

Lease

Agreement

LEASE AGREEMENT

Dated as of February 1, 1998

by and between

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

and

MATSAL REALTY CORP.

Volpe Electric

Affecting the Land generally known by the street address
81-85 and 87 Sackett Street
in the County of Kings,
City and State of New York
as more particularly described in
Exhibit A to this Lease Agreement
and which is also known as
Block 329, Lot 154 and 54
on the Official Tax Map of Kings County

Record and Return to:
Whitman Breed Abbott & Morgan LLP
200 Park Avenue
New York, New York 10166
Attention: H. Sidney Holmes, III, Esq.

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LEASE AGREEMENT

This **LEASE AGREEMENT**, made and entered into as of February 1, 1998 (this "**Agreement**"), by and between **NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY**, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York (the "**Agency**"), party of the first part, having its principal office at 110 William Street, New York, New York 10038, and **MATSAL REALTY CORP.**, corporation duly organized and existing under the laws of the State of New York (the "**Lessee**"), party of the second part, having its principal office at 729 46th Street, Brooklyn, New York 11220:

WITNESSETH:

WHEREAS, the New York State Industrial Development Agency Act, 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**") authorizes and provides for the creation of industrial development agencies in the several counties, cities, villages and towns in the State of New York and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and furnish land, 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, industrial or civic purposes, to the end that such agencies may be able to promote, develop, encourage, assist and advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living; and

WHEREAS, pursuant to and in accordance with the provisions of the Enabling Act, the Agency was established by Chapter 1082 of the 1974 Laws of New York, as amended (together with the Enabling Act, the "**Act**") for the benefit of The City of New York and the inhabitants thereof; and

WHEREAS, to accomplish the purposes of the Act, the Agency has entered into negotiations with the Lessee for a manufacturing "project" within the meaning of the Act (the "**Project**") within the territorial boundaries of The City of New York and located on that certain lot, piece or parcel of land generally known as and by the street address 81-85 and 87

Sackett Street, Brooklyn, New York 11231 (the "Land") and otherwise described in Exhibit A attached hereto; and

WHEREAS, the Project will consist of the acquisition of an approximately 8,000 square foot building on a 4,000 square foot lot of land to be used for the manufacturing and fabrication of electrical components (the Land and all buildings, structures and other improvements now or hereafter located thereon, and all fixtures and appurtenances and additions thereto and substitutions and replacements thereof, now or hereafter attached to or contained in or located on the Land and/or the buildings and improvements located thereon or placed on any part thereof, and attached thereto, which are used or usable in connection with the present or future operation thereof or the activities at any time conducted therein and certain machinery, equipment and other tangible personal property (and all repairs, replacements, improvements and substitutions thereof or therefor, and all parts, additions and accessories incorporated therein), subject to the terms hereof, are collectively referred to herein as the "Facility"); and

WHEREAS, to facilitate the Project, the Agency and the Lessee have entered into negotiations to enter into a "straight lease transaction" within the meaning of the Act in which the Agency will acquire fee simple title to the Facility and the Agency will lease its interest in the Facility to the Lessee pursuant to this Agreement, and, in furtherance of such purposes, on November 13, 1997, the Agency adopted a resolution (the "**Authorizing Resolution**") authorizing the undertaking of the Project, the acquisition of the Facility by the Agency and the lease of the Facility by the Agency to the Lessee for sublease to James F. Volpe Electrical Contracting Corp., a New York corporation (the "**Sublessee**"); and

WHEREAS, the provision by the Agency of financial assistance to the Lessee through a straight lease transaction has been determined to be necessary to induce the Lessee to proceed with the Project and thereby to retain jobs in New York City; and if the Agency does not provide such financial assistance, the Lessee could not feasibly proceed with the Project; and

WHEREAS, New York Business Development Corporation (the "**First Mortgagee**") has agreed to enter into a Mortgage, dated February 11, 1998 (the "**First Mortgage**"), from the Lessee and the Agency to the First Mortgagee, simultaneously with the execution and delivery of this Agreement, and pursuant to the First Mortgage to lend to the Lessee, in accordance with the terms thereof, \$362,000 for the purpose of financing a portion of the acquisition costs of the Project; and

WHEREAS, in order to evidence its obligation to repay the loan made by the First Mortgagee to it pursuant to the First Mortgage, the Lessee pursuant to the First Mortgage, simultaneously with the execution and delivery thereof, will issue to the First Mortgagee a promissory note (the "**First Mortgage Note**") in the principal amount of the loan; and

WHEREAS, in order to secure its obligations to the First Mortgagee under the First Mortgage Note, the Lessee and the Agency will grant a first mortgage on the Facility to the First Mortgagee, subject to permitted encumbrances thereon, pursuant to the First Mortgage; and

WHEREAS, Empire State Certified Development Corporation has agreed to enter into a certain bridge loan mortgage dated February 11, 1998 (the "**Bridge Loan Mortgage**"), from the Lessee and the Agency to Empire State Certified Development Corporation (the "**Bridge Loan Mortgagee**" or the "**Second Mortgagee**"), simultaneously with the execution and delivery of this Agreement, and pursuant to the Bridge Loan Mortgage to lend to the Lessee (the "**Bridge Loan**"), in accordance with the terms thereof, \$290,000 for the purpose of temporarily financing a portion of the costs of the Project; and

WHEREAS, in order to evidence its obligation to repay the bridge loan made by the Bridge Loan Mortgagee to it pursuant to the Bridge Loan Mortgage, the Lessee pursuant to the Bridge Loan Mortgage, simultaneously with the execution and delivery thereof, will issue to the Bridge Loan Mortgagee a promissory note (the "**Bridge Loan Note**") in the principal amount of the Bridge Loan; and

WHEREAS, in order to secure its obligations to the Bridge Loan Mortgagee under the Bridge Loan Note, the Lessee and the Agency will grant a mortgage on the Facility to the Bridge Loan Mortgagee, subject to permitted encumbrances thereon, pursuant to the Bridge Loan Mortgage, which Bridge Loan Mortgage shall only be recorded, if at all, pursuant to the terms set forth therein; and

WHEREAS, the Second Mortgagee has agreed to enter into a Mortgage Agreement, dated February 11, 1998 (the "**Second Mortgage**"), from the Lessee and the Agency to the Second Mortgagee, and pursuant to the Second Mortgage to lend to the Lessee, in accordance with the terms thereof, \$301,000 for the purpose of permanently financing a portion of the costs of the Project through the repayment of the Bridge Loan; and

WHEREAS, in order to evidence its obligation to repay the loan made by the Second Mortgagee to it pursuant to the Second Mortgage, the Lessee pursuant to the Second

Mortgage, simultaneously with the execution and delivery thereof, will issue to the Second Mortgagee a promissory note (the "**Second Mortgage Note**") in the principal amount of the loan; and

WHEREAS, in order to secure its obligations to the Second Mortgagee under the Second Mortgage Note, the Lessee and the Agency will grant a mortgage on the Facility to the Second Mortgagee, subject to permitted encumbrances thereon, pursuant to the Second Mortgage; and

WHEREAS, simultaneously with the execution and delivery of this Agreement, the Lessee will convey, or cause there to be conveyed, to the Agency pursuant to a Bargain and Sale Deed, dated the date hereof (the "**Deed**"), good and marketable fee simple title to the Land, and all rights or interests therein or appertaining thereto, together with all structures, buildings, foundations, related facilities, fixtures and other improvements existing thereon or therein as of the date thereof; and

WHEREAS, pursuant to this Agreement, the Agency will lease to the Lessee the Agency's interest in the Facility; and

WHEREAS, pursuant to Section 4.3 of this Agreement, the Lessee has agreed to make certain payments in lieu of real estate taxes with respect to the Land and the Improvements (hereinafter defined), and the Agency, the Lessee, the Sublessee and United States Trust Company of New York, as escrow agent (the "**PILOT Escrow Agent**"), will enter into a PILOT escrow agreement (the "**PILOT Escrow Agreement**") to provide for the timely payment of payments in lieu of taxes to be made by the Lessee in accordance with the Lease Agreement; and

NOW, THEREFORE, in consideration of the premises and the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided that in the performance of the agreements of the Agency herein contained, any obligation it may incur for the payment of money shall not create a debt of the State of New York or of The City of New York, and neither the State of New York nor The City of New York shall be liable on any obligation so incurred, but any such obligation shall be payable solely out of the lease rentals, revenues and receipts derived from or in connection with the Facility (as hereinafter defined), including moneys received under this Agreement):

ARTICLE I

DEFINITIONS AND REPRESENTATIONS

Section 1.1 Definitions. The following terms shall have the following meanings in this Agreement:

Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended.

Additional Rent shall mean any additional rental payments described in Section 3.3(b) of this Agreement.

An **Affiliate** of a Person shall mean a Person which directly or indirectly through one or more intermediaries controls, or is under common control with, or is controlled by, such Person. The term "control" (including the related terms "controlled by" and "under common control with") means (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and (ii) the ownership, either directly or indirectly, of at least 51% of the voting stock or other equity interest of such Person.

Agency shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Agreement shall mean this Agreement and shall include any and all amendments hereof and supplements hereto hereafter made in conformity herewith.

Approved Facility shall mean a manufacturing facility for use in connection with the Sublessee's business of manufacturing and fabrication of electrical components.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairperson, Vice Chairperson, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency, or any other officer or employee of the Agency who is authorized to perform specific acts or to discharge specific

duties hereunder and of whom another Authorized Representative of the Agency has given written notice to the Lessee; and (ii) in the case of the Lessee, its president or any other employee who is authorized to perform specific acts or to discharge specific duties hereunder and of whom another Authorized Representative of the Lessee has given written notice to the Agency.

Base Rent shall mean the rental payment described in Section 3.3(a) of this Agreement.

Bridge Loan shall mean the loan by the Bridge Loan Mortgagee to the Lessee in the amount of \$290,000 in connection with the Project.

Bridge Loan Mortgage shall mean the Bridge Loan Mortgage referred to in the recitals to this Agreement and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Bridge Loan Note shall mean the Bridge Loan Note referred to in the recitals to this Agreement and shall include any and all amendments thereof and supplements thereto hereafter made in conformity with the Bridge Loan Mortgage.

Business Day shall mean any day which shall not be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City are authorized by law or executive order to close.

City shall mean The City of New York, New York.

Commencement Date shall mean February 11, 1998, on which date this Agreement was executed and delivered.

Deed shall mean the Deed referred to in the recitals to this Agreement.

EDC shall mean New York City Economic Development Corporation, a not-for-profit corporation organized under the laws of the State of New York, and its successors.

Event of Default shall have the meaning specified in Section 7.1 hereof.

Exempt Property shall mean only the materials to be used with respect to the expansion, renovation and improvement of the Facility Realty in connection with the Project on or before the date of completion of the Project (as evidenced in accordance with Section 2.2 hereof) for incorporation in the Facility or for use in connection with the Facility.

Facility shall mean, collectively, the Facility Realty and the Facility Equipment.

Facility Equipment shall mean that machinery, equipment and other tangible personal property acquired and installed as part of the Project pursuant to Section 2.2 hereof, together with all repairs, replacements, improvements, substitutions and renewals thereof or therefor and all parts, additions and accessories incorporated therein or affixed thereto (but excluding Lessee's Property within the meaning of Section 4.1(c) hereof or Existing Facility Property released pursuant to Section 4.2 hereof), as more particularly described in Exhibit B "Description of the Facility Equipment" hereto, which is made a part of this Agreement. "Facility Equipment" shall not include (i) rolling stock, (ii) any item of personalty which shall have a useful life of less than one year or which shall not constitute a tangible capital asset, (iii) plants, shrubs, trees, flowers, lawns or plants, or (iv) fine art, *objects d'art* or other similar decorative items.

Facility Realty shall mean, collectively, the Land and the Improvements.

Final Project Cost Budget shall mean that certain budget of costs paid or incurred for the Project to be submitted by the Lessee pursuant to Section 2.2 hereof upon completion of the Project, which budget will include a comparison with the Project Cost Budget, and indicate the source of funds (i.e., borrowed funds, equity, etc.) for each cost item.

First Mortgage shall mean the First Mortgage referred to in the recitals to this Agreement and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

First Mortgagee shall mean New York Business Development Corporation a New York banking corporation organized and existing under the laws of the State of New York, and its successors and assigns under the First Mortgage.

First Mortgage Loan shall mean the First Mortgage Loan by the First Mortgagee to the Lessee in the principal amount of \$362,000 in connection with the Project.

First Mortgage Note shall mean the First Mortgage Note referred to in the recitals to this Agreement and shall include any and all amendments thereof and supplements thereto hereafter made in conformity with the First Mortgage.

Fiscal Year of the Lessee shall mean a year of 365 or 366 days, as the case may be, commencing on January 1 and ending on December 31 of each calendar year, or such other

fiscal year of similar length used by the Lessee for accounting purposes as to which the Lessee shall have given prior written notice thereof to the Agency at least ninety (90) days prior to the commencement thereof.

Guarantors shall mean the Sublessee, Salvatore Salmieri and Anthony Matrone and their respective permitted successors and assigns.

Guaranty Agreement shall mean the Guaranty Agreement, of even date herewith, from the Guarantors to the Agency, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Improvements shall mean all buildings, structures, foundations, related facilities, fixtures and other improvements existing on the Commencement Date or at any time made, erected or situated on the Land (including any improvements made as part of the Project pursuant to Section 2.2 hereof) and all replacements, improvements, extensions, substitutions, restorations, repairs or additions thereto.

Independent Accountant shall mean an independent certified public accountant or firm of independent certified public accountants selected by the Lessee and approved by the Agency (such approval not to be unreasonably withheld).

