, and hold harmless the Agency and its employees, agents, officers and members from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (a) the presence, disposal, release or threatened release of any Hazardous Materials used, transported, stored, manufactured, refined, handled, produced or disposed of on or in the Project Facility which are on, from or affecting soil, water, vegetation, buildings, personal property, persons, animals or otherwise, (b) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (c) any lawsuit brought or threatened, settlement reached, or any government order relating to such Hazardous Materials, and/or (d) any violations of Applicable Laws which are based upon or in any way related to such Hazardous Materials, including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs and litigation expenses. Costs under this subsection (D) will be

repaid immediately with interest at the Default Interest Rate or the maximum permitted by law, whichever is less.

(E) In the event the Project Facility is foreclosed by the Agency, or the Company tenders a deed in lieu of foreclosure, the Company shall deliver the Project Facility to the purchaser free of any and all Hazardous Materials (except Hazardous Materials the presence of which do not violate any Federal, State or local laws, ordinances, rules and regulations governing the use and storage of such materials), so that the condition of the Project Facility shall conform with all Applicable Laws affecting the Project Facility.

(F) The Company agrees that the Agency and its officers, agents or representatives, may at any reasonable time and at the Company's expense inspect the Company's books and records and inspect and conduct any tests on the Project Facility, including taking soil samples, in order to determine that the Company is in compliance with all Applicable Laws.

(G) In the event that insurance shall become available at a reasonable cost to cover the Company's obligations under this Section 3.3, then, at the option of the Agency, the Company shall obtain adequate coverage.

SECTION 3.4 NON-MERGER During the term of this Lease Agreement, there shall be no merger of this Lease Agreement nor of the leasehold estate created by this Lease Agreement with the fee estate in the Premises or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly, (1) this Lease Agreement or the leasehold estate created by this Lease Agreement or any interest in this Lease Agreement or in any such leasehold estate and (2) the fee estate in the Premises or any part thereof or any interest in such fee estate, and no such merger shall occur unless and until all corporations, firms and other entities, including any mortgagee having any interest in (x) this Lease Agreement or the leasehold estate created by this Lease Agreement and (y) the fee estate in the Premises or any part thereof or any interest in such fee estate, shall join in a written instrument effecting such merger and shall duly record the same.

SECTION 3.5 COMPLIANCE WITH THE UNDERLYING LEASE

(A) Notwithstanding the granting of the leasehold interest created by the Underlying Lease in the Facility Parcel to the Agency pursuant to the Underlying Lease, the Company agrees, in consideration of the undertakings of the Agency set forth herein, that the Company will be and remain solely liable under the Underlying Lease for the performance of all covenants, agreements, obligations and duties of the Agency under the Underlying Lease, including but not limited to the making of all payments thereunder, and the Company will perform all of the covenants, agreements and obligations of the Agency under the Underlying Lease, at no expense to the Agency, in consideration of the execution and delivery by the Agency of the Basic Documents.

(B) The Company shall, on behalf of the Agency, (1) pay all sums required to be paid by the Agency as tenant under and pursuant to the provisions of the Underlying Lease and (2) diligently perform and observe all of the terms, covenants and conditions of the Underlying

Lease on the part of the Agency, as tenant thereunder, to be performed and observed, unless such performance or observance shall be waived or not required in writing by the landlord under the Underlying Lease, to the end that all things shall be done which are necessary to keep unimpaired the rights of the Agency, as tenant, under the Underlying Lease.

**ARTICLE IV
UNDERTAKING AND COMPLETION OF THE PROJECT**

**SECTION 4.1 ACQUISITION, CONSTRUCTION, AND INSTALLATION OF
THE PROJECT FACILITY**

(A) The Company shall, on behalf of the Agency, promptly acquire, construct and install the Project Facility, or cause the acquisition, construction and installation of the Project Facility, all in accordance with the Plans and Specifications.

(B) No material change in the Plans and Specifications shall be made unless the Agency shall have consented thereto in writing (which consent of the Agency shall not be unreasonably withheld or delayed).

(C) Title to all materials, equipment, machinery and other items of Property presently incorporated or installed in and which are a part of the Project Facility shall vest in the Agency immediately upon execution of the Bill of Sale to Agency. Title to all materials, equipment, machinery and other items of Property acquired subsequent to the Closing Date and intended to be incorporated or installed in and to become part of the Project Facility shall vest in the Agency immediately upon deposit on the Land or incorporation or installation in the Project Facility, whichever shall first occur. The Company shall execute, deliver and record or file all instruments necessary or appropriate to vest title to the above in the Agency and shall take all action necessary or appropriate to protect such title against claims of any third Persons.

(D) The Agency shall enter into, and accept the assignment of, such contracts as the Company may request in order to effectuate the purposes of this Section 4.1; provided, however, that the liability of the Agency thereunder shall be limited to the moneys of the Company available therefor and advanced by the Company for such purpose pursuant to Section 4.1(H) hereof.

(E) The Agency hereby appoints the Company as its true and lawful agent to perform the following in compliance with the terms, purposes and intent of the Basic Documents, and the Company hereby accepts such appointment: (1) to acquire, construct and install the Project Facility, (2) 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 the acquisition, construction and installation of the Project Facility, with the same powers and with the same validity as the Agency could do if acting in its own behalf, provided that the liability of the Agency thereunder shall be limited to the moneys made available therefor by the Company and advanced for such purposes by the Company pursuant to this Lease Agreement, (3) to pay all fees, costs and expenses incurred in the acquisition, construction and installation of the Project Facility from funds made available therefor in

accordance with this Lease Agreement, and (4) to ask, demand, sue for, levy, recover and receive all such sums of money, debts, dues and other demands whatsoever which may be due, owing and payable to the Agency under the terms of any contract, order, receipt or writing in connection with the acquisition, construction and installation of the Project Facility and to enforce the provisions of any contract, agreement, obligation, bond or other performance security in connection with the same, and to last until the Completion Date.

(F) The Company has given or will give or cause to be given all notices and has complied or will comply or cause compliance with all Applicable Laws applying to or affecting the conduct of work on the Project Facility, and the Company will defend, indemnify and save the Agency and its officers, members, agents, servants and employees harmless from all fines and penalties due to failure to comply therewith. All permits and licenses necessary for the prosecution of work on the Project Facility shall be procured promptly by the Company.

(G) To the extent required by Applicable Law, the Company, as agent of the Agency, will cause (1) compliance with the requirements of Article 8 of the New York Labor Law, and (2) any contractor, subcontractor and other person involved in the acquisition, construction and installation of the Project Facility to comply with Article 8 of the New York Labor Law. The covenant in this subsection is not intended as a representation that Article 8 of the New York Labor Law applies to the Project.

(H) The Company agrees, for the benefit of the Agency, to undertake and complete the Project and to pay all such sums as may be required in connection therewith. Title to portions of the Project Facility acquired, constructed and installed at the Company's cost shall immediately upon such acquisition, construction or installation vest in the Agency. The Company shall execute, deliver and record or file such instruments as the Agency may request in order to perfect or protect the Agency's title to such portions of the Project Facility.

(I) No payment by the Company pursuant to this Section 4.1 shall entitle the Company to any reimbursement for any such expenditure from the Agency or to any diminution or abatement of any amounts payable by the Company under this Lease Agreement.

SECTION 4.2 COMPLETION OF THE PROJECT FACILITY The Company will proceed with due diligence to commence and complete the acquisition, construction and installation of the Project Facility. Completion of the same shall be evidenced by a certificate signed by an Authorized Representative of the Company delivered to the Agency stating:

- (A) The date of such completion;
- (B) That all labor, services, materials and supplies used therefor and all costs and expenses in connection therewith have been paid;
- (C) That the acquisition, construction and installation of the Project Facility has been completed, with the exception of ordinary punchlist items and work awaiting seasonal opportunity;

(D) That the Company or the Agency has good and valid title to all Property constituting a portion of the Project Facility, free and clear of all Liens and encumbrances except Permitted Encumbrances; and

(E) That the Project Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate may state (1) that it is given without prejudice to any rights of the Company against third parties which exist at the date of such certificate or which may subsequently come into being, (2) that it is given only for the purposes of this Section 4.2, and (3) that no Person other than the Agency may benefit therefrom. Such certificate shall be accompanied by a certificate of occupancy, or a letter from the local Governmental Authority stating that no certificate of occupancy is required, and any and all permissions, licenses or consents required of Governmental Authorities for the occupancy, operation and use of the Project Facility for its intended purposes.

SECTION 4.3 REMEDIES TO BE PURSUED AGAINST CONTRACTORS, SUBCONTRACTORS, MATERIALMEN AND THEIR SURETIES In the event of a default by any contractor, subcontractor or materialman under any contract made by it in connection with the acquisition, construction and installation of the Project Facility or in the event of a breach of warranty or other liability with respect to any materials, workmanship or performance guaranty, the Company shall proceed, either separately or in conjunction with others, to exhaust the remedies of the Company and the Agency against the contractor, subcontractor or materialman so in default and against each surety for the performance of such contract. The Company may, in its own name or, with the prior written consent of the Agency, in the name of the Agency, prosecute or defend any action or proceeding or take any other action involving any such contractor, subcontractor, materialman or surety which the Company deems reasonably necessary, and in such event the Agency hereby agrees, at the Company's sole expense, to cooperate fully with the Company and to take all action necessary to effect the substitution of the Company for the Agency in any such action or proceeding. The Company shall advise the Agency of any actions or proceedings taken hereunder. The Net Proceeds of any recovery secured by the Company as a result of any action pursued against a contractor, subcontractor, materialman or their sureties pursuant to this Section 4.3 shall be used to the extent necessary to complete the Project Facility, and thereafter be paid to the Company for its own use. The Company shall advise the Agency of any actions or proceedings taken hereunder.

