DEC 13 2013

PAYMENT IN LIEU OF TAXES AGREEMENT

THIS AGREEMENT, by and between **WOOLWORTH WATERTOWN, LLC,** a New York Limited Liability Company having an address of 50 Jericho Quadrangle, Suite 200, Jericho, New York 11753 ("**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 August 1, 2013, has agreed to undertake a project to renovate, construct and equip commercial space (including retail) on the ground floor and 50 low income rental units on the remaining floors in the historic Woolworth Building (the "**Project**") on certain land located at 11 Public Square (Tax Map Parcel No. 10-01-107.000) and an additional parcel of vacant land for parking located at 37 Public Square (Tax Map Parcel No. 7-01-113.100) (collectively the "**Land**"), in the City of Watertown, Jefferson County, N According to Brian Phelps this # couldn't be used; therefore they assigned 7-01-140 arly described in Schedule "A" attached hereto (the Project and t rred to as the "**Facility**"); and

WHEREAS, the Company er of the Facility; and

WHEREAS, the Compan o the Agency, a certain lease agreement to the Agency (the "U to which the Company leases to the Agency the Facility; and

WHEREAS, the Agency w se 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 Agreement (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, 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, collectively, the City of Watertown ("**City**"), Jefferson County ("**County**") and the Watertown City School District ("**School**"),

have the following taxable years: the County January 1 to December 31, the City and the School July 1 to June 30; 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 thirty (30) months from the date the building permit was issued for any part of the Project, or the issuance of a Certificate of Occupancy for any part of the Project, or May 1, 2016. The Company shall notify each Taxing Jurisdiction and the Agency within 30 days after the 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 (the "PILOT Payments").

(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 thirty (30) 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 set forth in Section 10.2 of the Lease Agreement. Further, upon such Event of Default, the payments in lieu of tax due under this Agreement shall immediately be the amount due to each Taxing Jurisdiction in Schedule "B" 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, the Company shall pay to the Agency an amount equal to the real estate taxes and assessments on the Facility as if the Land were owned by the Company and not by the Agency. The Company shall pay or cause such amounts to be paid 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, during such respective tax years, subject to any late payment penalties pursuant to Section 874 of the Act if not made within the grace period. Provided the Company makes timely payments to the Agency pursuant to this paragraph, the Agency agrees to indemnify and hold harmless the Company from and against any and all damages, losses, liabilities, obligations, penalties, claims, litigations, demands, judgments, suits, actions, proceedings, costs, disbursements and/or expenses arising from a claim of any of the Taxing Jurisdictions of non-payment of taxes by the Company.

2. This Agreement shall terminate, unless it is terminated sooner pursuant to the Lease Agreement or any other provisions of this Agreement, on the date ("Termination Date") which is the end of the 15th year as set forth in Schedule "B" at which time both the Lease and Underlying Leases 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 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. 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 PILOT Payments 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 PILOT Payments already have been made, the Taxing Jurisdictions shall refund any such amounts owing to Company.

4. Any notice required to be given under this Agreement shall be deemed to have been duly given when delivered and, if delivered by mail, postage prepaid, return receipt requested, addressed to the respective parties hereto at their respective addresses specified below or such other addresses as either party may specify in writing to the other:

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: Woolworth Watertown LLC
50 Jericho Quadrangle, Suite 200
Jericho, New York 11753
Attn: David Gallo

With a copy to: Cannon, Heyman & Weiss, LLP
54 State Street, 5th fl.
Albany, New York 12207
Attn: Geoffrey Cannon, Esq.

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

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

7. 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.

8. 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: November 19, 2013

WOOLWORTH WATERTOWN LLC

By: Woolworth Watertown Managers LLC,
Managing Member
By: G & G Woolworth Holdings, LLC, Manager
By: G & G Property Holdings, LLC, Sole Member

By: [redacted]
David Gallo, Member

Date: November 18, 2013

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

By: [redacted]
Donald C. Alexander, CEO

SCHEDULE "A"
(Legal Description of Land)

LEGAL DESCRIPTION: SCHEDULE A

ALL THAT TRACT OR PARCEL OF LAND situate in the City of Watertown, County of Jefferson, State of New York and being further described as follows:

BEGINNING at a mag nail set at the intersection of the westerly street margin of the westerly section of Public Square and the southerly street margin of Arsenal Street;

THENCE S.12°-20'-48" W., along the westerly street margin of Public Square a distance of 105.62 feet to a mag nail set;

THENCE N.77°-13'-52" W., along the centerline of the existing partition wall a distance of 70.00 feet to a point;

THENCE N.12°-21'-57" E., along the centerline of the existing partition wall a distance of 4.84 feet to a point;