Land shall mean that certain lot, piece or parcel of land generally known by the street address 81-85 and 87 Sackett Street, Brooklyn, New York 11231, all as more particularly described in Exhibit A - "Description of the Land" hereto, which is made a part hereof, together with all easements, rights and interests now or hereafter appurtenant or beneficial thereto; but excluding, however, any real property or interest therein released pursuant to Section 6.4 hereof.

Lessee shall mean Matsal Realty Corp., and its permitted successors and assigns pursuant to Sections 6.1 or 9.3 hereof.

Lessee's Property shall have the meaning specified in Section 4.1(c) hereof.

Liens shall have the meaning specified in Section 6.5(a) hereof.

Loss Event shall have the meaning specified in Section 5.1(a) hereof.

Net Proceeds shall mean, when used with respect to any insurance proceeds or condemnation award, compensation or damages, the gross amount of any such proceeds, award,

compensation or damages less all expenses (including reasonable attorneys' fees and any extraordinary expenses of the Agency, the First Mortgagee or the Second Mortgagee) incurred in the collection thereof.

Opinion of Counsel shall mean a written opinion of counsel for the Lessee who shall be reasonably acceptable to the Agency.

Permitted Encumbrances shall mean:

(i) this Agreement, the First Mortgage, the Bridge Loan Mortgage, the Second Mortgage and the Sublease Agreement;

(ii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not yet due and payable;

(iii) any mechanic's, workmen's, repairmen's, materialmen's, contractors', carriers', suppliers' or vendors' Lien or right in respect thereof if payment is not yet due and payable, all if and to the extent permitted by Section 6.5 hereof;

(iv) any lien, security interest, encumbrance or charge, or any conditional sale or other title retention agreement, that any vendor of Facility Equipment or any contractor hired to perform Project work may place on or with respect to the Facility or any part thereof;

(v) utility, access and other easements and rights-of-way, restrictions and exceptions that an Authorized Representative of the Lessee certifies to the Agency will not materially interfere with or impair the Lessee's use and enjoyment of the Facility as herein provided;

(vi) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to property similar in character to the Facility as do not, as set forth in a certificate of an Authorized Representative of the Lessee delivered to the Agency, either singly or in the aggregate, render title to the Facility unmarketable or materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency hereunder or purport to impose liabilities or obligations on the Agency; and

(vii) those exceptions to title to the Facility enumerated in the title insurance policy delivered pursuant to Section 2.3 hereof insuring the fee simple

title of the Agency to the Facility Realty, a copy of which is on file at the offices of the Agency.

Person shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, limited liability company or limited liability partnership unincorporated organization or government or any agency or political subdivision thereof or other entity.

PILOT Escrow Agent shall mean United States Trust Company of New York, or its successors as escrow agent pursuant to the PILOT Escrow Agreement.

PILOT Escrow Agreement shall mean the PILOT Escrow Agreement, dated as of February 1, 1998, by and among the Agency, the Lessee, the Sublessee and the PILOT Escrow Agent, as the same may be amended from time to time in accordance with its terms.

Prohibited Person shall mean (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

Project shall mean the renovation of the Land and installation of the Improvements and the Facility Equipment thereon or therein, all for use by the Lessee or the Sublessee as an Approved Facility.

Project Cost Budget shall mean that certain budget for costs of the Project as set forth by the Lessee in Exhibit C - "Project Cost Budget" attached to this Agreement.

Project Counsel shall mean Whitman Breed Abbott & Morgan LLP or such other attorneys that are recognized for their expertise in municipal finance law and are selected by the Agency to render legal advice to the Agency in connection with the transactions contemplated by this Agreement.

Project Documents shall mean the Deed, this Agreement, the Sales Tax Letter, the Guaranty Agreement, the PILOT Escrow Agreement, the First Mortgage Note, the First Mortgage, the Bridge Loan Note, the Bridge Loan Mortgage, the Second Mortgage Note, the Second Mortgage and the Sublease Agreement.

Rental Payments shall mean, collectively, Base Rent and Additional Rent.

Sales Taxes shall mean any tax(es) imposed by Article 28 of the New York Tax Law, as the same may be amended from time to time.

Sales Tax Letter shall mean the Letter of Authorization for Sales Tax Exemption, which the Agency shall make available to the Lessee in accordance with and substantially in the form set forth in the appendices to this Agreement.

Second Mortgage shall mean the Second Mortgage referred to in the recitals to this Agreement and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Second Mortgage Loan shall mean the loan by the Second Mortgagee to the Lessee in the amount of \$301,000 in connection with the Project.

Second Mortgage Note shall mean the Second Mortgage Note referred to in the recitals to this Agreement and shall include any and all amendments thereof and supplements thereto hereafter made in conformity with the Second Mortgage.

Second Mortgagee shall mean Empire State Certified Development Corporation, a corporation organized and existing under the laws of the State of New York, and its successors and assigns under the Second Mortgage.

State shall mean the State of New York.

Sublease Agreement shall mean that certain Sublease Agreement, dated as of February 1, 1998, by and between the Lessee, as sublessor, and the Sublessee, as the same may be amended and supplemented in accordance with its terms and as permitted by the terms hereof.

Sublessee shall mean James F. Volpe Electrical Contracting Corp., a corporation organized and existing under the laws of the State of New York, and its permitted successors and assigns under the Sublease Agreement.

Section 1.2 Construction. In this Agreement, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Agreement, refer to this Agreement, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the Commencement Date.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships and limited liability partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this Agreement, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

Section 1.3 Representations and Warranties by Agency. The Agency represents and warrants that the Agency (i) is a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State, (ii) is authorized and empowered to enter into the transactions contemplated by this Agreement and any other Project Documents to which the Agency is a party and to carry out its obligations hereunder and thereunder and (iii) by proper action of its members, has duly authorized the execution and delivery of this Agreement and such other Project Documents to which the Agency is a party.

Section 1.4 Findings by Agency. The Agency, based upon the representations and warranties of the Lessee contained in this Agreement and the information contained in the application and other materials heretofore submitted by or on behalf of the Lessee or the Sublessee to the Agency, hereby affirms its findings and determinations set forth in the Authorizing Resolution, and further finds and determines, that

(i) the providing of financial assistance (within the meaning of the Act) through the straight-lease transaction (within the meaning of the Act) contemplated by this Agreement is necessary to induce the Lessee and the Sublessee to proceed with the Project;

(ii) the transactions contemplated by this Agreement shall not result in the removal of any facility or plant of the Lessee or any other occupant or user of the Facility from one area of the State (but outside of the City) to within the City or in the abandonment of one or more facilities or plants of the Lessee or any other occupant or user of the Facility located within the State (but outside of the City);

(iii) the transactions contemplated by this Agreement shall not provide financial assistance in respect of any project where facilities or property that are primarily used in making retail sales (within the meaning of the Act) of goods or services to customers who personally visit such facilities constitute more than one-third of the total project costs and undertaking the Project will serve the public purposes of the Act by preserving permanent, private sector jobs or increasing the overall number of permanent, private sector jobs in the State; and

(iv) no funds of the Agency shall be used in connection with the transactions contemplated by this Agreement for the purpose of preventing the establishment of an industrial or manufacturing plant or for the purpose of advertising or promotional materials which depict elected or appointed government officials in either print or electronic media, nor shall any funds of the Agency be given hereunder to any group or organization which is attempting to prevent the establishment of an industrial or manufacturing plant within the State.

Section 1.5 Representations and Warranties by the Lessee. The Lessee makes the following representations and warranties:

(a) The Lessee is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, is not in violation of any provision of its certificate of incorporation or by-laws, has the corporate power and authority to own its property and assets, to carry on its business as now being conducted by it and to execute, deliver and perform this Agreement and each other Project Document to which it is or shall be a party.

(b) The execution, delivery and performance of this Agreement and each other Project Document to which it is or shall be a party and the consummation of the transactions herein and therein contemplated will not violate any provision of law, any order of any court or agency of government, or the certificate of incorporation or by-laws of the Lessee, or any indenture, agreement or other instrument to which the Lessee

is a party or by which it or any of its property is subject to or bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument or result in the imposition of any lien, charge or encumbrance of any nature whatsoever other than Permitted Encumbrances.

(c) There is no action or proceeding pending or threatened by or against the Lessee by or before any court or administrative agency that would adversely affect the ability of the Lessee to perform its obligations under this Agreement and each other Project Document to which it is or shall be a party and all authorizations, consents and approvals of governmental bodies or agencies required to be obtained by the Lessee as of the date hereof in connection with the execution and delivery of this Agreement and each other Project Document to which the Lessee shall be a party or in connection with the performance of the obligations of the Lessee hereunder and under each of the Project Documents have been obtained.

(d) The Facility will constitute a "project" under the Act, and the Lessee intends to operate the Facility, or cause the Facility to be operated, in accordance with this Agreement and as an Approved Facility and a qualified "project" in accordance with and as defined under the Act.

(e) The financial assistance (within the meaning of the Act) provided by the Agency to the Lessee and the Sublessee through the straight-lease transaction (within the meaning of the Act) as contemplated by this Agreement is reasonably necessary to induce the Lessee to proceed with the Project.

(f) Subject to Sections 4.2 and 5.1 hereof, no Facility Equipment shall be located at any site other than the Facility Realty.

(g) The transactions contemplated by this Agreement shall not result in the removal of any facility or plant of the Lessee or any other occupant or user of the Facility from one area of the State (but outside of the City) to within the City or in the abandonment of one or more facilities or plants of the Lessee or any other occupant or user of the Facility located within the State (but outside of the City).

(h) The transactions contemplated by this Agreement shall not provide financial assistance in respect of any project where facilities or property that are primarily used in making retail sales (within the meaning of the Act) of goods or services to customers who personally visit such facilities constitute more than one-third of the total project costs and undertaking the Project will serve the public purposes of the Act by preserving permanent, private sector

jobs or increasing the overall number of permanent, private sector jobs in the State.

(i) No funds of the Agency shall be used in connection with the transactions contemplated by this Agreement for the purpose of preventing the establishment of an industrial or manufacturing plant or for the purpose of advertising or promotional materials which depict elected or appointed government officials in either print or electronic media, nor shall any funds of the Agency be given hereunder to any group or organization which is attempting to prevent the establishment of an industrial or manufacturing plant within the State.

(j) This Agreement and the other Project Documents (except for those Project Documents, if any, not executed and delivered as of the Closing Date) constitute the legal, valid and binding obligations of the Lessee enforceable against the Lessee in accordance with their respective terms.

(k) The Lessee is in compliance, and will continue to comply, with all Federal, State and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality applicable to the Project and the operation of the Facility.

(l) The First Mortgage Note shall evidence the obligation of the Lessee to repay the loan made by the First Mortgagee to the Lessee pursuant to the First Mortgage for purposes of financing a portion of the cost of the Project in the amount of \$362,000.

(m) the Bridge Loan Note shall evidence the obligation of the Lessee to repay the loan made by the Bridge Loan Mortgagee to the Lessee pursuant to the Bridge Loan Mortgage for the purposes of financing a portion of the costs of the Project in the amount of \$290,000.

(n) The Second Mortgage Note shall evidence the obligation to repay the loan made by the Second Mortgagee to the Lessee pursuant to the Second Mortgage for purposes of financing a portion of the cost of the Project in the amount of \$301,000.

(o) The Project Cost Budget attached as Exhibit C to this Agreement represents a true, correct and complete budget as of the Commencement Date of the proposed costs of the Project, and the Lessee represents and warrants that at least ten percent (10%) of the aggregate of the costs of the Project will be provided from equity funds on the part of the Lessee or the Sublessee.

(p) The amounts to be provided to the Lessee pursuant to the First Mortgage and the Second Mortgage taking into account the temporary provision of moneys pursuant to the Bridge Loan and together with other moneys available to the Lessee, together with the minimum ten percent (10%) equity, are sufficient to pay all costs in connection with the completion of the Project.

(q) Except as permitted by Section 4.3(i) hereof, no Person other than the Lessee or the Sublessee is or will be in use, occupancy or possession of any portion of the Facility.

(r) The Project will be designed, and the operation of the Facility will be, in compliance with all applicable Federal, State and local laws or ordinances (including rules and regulations) relating to safety and environmental quality.

(s) The Lessee is not a Prohibited Person.

ARTICLE II

CONVEYANCE TO THE AGENCY; THE PROJECT; AND TITLE INSURANCE

Section 2.1 The Deed. The Agency has acquired, for good and valuable consideration therefor, pursuant to the Deed, good and marketable fee simple title to the Land, and all rights or interests therein or appertaining thereto, together with all structures, buildings, foundations, related facilities, fixtures and other improvements existing thereon or therein as of the date thereof, free and clear of all liens, claims, charges, encumbrances, security interests and servitudes other than Permitted Encumbrances. It is understood that (i) good and marketable fee simple title to all Improvements and good and merchantable title to all Facility Equipment intended to be incorporated or installed in the Facility as part of the Project shall vest in the Agency immediately upon delivery to or installation or incorporation into the Facility or payment therefor, whichever shall occur first, and (ii) the Lessee shall take all action necessary to so vest title to such Improvements and Facility Equipment in the Agency and to protect such title against claims of any third parties.