**ARTICLE V
DEMISE OF PROJECT FACILITY; RENTAL PAYMENTS AND
OTHER AMOUNTS PAYABLE**

SECTION 5.1 LEASE OF THE PROJECT FACILITY In consideration of the Company's covenant herein to make rental payments hereunder, and in consideration of the other covenants of the Company contained herein, including the covenant to make additional and other payments required hereby, the Agency hereby agrees to demise and lease to the Company, and the Company hereby agrees to rent and lease from the Agency, the Agency's interest in the Project Facility, subject only to Permitted Encumbrances. The obligation of the Agency under this Section 5.1 to lease the Project Facility to the Company shall be subject to there being no

Event of Default existing hereunder, or any other event which would, but for the passage of time, be such an Event of Default.

SECTION 5.2 DURATION OF THE LEASE TERM; QUIET ENJOYMENT

(A) The Agency shall deliver to the Company possession of the Project Facility, and the leasehold estate created hereby shall commence, on the Closing Date, and the Company shall accept possession of the Project Facility on the Closing Date.

(B) Except as otherwise provided in Article X hereof, the leasehold estate created hereby shall terminate on the earlier to occur of (1) termination of the Payment In Lieu Of Taxes Agreement.

(C) The Agency shall take no action, other than pursuant to Article X of this Lease Agreement, to prevent the Company from having quiet and peaceable possession and enjoyment of the Project Facility during the term of this Lease Agreement and will, at the request of the Company and at the Company's expense, cooperate with the Company in order that the Company may have quiet and peaceable possession and enjoyment of the Project Facility.

SECTION 5.3 RENTAL PAYMENTS AND OTHER AMOUNTS PAYABLE

(A) The Company shall pay basic rental payments for the Project Facility as follows: On the date of execution and delivery of this Lease Agreement, the Company shall pay, (1) as the basic lease payments due hereunder, a single lump sum basic rental payment equal to the Agency's administrative fee relating to the Project and (2) Agency Counsel's fees and expenses relating to the Project.

(B) Within seven (7) days after receipt of a demand therefor from the Agency, the Company shall pay to the Agency the sum of the expenses of the Agency and the officers, members, agents and employees thereof incurred by reason of the Agency's ownership, leasing or sale of the Project Facility or in connection with the carrying out of the Agency's duties and obligations under this Lease Agreement or any of the other Basic Documents, and any other fee or expense of the Agency with respect to the Project Facility, the leasing or sale of the Project Facility to the Company, or any of the other Basic Documents, the payment of which is not otherwise provided for under this Lease Agreement.

(C) The Company agrees to make the above-mentioned payments, without any further notice, by check or wire transfer, in lawful money of the United States of America as, at the time of payment, shall be legal tender for the payment of public and private debts. In the event the Company shall fail to make any payment required by this Section 5.3 within ten (10) days of the date such payment is due, the Company shall pay the same, together with interest thereon at the Default Interest Rate or the maximum rate permitted by law, whichever is less, from the date on which such payment was due until the date on which such payment is made.

SECTION 5.4 NATURE OF OBLIGATIONS OF THE COMPANY HEREUNDER

(A) The obligations of the Company to make the payments required by this Lease Agreement and to perform and observe any and all of the other covenants and agreements on its part contained herein shall be general obligations of the Company and shall be absolute and unconditional irrespective of any defense or any right of set-off, recoupment, counterclaim or abatement that the Company may otherwise have against the Agency. The Company agrees that it will not suspend, discontinue or abate any payment required by, or fail to observe any of its other covenants or agreements contained in, this Lease Agreement, or terminate this Lease Agreement for any cause whatsoever, including, without limiting the generality of the foregoing, failure to complete the Project, any defect in the title, design, operation, merchantability, fitness or condition of the Project Facility or any part thereof or in the suitability of the Project Facility or any part thereof for the Company's purposes or needs, failure of consideration for, destruction of or damage to, Condemnation of title to or the use of all or any part of the Project Facility, any change in the tax or other laws of the United States of America or of the State or any political subdivision thereof, or any failure of the Agency to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with this Lease Agreement.

(B) Nothing contained in this Section 5.4 shall be construed to release the Agency from the performance of any of the agreements on its part contained in this Lease Agreement, and, in the event the Agency should fail to perform any such agreement, the Company may institute such action against the Agency as the Company may deem necessary to compel performance or recover damages for non-performance (subject to the provisions of Section 12.10 hereof); provided, however, that the Company shall look solely to the Agency's estate and interest in the Project Facility for the satisfaction of any right or remedy of the Company for the collection of a judgment (or other judicial process) requiring the payment of money by the Agency in the event of any liability on the part of the Agency, and no other Property or assets of the Agency or of the members, officers, agents (other than the Company) or employees of the Agency shall be subject to levy, execution, attachment or other enforcement procedure for the satisfaction of the Company's remedies under or with respect to this Lease Agreement, the relationship of the Agency and the Company hereunder or the Company's use and occupancy of or purchase of or title to the Project Facility, or any other liability of the Agency to the Company.

SECTION 5.5 GRANT OF SECURITY INTEREST The Company hereby grants the Agency a security interest in all of the right, title and interest of the Company in the Project Facility and in all additions and accessions thereto, all replacements and substitutions therefor and all proceeds thereof, and all books, records and accounts of the Company pertaining to the Project Facility, and all proceeds thereof, as security for payment of the rental payments and all other payments and obligations of the Company hereunder. The Company hereby irrevocably appoints the Agency as its attorney-in-fact to execute and deliver and file any instruments necessary or convenient to perfect and continue the security interest granted herein.

**ARTICLE VI
MAINTENANCE, MODIFICATIONS, TAXES AND INSURANCE**

SECTION 6.1 MAINTENANCE AND MODIFICATIONS OF THE PROJECT FACILITY

(A) During the term of this Lease Agreement, the Company shall (1) keep the Project Facility in good condition and repair and preserve the same against waste, loss, damage and depreciation, ordinary wear and tear excepted, (2) make all necessary repairs and replacements to the Project Facility or any part thereof (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen), and (3) operate the Project Facility in a sound and economic manner.

(B) The Company shall not make any structural additions, modifications or improvements to the Project Facility or any part thereof unless (1) the Company shall (a) give or cause to be given all notices and comply or cause compliance with all Applicable Laws applying to or affecting the conduct of work on such addition, modification or improvement to the Project Facility, or a part thereof, (b) defend and save the Agency and its officers, members, agents (other than the Company) and employees harmless from all fines and penalties due to failure to comply therewith, (c) promptly procure all permits and licenses necessary for the prosecution of any work described in this Section 6.1(B), and (d) make all payments in lieu of taxes required by Section 6.6 hereof and the Payment in Lieu of Tax Agreement, including those required by Section 2.03(D) thereof, and (2) the addition, modification or improvement to the Project Facility shall not constitute a default under any of the Basic Documents, and (3) the Company shall furnish to the Agency, at least thirty (30) days prior to commencing such addition, modification or improvement to the Project Facility detailed plans and specifications therefor; provided, further, however, that such plans need not be furnished to the Agency for additions, modifications or improvements to the Project Facility which do not exceed, at any one time, \$250,000 in value, and (4) notwithstanding anything to the contrary in this paragraph, the Company may not add additional apartments through the Project Facility without first obtaining the consent of the Agency.

SECTION 6.2 TAXES, ASSESSMENTS AND UTILITY CHARGES

(A) The Company shall pay or cause to be paid, as the same respectively become due, (1) all taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Project Facility, (2) all utility and other charges, including "service charges", incurred or imposed for the operation, maintenance, use, occupancy, upkeep and improvement of the Project Facility, (3) all assessments and charges of any kind whatsoever lawfully made against the Project Facility by any Governmental Authority for public improvements, and (4) all payments required under Section 6.6 hereof; 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 hereunder to pay only such installments as are required to be paid during the term of this Lease Agreement.

(B) Notwithstanding the provisions of subsection (A) of this Section 6.2, the Company may in good faith actively contest any such taxes, assessments and other charges, provided that the Company (1) first shall have notified the Agency in writing of such contest and (2) is not in default under any of the Basic Documents. Otherwise, the Company shall promptly take such action with respect thereto as shall be satisfactory to the Agency.

SECTION 6.3 INSURANCE REQUIRED During the term of this Lease Agreement, the Company shall maintain insurance with respect to the Project 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) Insurance protecting the interests of the Company and the Agency as insureds, as their interests may appear, against loss or damage to the Project 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 acceptable to the Company and the Agency.

(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 Project Facility or who are responsible for the acquisition, construction or installation of the Project Facility.

(C) Insurance protecting the Company and the Agency against loss or losses from liabilities imposed by law or assumed in any written contract (including, without limitation, the contractual liability assumed by the Company under Section 8.2 of this Lease Agreement) and arising from personal injury or death or damage to the Property of others caused by any accident or occurrence, with limits of not less than \$2,000,000.00 per person per accident or occurrence on account of personal injury, including death resulting therefrom, and \$5,000,000.00 per accident or occurrence on account of damage to the Property of others, excluding liability imposed upon the Company by any applicable workers' compensation law.

(D) THE AGENCY DOES NOT IN ANY WAY REPRESENT THAT THE INSURANCE SPECIFIED HEREIN, WHETHER IN SCOPE OR COVERAGE OR LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE COMPANY'S BUSINESS OR INTEREST.

SECTION 6.4 ADDITIONAL PROVISIONS RESPECTING INSURANCE

(A) All insurance required by Section 6.3 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 Agency. 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 Agency as insureds, as their interests may appear, and provide for at least thirty (30) days' written notice to the Company and the Agency prior to cancellation, lapse, and reduction in policy limits or material change in coverage thereof. All insurance required hereunder shall be in form, content and coverage satisfactory to the Agency. Certificates satisfactory in form and substance to the Agency to evidence all insurance

required hereby shall be delivered to the Agency on or before the Closing Date. The Company shall deliver to the Agency on or before the first Business Day of each calendar year thereafter a certificate dated not earlier than the immediately preceding month reciting that there is in full force and effect, with a term covering at least the next succeeding calendar year, insurance in the amounts and of the types required by Sections 6.3 and 6.4 hereof. At least thirty (30) days prior to the expiration of any such policy, the Company shall furnish to the Agency evidence that the policy has been renewed or replaced or is no longer required by this Lease Agreement.

