PAYMENT IN LIEU OF TAXES AGREEMENT

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

W I T N E S S E T H:

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

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

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

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

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

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

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

(b) Commencing with the tax year beginning on the next taxable status date after the Completion Date and annually thereafter or until the earlier termination of the Lease Agreement, the Company agrees to pay, in lieu of all Real Estate Taxes (in addition to paying all special ad valorem levies, special assessments and service charges which are or may be imposed for special improvements or special district improvements) which would be levied upon the Project Facility during such tax years if the Project Facility were owned by the Company and not by the Agency the following amounts:

(i) for the tax years 1 through and including 10, the sum of $100,000.00 will be paid by the Company to the Agency. For the tax years 11 through 20 the Company shall pay to the Agency $110,000 for year 11, $120,000 for year 12, $130,000 for year 13, $140,000 for year 14, $150,000 for year 15, $160,000 for year 16, $170,000 for year 17, $180,000 for year 18, $190,000 for year 19, $200,000 for year 20 and thereafter 100% of all Real Estate Taxes which would be levied upon the Project Facility during such tax years if the Project Facility were owned by the Company and not by the Agency.

(ii) for the first tax year, the Agency shall pay $25,000.00 to the Village of Adams. The balance of $75,000.00 shall be disbursed pro rata to the Taxing Jurisdictions. Thereafter, all payments received by the Agency shall be disbursed pro rata to the Taxing Jurisdictions.

(iii) Upon receipt by the Agency of any payments made to it pursuant to Paragraph 1(b)(i), it will then pay each Taxing

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

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

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

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

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

3. To the extent the Project Facility or any part thereof is declared to be subject to taxation or assessments by an amendment to the Act, other legislative change, or by a final judgment of a court of competent jurisdiction, the obligations of the Company hereunder shall, to such extent, be null and void.

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

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

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

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

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

7. The Company agrees to hold the Agency harmless from and against any liability arising from or any expense incurred under this Agreement, including any expense of the Agency in enforcing the terms and provisions hereof, except for any claims or liabilities arising out of the acts or omissions of the Agency.

8. This Agreement may not be assigned by the Company without the consent of the Agency.

9. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original for all purposes and all of which shall constitute collectively a single agreement. In making proof of this

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

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

Dated:

GREAT LAKES CHEESE OF NEW YORK, INC.

By: [redacted]

RUSSELL MULLINS
VICE PRESIDENT

Dated:

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

By: [redacted]

James P. Fayle, Chief Executive Officer

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

Town of Adams

By:
David W. Kellogg, Supervisor

South Jefferson Central School District

By:
Jamie Moesel, Superintendent

County of Jefferson

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

Village of Adams

By:
Dugal C. Peck, Mayor

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

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GREAT LAKES CHEESE OF NEW YORK, INC.

By:_____

Dated:

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

By:_____
James P. Fayle, Chief Executive Officer

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Kenneth Blankenbush,
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Board of Legislators

Village of Adams

By:_____
Dugal C. Peck, Mayor

APPROVED
AS TO FORM
COUNTY ATTORNEY
4/30/08
DATE

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By:_____

Dated:

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By:_____
James P. Fayle, Chief Executive Officer

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By:_____
Jamie Moesel, Superintendent

County of Jefferson

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

Village of Adams

By:[redacted]
Dugal C. Peck, Mayor

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

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

[redacted]
Notary Public

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

STATE OF OHIO)
)SS:
COUNTY OF GEAUGA)

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

[redacted]
Notary Public

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

SCHEDULE "A"

List of Tax Parcels

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