Section 2.2 The Project. (a) The Agency hereby appoints the Lessee its true and lawful agent, and the Lessee hereby accepts such agency, for purposes of undertaking the Project, including, without limitation, (i) renovating the Land and acquiring the Improvements and the Facility Equipment thereon or therein, (ii) making, executing, acknowledging and delivering any contracts, orders, receipts, writings and

instructions with any other Persons (subject in each case to Section 2.4 hereof), and in general doing all things which may be requisite or proper, all for the purposes of undertaking the Project with the same powers and with the same validity and effect as the Agency could do if acting in its own behalf, (iii) paying all fees, costs and expenses incurred in undertaking the Project from funds made available therefor in accordance with or as contemplated by this Agreement, or the First Mortgage, the Bridge Loan Mortgage and the Second Mortgage and (iv) asking, demanding, suing for, levying, recovering and receiving all such sums of money, debts due 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 Project and to enforce the provisions of any contract, agreement, obligation, bond or other performance security entered into or obtained in connection with the Project. The cost of the Project shall be financed from (i) proceeds of the First Mortgage Loan, the Bridge Loan and the Second Mortgage Loan, (ii) funds of the Lessee or an officer thereof in the aggregate amount of approximately \$118,000 and (iii) other funds of the Lessee to the extent such funds shall be necessary to cover costs of the Project which exceed such other sources of funds. In the event that moneys derived from such other sources are not sufficient to pay the costs necessary to complete the Project in full, the Lessee shall pay or cause to be paid that portion of such costs of the Project as may be in excess of the moneys derived from such sources and shall not be entitled to any reimbursement therefor from the Agency, nor shall the Lessee be entitled to any diminution of the Rental Payments to be made under this Agreement.

(b) The Lessee shall pay (i) all of the costs and expenses in connection with the preparation of any instruments of conveyance, the delivery thereof and of any instruments and documents relating thereto and the filing and recording of any such instruments of conveyance or other instruments or documents, if required, (ii) all taxes and charges payable in connection with the conveyance and transfer, or attributable to periods prior to the conveyance and transfer, to the Agency as set forth in Section 2.1 hereof, and (iii) all shipping and delivery charges and other expenses or claims incurred in connection with the Project.

(c) The Lessee unconditionally represents, warrants, covenants and agrees that it will complete the Project, or cause the Project to be completed by February 1, 1999, in a first class workman like manner, free of defects in materials and workmanship (including latent defects); provided however, the Lessee may revise of the scope of the Project, subject to the prior written consent of the Agency.

(d) The Lessee unconditionally represents, warrants, covenants and agrees that it will obtain or cause to be obtained all necessary approvals from any and all governmental agencies requisite to the Project and operation of the Facility, all of which will be done in compliance with all Federal, State and local laws, ordinances and regulations applicable thereto, and with the conditions and requirements of all policies of insurance with respect to the Facility and this Agreement. Promptly upon completion of the Project, the Lessee will obtain or cause to be obtained all required occupancy permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of the Facility for the purposes contemplated by this Agreement and shall furnish copies of same to the Agency immediately upon receipt thereof.

(e) The date of completion of the Project shall be evidenced by a certificate of an Authorized Representative of the Lessee, delivered to the Agency, stating, except for any Project costs not then due and payable or the liability for payment of which is being contested or disputed in good faith by the Lessee, (i) that the Project has been completed substantially in accordance with the plans and specifications therefor and the date of completion of the Project, (ii) that all labor, services, machinery, equipment, materials and supplies used therefor have been paid for, (iii) that all other facilities necessary in connection with the Project have been completed and all costs and expenses incurred in connection therewith have been paid, (iv) that the Agency has good and valid marketable fee simple title to the Facility Realty (which may be based on a title insurance policy continuation update) and good and merchantable title in the Facility Equipment and that all property constituting the Facility is subject to this Agreement and the Sublease Agreement, subject only to Permitted Encumbrances, (v) that, in accordance with all applicable laws, regulations, ordinances and guidelines, the Facility is ready for occupancy, use and operation for its intended purposes, and (vi) the amount, if any, required in the opinion of such Authorized Representative for the payment of any remaining part of the costs of the Project.

Notwithstanding the foregoing, such certificate shall state (i) that it is given without prejudice to any rights of the Lessee or the Sublessee against third parties which exist at the date of such certificate or which may subsequently come into being and (ii) that no Person other than the Agency may benefit therefrom. Such certificate of the Authorized Representative of the Lessee shall be accompanied by (i) a permanent certificate of occupancy, and any and all permissions, approvals, licenses or consents required of governmental authorities for the occupancy, operation and use of the Facility for the purposes contemplated by this Agreement; (ii) a certificate of an Authorized Representative

of the Lessee that all costs of the Project have been paid in full, together with releases of mechanics' liens by the general contractor and by all contractors and materialmen who supplied work, labor, services, machinery, equipment, materials or supplies in connection with the Project; (iii) the Final Project Cost Budget together with evidence reasonably satisfactory to the Agency that at least ten percent (10%) of the aggregate costs of the Project were paid from equity funds of the Lessee or of the Sublessee or a respective officer thereof; (iv) evidence satisfactory to the Agency that all real property taxes and assessments, and payments in lieu of taxes, if any, due and payable under Section 4.3 hereof, in respect of the Facility have been paid in full; (v) a survey of the Land and Improvements prepared by a licensed surveyor at the Lessee's sole cost and expense, which survey shall (1) be certified to the Agency, (2) locate the Improvements constructed as part of the Facility without any encroachment by any Improvements on premises adjoining the Land, (3) show the location of all Improvements constituting part of the Facility within lot and building lines in compliance with the applicable zoning requirements, and (4) indicate all rights of way and rights of others of record with respect to the Facility; and (vi) a final endorsement to the title insurance policy theretofore delivered under Section 2.3 hereof, indicating that since the issuance of the title insurance policy there has been no change in the state of title and no survey exceptions not theretofore approved by the Agency, which endorsements shall contain no exception for inchoate mechanic's liens (with such affirmative insurance relating thereto as the Agency shall reasonably require) and shall have the effect of redating such policy to the date of completion. Upon request by the Agency, the Lessee shall make available to the Agency copies of any bills, invoices or other evidences of costs as shall have been incurred in the effectuation of the Project.

In the event that the aggregate costs of the Project upon the completion thereof shall be significantly different from the estimated costs thereof set forth in the Project Cost Budget (i.e., more than a ten percent (10%) difference in either total Project costs or in major categories of Project cost), on request of the Agency, the Lessee shall provide evidence to the reasonable satisfaction of the Agency as to the reason for such discrepancy, and that the scope of the Project as originally approved by the Agency has not been modified in a material manner without the prior written consent of the Agency.

Section 2.3 Title Insurance. On or prior to the Commencement Date, the Lessee will obtain and deliver to the Agency (a) a fee title insurance policy in an amount not less than [\$740,000] insuring the Agency's fee simple interest in the Land and the Improvements against loss as a result of

defects in title, subject only to Permitted Encumbrances, and (b) a current survey of the Land certified to the Lessee, the title company issuing such title insurance policy and the Agency. Any proceeds of such fee title insurance shall be paid to the Lessee and applied by the Lessee to remedy the applicable defect in title in respect of which such proceeds shall be derived. If not so capable of being applied or if a balance remains after such application, the proceeds or the remaining balance of proceeds, as the case may be, derived from any such title insurance policy insuring the Agency's fee title interest shall be applied to the payment of any Rental Payments due hereunder; and any balance thereafter may be used by the Lessee for any corporate purpose.

Section 2.4 Limitation on Sales Tax Exemption.

(a) Any exemption from Sales Taxes resulting from or occasioned by the Agency's involvement with the Project shall be limited to purchases of property effected by the Lessee as agent for the Agency, it being the intent of the parties that no operating expenses of the Lessee and no purchases of equipment or other personal property shall be subject to an exemption from Sales Taxes because of the Agency's involvement with the Project.

(b) The Lessee covenants and agrees that it shall include the following language (through an attached rider or otherwise) in and as part of each contract, invoice, bill or purchase order entered into by the Lessee as agent for the Agency in connection with the Project:

"This contract is being entered into by Matsal Realty Corp. a New York corporation (the "Agent"), as agent for and on behalf of the New York City Industrial Development Agency (the "Agency") in connection with a certain project of the Agency for James F. Volpe Electrical Contracting Corp., a New York corporation (the "Corporation"), consisting of the acquisition and renovation of an approximately 8,000 square foot building on a 4,000 square foot lot of land to be used as a facility for the business of manufacturing and fabricating electrical components (the "Project"), which Project is to be located at 81-85 and 87 Sackett Street, Brooklyn, New York 11231, for sale to the Agency and lease to the Agent. The improvements to be used for the Project and incorporated as building materials in the Project building which is the subject of this [contract, agreement, invoice, bill or purchase

order] shall be exempt from the sales and use tax levied by the State of New York and The City of New York if effected in accordance with the terms and conditions set forth in the attached Letter of Authorization for Sales Tax Exemption of the Agency, and the Agent hereby represents that this [contract, agreement, invoice, bill or purchase order] is in compliance with the terms of the Letter of Authorization for Sales Tax Exemption. The liability of the Agency hereunder is limited as set forth in the Letter of Authorization for Sales Tax Exemption. By execution or acceptance of this [contract, agreement, invoice, bill or purchase order], the [vendor or contractor] hereby acknowledges the terms and conditions set forth in this paragraph."

If the Lessee shall fail to include, incorporate by reference or otherwise cause the contract, agreement, invoice, bill or purchase order to be, together with the vendor or contractor, subject to the above applicable language in substantially the above form, such contract, invoice, bill or purchase order shall not be an undertaking on behalf of the Agency and shall not be entitled to any of the benefits able to be conferred by the Agency, and the Lessee shall not claim any sales or use tax benefits or exemptions with respect to any such contract, invoice, bill or purchase order and the Lessee shall return to the Agency any such benefits or exemptions so taken, together with interest on such amount at the rate of eighteen percent (18%) per annum, from the date of such taking.

(c) On the Closing Date, the Agency shall make available to the Lessee the Sales Tax Letter. The Agency, at the sole cost and expense of the Lessee, shall also execute such other authorizations, letters and documents (and such amendments to the Sales Tax Letter) as may be reasonably necessary to permit the Lessee to obtain the intended benefits hereunder. Subject to the terms of this Agreement, it is intended that the aggregate scope of the sales and use tax benefits received by the Lessee pursuant to this Agreement and the Sales Tax Letter shall be limited as set forth below:

(i) The Sales Tax Letter shall be dated the Commencement Date and shall be effective for a term commencing on its date and expiring upon the earliest of (1) the termination of this Agreement, (2) the completion of the Project as provided in Section 2.2 hereof, (3) the termination of the Sales Tax Letter pursuant to the terms

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thereof, or (4) upon the occurrence of an event of default under Section 7.1 hereof.

(ii) The authorizations set forth in the Sales Tax Letter shall automatically be suspended twenty (20) days after notice to the Lessee that the Lessee shall be in default under this Agreement until the Lessee shall pay any amounts due, and perform all of its obligations, with respect to any such default.

(iii) The sales and use tax exemption to be provided pursuant to the Sales Tax Letter:

(A) shall not be available for payment of any costs other than the costs of the improvements and renovations to the Improvements,

(B) shall only be utilized for items of property which shall be purchased, completed or installed for use only by the Lessee and the Sublessee and their Affiliates at the Facility Realty (and not with any intention to sell, transfer or otherwise dispose of any such items of property to a Person as shall not constitute the Lessee or the Sublessee), it being the intention of the Agency and the Lessee that the sales and use tax exemption shall not be made available with respect to any item of property unless such item is used solely by the Lessee, or the Sublessee at the Facility Realty,

(C) shall not be available for any item of building materials which is not to be incorporated as part of the Improvements,

(D) shall not be available for any date subsequent to which the Sales Tax Letter shall have been suspended as provided in Section (c)(ii) hereof; provided, however, that in the event the Lessee shall thereafter cure any defaults under this Agreement, or the Agency shall thereafter waive such suspension, as applicable, the sales and use tax exemption shall again continue from the date of such cure or such waiver,

(E) shall be available only if purchased by the Lessee as agent for the Agency for use by the Lessee or the Sublessee at the Facility Realty,

(F) shall not be available for any cost of utilities, cleaning service or supplies,

(G) shall not be available subsequent to the termination of this Agreement, and

(H) shall only be available for those costs set forth in the Sales Tax Letter.

(iv) In the event that the Lessee shall utilize the sales or use tax exemption authorization provided pursuant to the Sales Tax Letter in violation of the provisions of paragraph (c) (iii) of this Section 2.4, the Lessee shall promptly deliver notice of same to the Agency, and the Lessee shall, upon demand by the Agency, pay to the Agency a return of sales or use tax exemptions in an amount equal to all such unauthorized sales or use tax exemptions together with interest at the rate of eighteen percent (18%) per annum from the date and with respect to the dollar amount for which each such unauthorized sales or use tax exemption was availed of by the Lessee.

(v) The Lessee shall deliver to the Agency, on request, an opinion of an Independent Accountant to the effect that such Independent Accountant has audited the use by the Lessee of the Sales Tax Letter for the preceding calendar year, and has audited the terms and provisions of the Sales Tax Letter and of this Section (c), and has further audited the certificates of the Lessee provided in paragraph (A) above for the preceding calendar year, and such certificates were properly prepared and accurately reflect the matters certified therein.

(vi) Upon request by the Agency, and reasonable notice, the Lessee shall make available at reasonable times to the Agency and the Independent Accountant all such books and records of the Lessee and require all appropriate officers and employees of the Lessee to respond to reasonable inquiries by the Agency and the Independent Accountant, as shall be necessary to indicate in reasonable detail those costs to which the Lessee shall have utilized the Sales Tax Letter and the dates and amounts so utilized.

(vii) The Lessee shall use its best efforts to obtain covenants to the Agency from each materialman, supplier, vendor or laborer to whom the Sales Tax Letter is presented by the Lessee to the effect that such materialman, supplier, vendor or laborer shall not utilize the Sales Tax Letter for any purpose other than for the Project.