(B) All premiums with respect to the insurance required by Section 6.3 hereof shall be paid by the Company; provided, however, that, if the premiums are not timely paid, the Agency may pay such premiums and the Company shall pay immediately upon demand all sums so expended by the Agency, together with interest thereon at the Default Interest Rate or the maximum rate permitted by law, whichever is less.

SECTION 6.5 APPLICATION OF NET PROCEEDS OF INSURANCE The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.3 hereof shall be applied as follows:

(A) The Net Proceeds of the insurance required by Section 6.3(A) hereof shall be applied as provided in Section 7.1 hereof; and

(B) The Net Proceeds of the insurance required by Section 6.3(B) and 6.3(C) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

SECTION 6.6 PAYMENTS IN LIEU OF TAXES

(A) It is recognized that under the provisions of the Act, the Agency is required to pay no taxes or assessments upon any of the Property acquired by it or under its jurisdiction, control or supervision or upon its activities. It is not the intention, however, of the parties hereto that the Project Facility be treated as exempt from real property taxation. Accordingly, the parties hereto acknowledge that the Payment in Lieu of Tax Agreement is expected to be executed with respect to the Facility and the Facility Parcel (the Facility and the Facility Parcel being sometimes collectively referred to as the "Facility Premises"), and a Real Property Tax Exemption Form will be filed by the Agency with respect to the Facility Premises once the Payment in Lieu of Tax Agreement is executed by the Agency and the Company. Until the expiration date of the Payment in Lieu of Tax Agreement, the Agency and the Company hereby agree that the Company (or any subsequent user of the Project Facility pursuant to this Lease Agreement) shall be required to make or cause to be made payments in lieu of real estate taxes in the amounts and in the manner set forth in the Payment in Lieu of Tax Agreement.

(B) In the event that (1) the Facility Premises would be subject to real property taxation if owned by the Company but shall be deemed exempt from real property taxation due to the involvement of the Agency therewith, and (2) the Payment in Lieu of Tax Agreement shall not have been entered into by the Agency and the Company, or if entered into the Payment in Lieu of Tax Agreement shall for any reason no longer be in effect, the Agency and the Company

hereby agree that the Company, or any subsequent user of the Project Facility under this Lease Agreement, shall in such event be required to make or cause to be made payments in lieu of taxes to the school district or school districts, city, town, county, village and other political units wherein the Facility Premises or the Project Facility, as the case may be, is located having taxing powers (such political units are hereinafter collectively referred to as the "Taxing Entities") in such amounts as would result from taxes being levied on the Facility Premises or the Project Facility, as the case may be, by the Taxing Entities if the Facility Premises or the Project Facility, as the case may be, were privately owned by the Company and not deemed owned by or under the jurisdiction, control or supervision of the Agency, but with appropriate reductions similar to the tax exemptions and credits, if any, which would be afforded to the Company if it were the owner of the Facility Premises or the Project Facility, as the case may be. It is agreed that the Agency, in cooperation with the Company, (1) shall cause the Facility Premises or the Project Facility, as the case may be, to be valued for purposes of determining the amounts due hereunder as if owned by the Company as aforesaid by the appropriate officer or officers of any of the Taxing Entities as may from time to time be charged with responsibility for making such valuations, (2) shall cause to be appropriately applied to the valuation or valuations so determined the respective tax rate or rates of the Taxing Entities that would be applicable to the Facility Premises or the Project Facility, as the case may be, if so privately owned, (3) shall cause the appropriate officer or officers of the Taxing Entities charged with the duty of levying and collecting such taxes to submit to the Company, when the respective levies are made for purposes of such taxes upon Property privately owned as aforesaid, statements specifying the amounts and due dates of such taxes which the Taxing Entities would receive if such Property were so privately owned by the Company and not deemed owned by or under the jurisdiction, control or supervision of the Agency, and (4) shall file with the appropriate officer or officers any accounts or tax returns furnished to the Agency by the Company for the purpose of such filing.

(C) The Company shall pay or cause to be paid to the Agency on behalf of the Taxing Entities when due all such payments in lieu of taxes with respect to the Project Facility required by Section 6.6(B) of this Lease Agreement to be paid to the Taxing Entities, subject in each case to the Company's right to (1) obtain exemptions and credits, if any, which would be afforded to a private owner of the Project Facility, including any available exemption under Section 485-b of the New York Real Property Tax Law with respect to the Project Facility, (2) contest valuations of the Project Facility made for the purpose of determining such payments therefrom, and (3) seek to obtain a refund of any such payments made.

(D) Pursuant to Section 874(5) of the Act, if the Company shall fail to make any payment required by this Section 6.6 or the Payment in Lieu of Tax Agreement when due, the Company shall continue to be obligated to pay the same and shall pay the same, together with a late payment penalty equal to five percent (5%) of the amount due. If the Company shall fail to make any payment required by the Payment in Lieu of Tax Agreement when due and such delinquency shall continue beyond the first month, the Company's obligation to make the payment so in default shall continue as an obligation of the Company to the affected Taxing Entity until such payment in default shall have been made in full, and the Company shall pay the same to the affected Taxing Entity together with (1) a late payment penalty of one percent (1%) per month for each month, or part thereof, that the payment due hereunder is delinquent beyond

the first month, plus (2) interest thereon, to the extent permitted by law, at the greater of (a) the Default Interest Rate, or (b) the same rate per annum which would be payable if such amounts were delinquent taxes, until so paid in full.

**ARTICLE VII
DAMAGE, DESTRUCTION AND CONDEMNATION**

SECTION 7.1 DAMAGE OR DESTRUCTION

(A) If the Project Facility shall be damaged or destroyed, in whole or in part (1) the Agency shall have no obligation to replace, repair, rebuild or restore the Project Facility, (2) there shall be no abatement or reduction in the amounts payable by the Company under this Lease Agreement (whether or not the Project Facility is replaced, repaired, rebuilt or restored), (3) the Company shall promptly give notice thereof to the Agency, and (4) except as otherwise provided in subsection (B) of this Section 7.1, (a) the Company shall promptly replace, repair, rebuild or restore the Project Facility to substantially the same condition and value as an operating entity as existed prior to such damage or destruction, with such changes, alterations and modifications as may be desired by the Company and consented to in writing by the Agency, provided that such changes, alterations or modifications do not so change the nature of the Project Facility that it does not constitute a "project", as such quoted term is defined in the Act, or change the use of the Project Facility as specified in Section 3.2 hereof without the prior written consent of the Agency, and (b)(1) the Agency shall make available to the Company (from the Net Proceeds of any insurance settlement relating to the Project Facility, if any, on deposit with the Agency) such moneys as may be necessary to pay the costs of the replacement, repair, rebuilding or restoration of the Project Facility, and in the event that the funds from the Net Proceeds of any insurance settlement provided by the Agency to the Company are not sufficient to pay in full the costs of such replacement, repair, rebuilding or restoration, the Company shall nonetheless complete such work and shall pay from its own moneys that portion of the costs thereof in excess of such funds, and (2) any balance of such funds from the Net Proceeds of any insurance settlement relating to the Project Facility, if any, remaining on deposit with the Agency after payment of all of the costs of such replacement, repair, rebuilding or restoration shall be paid to the Company for its own purposes.

(B) Notwithstanding anything to the contrary contained in subsection (A) of this Section 7.1, the Company shall not be obligated to replace, repair, rebuild or restore the Project Facility and the Net Proceeds of any insurance settlement shall not be applied as provided in subsection (A) of this Section 7.1, if the Company shall so notify the Agency. In such event, or if an Event of Default shall have occurred and be continuing, the lesser of (1) the total amount of the Net Proceeds collected under any and all policies of insurance covering the damage to or destruction of the Project Facility, or (2) the amount necessary to prepay the Indebtedness in full shall be applied to the prepayment of the Indebtedness in full. If the Net Proceeds collected under any and all policies of insurance are less than the amount necessary to prepay the Indebtedness in full, the Company shall pay to the Agency the difference between the Net Proceeds of such insurance and the amount necessary to prepay the Indebtedness in full.

(C) If all Indebtedness has been paid in full, all such Net Proceeds or the balance thereof shall be paid to the Company for its purposes.

(D) Unless an Event of Default under any of the Basic Documents shall have occurred and be continuing, the Company may adjust all claims under any policies of insurance required by Section 6.3(A) hereof.

SECTION 7.2 **CONDEMNATION**

(A) To the knowledge of the Company, no condemnation or eminent domain proceeding has been commenced or threatened against any part of the Project Facility. The Company shall notify the Agency of the institution of any condemnation proceedings and, within seven days after inquiry from the Agency, inform the Agency in writing of the status of such proceeding.

(B) If title to, or the use of, all or any part of the Project Facility shall be taken by Condemnation (1) the Agency shall have no obligation to restore the Project Facility, (2) there shall be no abatement or reduction in the amounts payable by the Company under this Lease Agreement (whether or not the Project Facility is restored), (3) the Company shall promptly give notice thereof to the Agency, and (4) except as otherwise provided in subsection (C) of this Section 7.2, (a) the Company shall promptly restore the Project Facility (excluding any part of the Land or the Facility taken by Condemnation) as a complete architectural unit of substantially the same usefulness, design and construction as existed immediately prior to such Condemnation, with such changes, alterations and modifications as may be desired by the Company and consented to in writing by the Agency, provided that such changes, alterations or modifications do not so change the nature of the Project Facility that it does not constitute a "project" as such quoted term is defined in the Act, or change the use of the Project Facility as specified in Section 3.2 hereof without the prior written consent of the Agency, and (b)(1) the Agency shall make available to the Company (from the Net Proceeds of any Condemnation award relating to the Project Facility, if any, on deposit with the Agency) such moneys as may be necessary to pay the costs of the restoration of the Project Facility, and in the event that the funds from the Net Proceeds of any Condemnation award on deposit with the Agency provided by the Agency to the Company are not sufficient to pay in full the costs of such restoration, the Company shall nonetheless complete such restoration and shall pay from its own moneys that portion of the costs thereof in excess of such funds, and (2) any balance of such funds from the Net Proceeds of any Condemnation award, if any, remaining on deposit with the Agency after payment of all of the costs of such restoration shall be paid to the Company for its own purposes.