THENCE N.78°-09'-41" W., along the centerline of the existing partition wall a distance of 6.82 feet to a point in the centerline of an existing wall;

THENCE N.58°-52'-39" W., distance of 17.49 feet to a mag nail set;

THENCE N.12°-20'-48" E., along the centerline of the 12 foot right of way in common a distance of 6.00 feet to a mag nail set in the northerly limits of the 12 foot right of way;

THENCE N.77°-21'-45" W., along the northerly limits of the 12 foot right of way a distance of 121.58 feet to a mag nail set in the easterly street margin of Arcade Street;

THENCE N.18°-16'-40" E., along the easterly street margin of Arcade Street a distance of 21.67 feet to a mag nail set;

THENCE S.66°-50'-00" E., a distance of 55.01 feet to a mag nail set;

THENCE N.23°-10'-00" E., a distance of 105.67 feet to a point in the southerly street margin of Arsenal Street;

THENCE S.66°-40'-00" E., along the southerly street margin of Arsenal Street a distance of 141.44 feet (measured), (141 feet record distance) to the POINT of BEGINNING.

RIGHT OF WAY A: ALSO INCLUDING a permanent easement over a strip of land 4 foot wide more particularly described as the "Easement Strip" to pass on foot to and from the southerly exits of the building now or hereafter erected on Keep Home's Land and Arcade Street. As set forth in an agreement between Marine Midland Bank-Northern, The Henry Keep Home and Smith and Percy Incorporated, recorded in the

Jefferson County Clerk' Office in Liber 842 at Page 625 on December 28, 1972. Said Right-of-Way also being described as follows:

BEGINNING at a point in the easterly street margin of Arcade Street, said point being located a direct tie of S.18°-16'-40" W., 156.08 feet from a mag nail set in the easterly street margin of Arcade Street, said nail being the southwesterly corner of the parcel of land conveyed by North Country Development of Jefferson County, Inc. to Woolworth Hotel, LLC by deed recorded in the Jefferson Clerk's Office in File Number 2008-12104 on July 18, 2008;

THENCE S.78°-08'-40" E., a distance of 147.35' to a point;

THENCE S.11°-52'-46" W., a distance of 4.00' to a point;

THENCE N.78°-08'-40" W., a distance of 147.35' to a point in the easterly street margin of Arcade Street;

THENCE N.11°-53'-48" E., along the easterly street margin of Arcade Street a distance of 4.00 feet to the POINT of BEGINNING.

RIGHT OF WAY C: TOGETHER WITH AND SUBJECT to a certain 12 foot Right-of-Way-in-common running from Arcade Street to a point 10 feet West of the former Camp and Massey Store. The center of said Right-of-Way being the northerly line of the parcel described in a deed from Frank D. Sherman as referee to Emma A. Schley recorded in the Jefferson County Clerk's Office in Liber 212 of Deeds at Page 504 on March 12, 1877, said right-of-way is as set forth in this same deed. Said Right-of-Way also being described as follows:

BEGINNING at a mag nail set in the easterly street margin of Arcade Street, said nail being the southwesterly corner of the parcel of land conveyed by North Country Development of Jefferson County, Inc. to Woolworth Hotel, LLC by deed recorded in the Jefferson Clerk's Office in File Number 2008-12104 on July 18, 2008;

THENCE S.77°-21'-45" E., along the southerly boundary line of the said North Country Development of Jefferson County, Inc. to Woolworth Apartments, LLC conveyance a distance of 121.58 feet to a mag nail set;

THENCE S.12°-20'-48" W., along the southerly boundary line of the said North Country Development of Jefferson County, Inc. to Woolworth Apartments, LLC conveyance a distance of 6.00 feet to a mag nail set;

THENCE S.58°-52'-39" E., along the southerly boundary line of the said North Country Development of Jefferson County, Inc. to Woolworth Apartments, LLC conveyance a distance of 6.34 feet to a point;

THENCE S.12°-20'-48" W., a distance of 3.98 feet to a point;

THENCE N.77°-21'-45" W., a distance of 128.83 feet to a point in the easterly street margin of Arcade Street;

THENCE N.18°-16'-40" E., along the easterly street margin of Arcade Street a distance of 12.06 feet to the POINT of BEGINNING.

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 shall be paid pursuant to the payment schedule set forth below:

County	$7.215725
City	$7.211
School	$9.957695

PAYMENT SCHEDULE

Tax Years	County	City	School	Total
Years 1-4	$2,663	$2,661	$3,675	$8,999
Years 5-9	$3,551	$3,548	$4,901	$12,000
Years 10-15	$4,439	$4,435	$6,126	$15,000
Years 16+	PILOT 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.			