(d) The Lessee and Sublessee shall observe and comply with the terms and conditions of the Sales Tax Letter.

(e) The Lessee shall annually file a statement (Form ST-340 or any successor or additional mandated form) with the New York State Department of Taxation and Finance in the form of Schedule D attached hereto, on a form and in a manner and consistent with such regulations as is or may be prescribed by the Commissioner of the New York State Department of Taxation and Finance, with a copy thereof to the Agency, of the value of all sales and use tax exemptions claimed by the Lessee or agents of the Lessee in connection with the Project and the Facility as required by Section 874(8) of the New York State General Municipal Law (as the same may be amended from time to time), including, but not limited to, consultants or subcontractors of such agents, under the authority granted pursuant to this Agreement. The Lessee shall furnish a copy of such annual statement to the Agency at the time of filing with the Department of Taxation and Finance. Should the Lessee fail to comply with the foregoing requirement, the Lessee shall immediately cease to be the agent for the Agency in connection with the Project (such agency relationship being deemed to be immediately revoked) without any further action of the parties, the Lessee shall be deemed to have automatically lost its authority as agent of the Agency to purchase and/or lease property in the Agency's behalf, and shall desist immediately from all such activity, and shall immediately and without demand return to the Agency the Sales Tax Letter issued to the Lessee by the Agency which is in the Lessee's possession or in the possession of any agent of the Lessee. Nothing herein shall be construed as a representation by the Agency that any property acquired as part of the Project is or shall be exempt from sales taxes or use taxes under the laws of the State.

(f) The Lessee shall submit to the Agency on August 1 of each year until completion of the Project, a completed Benefits Report in the form of Schedule B attached hereto to the extent that the Lessee shall have received Sales Tax Savings during the twelve-month period ending on the June 30 immediately preceding such August 1.

ARTICLE III

LEASE OF FACILITY AND RENTAL PROVISIONS

Section 3.1 Lease of the Facility. (a) The Agency hereby leases to the Lessee, and the Lessee hereby leases from the Agency, the Facility for and during the term herein and subject to the terms and conditions herein set forth. The Agency hereby delivers to the Lessee, and the Lessee hereby accepts, sole and exclusive possession of the Facility (it being understood by the parties hereto that delivery of possession to the Agency of the Facility as the

same is acquired, constructed and renovated shall take no further act or deed by the parties hereto).

(b) The Lessee hereby unconditionally represents, warrants, covenants and agrees that throughout the term of this Agreement (i) the Facility will be an Approved Facility and a "project" within the meaning of the Act; (ii) the Lessee will not take any action, or suffer or permit any action, if such action would cause the Facility not to be an Approved Facility or a "project" within the meaning of the Act; and (iii) the Lessee will not fail to take any action, or suffer or permit the failure to take any action, if such failure would cause the Facility not to be an Approved Facility or a "project" within the meaning of the Act. The Lessee shall not occupy, use or operate the Facility, or allow the Facility or any part thereof to be occupied, used or operated, for any unlawful purpose or in violation of any certificate of occupancy affecting the Facility or for any use which may constitute a nuisance, public or private, or make void or voidable any insurance then in force with respect thereto.

Section 3.2 Duration of Term. The term of this Agreement shall commence on the Commencement Date and shall expire on June 30, 2023 or such earlier date as this Agreement may be terminated as hereinafter provided.

Section 3.3 Rental Provisions. (a) **Base Rent.** The Lessee shall pay Base Rent to the Agency, without demand or notice, on the Commencement Date in the amount of \$1.00, which shall constitute the entire amount of Base Rent payable hereunder.

(b) **Additional Rent.** Throughout the term of this Agreement, the Lessee shall pay to the Agency (except as otherwise provided in Section 4.3 hereof) any additional amounts required to be paid by the Lessee to or for the account of the Agency hereunder, and any such additional amounts shall be paid as, and shall represent payment of, Additional Rent.

(c) **Missed Payments.** In the event the Lessee should fail to make or cause to be made any of the Rental Payments required under the foregoing provisions of this Section, the item or installment not so paid shall continue as an obligation of the Lessee until the amount not so paid has been paid in full, together with interest and penalties thereon from the date due at the applicable interest rate stated in this Agreement where so provided, or if not so provided, at eighteen percent (18%) per annum.

Section 3.4 Rental Payments Payable Absolutely Net. The obligation of the Lessee to pay Rental Payments provided for in this Agreement shall be absolutely net to the

Agency without any abatement, recoupment, diminution, reduction, deduction, counterclaim, set-off or offset whatsoever, so that this Agreement shall yield, net, to the Agency, the Rental Payments provided for herein, and all costs, expenses and charges of any kind and nature relating to the Facility, arising or becoming due and payable during or after the term of this Agreement, shall be paid by the Lessee and the Agency shall be indemnified by the Lessee for, and the Lessee shall hold the Agency harmless from, any such costs, expenses and charges.

Section 3.5 Nature of Lessee's Obligation Unconditional. The Lessee's obligations under this Agreement to pay Rental Payments shall be absolute, unconditional and general obligations, and irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Agency or any other Person and the obligation of the Lessee shall arise whether or not the Project has been completed as provided in this Agreement. The Lessee will not suspend or discontinue payment of any Rental Payment due and payable hereunder or performance or observance of any covenant or agreement required on the part of the Lessee hereunder for any cause whatsoever, and the Lessee waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction in the Rental Payments hereunder.

Section 3.6 Assignment of Sublease Agreement. In order to secure the payment and performance of obligations of the Lessee under this Agreement, the Lessee does hereby assign, transfer and set over to the Agency, subject to any assignment, collateral or otherwise from the Lessee to the First Mortgagee or from the Lessee to the Second Mortgagee or any assignee of such Mortgagee, all of the Lessee's right, title and interest in and to the Sublease Agreement, including all sublease rentals, revenues and receipts therefrom, and the right to enforce all of the Lessee's rights and remedies thereunder.

The Lessee agrees not to terminate, modify or amend the Sublease Agreement or any of the terms thereof, or grant any concessions in connection therewith, either orally or in writing, or to accept a surrender thereof, without the prior written consent of the Agency and any attempted termination, modification or amendment of the Sublease Agreement without such written consent shall be null and void.

In the exercise of the powers herein granted, no liability shall be asserted or enforced against the Agency, all such liability being hereby expressly waived and released by the Lessee. The Agency shall not be obligated to perform

or discharge any obligation, duty or liability under the Sublease Agreement, or under or by reason of this assignment.

ARTICLE IV

MAINTENANCE, TAXES, PAYMENTS IN LIEU OF TAXES AND INSURANCE

Section 4.1 Maintenance, Alterations and Improvements. (a) During the term of this Agreement, the Lessee will keep the Facility in good and safe operating order and condition, ordinary wear and tear excepted, will occupy, use and operate the Facility in the manner for which it was intended and contemplated by this Agreement, and will make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) necessary to ensure that the operations of the Lessee and the Sublessee at the Facility shall not be impaired or diminished in any way. All replacements, renewals and repairs shall be equal in quality, class and value to the original work and be made and installed in compliance with the requirements of all governmental bodies. The Agency shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn-out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facility and the Lessee hereby agrees to assume full responsibility therefor.

(b) The Lessee shall have the privilege of making such alterations of or additions to the Facility or any part thereof from time to time as it in its discretion may determine to be desirable for its uses and purposes, provided that

(i) as a result of such alterations or additions, the fair market value of the Facility is not reduced below its value immediately before such alteration or addition and the usefulness, the structural integrity or operating efficiency of the Facility is not impaired,

(ii) such additions or alterations are effected with due diligence, in a good and workmanlike manner and in compliance with all applicable legal requirements,

(iii) such additions or alterations are promptly and fully paid for by the Lessee in accordance with the terms of the applicable contract(s) therefor, and in order that the Facility shall at all times be free of any mortgage, lien, charge, encumbrance, security interest or claim other than Permitted Encumbrances,

(iv) if the cost of such additions or alterations is estimated to exceed \$200,000, per addition or alteration, such alterations or additions shall be conducted only after the Lessee shall have furnished to the Agency a labor and materials payment bond, or other security, satisfactory to the Agency, and

(v) such additions or alterations do not change the nature of the Facility so that it would not constitute an Approved Facility and a "project" within the meaning of the Act.

All alterations of and additions to the Facility shall constitute a part of the Facility, subject to this Agreement and the Sublease Agreement, and the Lessee shall deliver or cause to be delivered to the Agency appropriate documents as may be necessary to convey title to such property to the Agency and to subject such property to this Agreement and the Sublease Agreement, free and clear of all liens, charges, encumbrances, security interests or claims other than Permitted Encumbrances.

(c) The Lessee shall have the right to install or permit to be installed at the Facility machinery, equipment and other personal property at the Lessee's own cost and expense (the "**Lessee's Property**") without conveying title to such Lessee's Property to the Agency nor subjecting such Lessee's Property to this Agreement and the Sublease Agreement. The Lessee's Property shall not constitute part of the Facility leased hereunder. The Agency shall not be responsible for any loss of or damage to the Lessee's Property. The Lessee shall have the right to create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, the Lessee's Property, without the consent of or notice to the Agency.

(d) The Lessee shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against the Facility or any part thereof, or the interest of the Agency or the Lessee or the Sublessee in the Facility or this Agreement or the Sublease Agreement except for Permitted Encumbrances.

(e) To the extent required by the New York State Finance Law Section 137, prior to executing any contract (having a contract price over \$50,000) with any party for any improvement (as such term is defined in the New York Lien Law) in connection with the Project or the Facility or the provision of any goods or services in connection therewith, and prior to authorizing any party to undertake such improvement (or the provision of such goods and services) without a contract, the Lessee shall deliver to the Agency a

copy of the proposed contract (having a contract price over \$50,000) therefor along with a bond, in compliance with New York State Finance Law Section 137 and otherwise satisfactory to the Agency, guaranteeing prompt payment of monies due all persons furnishing labor or materials for the contractor or his subcontractor in the prosecution of his work provided for in such contract. The Agency shall have no liability or responsibility for the cost of such bond(s). Should the Lessee fail to comply with the foregoing requirement, the Lessee shall immediately cease to be the agent for the Agency in connection with the Project (such agency relationship being deemed to be immediately revoked).

Section 4.2 Removal of Property of the Facility.

(a) The Lessee shall have the privilege from time to time of removing from the Facility any fixture constituting part of the Facility Realty or any machinery, equipment or other property constituting part of the Facility Equipment (in either case, the **"Existing Facility Property"**) and thereby acquiring such Existing Facility Property, **provided, however,** no such removal shall be effected if (v) such removal is to another location other than the Facility Realty, (w) such removal would change the nature of the Facility as an Approved Facility or a "project" within the meaning of the Act, (x) such removal would impair the usefulness, structural integrity or operating efficiency of the Facility, or (y) such removal would materially reduce the fair market value of the Facility below its value immediately before such removal. The evaluations made under (u), (w), (x) or (y) of this Section 4.2(a) may be made after taking into account property installed or placed upon the Facility in substitution or replacement of such removed property.

(b) The Lessee shall deliver or cause to be delivered to the Agency any necessary documents conveying to the Agency title to any property installed or placed upon the Facility pursuant to Section 4.1(b) hereof and subjecting such substitute or replacement property to this Agreement and the Sublease Agreement, and upon written request of the Lessee, the Agency shall deliver to the Lessee appropriate documents conveying to the Lessee all of the Agency's right, title and interest in any property removed from the Facility pursuant to Section 4.2(a) hereof. The Lessee agrees to pay all costs and expenses (including reasonable counsel fees) incurred by the Agency in subjecting to this Agreement and the Sublease Agreement any property installed or placed on the Facility as part of the Facility pursuant to this Section 4.2 or Section 4.1 hereof.

(c) The removal from the Facility of any Existing Facility Property pursuant to the provisions of Section 4.2(a) hereof shall not entitle the Lessee to any abatement or

reduction in the Rental Payments payable by the Lessee under this Agreement.

(d) Within 120 days after the close of each Fiscal Year of the Lessee (i) during which Fiscal Year action was taken by the Lessee pursuant to Section 4.1(b) or 4.2(a) hereof, the Lessee shall furnish to the Agency a written report of an Authorized Representative of the Lessee summarizing the action taken by the Lessee during such preceding Fiscal Year and stating that, in its opinion, such action complied with the applicable provisions of Section 4.1(b) or 4.2(a) hereof, as the case may be; or (ii) during which Fiscal Year of the Lessee no action was taken by the Lessee pursuant to Section 4.1(b) or 4.2(a) hereof, the Lessee shall furnish to the Agency a certificate of an Authorized Representative of the Lessee certifying to the fact that no such action was taken by the Lessee pursuant to such Section 4.1(b) or 4.2(a) during such preceding Fiscal Year.

Section 4.3 Payment in Lieu of Real Estate Taxes.

(a) *Description and Address of Project:*

The Project consists of the acquisition of a manufacturing facility consisting of the acquisition of an approximately 8,000 square foot building on a 4,000 square foot lot of land for the manufacturing and fabrication of electrical components. The Facility Realty is located at 81-85 and 87 Sackett Street, Brooklyn, New York 11231, being Block 329 and Lot 154 and 54.

(b) *Payments Prior to PILOT Commencement Date:*

The PILOT Commencement Date shall be July 1, 1998. Until the PILOT Commencement Date, or such later date as the Facility Realty is determined to be exempt from real estate taxes, the Lessee shall pay to the City all real estate taxes with respect to the Facility Realty at such times, in such manner and in such amounts as would be applicable if the Facility Realty were owned by the Lessee and not owned by the Agency.