(C) Notwithstanding anything to the contrary contained in subsection (B) of this Section 7.2, the Company shall not be obligated to restore the Project Facility, and the Net Proceeds of any Condemnation award shall not be applied as provided in subsection (B) of this Section 7.2, if the Company shall so notify the Agency. In such event, or if an Event of Default shall have occurred and be continuing, the lesser of (1) the Net Proceeds of any Condemnation award, or (2) the amount necessary to prepay all of the Indebtedness in full shall be applied to the prepayment of the Indebtedness in full. If the Net Proceeds collected under any and all Condemnation awards are less than the amount necessary to prepay the Indebtedness in full, the

Company shall pay to the Agency the difference between such amounts and the Net Proceeds of such Condemnation awards so that the Indebtedness shall be prepaid in full.

(D) If all of the Indebtedness has been paid in full, all such Net Proceeds or the balance thereof shall be paid to the Company for its purposes.

(E) Unless an Event of Default under any of the Basic Documents shall have occurred and be continuing, the Company shall have sole control of any Condemnation proceeding with respect to the Project Facility or any part thereof and may negotiate the settlement of any such proceeding. The Company shall notify the Agency of the institution of any condemnation proceedings and, within seven days after inquiry from the Agency, inform the Agency in writing of the status of such proceeding.

(F) The Agency shall, at the expense of the Company, cooperate fully with the Company in the handling and conduct of any such Condemnation proceeding. In no event shall the Agency voluntarily settle, or consent to the settlement of, any such Condemnation proceeding without the written consent of the Company.

SECTION 7.3 ADDITIONS TO THE PROJECT FACILITY All replacements, repairs, rebuilding or restoration made pursuant to Sections 7.1 or 7.2, whether or not requiring the expenditure of the Company's own money, shall automatically become part of the Project Facility as if the same were specifically described herein.

ARTICLE VIII SPECIAL COVENANTS

SECTION 8.1 NO WARRANTY OF CONDITION OR SUITABILITY BY AGENCY; ACCEPTANCE "AS IS" THE AGENCY MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION, TITLE, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS OF THE PROJECT FACILITY OR ANY PART THEREOF OR AS TO THE SUITABILITY OF THE PROJECT FACILITY OR ANY PART THEREOF FOR THE COMPANY'S PURPOSES OR NEEDS. THE COMPANY SHALL ACCEPT TITLE TO THE PROJECT FACILITY "AS IS", WITHOUT RECOURSE OF ANY NATURE AGAINST THE AGENCY 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, THE AGENCY SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO.

SECTION 8.2 HOLD HARMLESS PROVISIONS

(A) The Company hereby releases the Agency and its members, officers, agents (other than the Company) and employees from, agrees that the Agency and its members, officers, agents (other than the Company) and employees shall not be liable for and agrees to indemnify, defend and hold the Agency 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 Agency'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 Project 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 Project Facility, (2) liability arising from or expense incurred by the Agency's acquiring, constructing, equipping, installing, owning, leasing or selling the Project 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 Project Facility, all liabilities or claims arising as a result of the Agency's obligations under this Lease Agreement or any of the other Basic Documents or the enforcement of or defense of validity of any provision of any of the Basic Documents, (3) all claims arising from the exercise by the Company of the authority conferred on it pursuant to Section 4.1(E) 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 Agency are not incurred or do not result from the intentional wrongdoing of the Agency or any of its members, officers, agents (other than the Company) or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence in part of the Agency or any of its officers, members, agents (other than the Company) or employees and notwithstanding the breach of any statutory obligation or any rule of comparative or apportioned liability.

(B) In the event of any claim against the Agency 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 provide for and insure, in the liability policies required by Section 6.3(C) of this Lease Agreement, its liabilities assumed pursuant to this Section 8.2.

(D) Notwithstanding any other provisions of this Lease Agreement, the obligations of the Company pursuant to this Section 8.2 shall remain in full force and effect after the termination of this Lease 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 and the payment of all expenses, charges and costs incurred by the Agency, or its officers, members, agents (other than the Company) or employees, relating thereto.

SECTION 8.3 RIGHT OF ACCESS TO THE PROJECT FACILITY The Company agrees that the Agency and its duly authorized agents shall have the right at all reasonable times to enter upon and to examine and inspect the Project Facility. The Company further agrees that

the Agency shall have such rights of access to the Project Facility as may be reasonably necessary to cause the proper maintenance of the Project Facility in the event of failure by the Company to perform its obligations hereunder.

SECTION 8.4 COMPANY NOT TO TERMINATE EXISTENCE OR DISPOSE OF ASSETS; CONDITIONS UNDER WHICH EXCEPTIONS ARE PERMITTED

The Company agrees that, during the term of this Lease Agreement, it will maintain its existence, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another limited liability company or other entity, without notice to the Agency and the prior written consent of the Agency; provided, however, that, if no Event of Default specified in Section 10.1 hereof shall have occurred and be continuing, the Company may consolidate with or merge into another domestic corporation organized and existing under the laws of one of the states of the United States, or permit one or more such domestic limited liability company to consolidate with or merge into it, or sell or otherwise transfer to another Person all or substantially all of its assets as an entirety and thereafter dissolve, provided that:

- (A) The Agency has received notice of such action;
- (B) The Agency gives its written consent to the proposed transaction, which consent shall not be unreasonably withheld or delayed;
- (C) The surviving, resulting or transferee corporation assumes in writing all of the obligations of and restrictions on the Company under this Lease Agreement and the other Basic Documents; and
- (D) As of the date of such transaction, the Agency shall be furnished with (1) an opinion of counsel to the Company as to compliance with item (A) of this Section 8.4 and (2) a certificate, dated the effective date of such transaction, signed by an Authorized Representative of the Company and an authorized member/manager of the surviving, resulting or transferee limited liability company, as the case may be, or the transferee of its assets, as the case may be, to the effect that immediately after the consummation of the transaction and after giving effect thereto, no Event of Default exists under this Lease Agreement and no event exists which, with notice or lapse of time or both, would become such an Event of Default.

SECTION 8.5 AGREEMENT TO PROVIDE INFORMATION The Company agrees, whenever requested by the Agency, to provide and certify or cause to be provided and certified such public information concerning the Company, its finances and other topics as the Agency from time to time reasonably considers necessary or appropriate including, but not limited to, such information as to enable the Agency to make any reports required by law or governmental regulation.

SECTION 8.6 BOOKS OF RECORD AND ACCOUNT; COMPLIANCE CERTIFICATES

- (A) The Company agrees to maintain proper accounts, records and books in which full and correct entries shall be made, in accordance with generally accepted accounting principles, of all business and affairs of the Company.

(B) As soon as possible after the end of each fiscal year of the Company, but in any event within thirty (30) days after such date, the Company shall furnish to the Agency a certificate of an Authorized Representative of the Company stating that no Event of Default hereunder has occurred or is continuing or, if any Event of Default exists, specifying the nature and period of existence thereof and what action the Company has taken or proposes to take with respect thereto.

SECTION 8.7 COMPLIANCE WITH APPLICABLE LAWS

(A) The Company agrees, for the benefit of the Agency, that it will, during the term of this Lease Agreement, promptly comply with all Applicable Laws.

(B) Notwithstanding the provisions of subsection (A) of this Section 8.7, the Company may in good faith actively contest the validity or the applicability of any Applicable Law, provided that the Company (1) first shall have notified the Agency in writing of such contest, (2) is not in default under any of the Basic Documents, (3) shall have set aside adequate reserves for any such requirement, and (4) demonstrates to the reasonable satisfaction of the Agency that noncompliance with such Applicable Law will not subject the Project Facility or any part thereof to loss or forfeiture. Otherwise, the Company shall promptly take such action with respect thereto as shall be satisfactory to the Agency.

(C) Notwithstanding the provisions of subsection (B) of this Section 8.7, if the Agency or any of its members, officers, agents, servants or employees may be liable for prosecution for failure to comply therewith, the Company shall promptly take such action with respect thereto as shall be satisfactory to the Agency.

SECTION 8.8 DISCHARGE OF LIENS AND ENCUMBRANCES The Company hereby agrees not to create or suffer to be created any Lien on any Properties of the Agency (other than the Project Facility) or on any funds of the Agency applicable to the Project Facility.

SECTION 8.9 PERFORMANCE OF THE COMPANY'S OBLIGATIONS Should the Company fail to make any payment or to do any act as herein provided, the Agency may, but need not, without notice to or demand on the Company and without releasing the Company from any obligation herein, make or do the same including, without limitation, appearing in and defending any action purporting to affect the rights or powers of the Company or the Agency, and paying all fees, costs and expenses including, without limitation, reasonable attorneys' fees, incurred by the Agency in connection therewith, and the Company shall pay immediately upon demand all sums so incurred or expended by the Agency under the authority hereof, together with interest thereon at the Default Interest Rate or the maximum rate permitted by law, whichever is less.

SECTION 8.10 DEPRECIATION DEDUCTIONS AND TAX CREDITS The parties agree that as between them the Company shall be entitled to all depreciation deductions and accelerated cost recovery system deductions with respect to any portion of the Project Facility pursuant to Sections 167 and 168 of the Code and to any investment credit pursuant to Section

38 of the Code with respect to any portion of the Project Facility 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 Facility.

SECTION 8.11 EMPLOYMENT OPPORTUNITIES

(A) The Company shall insure that all employees and applicants for employment with regard to the Project are afforded equal employment opportunities without discrimination.

(B) Pursuant to Section 858-b of the Act, except as otherwise provided by collective bargaining contracts or agreements, the Company agrees (1) to list all new employment opportunities created as a result of the Project with the New York State Department of Labor, Community Services Division ("NYSDOL") and with the administrative entity (collectively with NYSDOL, the "JTPA Referral Entities") of the service delivery area created by the federal Job Training Partnership Act (P.L. No. 97-300) ("JTPA") in which the Project is located and (2), where practicable, to first consider for such new employment opportunities persons eligible to participate in federal JTPA programs who shall be referred by the JTPA Referral Entities.

(C) Pursuant to the requirements of subsection one of Section 6 of Chapter 127 of the 1995 Laws of the State, the Company agrees to file with the Agency, prior to the effective date of this Lease Agreement, an employment plan, in substantially the form attached hereto as Exhibit "D".

(D) Pursuant to the requirements of subsection one of Section 6 of Chapter 127 of the 1995 Laws of the State, the Company agrees to file with the Agency, on an annual basis, reports regarding the number of people employed at the Project Facility and certain other matters, the initial said annual employment report to be in substantially the form annexed hereto as Exhibit "E".

SECTION 8.12 SALES AND USE TAX EXEMPTION

(A) Pursuant to Section 874 of the Act, the parties understand that the Agency is exempt from certain sales taxes and use taxes imposed by the State and local governments in the State, and that the Project may be exempted from those taxes due to the involvement of the Agency in the Project. The Agency makes no representations or warranties that any property is exempt from the payment of New York sales or use taxes. Any exemption from the payment of New York sales or use taxes resulting from the involvement of the Agency with the Project shall be limited to purchases of services and tangible personal property conveyed to the Agency or utilized by the Agency or by the Company as agent of the Agency as a part of the Project prior to the Completion Date, or incorporated within the Project Facility prior to the Completion Date. No operating expenses of the Project 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. It is the intention of the parties hereto that the Company will receive a sales tax exemption with respect to the Project, said sales tax exemption letter to be issued on the date of the execution of this Lease Agreement and in a form similar to the form attached hereto as Exhibit "F".

(B) Pursuant to Section 874(8) of the Act, the Company agrees to annually file and cause any sublessee or other operator of the Project Facility to file annually, with the New York State Department of Taxation and Finance, on a form and in such manner as is prescribed by the New York State Commissioner of Taxation and Finance (the "Annual Report"), 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 pursuant to Section 4.1(E) of this Lease Agreement. Pursuant to Section 874(8) of the Act, the penalty for failure to file the Annual Report shall be removal of authority to act as agent of the Agency. 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 Agency in connection with the Project. A current sample form of such Annual Report required to be completed by the Company pursuant to this Lease Agreement is attached hereto as Exhibit "G". For future filings of the Annual 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 Report.

(C) The Company agrees to furnish to the Agency 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) Not used.

SECTION 8.13 IDENTIFICATION OF THE EQUIPMENT All Equipment which is or may become part of the Project Facility pursuant to the provisions of this Lease Agreement shall be properly identified by the Company by such appropriate records, including computerized records, as may be approved by the Agency.

ARTICLE IX ASSIGNMENTS; MERGER OF THE AGENCY

SECTION 9.1 ASSIGNMENT OF THE LEASE AGREEMENT Except as otherwise provided in Section 8.4 hereof, this Lease Agreement may not be assigned by the Company, in whole or in part, without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed.

SECTION 9.2 MERGER OF THE AGENCY

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

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

SECTION 9.3 SALE OR LEASE OF THE PROJECT FACILITY

(A) The Company may not sell, lease (except to tenants occupying the apartment units), transfer, convey or otherwise dispose of the Project Facility or any part thereof without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed.

(B) Notwithstanding anything to the contrary contained in this Lease Agreement, in any instance after the Completion Date where the Company determines that any portion of the Project Facility has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Company may remove such portion of the Project Facility and may sell, trade in, exchange or otherwise dispose of the same, as a whole or in part, without the prior written consent of the Agency, provided that such removal will not materially impair the value of the Project Facility as collateral and provided the same is forthwith replaced with similar items. At the request of the Company, the Agency shall execute and deliver to the Company all instruments necessary or appropriate to enable the Company to sell or otherwise dispose of any such item of Property free from the Liens of the Basic Documents. The Company shall pay all costs and expenses (including counsel fees) incurred in transferring title to and releasing from the Liens of the Basic Documents any item of Property removed pursuant to this Section 9.3.

ARTICLE X EVENTS OF DEFAULT AND REMEDIES

SECTION 10.1 EVENTS OF DEFAULT DEFINED

(A) The following shall be "Events of Default" under this Lease Agreement, and the terms "Event of Default" or "default" shall mean, whenever they are used in this Lease Agreement, any one or more of the following events (1) a default by the Company in the due and punctual payment of the amounts specified to be paid pursuant to Section 5.3 or Section 6.6 hereof, and the continuance thereof for a period of ten (10) days after written notice thereof is given by the Agency to the Company, (2) a default in the performance or observance of any other of the covenants, conditions or agreements on the part of the Company in this Lease Agreement and the continuance thereof for a period of thirty (30) days after written notice thereof is given by the Agency to the Company, provided that, if such default is capable of cure but cannot be cured within such thirty (30) day period, the failure of the Company to commence to cure within such thirty (30) day period and to prosecute the same with due diligence, (3) the occurrence of an "Event of Default" under any other Basic Document, (4) the Company shall generally not pay its debts as such debts become due or admits its inability to pay its debts as they become due, (5) the Company shall conceal, remove or permit to be concealed or removed any part of its Property, with intent to hinder, delay or defraud its creditors, or any one of them,

or shall make or suffer a transfer of any of its Property which is fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall make any transfer of its Property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or shall suffer or permit, while insolvent, any creditor to obtain a Lien upon any of its Property through legal proceedings or distraint which is not vacated within thirty (30) days from the date thereof, (6)(a) the filing by the Company (as debtor) of a voluntary petition under Title 11 of the United States Code or any other federal or state bankruptcy statute, (b) the failure by the Company within sixty (60) days to lift any execution, garnishment or attachment of such consequence as will impair the Company's ability to carry out its obligations hereunder, (c) the commencement of a case under Title 11 of the United States Code against the Company as the debtor or commencement under any other federal or state bankruptcy statute of a case, action or proceeding against the Company and continuation of such case, action or proceeding without dismissal for a period of sixty (60) days, (d) the entry of an order for relief by a court of competent jurisdiction under Title 11 of the United States Code or any other federal or state bankruptcy statute with respect to the debts of the Company, or (e) in connection with any insolvency or bankruptcy case, action or proceeding, appointment by final order, judgment or decree of a court of competent jurisdiction of a receiver or trustee of the whole or a substantial portion of the Property of the Company, unless such order, judgment or decree is vacated, dismissed or dissolved within sixty (60) days of such appointment, (7) the imposition of a Lien on the Project Facility other than a Permitted Encumbrance, (8) the removal of the Project Facility, or any portion thereof, outside Jefferson County, New York, without the prior written consent of the Agency, other than in connection with a removal under Section 9.3(B) hereof.

(B) Notwithstanding the provisions of Section 10.1(A) hereof, if by reason of force majeure (as hereinafter defined) either party hereto shall be unable, in whole or in part, to carry out its obligations under this Lease Agreement and if such party shall give notice and full particulars of such force majeure in writing to the other party and to the Agency within a reasonable time after the occurrence of the event or cause relied upon, the obligations under this Lease Agreement of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The suspension of such obligations for such period pursuant to this subsection (B) shall not be deemed an Event of Default under this Section 10.1. Notwithstanding anything to the contrary in this subsection (B), an event of force majeure shall not excuse, delay or in any way diminish the obligations of the Company to make the payments required by Sections 4.1(H), 5.3, 6.2 and 6.6 hereof, to obtain and continue in full force and effect the insurance required by Article VI hereof, to provide the indemnity required by Sections 3.3 and 8.2 hereof and to comply with the provisions of Sections 2.2(G), 6.6, 8.2, 8.4, 8.5 and 8.7(C) hereof. The term "force majeure" as used herein shall include acts outside of the control of the Agency and the Company, including but not limited to acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders of any kind of any Governmental Authority or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, partial or entire failure of utilities, or any other cause or event not reasonably within the control of the party claiming such inability. It is agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the

discretion of the party having difficulty, and the party having difficulty shall not be required to settle any strike, lockout or other industrial disturbances by acceding to the demands of the opposing party or parties.

SECTION 10.2 REMEDIES ON DEFAULT

(A) Whenever any Event of Default hereunder shall have occurred, the Agency may, to the extent permitted by law, take any one or more of the following remedial steps (1) declare, by written notice to the Company, to be immediately due and payable, whereupon the same shall become immediately due and payable, (a) all amounts payable pursuant to Section 5.3 hereof, and (b) all other payments due under this Lease Agreement or any of the other Basic Documents; or (2) terminate this Lease Agreement and convey to the Company all the Agency's right, title and interest in and to the Project Facility (The conveyance of the Agency's right, title and interest in and to the Project Facility shall be effected by the recording by the Agency of the Termination of Lease Agreement and the Bill of Sale to Company. The Company hereby agrees to pay all expenses and taxes, if any, applicable to or arising from any such transfer of title.); or (3) take any other action at law or in equity which may appear necessary or desirable to collect any amounts then due or thereafter to become due hereunder and to enforce the obligations, agreements or covenants of the Company under this Lease Agreement.

(B) No action taken pursuant to this Section 10.2 (including repossession of the Project Facility) shall relieve the Company from its obligations to make all payments required by this Lease Agreement and the other Basic Documents.

SECTION 10.3 REMEDIES CUMULATIVE No remedy herein conferred upon or reserved to the Agency is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Lease 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. In order to entitle the Agency to exercise any remedy reserved to it in this Article X, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

SECTION 10.4 AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES In the event the Company should default under any of the provisions of this Lease Agreement and the Agency should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligations or agreements on the part of the Company herein contained, the Company shall, on demand therefor, pay to the Agency the reasonable fees of such attorneys and such other expenses so incurred, whether an action is commenced or not.

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 such breach be 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
OPTIONS AND OBLIGATION TO PURCHASE

SECTION 11.1 EARLY TERMINATION OF THE LEASE AGREEMENT The Company shall have the option to terminate this Lease Agreement prior to the termination date specified in Section 5.2 hereof by filing with the Agency a certificate signed by an Authorized Representative of the Company stating the Company's intention to do so pursuant to this Section 11.1.