(c) *Payments in Lieu of Real Estate Taxes, Generally:*

It is recognized that under the provisions of the Act the Agency is generally required to pay no real estate taxes upon any of the property acquired by it or under its jurisdiction or control or supervision or upon its activities. The Agency and the Lessee agree, however, that the Lessee shall be required to make payments in lieu of real estate taxes with respect to the Facility Realty, payable to the PILOT Escrow Agent, in the manner and at the time provided in

subsection (g) below or at such other times as the Agency may designate in writing. Except as otherwise provided below in this Section 4.3, the Lessee shall make payments in lieu of real estate taxes (i) with respect to the Land constituting part of the Facility Realty, in the amounts as determined in subsection (d) below, and (ii) with respect to the Improvements constituting part of the Facility Realty, in the amounts as determined in subsections (e) and (f) below.

The Agency makes no representation as to the availability of an exemption from real estate taxes for the Facility Realty in the event that the Department of Finance, Assessors' Office of the City, the City Surveyor, or any other relevant official of the City fails to recognize the Agency's exemption from real estate taxes on the basis of a discrepancy existing between the Facility Realty and the tax map of The City of New York or the existence of another impediment to implementation of the Agency's exemption contemplated hereunder.

The Lessee shall take such action as is reasonably necessary in order to correct any defect or deficiency which may prevent the Facility Realty from being recognized as exempt by the City. The Lessee acknowledges that the Agency has not represented the availability of any such exemption for the Facility Realty, and the Lessee hereby releases the Agency from any claim arising from any loss of the benefits which were contemplated hereunder.

The Lessee acknowledges that the PILOT Commencement Date will not be deferred notwithstanding any loss of benefits contemplated hereunder in the event that the City does not recognize the Agency's exemption from real estate taxes on the PILOT Commencement Date.

(d) *Payments in Lieu of Taxes on the Land:*

For the period commencing on the PILOT Commencement Date until the earlier of (i) June 30, 2023 or (ii) the date on which the Agency no longer owns the Facility Realty, the Lessee shall make payment in lieu of real estate taxes, in accordance with Section 4.3(g) hereof, with respect to the Land constituting part of the Facility Realty (subject to Section 4.3(i) hereof) only to the extent the Full Land Taxes (as defined below) in the respective tax fiscal year of the City shall exceed the following:

Year	<u>Maximum Land Tax Abatement</u>
PILOT Commencement Date - June 30, 2019	\$26,500
July 1, 2019 - June 30, 2020	\$21,200
July 1, 2020 - June 20, 2021	\$15,900
July 1, 2021 - June 30, 2022	\$10,600
July 1, 2022 - June 30, 2023	\$ 5,300

Full Land Taxes shall mean that amount of taxes with respect to the Land constituting part of the Facility Realty as the Lessee would otherwise be required to pay from time to time if it were the owner of the Land.

For the period commencing on July 1, 2023 until the date on which the Agency no longer owns the Facility Realty, the Lessee shall make payments in lieu of real estate taxes equal to Full Land Taxes with respect to the Land constituting part of the Facility Realty.

(e) *Payments in Lieu of Taxes on the Improvements:*

(x) For the period commencing on the PILOT Commencement Date until the earlier of (i) June 30, 2011 (as such date may be extended in accordance with paragraph (y) below), (the "Abatement Termination Date") or (ii) the date on which the Agency no longer owns the Facility Realty, the Lessee shall make payments in lieu of real estate taxes, in accordance with Section 4.3(g) hereof, on the Improvements constituting part of the Facility Realty (subject to Section 4.3(i) hereof) only to the extent the assessed value of the Improvements in the respective tax fiscal year of the City shall exceed the following:

Year	Maximum Improvement Exemption
Pilot Commencement Date - June 30, 2002	\$ 248,000
July 1, 2002 - June 30, 2003	223,200
July 1, 2003 - June 30, 2004	198,400
July 1, 2004 - June 30, 2005	173,600
July 1, 2005 - June 30, 2006	148,800
July 1, 2006 - June 30, 2007	124,000
July 1, 2007 - June 30, 2008	99,200
July 1, 2008 - June 30, 2009	74,400
July 1, 2009 - June 30, 2010	49,600
July 1, 2010 - June 30, 2011	24,800

The foregoing schedule is in accordance with the City's Department of Finance ("DOF") Industrial and Commercial

Incentive Program ("ICIP") exemption schedule currently existing on the Improvements pursuant to ICIP Application #ICIP 567.

(y) If, as a result of the improvements made as part of the Project pursuant to Section 2.2 hereof, Lessee reapplies to the DOF for additional ICIP benefits, and it is determined that Lessee is eligible for such additional ICIP benefits, then Lessee shall make payment in lieu of real estate taxes, in accordance with Section 4.3(a) hereof, on the Improvements constituting part of the Facility Realty (subject to Section 4.3(i) hereof) in accordance with the ICIP schedule of benefits available at that time.

For the period from the Abatement Termination Date until the date on which the Agency no longer owns the Facility Realty, the Lessee shall make payments in lieu of real estate taxes on the Improvements in those amounts which the Lessee would otherwise be required to pay as if it were the owner of the Improvements.

(f) *Subsequent Alterations and Improvements:*

If, at any time after completion of the Project, the Lessee shall make any alterations of or additions to the Facility Realty (the "**Additional Improvements**"), the Lessee shall deliver written notice to an Authorized Representative of the Agency of same within thirty (30) days after the completion thereof. The Agency shall thereupon request that the Improvements constituting a part of the Facility Realty (including any such Additional Improvements) be reassessed by the appropriate officer or officers of the City and the Lessee shall make additional payments in lieu of taxes equal to:

(1) the amount of increase in assessed valuation of the Facility Realty when the Additional Improvements are first assessed as completed, multiplied by

(2) the City's real property tax rate prevailing after such first assessment and thereafter.

(g) *General Payment Provisions:*

In order to provide for payments in lieu of taxes payable pursuant to subsections (d), (e) and (f) above, the Lessee agrees to pay to the Agency, or, in accordance with the written direction of an Authorized Representative of the Agency delivered to an Authorized Representative of the Lessee, to the PILOT Escrow Agent, by certified check or bank draft payable at a bank in New York, New York, on the fourth day of each month of each year commencing January 1998, an amount equal to one-twelfth (1/12th) of the payments in lieu

of taxes which are payable, or estimated by the Agency to be payable, during such year for deposit into a special account to be held by the Agency or the PILOT Escrow Agent for application in accordance with this subsection (g) (the "PILOT Escrow Fund"); provided, however, that if and to the extent the Lessee funds an escrow established pursuant to or as permitted by the First Mortgage in an amount not less than the amounts required to be deposited into the PILOT Escrow Fund in accordance with the terms of this Agreement, the Agency may in its sole discretion determine not to require the Lessee to fund the PILOT Escrow Fund as provided herein. The Agency hereby is, and any PILOT Escrow Agent shall be, appointed by the Lessee to act as the Lessee's attorney-in-fact without power of revocation (which appointment shall be deemed to be an agency coupled with an interest) for purposes of applying moneys on deposit in the PILOT Escrow Fund to the payments in lieu of real estate taxes payable pursuant to subsections (d), (e) or (f) above, and as such shall so apply such moneys. If the moneys on deposit in the PILOT Escrow Fund shall at any time exceed the amount of the payments in lieu of real estate taxes so payable by the Lessee, the Agency, at its sole discretion, or the PILOT Escrow Agent, at the written direction of an Authorized Representative of the Agency, shall (i) return any excess moneys to the Lessee, or (ii) credit such excess against future payments to be made for deposit into the PILOT Escrow Fund. If moneys on deposit in the PILOT Escrow Fund at any time are less than the amount needed to make the payments in lieu of real estate taxes payable pursuant to subsections (d), (e) and (f) above as the same become due, the Lessee shall pay to the Agency, or to the PILOT Escrow Agent, as the case may be, upon demand of an Authorized Representative of the Agency delivered to an Authorized Representative of the Lessee, an amount which the Agency shall estimate as sufficient to make up the deficiency in the amounts on deposit in the PILOT Escrow Fund. Until expended or applied as above provided, any moneys on deposit in the PILOT Escrow Fund shall be accounted for separately and apart from any other funds of the Agency or the PILOT Escrow Agent, and they shall be pledged solely for the purposes herein provided and shall be held uninvested. The PILOT Escrow Agent may utilize the services of a mortgage servicing agent in performing its functions under the PILOT Escrow Agreement but the PILOT Escrow Agent shall have full responsibility for the actions of any such agent.

Moneys on deposit in the PILOT Escrow Fund shall be applied to installments of payments in lieu of taxes payable pursuant to subsections (d), (e) and (f) above, and amounts sufficient to make such installment payments shall be withdrawn and paid, on or prior to the Business Day immediately prior to each January 1 and July 1, commencing on the PILOT Commencement Date, to United States Trust Company of New York, New York, New York, as trustee of the Agency for the

purposes of receiving payments in lieu of taxes payable to the Agency, subject in each case to the Lessee's right, to the extent permitted by law, to obtain reductions in the valuation of the Facility Realty or the right to obtain exemptions (and discounts, if any) therefrom and to seek to obtain a refund of any such payments made.

The parties to this Agreement acknowledge and agree that the escrow fund established under the PILOT Escrow Agreement shall constitute the PILOT Escrow Fund and United States Trust Company of New York (or its successors under the terms of the PILOT Escrow Agreement), shall be the PILOT Escrow Agent within the meaning of this Section 4.3.

The parties to this Agreement further acknowledge and agree that the funds deposited into the PILOT Escrow Fund prior to the PILOT Commencement Date, pursuant to the first paragraph of this Section 4.3(g), shall be held by the PILOT Escrow Agent as collateral securing the obligation of the Lessee to make payments in lieu of real estate taxes in accordance with sub-sections (d), (e), or (f) above, and shall only be applied to fund any deficiency thereof.

In the event the Lessee shall fail to make any such installments of payments in lieu of real estate taxes, the amount or amounts so in default shall continue as an obligation of the Lessee until fully paid, and the Lessee agrees to pay the same to the Agency, or to the PILOT Escrow Agent, as the case may be. The Lessee shall pay a late payment penalty of five percent (5%) of any amount which is not paid when due under this Section 4.3. In addition, for each month or part thereof that a payment under this Section 4.3 is delinquent beyond the first month, interest shall accrue and be payable by the Lessee on the total amount due as provided above plus a late payment penalty in the amount of one percent (1%) per month for each month or part thereof until the payment is made.

It is agreed that the Agency shall request the respective appropriate officer or officers of the City charged with the duty of levying and collecting such taxes to submit to the Lessee and the PILOT Escrow Agent, if a PILOT Escrow Agent has been appointed, when the respective levies are made for purposes of such taxes, a statement specifying the amount and due date or dates of such taxes and amounts in lieu thereof which the City shall receive hereunder.

(h) Apportionment of Payments After Transfer:

The Agency shall cause the Collector of the City to apportion, within a reasonable period of time prior to the date on which the Agency is no longer to be the owner of the Facility Realty, that installment of payment in lieu of real

estate taxes paid by the Agency or the PILOT Escrow Agent, as the case may be, to the Collector of the City immediately preceding the date on which the Agency no longer owns the Facility Realty, as of such date, and apply that portion attributable to the period from such date to the end of the period of such installment as a credit against the amount of real estate tax that would have been due for the period of such installment had the Facility Realty been privately owned on the January 5th (or such other date as may be the City's tax status date) immediately preceding the date of such installment and bill the Lessee for the balance of such installment, which amount shall be paid by the Lessee to the Agency, immediately upon receipt thereof. The Agency shall cause the Collector of the City to return the Facility Realty to the tax rolls as of the date of transfer of title out of the Agency to the new owner of the Facility Realty, who shall pay the remaining installments due for such tax fiscal year.

(i) *Withdrawal of Real Estate Tax Abatements:*

The Lessee understands and agrees that the Lessee is required to pay or cause to be paid, as additional payments in lieu of real estate taxes, the amount of taxes that the Lessee would have been required to pay as if it were the owner of the Land and Improvements constituting the Facility Realty for that portion of the Facility Realty, if any, utilized or occupied by any Person other than the Lessee or any Affiliate thereof for so long as such utilization or occupation shall continue. The Lessee hereby represents to the Agency that no portion of the Facility Realty is utilized or occupied or is intended to be utilized or occupied by Persons other than the Lessee or any Affiliate thereof or any subtenants existing as of the date of this Agreement. The Lessee agrees that it shall immediately notify in writing the Agency or cause said written notice to be given in the event that there shall be any change in the portion of the Facility Realty utilized or occupied by any Person other than the Lessee or Affiliates of the Lessee. The Lessee understands and agrees that in such event, unless the Agency in its sole discretion shall determine otherwise, the amounts payable by the Lessee as additional payments in lieu of taxes shall be adjusted to an amount equal to the amount of taxes that the Lessee would have been required to pay as if it were the owner of the Facility Realty for that portion of the Facility Realty utilized or occupied by Persons other than the Lessee or Affiliates thereof for so long as such utilization or occupation shall continue. The Lessee further agrees to furnish the Agency, in substantially the form provided in Schedule C attached hereto, with a certificate of an Authorized Representative of the Lessee on January 1 of each year setting forth all Persons other than the Lessee or Affiliates of the Lessee, if any, that shall be utilizing or occupying any portion of the Facility Realty, the amount of space so occupied or utilized

and the percentage of the available square footage of the Facility Realty represented by such occupation or utilization.