SECTION 11.2 OBLIGATION TO SELL AND PURCHASE THE PROJECT FACILITY

(A) Contemporaneously with the termination of this Lease Agreement in accordance with Section 5.2 or Section 11.1 hereof, the Agency shall sell and the Company shall purchase all the Agency's right, title and interest in and to the Project Facility for the purchase price of One Dollar (\$1.00) plus payment of all sums due and payable to the Agency or any other Person pursuant to this Lease Agreement and the other Basic Documents. The obligation of the Agency under this Section 11.2 to convey the Project Facility to the Company will be subject to there being no Event of Default existing hereunder or under the Payment in Lieu of Tax Agreement or under any other Basic Document, or any other event which would, but for the passage of time or the giving of notice, or both, be such an Event of Default.

(B) The sale and conveyance of the Agency's right, title and interest in and to the Equipment shall be effected by the execution and delivery by the Agency to the Company of the Bill of Sale to Company (an unexecuted copy of which is attached hereto as Exhibit "C" and by this reference made a part hereof). The termination of this Lease Agreement shall be effected by the execution and delivery by the Company and the Agency of the termination of Lease Agreement (an unexecuted copy of which is attached hereto as **Exhibit "I"** and by this reference made a part hereof). The Company hereby agrees to pay all expenses and taxes, if any, applicable to or arising from such transfers of title.

(C) The Facility Parcel and the Facility shall not be conveyed by the Agency to the Company until the earlier to occur of (1) the date requested by the Company, (2) the date of termination of the Payment in Lieu of Tax Agreement, or (3) the date otherwise set forth in the Payment in Lieu of Tax Agreement as the date for said conveyance to the Company. The sale and conveyance of the Agency's right, title and interest in and to the Facility Parcel and the Facility shall be affected by delivery by the Agency to the Company of the Termination of Underlying Lease (in substantially the form attached hereto as **Exhibit "J"** and by this reference made a part hereof).

(D) The Company agrees to prepare the Bill of Sale to Company and/or the Termination of Lease Agreement and all schedules thereto, together with all tax affidavits, equalization and assessment forms and other necessary documentation, and to forward same to the Agency at least thirty (30) days prior to the date that the Project Facility or any portion thereof is to be conveyed to the Company.

(E) The Company hereby agrees to pay all expenses and taxes, if any, applicable to or arising from the transfers contemplated by this Section 11.2.

(F) This Lease Agreement shall survive the transfer of the Project Facility to the Company pursuant to this Section 11.2 and shall remain in full force and effect until all of the Indebtedness shall have been paid in full, and thereafter the obligations of the Company shall survive as set forth in Section 12.8 hereof.

(G) Upon the payment in full of all Indebtedness under or secured by this Lease Agreement, and notwithstanding the survival of certain obligations of the Company as described in Section 12.8 hereof, the Agency shall upon the request of the Company execute and deliver to the Company such documents as the Company may reasonably request, in recordable form if so requested, to evidence the termination and release of all Liens granted to the Agency hereunder.

SECTION 11.3 CONVEYANCE ON PURCHASE OF THE PROJECT FACILITY At the closing of any purchase of the Project Facility pursuant to Section 11.2 hereof, the Agency shall, upon the satisfaction of the conditions set forth in Section 11.1 and Section 11.2 hereof, as appropriate, deliver to the Company all necessary documents:

(A) To convey to the Company all the Agency's right, title and interest in and to the Property being purchased, as such property then exists, subject only to the following: (1) any Liens or title defects to which title to such Property was subject when conveyed to the Agency, (2) any Liens created at the request of the Company or to the creation of which the Company consented, (3) any Permitted Encumbrances, and (4) any Liens resulting from the failure of the Company to perform or observe any of the agreements on its part contained in this Lease Agreement or arising out of an Event of Default; and

(B) To release and convey to the Company all of the Agency's rights and interest in and to any rights of action or any net proceeds of insurance settlements or Condemnation awards with respect to the Project Facility.

ARTICLE XII MISCELLANEOUS

SECTION 12.1 NOTICES

(A) All notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when (1) sent to the applicable address stated below by registered certified mail, return receipt requested, or by such other means as shall provide sender with documentary evidence of such delivery, or (2) delivery is refused by the addressee, as evidenced by the affidavit of the Person who attempted to effect such delivery.

(B) The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

IF TO THE COMPANY: Clayton Harbor Hotel, LLC
617 Dingens Street
Buffalo, New York 14206
Attn: David P. Hart

WITH A COPY TO: Harris Beach, PLLC
99 Garnsey Road
Pittsford, New York 14534
Attn: Shawn M. Griffin, Esq.

IF TO THE AGENCY: Jefferson County Industrial Development Agency
800 Starbuck Avenue
Watertown, NY 13601
Attention: Donald C. Alexander, CEO

WITH A COPY TO: James Heary, Attorney at Law, P.C.
120 Washington Street, Suite 500
Watertown, NY 13601
Attn: James Heary, Esq.

(C) The Agency 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 Lease Agreement shall inure to the benefit of the Agency and the Company and shall be binding upon the Agency, the Company and, as permitted by this Lease Agreement, their respective successors and assigns.

SECTION 12.3 SEVERABILITY If any one or more of the covenants or agreements provided herein on the part of the Agency or the Company to be performed shall, for any reason, be held or shall, in fact, be inoperative, unenforceable or contrary to law in any particular case, such circumstance shall not render the provision in question inoperative or unenforceable in any other case or circumstance. Further, if any one or more of the phrases, sentences, clauses, paragraphs or sections herein shall be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Lease Agreement.

SECTION 12.4 AMENDMENT This Lease Agreement may not be amended, changed, modified, altered or terminated, except by an instrument in writing signed by the parties hereto.

SECTION 12.5 EXECUTION OF COUNTERPARTS This Lease 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 Lease Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State.

SECTION 12.7 RECORDING AND FILING The Underlying Lease (or a memorandum thereof) and this Lease Agreement (or a memorandum hereof) shall be recorded by the Agency in the office of the County Clerk of Jefferson County, New York, or in such other office as may at the time be provided by law as the proper place for the recordation thereof.

SECTION 12.8 SURVIVAL OF OBLIGATIONS

(A) The obligations of the Company to make the payments required by Sections 5.3 and 6.6 hereof and to provide the indemnity required by Section 8.2 hereof shall survive the termination of this Lease Agreement, and all such payments after such termination shall be made upon demand of the party to whom such payment is due.

(B) The obligations of the Company with respect to the Unassigned Rights shall survive the termination of this Lease 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 Unassigned Rights 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 and charges incurred by the Agency, or its officers, members, agents or employees, relating thereto.

SECTION 12.9 TABLE OF CONTENTS AND SECTION HEADINGS NOT CONTROLLING The Table of Contents and the headings of the several Sections in this Lease Agreement have been prepared for convenience of reference only and shall not control, affect the meaning of or be taken as an interpretation of any provision of this Lease Agreement.

SECTION 12.10 NO RECOURSE; SPECIAL OBLIGATION

(A) The obligations and agreements of the Agency contained herein and in the other Basic Documents and any other instrument or document executed in connection herewith or therewith, and any other instrument or document supplemental thereto or hereto, shall be deemed the obligations and agreements of the Agency, and not of any member, officer, agent (other than the Company) or employee of the Agency in his individual capacity, and the members, officers, agents (other than the Company) and employees of the Agency shall not be liable personally hereon or thereon or be subject to any personal liability or accountability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby.

(B) The obligations and agreements of the Agency contained herein and therein shall not constitute or give rise to an obligation of the State of New York or Jefferson County, New York, and neither the State of New York nor Jefferson County, New York shall be liable hereon

or thereon and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency payable solely from the revenues of the Agency derived and to be derived from the lease, sale or other disposition of the Project Facility (except for revenues derived by the Agency with respect to the Unassigned Rights).

(C) No order or decree of specific performance with respect to any of the obligations of the Agency hereunder shall be sought or enforced against the Agency unless (1) the party seeking such order or decree shall first have requested the Agency in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Agency shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten days, shall have failed to institute and diligently pursue action to cause compliance with such request within such ten day period) or failed to respond within such notice period, (2) if the Agency refuses to comply with such request and the Agency's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Agency an amount or undertaking sufficient to cover such reasonable fees and expenses, and (3) if the Agency refuses to comply with such request and the Agency's refusal to comply is based on its reasonable expectation that it or any of its 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, defend and hold harmless the Agency 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 requested by the Agency, furnish to the Agency satisfactory security to protect the Agency and its members, agents (other than the Company) and employees against all liability expected to be incurred as a result of compliance with such request.

IN WITNESS WHEREOF, the Agency and the Company have caused this Lease Agreement to be executed in their respective names by their respective duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: D. C. Alexander, CEO
Donald C. Alexander
Chief Executive Officer

CLAYTON HARBOR HOTEL, LLC

By: _____
David P. Hart
Managing Member

or thereon and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency payable solely from the revenues of the Agency derived and to be derived from the lease, sale or other disposition of the Project Facility (except for revenues derived by the Agency with respect to the Unassigned Rights).

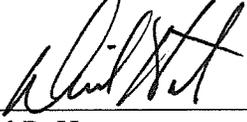
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IN WITNESS WHEREOF, the Agency and the Company have caused this Lease Agreement to be executed in their respective names by their respective duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

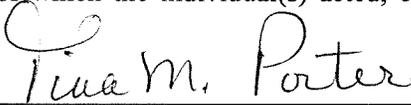
By: _____
Donald C. Alexander
Chief Executive Officer

CLAYTON HARBOR HOTEL, LLC

By: _____

David P. Hart
Managing Member

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

On the 26th day of February, 2013, before me, the undersigned, a notary public in and for said State, personally appeared **Donald C. Alexander**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.



Notary Public

TINA MARIE PORTER
Notary Public, State of New York
No. 01PG6238096
Qualified in Jefferson County
Commission Expires March 28, 2015

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

On the day of February, 2013, before me, the undersigned, a notary public in and for said State, personally appeared **David P. Hart**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

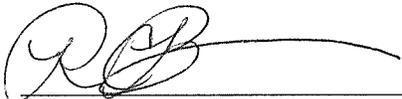
STATE OF NEW YORK)
)
COUNTY OF JEFFERSON) ss.:

On the day of February, 2013, before me, the undersigned, a notary public in and for said State, personally appeared **Donald C. Alexander**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

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

On the 13th day of February, 2013, before me, the undersigned, a notary public in and for said State, personally appeared **David P. Hart**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.



Notary Public

RACHEL C. BARANELLO
Notary Public, State of New York
No. 02BA6267182
Qualified in Monroe County
Commission Expires 8/13/20 16

EXHIBIT 'A'

7.04 Acre Parcel

All that parcel of land located in the Village of Clayton, County of Jefferson and State of New York, bounded and described as follows:

Beginning at a drill hole set at the intersection of the northeast margin of Webb Street with the northwest margin of Hugunin Street; and runs thence from the point of beginning, North 20 degrees 19 minutes West, 355.00 feet along the northeast margin of Webb Street to a 5/8 inch rebar set with red plastic cap at its intersection with the northwest margin of Riverside Drive, said rebar also being in the southeast line of lands conveyed to the Village of Clayton (Liber 914, Page 708); thence North 84 degrees 27 minutes East, 12.64 feet along the southeast line of lands conveyed to the Village of Clayton to a 5/8 inch rebar set with red plastic cap at the southeast corner thereof; thence North 20 degrees 03 minutes West, 27.29 feet along the east line of lands conveyed to the Village of Clayton to a point; thence N 01 degrees 14 minutes W, 58.12 feet continuing along the east line of lands conveyed to the Village of Clayton to a point; thence North 88 degrees 03 minutes 45 seconds East, 202.62 feet to a point; thence South 74 degrees 46 minutes East, 259.10 feet to a point; thence South 58 degrees 12 minutes 30 seconds East, 50.00 feet to a point; thence South 37 degrees 06 minutes East, 198.16 feet to a point; thence South 20 degrees 13 minutes East, 459.40 feet to a point in the northwest margin of Jane Street; thence South 69 degrees 41 minutes West, 73.33 feet along the northwest margin of Jane Street to an existing iron pipe at the southeast corner of lands conveyed to Frances M. Vogt (Liber 1774, Page 151), said iron pipe being South 20 degrees 21 minutes 26 seconds East, 65.85 feet from an existing iron pipe; thence North 20 degrees 21 minutes 26 seconds W, 157.39 feet along the northeast line of lands conveyed to Vogt, passing through the last mentioned iron pipe, and, to and along the northeast line of lands conveyed to Danial J. Woodley and Linda T. Woodley (Liber 1309, Page 263), to a 5/8 inch rebar set with red plastic cap at the northeast corner of said lands conveyed to Woodley; thence South 69 degrees 40 minutes 29 seconds West, 132.12 feet along the northwest line of lands conveyed to Woodley to a 5/8 inch rebar set with red plastic cap in the northeast margin of Franklin Street; thence North 20 degrees 13 minutes West, 66.21 feet along the northeast margin of Franklin Street to a drill hole set; thence South 69 degrees 47 minutes West, 49.50 feet to a 5/8 inch rebar set with red plastic cap in the southwest margin of Franklin Street; thence South 20 degrees 13 minutes East, 147.93 feet along the southwest margin of Franklin Street to a 5/8 inch rebar set with red plastic cap at the northeast corner of lands conveyed to Gerald Marshall and Beth J. Marshall (Liber 1750, Page 320); thence South 69 degrees 58 minutes West, 80.11 feet along the northwest line of lands conveyed to Marshall to a 5/8 inch rebar set with red plastic cap at the northwest corner thereof; thence South 20 degrees 02 minutes East, 77.21 feet along the southwest line of lands conveyed to Marshall to a 5/8 inch rebar set with red plastic cap in the northwest margin of Jane Street; thence South 69 degrees 58 minutes West, 52.80 feet along the northwest margin of Jane Street to a 5/8 inch rebar set with red plastic cap at its intersection with the northeast line of lands conveyed to George Phillip Schafer II (Liber 874, Page 29); thence North 20 degrees 13 minutes West, 471.53 feet along the northeast line of lands conveyed to Schafer, to and along the northeast line of lands conveyed to Richard C. Bertrand and Patricia L. Bertrand (Liber 812, Page 1059), Jonathan P. Ludlow (Instrument 2003-00008128), Kevin E. Durr and Jennifer L. Durr (Instrument 2005-00009948), Gerald R. Scales and Helen M. Scales (Liber 884, Page 355), and, George Kittle and Patricia Kittle (Instrument 2004-00004513), and crossing the northeast end of Hugunin Street, to a point in the northwest margin of Hugunin Street; thence South 69 degrees 00 minutes West, 133.88 feet along the northwest margin of Hugunin Street to the point of beginning, containing 7.04 acres of land, more or less.

The above described parcel being a part of lands conveyed by the County of Jefferson to the Town of Clayton and Clayton Local Development Corporation Inc. by deed dated February 8, 2005 and recorded in the Jefferson County Clerk's Office on February 17, 2005 at Instrument 2005-00002523.

EXHIBIT "A" (con't.)

Together with and subject to rights, covenants, easements, restrictions and rights of way of record.
(File 2012C-27), December 20,2012

The conveyance of the above-described premises is conditioned upon Grantee obtaining within 36 months from the date of this Instrument all necessary permits to construct a 104 room hotel pursuant to a certain Proposal submitted by Grantee to the Grantor dated October 15, 2012. In the event Grantee fails to satisfy this condition subsequent, Grantor shall have the right to reacquire the above-described premises by repayment to Grantee of so much of the Impact Fee and Purchase Price (as those terms are defined in a Disposition Agreement between the parties dated December 19, 2012) as may have been paid to Grantor by Grantee as of the date of the exercise of this Right of Reacquisition. This Right of Reacquisition is reserved pursuant to Section 6-4.6 of the New York State Estates Powers and Trusts Law.

EXHIBIT "B"

DESCRIPTION OF THE EQUIPMENT

EXHIBIT "C"

FORM OF BILL OF SALE TO COMPANY

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York having an office for the transaction of business located at 800 Starbuck Avenue, Watertown, New York (the "Grantor"), for the consideration of One Dollar (\$1.00), cash in hand paid, and other good and valuable consideration received by the Grantor from **CLAYTON HARBOR HOTEL, LLC**, a limited liability company organized and existing under the laws of the State of New York having an office for the transaction of business located at 617 Dingens Street, Buffalo, New York (the "Grantee"), the receipt of which is hereby acknowledged by the Grantor, hereby sells, transfers and delivers unto the Grantee, and its successors and assigns, all those materials, machinery, equipment, fixtures or furnishings which are described in **Exhibit "B"** attached hereto (the "Equipment") now owned or hereafter acquired by the Grantor, which Equipment is located or intended to be located on land (the "Land") located at 200 Riverside Drive, in the Village of Clayton, Jefferson County, New York, which Land is more particularly described on **Exhibit "A"** attached hereto.

TO HAVE AND TO HOLD the same unto the Grantee, and its successors and assigns, forever.

THE GRANTOR MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION, TITLE, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS OF THE EQUIPMENT OR ANY PART THEREOF OR AS TO THE SUITABILITY OF THE EQUIPMENT OR ANY PART THEREOF FOR THE GRANTEE'S PURPOSES OR NEEDS. THE GRANTEE SHALL ACCEPT TITLE TO THE EQUIPMENT "AS IS", WITHOUT RECOURSE OF ANY NATURE AGAINST THE GRANTOR 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, THE GRANTOR SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO.

IN WITNESS WHEREOF, the Grantor has caused this bill of sale to be executed in its name by its duly authorized officer described below and dated as of the ____ day of _____, 20__.

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Donald C. Alexander
Chief Executive Officer

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

On the ___ day of _____ in the year 20___, the undersigned, a notary public in and for said state, personally appeared **Donald C. Alexander**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

EXHIBIT "D"

FORM OF TERMINATION OF LEASE AGREEMENT

WHEREAS, **CLAYTON HARBOR HOTEL, LLC**, (the "Company"), as tenant, and **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY** (the "Agency"), as landlord, entered into a lease agreement dated as of February , 2013 (the "Lease Agreement") pursuant to which, among other things, the Agency leased the Project Facility (as defined in the Lease Agreement) to the Company; and

WHEREAS, pursuant to the Lease Agreement, the Company and the Agency agreed that the Lease Agreement would terminate on the earlier to occur of (1) termination of the Payment In Lieu Of Taxes Agreement or (2) the date the Lease Agreement shall be terminated pursuant to Article X or Article XI of the Lease Agreement; and

WHEREAS, the Company and the Agency now desire to evidence the termination of the Lease Agreement;

NOW, THEREFORE, it is hereby agreed that the Lease Agreement has terminated as of the dated date hereof; provided, however, that, as provided in Section 12.8 of the Lease Agreement, certain obligations of the Company shall survive the termination of the Lease Agreement, and the execution of this termination of lease agreement by the Agency is not intended, and shall not be construed, as a waiver or alteration by the Agency or the Company of the provisions of Section 12.8 of the Lease Agreement.

IN WITNESS WHEREOF, the Company and the Agency have signed this termination of lease agreement and caused same to be dated as of the _____ day of _____ 20__.