Commencing as of the date on which the Facility is not used in accordance with the Act and this Agreement or upon the occurrence of an Event of Default under this Agreement, the Lessee shall be required to make payments in lieu of real estate taxes on the Land and Improvements constituting a part of the Facility Realty in such amounts as would result from taxes levied on the Facility Realty if the Facility Realty were owned by the Lessee. For purposes of the determination of such payments in lieu of real estate taxes, the tax rate shall be the rate then in effect as shown on the records of the proper City department.

(j) *Survival of Obligations:*

The obligations of the Lessee under this Section 4.3 shall survive the termination or expiration of this Agreement for any reason whatsoever. The Agency, in its sole discretion and in furtherance of the purposes of the Act, may waive, in whole or in part, payments in lieu of taxes set forth in this Section 4.3, for good cause shown.

Section 4.4 Taxes, Assessments and Charges. The Lessee shall pay when the same shall become due all taxes (other than those taxes for which payments in lieu thereof are being paid pursuant to Section 4.3 hereof) and assessments, general and specific, if any, levied and assessed upon or against the Facility, this Agreement, the Sublease Agreement, any estate or interest of the Agency or the Lessee or the Sublessee in the Facility, or the Rental Payments or other amounts payable hereunder or under the Sublease Agreement during the term of this Agreement, and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility, all of which are herein called "**Impositions.**" The Agency shall promptly forward to the Lessee any notice, bill or other statement received by the Agency concerning any Imposition. The Lessee may pay any Imposition in installments if so payable by law, whether or not interest accrues on the unpaid balance.

In the event the Facility is exempt from Impositions (other than real estate taxes in respect of which amounts are payable under Section 4.3 hereof) solely due to the Agency's ownership of the Facility, the Lessee shall pay all Impositions to the appropriate taxing authorities equivalent to the Impositions which would have been imposed on the

Facility if the Lessee were the owner of record of the Facility.

Section 4.5 Insurance. (a) At all times throughout the term of this Agreement, including without limitation during any period of construction or reconstruction of the Facility, the Lessee shall maintain or cause to be maintained insurance, with insurance companies licensed to do business in the State, against such risks, loss, damage and liability (including liability to third parties) and for such amounts as are customarily insured against by other enterprises of like size and type as that of the Lessee or the Sublessee, including, without limitation:

(i) During any period of construction, renovation, improvement or reconstruction of the Facility to the extent not covered by the public liability insurance referred to below, Owners & Contractors Liability insurance for the benefit of the Lessee and the Agency in a minimum amount of \$5,000,000 aggregate coverage for personal injury and property damage;

(ii) (A) Property damage insurance and (B) during any period of construction, renovation, improvement or reconstruction of the Facility, Builders' All Risk insurance, whether by endorsement or otherwise, written on 100% builders' risk completed value, non-reporting form including coverage therein for completion and/or premises occupancy, all of which insurance shall in each case include coverage for removal of debris, insuring the buildings, structures, facilities, machinery, equipment, fixtures and other property constituting a part of the Facility against loss or damage to the Facility by fire, lightning, vandalism, malicious mischief and other casualties, with standard extended coverage endorsement covering perils of windstorm, hail, explosion, aircraft, vehicles and smoke (except as limited in the standard form of extended coverage endorsement at the time in use in the State) at all times in an amount such that the proceeds of such insurance shall be sufficient to prevent the Lessee and the Agency from becoming a co-insurer of any loss under the insurance policies but in any event in amounts equal to not less than 80% of the actual replacement value of the Facility as determined by a qualified insurance appraiser or insurer (selected by the Lessee and approved by the Agency) not less often than once every year, at the expense of the Lessee; any such insurance may provide that the insurer is not liable to the extent of the first \$10,000 with the result that the Lessee is its own insurer to the extent of \$10,000 of such risks;

(iii) Public liability insurance in accordance with customary insurance practices for similar operations with respect to the Facility and the business thereby conducted in a minimum amount of \$5,000,000, which insurance (A) will also provide coverage of the Lessee's obligations of indemnity under Section 6.2 hereof (other than the liability pursuant to Section 6.2(a) (i) and (v) hereof, and with respect to Section 6.2(c) hereof, only to the extent such insurance is reasonably available), (B) may be effected under overall blanket or excess coverage policies of the Lessee or any Affiliate, **provided, however,** that at least \$500,000 is effected by a comprehensive liability insurance policy, and (C) shall not contain any provisions for a deductible amount;

(iv) Boiler and machine property damage insurance in respect of any steam and pressure boilers and similar apparatus located at the Facility from risks normally insured against under boiler and machinery policies and in amounts and with deductibles customarily obtained for similar business enterprises and in each case approved by the Agency;

(v) Workers' compensation insurance, disability benefits insurance and such other forms of insurance which the Lessee, the Sublessee or the Agency is required by law to provide; and

(vi) Such other insurance in such amounts and against such insurable hazards as the Agency from time to time may reasonably require as set forth in a written notice from an Authorized Representative of the Agency submitted to an Authorized Representative of the Lessee.

(b) All insurance required by Section 4.5(a) above shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State.

(c) Each of the policies or binders evidencing the insurance required above to be obtained shall:

(i) designate (except in the case of workers' compensation insurance) the Lessee and the Agency as additional insureds as their respective interests may appear;

(ii) provide that there shall be no recourse against the Agency for the payment of premiums or commissions or (if such policies or binders provide for the payment thereof) additional premiums or assessments;

(iii) provide that in respect of the interest of the Agency in such policies, the insurance shall not be invalidated by any action or inaction of the Lessee or any other Person and shall insure the Agency regardless of, and any losses shall be payable notwithstanding, any such action or inaction;

(iv) provide that such insurance shall be primary insurance without any right of contribution from any other insurance carried by the Agency to the extent that such other insurance provides the Agency with contingent and/or excess liability insurance with respect to its interest in the Facility;

(v) provide that if the insurers cancel such insurance for any reason whatsoever, including the insured's failure to pay any accrued premium, or the same is allowed to lapse or expire, or there be any reduction in amount, or any material change is made in the coverage, such cancellation, lapse, expiration, reduction or change shall not be effective as to the Agency until at least thirty (30) days after receipt by the Agency of written notice by such insurers of such cancellation, lapse, expiration, reduction or change;

(vi) waive any right of subrogation of the insurers thereunder against any Person insured under such policy, and waive any right of the insurers to any set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any Person insured under such policy; and

(vii) contain such other terms and provisions as any owner or operator of facilities similar to the Facility would, in the prudent management of its properties, require to be contained in policies, binders or interim insurance contracts with respect to facilities similar to the Facility owned or operated by it.

(d) The Net Proceeds of any insurance received with respect to any loss or damage to the property of the Facility shall be applied in accordance with Section 5.1 of this Agreement.

(e) As a condition to the execution and delivery of this Agreement by the Agency, the Lessee, at or prior to the Commencement Date, shall deliver or cause to be delivered to the Agency duplicate copies of insurance policies and/or binders evidencing compliance with the insurance requirements of this Section 4.5. At least seven (7) Business Days prior to the expiration of any such policy, the Lessee shall furnish the Agency with evidence that such policy has been renewed or replaced or is no longer required by this Agreement.

(f) The Lessee, at its own cost and expense, shall make all proofs of loss and take all other steps necessary or reasonably requested by the Agency to collect from insurers for any loss covered by any insurance required to be obtained by this Section 4.5, and shall cause any sublessee, contractor or other insuring party under this Section 4.5 to take similar action with respect to such party's insurance required hereunder. The Lessee shall not do any act, or suffer or permit any act to be done, whereby any insurance required by this Section 4.5 would or might be suspended or impaired.

(g) THE AGENCY DOES NOT IN ANY WAY REPRESENT THAT THE INSURANCE SPECIFIED HEREIN, WHETHER IN SCOPE OF COVERAGE OR LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE OPERATION OF THE FACILITY OR THE BUSINESS, OPERATIONS OR FINANCIAL CONDITION OF THE LESSEE OR THE SUBLESSEE.

(h) Nothing contained in this Agreement shall be deemed to modify the obligations of the Lessee pursuant to the First Mortgage, the Bridge Loan Mortgage or the Second Mortgage with respect to insurance or the application of the proceeds thereof which First Mortgage, the Bridge Loan Mortgage or the Second Mortgage shall control the use of proceeds of property insurance. The obligations of the Lessee hereunder shall be independent of any such other obligations relating to insurance.

Section 4.6 Advances by Agency. In the event the Lessee fails to make any payment or perform or observe any obligation required of it under this Agreement, the Agency, after first notifying the Lessee of any such failure on its part (except that no prior notification of the Lessee shall be required in the event of an emergency condition that, in the reasonable judgment of the Agency, necessitates immediate action), may (but shall not be obligated to), and without waiver of any of the rights of the Agency under this Agreement or any other Project Document to which the Agency is a party, make such payment or otherwise cure any failure by the Lessee to perform and observe its other obligations hereunder. All amounts so advanced therefor by the Agency shall become an additional obligation of the Lessee to the Agency, which amounts, together with interest thereon at the rate of eighteen percent (18%) per annum, from the date advanced, the Lessee will pay upon demand therefor by the Agency. Any remedy herein vested in the Agency for the collection of Rental Payments or other amounts due hereunder shall also be available to the Agency for the collection of all such amounts so advanced.

Section 4.7 Compliance with Law. The Lessee agrees that it will, throughout the term of this Agreement and at its sole cost and expense, promptly observe and comply with all Federal, State and local statutes, codes, laws, acts,

ordinances, orders, judgments, decrees, rules, regulations and authorizations, whether foreseen or unforeseen, ordinary or extraordinary, which shall now or at any time hereafter be binding upon or applicable to the Lessee, the Facility, any occupant, user or operator of the Facility or any portion thereof (including, without limitation, those relating to zoning, land use, building codes, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wages, and employment practices) (the "Legal Requirements"), and will observe and comply with all conditions, requirements, and schedules necessary to preserve and extend all rights, licenses, permits (including, without limitation, zoning variances, special exception and non-conforming uses), privileges, franchises and concessions. The Lessee will not, without the prior written consent of the Agency (which consent shall not be unreasonably withheld or delayed), initiate, join in or consent to any private restrictive covenant, zoning ordinance or other public or private restrictions limiting or defining the uses that may be made of the Facility or any part thereof. The Lessee shall indemnify and hold harmless the Indemnified Parties (as defined in Section 6.2 hereof) from and against all loss, cost, liability and expense (a) in any manner arising out of or related to any violation of or failure by the Lessee (or any other Person occupying, operating or using the Facility or any part thereof) to comply with any Legal Requirement, or (b) imposed upon the Lessee or any of the Indemnified Parties by any Legal Requirement; in case any action or proceeding is brought against any of the Indemnified Parties in respect of any Legal Requirement, the Lessee shall upon notice from any of the Indemnified Parties defend such action or proceeding by counsel satisfactory to the Indemnified Party.

The Lessee may contest in good faith the validity, existence or applicability of any of the foregoing if (i) such contest shall not result in the Facility or any part thereof or interest therein being in any danger of being sold, forfeited or lost, (ii) such contest shall not result in the Lessee, the Sublessee or the Agency being in any danger of any civil or any criminal liability for failure to comply therewith, and (iii) the Lessee shall have furnished such security, if any, as may be reasonably requested by the Agency for failure to comply therewith.

ARTICLE V

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 5.1 Damage, Destruction and Condemnation.

(a) In the event that at any time during the term of this Agreement the whole or part of the Facility shall be damaged

or destroyed, or taken or condemned by a competent authority for any public use or purpose, or by agreement among the Agency, the Lessee and those authorized to exercise such right, or if the temporary use of the Facility shall be so taken by condemnation or agreement (a "Loss Event")

(i) the Agency shall have no obligation to rebuild, replace, repair or restore the Facility,

(ii) there shall be no abatement, postponement or reduction in the Rental Payments payable by the Lessee under this Agreement or any other Project Document to which it is a party, and

(iii) the Lessee will promptly give written notice of such Loss Event to the Agency, generally describing the nature and extent thereof.

(b) In the event a Loss Event shall occur, the Lessee shall

(i) at its own cost and expense (except to the extent paid from the Net Proceeds as provided below), promptly and diligently rebuild, replace, repair or restore the Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, regardless of whether or not the Net Proceeds derived from the Loss Event shall be sufficient to pay the cost thereof, and the Lessee shall not by reason of payment of any such excess costs be entitled to any reimbursement from the Agency, nor shall the Rental Payments payable by the Lessee under this Agreement or any other Project Document to which it is a party be abated, postponed or reduced, or

(ii) exercise its option to purchase the Agency's interest in the Facility and to terminate this Agreement as provided in Section 8.1 hereof.

As soon as practicable but no later than ninety (90) days after the occurrence of the Loss Event, the Lessee shall advise the Agency in writing of the action to be taken by the Lessee under this Section 5.1(b).

(c) All rebuilding, replacements, repairs or restorations of the Facility in respect of or occasioned by a Loss Event shall

(i) automatically be deemed a part of the Facility and shall be subject to this Agreement and the Sublease Agreement,

(ii) be effected only if the Lessee shall deliver to the Agency an Opinion of Counsel acceptable to the Agency to the effect that such rebuilding, replacement, repair or restoration shall not change the nature of the Facility as an Approved Facility and a qualified "project" as defined in the Act,

(iii) be effected only if the Lessee shall deliver to the Agency a labor and materials payment bond, or other security, satisfactory to the Agency, and

(iv) be effected with due diligence in a good and workerlike manner, in compliance with all applicable legal requirements and be promptly and fully paid for by the Lessee in accordance with the terms of the applicable contract(s) therefor.