CLAYTON HARBOR HOTEL, LLC

By: _____
David P. Hart, Managing Member

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Donald C. Alexander, CEO

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

On the ____ day of _____, 20__, in the year before me, the undersigned, a notary public in and for said state, personally appeared **Donald C. Alexander**, 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(s), or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

STATE OF NEW YORK)
COUNTY OF) ss.:

On the ____ day of _____, 20__, in the year before me, the undersigned, a notary public in and for said state, personally appeared **David P. Hart**, 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(s), or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

EXHIBIT "E"

FORM OF TERMINATION OF UNDERLYING LEASE

WHEREAS, **CLAYTON HARBOR HOTEL, LLC** (the "Company"), as landlord, and **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY** (the "Agency"), as tenant, entered into a lease to the Agency dated as of February , 2013 (the "Underlying Lease") pursuant to which the Agency was granted a leasehold estate in the parcel of land described on **Exhibit "A"** attached hereto (the "Facility Parcel"), together with all improvements located thereon (collectively with the Facility Parcel, the "Facility Premises") for the purposes of granting certain real property tax relief to the Facility Premises, all in connection with the Project (as defined in the Underlying Lease); and

WHEREAS, pursuant to a lease agreement dated as of February , 2013 (the "Lease Agreement") between the Company and the Agency, the Company and the Agency further agreed that the Underlying Lease would be terminated upon expiration of the Payment in Lieu of Tax Agreement (as defined in the Lease Agreement); and

WHEREAS, the Payment in Lieu of Tax Agreement has expired;

NOW, THEREFORE, it is hereby agreed that the Underlying Lease is terminated as of the dated date hereof.

IN WITNESS WHEREOF, the Company and the Agency have signed this termination of underlying lease as of the ____ day of _____, 20__.

CLAYTON HARBOR HOTEL, LLC

By: _____
David P. Hart, Managing Member

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Donald C. Alexander, CEO

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

On the ____ day of _____, 20, in the year before me, the undersigned, a notary public in and for said state, personally appeared **David P. Hart**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

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

On the ____ day of _____, 20, in the year before me, the undersigned, a notary public in and for said state, personally appeared **Donald C. Alexander**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

EXHIBIT "F"

FORM OF SALES TAX EXEMPTION LETTER

To Whom It May Concern:

Re: New York State Sales or Use Tax Exemption
Jefferson County Industrial Development Agency
Clayton Harbor Hotel, LLC (Company) Hotel (Project)

Pursuant to TSB-M-87(7) issued by the new York State Department of Taxation and Finance on April 1, 1987, (the "Policy Statement"), you have requested a letter from Jefferson County Industrial Development Agency (the "Agency"), a public benefit corporation duly established pursuant to Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended, (the "Enabling Act") and Chapter 916 of the 1969 Laws of New York, as amended, constituting Section 892 (e) of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act"), containing the information required by the Policy Statement regarding the sales tax exemption at 200 Riverside Drive, in the Village of Clayton, Jefferson County, New York (the "Project Site").

Clayton Harbor Hotel, LLC (the "Company") has applied to and been approved for financial assistance from the Agency in the matter of completion of the Project on the Project Site. The Project includes the following: (A)(1) the acquisition of an interest in an approximately ____ acres of land located at 200 Riverside Drive, in the Village of Clayton, Jefferson County, New York (the " Land "), (2) the construction on the Land of buildings to contain approximately ____ square feet of space (the "Facility"), and (3) the acquisition and installation therein and thereon of certain machinery and equipment (the "Equipment"), all of the foregoing to constitute approximately a 105-room hotel together with a 300-person ballroom/conference center, restaurant, indoor swimming pool and other facilities (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including exemption from certain sales taxes, deed transfer taxes, mortgage recording taxes and real estate taxes (collectively, the "Financial Assistance"); and (C) the lease of the Project Facility to the Company pursuant to the terms of a lease agreement dated as of February ____, 2013 (the "Lease Agreement") by and between the Company and the Agency. Please be advised that on or about the date of this letter, the Agency executed and delivered the Lease Agreement, pursuant to which the Agency appointed the Company as agent of the Agency to acquire, construct and install the Project Facility, said appointment being intended by the Agency to be retroactive to _____, _____.

It is our opinion that the Company may make project purchases of materials to be incorporated in the Project and machinery and equipment constituting a part of the Project, and purchases or rentals of supplies, tools, equipment, or services necessary to acquire or install the Project and, with respect to such specific purchases or rentals, are exempt from any sales or use tax imposed

by the State of New York or any governmental instrumentality located within the State of New York, if the following procedures are observed:

1. Purchases must be billed or invoiced by the vendor to the Company as agent for the Agency (e.g., "COMPANY as agent for Jefferson County Industrial Development Agency") and identify the date of delivery and indicate the place of delivery.

2. Payment must be made by the Company, acting as agent, directly to the vendor from a special project fund of the payor.

3. Deliveries must be made to the Project Site, or under certain circumstances (such as where the materials require additional fabrication before installation on the Project Site or for storage to protect materials from theft or vandalism prior to installation at the Project Site) deliveries may be made to a site other than the Project Site, providing the ultimate delivery of the materials is made to the Project Site. Where delivery is made to a site other than the Project Site, the purchases must be billed or invoiced by the vendor to the Company as agent of the Agency, identify the date and place of delivery, the Agency's full name and address and the Project Site where the materials will ultimately be delivered for installation.

Pursuant to Section 874(8) of the Act, the Company, as agent of the Agency, must annually file a statement with the New York State Department of Taxation and Finance, on a form and in such a manner as is prescribed by the Commissioner of Taxation and Finance, of the value of all sales tax exemptions claimed by the Company under the authority granted by the Agency. The penalty for failure to file such a statement under Section 874(8) of the Act shall be the removal of authority to act as an agent for the Agency.

This letter shall serve as proof of the existence of an agency contract between the Agency and the Company for the SOLE EXPRESS PURPOSE OF SECURING EXEMPTION FROM NEW YORK STATE SALES TAXES FOR THE PROJECT ONLY. NO OTHER PRINCIPAL/AGENT RELATIONSHIP BETWEEN THE AGENCY AND THE COMPANY IS INTENDED OR MAY BE IMPLIED OR INFERRED BY THIS LETTER.

It is hereby further certified that, under the Policy Statement, since the Agency is a public benefit corporation, neither the Agency nor the Company as its agent, is required to furnish an "Exempt Organization Certificate" in order to secure exemption from any sales or use tax for such items or services.

Under the Policy Statement, a copy of this letter received by any vendor or seller to the Company as agent for the Agency, may be accepted by such vendor or seller as a "statement and additional documentary evidence of such exemption" as provided by New York State Tax Law Section 1132(c)(2), thereby relieving such vendor or seller from the obligation to collect sales and use tax on purchases or rentals of such materials, supplies, tools, equipment, or services by the Agency through its agent, the Company.

THIS LETTER SHALL BE IN EFFECT UNTIL _____, _____.

In the event you have any questions with respect to the above, please do not hesitate to call Donald C. Alexander, Chief Executive Officer of the Agency, at (315) 782-5865.

Very truly yours,

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Donald C. Alexander
Chief Executive Officer

EXHIBIT "I"

FORM OF TERMINATION OF LEASE AGREEMENT

WHEREAS, **CLAYTON HARBOR HOTEL, LLC**, (the "Company"), as tenant, and **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY** (the "Agency"), as landlord, entered into a lease agreement dated as of February , 2013 (the "Lease Agreement") pursuant to which, among other things, the Agency leased the Project Facility (as defined in the Lease Agreement) to the Company; and

WHEREAS, pursuant to the Lease Agreement, the Company and the Agency agreed that the Lease Agreement would terminate on the earlier to occur of (1) termination of the Payment In Lieu Of Taxes Agreement or (2) the date the Lease Agreement shall be terminated pursuant to Article X or Article XI of the Lease Agreement; and

WHEREAS, the Company and the Agency now desire to evidence the termination of the Lease Agreement;

NOW, THEREFORE, it is hereby agreed that the Lease Agreement has terminated as of the dated date hereof; provided, however, that, as provided in Section 12.8 of the Lease Agreement, certain obligations of the Company shall survive the termination of the Lease Agreement, and the execution of this termination of lease agreement by the Agency is not intended, and shall not be construed, as a waiver or alteration by the Agency or the Company of the provisions of Section 12.8 of the Lease Agreement.

IN WITNESS WHEREOF, the Company and the Agency have signed this termination of lease agreement and caused same to be dated as of the _____ day of _____ 20__.

CLAYTON HARBOR HOTEL, LLC

By: _____
David P. Hart
Managing Member

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Donald C. Alexander
Chief Executive Officer

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

On the ___ day of _____, 20__, in the year before me, the undersigned, a notary public in and for said state, personally appeared **Donald C. Alexander**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

STATE OF NEW YORK)
COUNTY OF) ss.:

On the ___ day of _____, 20__, in the year before me, the undersigned, a notary public in and for said state, personally appeared **David P. Hart**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

EXHIBIT "J"

FORM OF TERMINATION OF UNDERLYING LEASE

WHEREAS, **CLAYTON HARBOR HOTEL, LLC** (the "Company"), as landlord, and **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY** (the "Agency"), as tenant, entered into a lease to the Agency dated as of February , 2013 (the "Underlying Lease") pursuant to which the Agency was granted a leasehold estate in the parcel of land described on **Exhibit "A"** attached hereto (the "Facility Parcel"), together with all improvements located thereon (collectively with the Facility Parcel, the "Facility Premises") for the purposes of granting certain real property tax relief to the Facility Premises, all in connection with the Project (as defined in the Underlying Lease); and

WHEREAS, pursuant to a lease agreement dated as of February , 2013 (the "Lease Agreement") between the Company and the Agency, the Company and the Agency further agreed that the Underlying Lease would be terminated upon expiration of the Payment in Lieu of Tax Agreement (as defined in the Lease Agreement); and

WHEREAS, the Payment in Lieu of Tax Agreement has expired;

NOW, THEREFORE, it is hereby agreed that the Underlying Lease is terminated as of the dated date hereof.

IN WITNESS WHEREOF, the Company and the Agency have signed this termination of underlying lease as of the ___ day of _____, 20__.

CLAYTON HARBOR HOTEL, LLC

By: _____
David P. Hart
Managing Member

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Donald C. Alexander
Chief Executive Officer

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

On the ___ day of _____, 20__, in the year before me, the undersigned, a notary public in and for said state, personally appeared **David P. Hart**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

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

On the ___ day of _____, 20__, in the year before me, the undersigned, a notary public in and for said state, personally appeared **Donald C. Alexander**, 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(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

EXHIBIT A to Exhibit "J"

(NOT USED)