(d) The date of completion of the rebuilding, replacement, repair or restoration of the Facility shall be evidenced to the Agency by a certificate of an Authorized Representative of the Lessee stating (i) the date of such completion, (ii) that all labor, services, machinery, equipment, materials and supplies used therefor and all costs and expenses in connection therewith have been paid for, (iii) that the Facility has been rebuilt, replaced, repaired or restored to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, (iv) that the Agency has good and valid title to all property constituting part of the Facility and all property of the Facility is subject to this Agreement and the Sublease Agreement, subject to Permitted Encumbrances, and (v) that the restored Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate shall state (x) that it is given without prejudice to any rights of the Lessee or the Sublessee against third parties which exist at the date of such certificate or which may subsequently come into being, (y) that it is given only for the purposes of this Section and (z) that no Person other than the Agency may benefit therefrom. Such certificate shall be accompanied by (i) a certificate of occupancy (either temporary or permanent, provided that if it is a temporary certificate of occupancy, the Lessee will proceed with due diligence to obtain a permanent certificate of occupancy), if required, and any and all permissions, licenses or consents required of governmental authorities for the occupancy, operation and use of the Facility for the purposes contemplated by this Agreement; and (ii) a search prepared by a title company, or other evidence satisfactory to the Agency, indicating that there has not been filed with respect to the Facility any mechanic's, materialmen's or any other lien in connection with the rebuilding, replacement, repair and restoration of the Facility and that there exists no

encumbrances on or affecting the Facility or any part thereof other than Permitted Encumbrances or those encumbrances consented to by the Agency.

(e) The Agency and the Lessee shall cooperate and consult with each other in all matters pertaining to the settlement, compromise, arbitration or adjustment of any claim or demand on account of any Loss Event, and the settlement, compromise, arbitration or adjustment of any such claim or demand shall, as between the Agency and the Lessee, be subject to the approval of the Lessee.

(f) Notwithstanding anything contained herein to the contrary, if all or substantially all of the Facility shall be taken or condemned, or if the taking or condemnation renders the Facility unsuitable for use by the Lessee as contemplated hereby, the Lessee shall exercise its option to terminate this Agreement as provided in Section 8.1 hereof.

(g) The Lessee shall be entitled to any insurance proceeds or condemnation award, compensation or damages attributable to the Lessee's Property.

(h) The Lessee hereby waives the provisions of Section 227 of the New York Real Property Law or any law of like import now or hereafter in effect.

(i) Nothing contained in this Agreement shall be deemed to modify the obligations of the Lessee pursuant to the First Mortgage with respect to condemnation proceeds which First Mortgage shall control the use of condemnation proceeds.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.1 Dissolution of Lessee; Restrictions on Lessee. The Lessee covenants and agrees that at all times during the term of this Agreement, it will (i) maintain its existence as a corporation, (ii) continue to be subject to service of process in the State and organized under the laws of, or qualified to do business in, the State, (iii) not liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its corporate property, business or assets remaining after the Commencement Date, and (iv) not consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it; provided, however, the Lessee, without violating the foregoing but with the prior written consent of the Agency, may consolidate with or merge into another entity, or permit one or more entities to consolidate with or merge into it, or sell or otherwise transfer all or substantially all of its property, business or

assets to another such entity (and thereafter liquidate, wind-up or dissolve or not, as the Lessee may elect) if, (i) the Lessee is the surviving, resulting or transferee entity, and has a net worth (as determined in accordance with generally accepted accounting principles) at least equal to that of the Lessee immediately prior to such consolidation, merger or transfer, or (ii) in the event that the Lessee is not the surviving, resulting or transferee entity (1) the surviving, resulting or transferee entity (A) is solvent and subject to service of process in the State and organized under the laws of the State, or any other state of the United States, and duly qualified to do business in the State and (B) assumes in writing all of the obligations of the Lessee contained in this Agreement and all other Project Documents to which the Lessee shall be a party, (2) the Lessee delivers to the Agency an Opinion of Counsel to the effect that this Agreement and all other Project Documents (except for the Project Documents not executed and delivered as of the Closing Date) to which the Lessee shall be a party constitute the legal, valid and binding obligations of such successor Lessee and are enforceable in accordance with their respective terms to the same extent as they were enforceable against the predecessor Lessee, and (3) in the opinion of an Independent Accountant, such successor Lessee has a net worth (as determined in accordance with generally accepted accounting principles) after the merger, consolidation, sale or transfer at least equal to that of the Lessee immediately prior to such merger, consolidation, sale or transfer.

Section 6.2 Indemnity. (a) The Lessee shall at all times protect and hold the Agency and any director, member, officer, employee, servant or agent thereof and persons under the Agency's control or supervision (collectively, the "Indemnified Parties" and each an "Indemnified Party") harmless of, from and against any and all claims (whether in tort, contract or otherwise), demands, expenses and liabilities for losses, damage, injury and liability of every kind and nature and however caused, and taxes (of any kind and by whomsoever imposed), other than, with respect to each Indemnified Party, losses arising from the gross negligence or willful misconduct of such Indemnified Party, arising upon or about the Facility or resulting from, arising out of, or in any way connected with (i) the financing of the costs of the Facility and the participation of the Agency in the transactions contemplated by this Agreement and the other Project Documents, (ii) the planning, design, acquisition, site preparation, construction, renovation, equipping, installation or completion of the Project or any part thereof or the effecting of any work done in or about the Facility, (iii) any defects (whether latent or patent) in the Facility, (iv) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of the Facility or any

portion thereof, or (v) the execution and delivery by the Indemnified Party or the Lessee of, or performance by the Indemnified Party or the Lessee, as the case may be, of, any of its obligations under, this Agreement or any other Project Document or any other document or instrument delivered in connection herewith or therewith or the enforcement of any of their terms hereof or thereof or the transactions contemplated hereby or thereby. The Indemnified Parties, jointly or severally, shall not be liable for any damage or injury to the person or property of the Lessee or the Sublessee or their respective directors, officers, partners, employees, agents or servants or persons under the control or supervision of the Lessee or any other Person who may be about the Facility, due to any act or negligence of any Person other than, with respect to any Indemnified Party, the gross negligence or willful misconduct of such Indemnified Party.

(b) The Lessee releases the Indemnified Parties from, and agrees that the Indemnified Parties shall not be liable for and agrees to indemnify and hold the Indemnified Parties harmless against any expense, loss, damage, injury or liability incurred because of any lawsuit commenced as a result of action taken by any Indemnified Party with respect to any of the matters set forth in subdivision (i) through (v) of Section 6.2(a) hereof or at the direction of the Lessee with respect to any of such matters above referred to. Each Indemnified Party, as the case may be, shall promptly notify the Lessee in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the Lessee pursuant to this Section 6.2; such notice shall be given in sufficient time to allow the Lessee to defend or participate in such claim or action, but the failure to give such notice in sufficient time shall not constitute a defense hereunder nor in any way impair the obligations of the Lessee under this Section 6.2.

(c) In addition to and without limitation of all other representations, warranties and covenants made by the Lessee under this Agreement, the Lessee further represents, warrants and covenants that the Lessee has not used Hazardous Materials (as defined hereinafter) on, from, or affecting the Facility in any manner which violates Federal, state or local laws, ordinances, rules, regulations, or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and that, to the best of the Lessee's knowledge and based on information included in the Phase I Environmental Audit prepared by Environmental Compliance Group, Inc. dated August, 1997 a true and complete copy of which the Lessee has delivered to the Agency (the "Audit"), no prior owner of the Facility or any tenant, subtenant, prior tenant or prior subtenant have used Hazardous Materials on, from or affecting the Facility in any manner which violates Federal, state or

local laws, ordinances, rules, regulations or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials. The Lessee shall, to the extent required by applicable law, keep or cause the Facility to be kept free of Hazardous Materials. Without limiting the foregoing, the Lessee shall not cause or permit the Facility or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable Federal, state and local laws or regulations, nor shall the Lessee cause or permit, as a result of any intentional or unintentional act or omission on the part of the Lessee or any tenant or subtenant, a release of Hazardous Materials onto the Facility or onto any other property. The Lessee shall comply with and use its best efforts to ensure compliance by all tenants and subtenants with all applicable Federal, state and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with, and use its best efforts to ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder; **provided, however,** that if any such tenant or subtenant shall be an Affiliate of the Lessee, the obligation of the Lessee with respect to such Persons shall be absolute and not limited to best efforts. The Lessee shall (i) conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions required by applicable law to clean up and remove all Hazardous Materials, on, from, or affecting the Facility (x) in accordance with all applicable Federal, state and local laws, ordinances, rules, regulations, and policies, (y) to the reasonable satisfaction of the Agency, and (z) in accordance with the orders and directives of all Federal, state and local governmental authorities, and (ii) defend, indemnify, and hold harmless each Indemnified Party 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, (w) the presence, disposal, release, or threatened release of any Hazardous Materials which are on, from, or affecting the Facility; (x) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials; (y) any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Materials; and/or (z) any violation of laws, orders, regulations, requirements or demands of government authorities, or any policies or requirements of the Agency, which are based upon or in any way related to such Hazardous Materials including, without limitation, reasonable attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. For purposes of this para-

graph, "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. §§ 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§ 6901 et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule, or regulation. The provisions of this paragraph shall be in addition to any and all other obligations and liabilities the Lessee may have to any Indemnified Party at common law, and shall survive the termination of this Agreement.

The parties hereto agree that the reference in this Section 6.2(c) to the Audit is not intended, and should not be deemed to intend, to modify, qualify, reduce or diminish the Lessee's obligations to carry out and perform all of the covenants stated in Section 4.6 hereof and throughout this Section 6.2, including but not limited to, those covenants wherein the Lessee is obligated to indemnify each Indemnified Party and comply with all laws, ordinances, rules and regulations pertaining to Hazardous Materials.

(d) The indemnifications and protections set forth in this Section 6.2 shall be extended to the Agency and its members, directors, officers, employees, agents and servants and persons under the Agency's control or supervision.

(e) To effectuate the purposes of this Section 6.2, the Lessee will provide for and insure, in the public liability policies required in Section 4.5 hereof, not only his own liability in respect of the matters therein mentioned but also the liability pursuant to this Section 6.2 (other than the liability pursuant to Section 6.2(a)(i) and (v) hereof, and with respect to Section 6.2(c) hereof, only to the extent such insurance is reasonably available). Anything to the contrary in this Agreement notwithstanding, the covenants of the Lessee contained in this Section 6.2 shall remain in full force and effect after the termination of this Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Agency relating to the enforcement of the provisions herein specified.

(f) For the purposes of this Section 6.2, the Lessee shall not be deemed an employee, agent or servant of the Agency or a person under the Agency's control or supervision.

Section 6.3 Compensation and Expenses of the Agency. The Lessee shall pay the fees, costs and expenses of the Agency together with any fees and disbursements incurred by the Agency's Project Counsel and the Agency's general counsel in performing services for the Agency in connection with this Agreement or any other Project Document.

The Lessee further agrees to pay upon the Commencement Date, and the Agency acknowledges receipt of, \$6,630, which represents the Agency financing fee. The Lessee shall also pay as an annual administrative servicing fee to the Agency, the amount of \$500 payable upon the Commencement Date and on every February 11 thereafter until the termination of this Agreement.

Section 6.4 Retention of Title to Facility; Grant of Easements; Release of Facility Realty. (a) The Agency shall not sell, assign, encumber (other than for Permitted Encumbrances), convey or otherwise dispose of the Facility or any part thereof or interest therein during the term of this Agreement, except as set forth in Sections 4.2, 5.1 and 7.2 hereof, without the prior written consent of the Lessee and any purported disposition without such consent shall be void.

Notwithstanding the foregoing paragraph, the Agency will, at the written request of an Authorized Representative of the Lessee, so long as there exists no Event of Default hereunder, grant such rights of way or easements over, across, or under, the Facility Realty, or grant such permits or licenses in respect to the use thereof, free from the leasehold estate of this Agreement and the Sublease Agreement, as shall be necessary or convenient for the operation or use of the Facility, provided that such leases, rights of way, easements, permits or licenses shall not adversely affect the use or operation of the Facility. The Agency agrees, at the sole cost and expense of the Lessee, to execute and deliver any and all instruments necessary or appropriate to confirm and grant any such right of way or easement or any such permit or license and to release the same from the leasehold estate of this Agreement and the Sublease Agreement.

Notwithstanding any other provision of this Agreement, so long as there exists no Event of Default hereunder, the Lessee may from time to time request in writing to the Agency the release of and removal from this Agreement and the leasehold estate created hereby and by the Sublease Agreement of any unimproved part of the Land (on which none of the Improvements or Facility Equipment is situated) provided that such release and removal will not adversely affect the use or operation of the Facility. Upon any such request by the Lessee, the Agency shall, at the sole cost and expense of the Lessee, execute and deliver any and all instruments necessary or appropriate to so release and remove such portion

of the Facility Realty and convey title thereto to the Lessee, subject to the following: (i) any liens, easements, encumbrances and reservations to which title to said property was subject at the time of recording of this Agreement; (ii) any liens, easements and encumbrances created at the request of the Lessee or to the creation or suffering of which the Lessee consented; (iii) any liens and encumbrances or reservations resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Agreement; (iv) Permitted Encumbrances (other than the lien of this Agreement); and (v) any liens for taxes or assessments not then delinquent; **provided, however,** no such release shall be effected unless there shall be delivered to the Agency a certificate of an Authorized Representative of the Lessee, dated not more than sixty (60) days prior to the date of the release, stating that, in the opinion of the Person signing such certificate, the portion of the Facility Realty so proposed to be released and the release of such portion of the Facility Realty is not needed for the operation of the Facility, will not adversely affect the use or operation of the Facility and will not destroy the means of ingress thereto and egress therefrom.

(b) No conveyance or release effected under the provisions of this Section 6.4 shall entitle the Lessee to any abatement or diminution of the Rental Payments payable under Section 3.3 hereof required to be made by the Lessee under this Agreement or any other Project Document to which it shall be a party.

Section 6.5 Discharge of Liens. (a) If any lien, encumbrance or charge is filed or asserted (including, without limitation, any lien for the performance of any labor or services or the furnishing of materials), or any judgment, decree, order, levy or process of any court or governmental body is entered, made or issued or any claim (such liens, encumbrances, charges, judgments, decrees, orders, levies, processes and claims being herein collectively called "**Liens**"), whether or not valid, is made against the Facility or any part thereof or the interest therein of the Agency or the Lessee or the Sublessee or against any of the Rental Payments payable under this Agreement or under the Sublease Agreement or the interest of the Agency or the Lessee or the Sublessee under this Agreement or the Sublease Agreement, other than Liens for Impositions (as defined in Section 4.4 hereof) not yet payable, Permitted Encumbrances, or Liens being contested as permitted by Section 6.5(b) hereof, the Lessee forthwith upon receipt of notice of the filing, assertion, entry or issuance of such Lien (regardless of the source of such notice) shall give written notice thereof to the Agency and take all action (including the payment of money and/or the securing of a bond) at his own cost and expense as may be necessary or appropriate to obtain the discharge in

full thereof and to remove or nullify the basis therefor. Nothing contained in this Agreement shall be construed as constituting the express or implied consent to or permission of the Agency for the performance of any labor or services or the furnishing of any materials that would give rise to any Lien against the Agency's interest in the Facility.

(b) The Lessee may at its sole expense contest (after prior written notice to the Agency), by appropriate action conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Lien, if (1) such proceeding shall suspend the execution or enforcement of such Lien against the Facility or any part thereof or interest therein, or in this Agreement or the Sublease Agreement, of the Agency or the Lessee or the Sublessee or against any of the Rental Payments payable under this Agreement or the Sublease Agreement, (2) neither the Facility nor any part thereof or interest therein would be in any danger of being sold, forfeited or lost, (3) neither the Lessee nor the Sublessee nor the Agency would be in any danger of any civil or any criminal liability, other than normal accrual of interest, for failure to comply therewith, and (4) the Lessee or the Sublessee shall have furnished such security, if any, as may be required in such proceedings or as may be reasonably requested by the Agency.

Section 6.6 Agency's Authority; Covenant of Quiet Enjoyment. The Agency covenants and agrees that it has full right and lawful authority to enter into this Agreement for the full term hereof, and that, subject to the terms and provisions of the Permitted Encumbrances (and any other impairments of title whether or not appearing on the title insurance policy referred to in Section 2.3 hereof), so long as the Lessee shall pay the Rental Payments payable by it under this Agreement and shall duly observe all the covenants, stipulations and agreements herein contained obligatory upon it and an Event of Default shall not exist hereunder, the Agency shall take no action to disturb the peaceful, quiet and undisputed possession of the Facility by the Lessee, and the Agency (at the sole cost and expense of the Lessee) shall from time to time take all necessary action to that end, subject to Permitted Encumbrances.

Section 6.7 No Warranty of Condition or Suitability. THE AGENCY HAS MADE AND MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, FITNESS, DESIGN, OPERATION OR WORKMANSHIP OF ANY PART OF THE FACILITY, ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OR CAPACITY OF THE MATERIALS IN THE FACILITY, OR THE SUITABILITY OF THE FACILITY FOR THE PURPOSES OR NEEDS OF THE LESSEE OR ANY SUBLESSEE OR THE EXTENT TO SUCH FUNDS AVAILABLE TO THE LESSEE WILL BE SUFFICIENT TO PAY THE COST OF COMPLETION OF THE

PROJECT. THE LESSEE ACKNOWLEDGES THAT THE AGENCY IS NOT THE MANUFACTURER OF THE FACILITY EQUIPMENT NOR THE MANUFACTURER'S AGENT NOR A DEALER THEREIN. THE LESSEE, ON BEHALF OF ITSELF AND ANY AND ALL SUBLESSEE, IS SATISFIED THAT THE FACILITY IS SUITABLE AND FIT FOR PURPOSES OF THE LESSEE AND ANY SUBLESSEE. THE AGENCY SHALL NOT BE LIABLE IN ANY MANNER WHATSOEVER TO THE LESSEE OR ANY SUBLESSEE OR ANY OTHER PERSON FOR ANY LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE CAUSED, DIRECTLY OR INDIRECTLY, BY THE PROPERTY OF THE FACILITY OR THE USE OR MAINTENANCE THEREOF OR THE FAILURE OF OPERATION THEREOF, OR THE REPAIR, SERVICE OR ADJUSTMENT THEREOF, OR BY ANY DELAY OR FAILURE TO PROVIDE ANY SUCH MAINTENANCE, REPAIRS, SERVICE OR ADJUSTMENT, OR BY ANY INTERRUPTION OF SERVICE OR LOSS OF USE THEREOF OR FOR ANY LOSS OF BUSINESS HOWSOEVER CAUSED.

Section 6.8 Financial Statements; No-Default Certificates. (a) The Lessee agrees to furnish to the Agency upon request, a copy of the most recent fiscal year annual reviewed financial statements of the Lessee and of the Sublessee and any of its or their subsidiaries (including balance sheets as at the end of such most recent fiscal year and the related statements of income, earnings, retained earnings and changes in financial position) for such fiscal year, prepared in accordance with generally accepted accounting principles and practices, certified by an Independent Accountant.

(b) The Lessee shall deliver to the Agency upon request, (i) a certificate of an Authorized Representative of the Lessee as to whether or not, as of the close of the immediately preceding calendar year, and at all times during such year, the Lessee was in compliance with all the provisions which relate to the Lessee in this Agreement and in any other Project Document to which it shall be a party, and if such Authorized Representative shall have obtained knowledge of any default in such compliance or notice of such default, he shall disclose in such certificate such default or defaults or notice thereof and the nature thereof, whether or not the same shall constitute an Event of Default hereunder, and any action proposed to be taken by the Lessee with respect thereto; and (ii) a certificate of an Authorized Representative of the Lessee that the insurance he maintains complies with the provisions of Section 4.5 of this Agreement, that such insurance has been in full force and effect at all times during the preceding calendar year, and that duplicate copies of all policies or certificates thereof have been filed with the Agency and are in full force and effect. In addition, upon twenty (20) days' prior request by the Agency, the Lessee will execute, acknowledge and deliver to the Agency a certificate of an Authorized Representative of the Lessee either stating that to the knowledge of such Authorized Representative after due inquiry, no default under or breach of any of the terms hereof which, with the passage of time or

the giving of notice or both would constitute an Event of Default hereunder, exists or specifying each such default or breach of which such Authorized Representative has knowledge.

(c) The Lessee shall immediately notify the Agency of the occurrence of any Event of Default or any event which with notice and/or lapse of time would constitute an Event of Default under any Project Document of which he has knowledge. Any notice required to be given pursuant to this subsection shall be signed by an Authorized Representative of the Lessee and set forth a description of the default and the steps, if any, being taken to cure said default. If no steps have been taken, the Lessee shall state this fact on the notice.

Section 6.9 Employment Information, Opportunities and Guidelines. (a) Annually, by August 1 of each year until the termination of this Agreement, the Lessee shall submit and shall cause the sublessee to submit to the Agency an employment report relating to the period commencing July 1 of the previous year and ending June 30 of the year of the obligation of the filing of such report, substantially in the form of Schedule A hereto, certified as to accuracy by the Lessee and the Sublessee, respectively.

(b) The Lessee shall ensure that all employees and applicants for employment by the Lessee or his Affiliates with regard to the Facility are afforded equal employment opportunities without discrimination. Except as is otherwise provided by collective bargaining contracts or agreements, new employment opportunities created as a result of the Project shall be listed with the New York State Department of Labor Community Services Division, and with the administrative entity of the service delivery area created by the Federal Job Training Partnership Act (P.L. No. 97-300) in which the Facility Realty is located. Except as is otherwise provided by collective bargaining contracts or agreements, the Lessee agrees, where practicable, to first consider, and cause each of his Affiliates at the Facility to first consider, persons eligible to participate in the Federal Job Training Partnership (P.L. No. 97-300) programs who shall be referred by administrative entities of service delivery areas created pursuant to such act or by the Community Services Division of the New York State Department of Labor for such new employment opportunities.

(c) The Lessee (on behalf of itself and the Sublessee) hereby authorizes any private or governmental entity, including but not limited to The New York State Department of Labor ("DOL"), to release to the Agency and/or the New York City Economic Development Corporation ("EDC"), and/or to the successors and assigns of either (collectively, the "Information Recipients"), any and all employment information under its control and pertinent to the Lessee and the

Sublessee and the employees of the Lessee and the Sublessee to enable the Agency and/or EDC to comply with its reporting requirements required by New York City Local Law 69 and any other applicable laws, rules or regulations. In addition, upon the Agency's request, the Lessee shall provide to the Agency any employment information in the possession of the Lessee or the Sublessee which is pertinent to the Lessee and the Sublessee and the employees of the Lessee and the Sublessee to enable the Agency and/or EDC to comply with its reporting requirements required by New York City Local Law 69 and any other applicable laws, rules or regulations. Information released or provided to Information Recipients by DOL, or by any other governmental entity, or by any private entity, or by the Lessee or the Sublessee, or any information previously released as provided by all or any of the foregoing parties (collectively, "Employment Information") may be disclosed by the Information Recipients in connection with the administration of the programs of the Agency, and/or EDC, and/or the successors and assigns of either, and/or The City of New York, and/or as may be necessary to comply with law; and, without limiting the foregoing, the Employment Information may be included in (x) reports prepared by the Information Recipients pursuant to New York City Local Law 69 of 1993, (y) other reports required of the Agency, and (z) any other reports required by law. This authorization shall remain in effect throughout the term of this Agreement.

(d) Nothing in this Section shall be construed to require the Lessee or the Sublessee to violate any existing collective bargaining agreement with respect to hiring new employees.

Section 6.10 Further Assurances. The Lessee will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments, conveyances, transfers and assurances, including Uniform Commercial Code financing statements, at the sole cost and expense of the Lessee, as the Agency deems necessary or advisable for the implementation, effectuation, correction, confirmation or perfection of this Agreement and any rights of the Agency hereunder.

Section 6.11 Recording and Filing. A memorandum of this Agreement shall be recorded by the Lessee in the appropriate office of the Register of The City of 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 6.12 Further Encumbrances. The Lessee shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against the Facility or any part thereof, or the interest of the

Lessee or the Sublessee in the Facility or this Agreement or the Sublease Agreement, except for Permitted Encumbrances.

Section 6.13 Identification of Facility Equipment.

All machinery, equipment, apparatus and other property constituting Facility Equipment shall be properly identified by the Lessee by such appropriate records and designations as shall be approved by the Agency.

ARTICLE VII

EVENTS OF DEFAULT; REMEDIES

Section 7.1 Events of Default. Any one or more of the following events shall constitute an "Event of Default" hereunder:

(a) Failure of the Lessee to pay when due any Rental Payment within fifteen (15) days of the due date thereof;

(b) (i) Failure of the Lessee to observe and perform any covenant, condition or agreement on its part to be performed under Sections 4.3, 4.4, 4.6, 4.7, 5.1, 6.1, 6.2, 6.3, 6.12, 7.6, 8.5, 9.3 or 9.14 hereof and continuance of such failure for a period of thirty (30) days after receipt by the Lessee of written notice specifying the nature of such default from the Agency;

(ii) Failure of the Lessee to observe and perform any covenant or agreement on its part to be performed under Section 4.5 hereof and continuance of such failure for a period of ten (10) days after receipt by the Lessee of written notice specifying the nature of such default from the Agency;

(c) Failure of the Lessee to observe and perform any covenant, condition or agreement hereunder on its part to be performed (except as set forth in Section 7.1(a) or (b) above) and (i) continuance of such failure for a period of thirty (30) days after receipt by the Lessee of written notice specifying the nature of such default from the Agency, or (ii) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, the Lessee fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same;

(d) The Lessee or the Sublessee or any Guarantor shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally

unable, to pay its debts as such debts generally become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under the Federal Bankruptcy Code, (vii) take any action for the purpose of effecting any of the foregoing, or (viii) be adjudicated a bankrupt or insolvent by any court;

(e) A proceeding or case shall be commenced, without the application or consent of the Lessee or the Sublessee or any Guarantor, in any court of competent jurisdiction, seeking, (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Lessee or the Sublessee or any Guarantor or of all or any substantial part of its respective assets, or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) days; or any order for relief against the Lessee or the Sublessee or any Guarantor shall be entered in an involuntary case under the Federal Bankruptcy Code; the terms "dissolution" or "liquidation" of the Lessee or the Sublessee or any Guarantor as used above shall not be construed to prohibit any action otherwise permitted by Section 6.1 hereof or Section 2.6 of the Guaranty Agreement;

(f) Any representation or warranty made (i) by the Lessee or the Sublessee or any Guarantor in the application and related materials submitted to the Agency for approval of the Project or the transactions contemplated by this Agreement, or (ii) by the Lessee herein or by the Lessee, by the Sublessee, or by any Guarantor in any other Project Document, or (iii) in any report, certificate, financial statement or other instrument furnished pursuant hereto or any of the foregoing, shall prove to be false, misleading or incorrect in any material respect as of the date made;

(g) The commencement of proceedings to foreclose the lien of the First Mortgage, the Bridge Loan Mortgage, the Second Mortgage or of any other mortgage or lien on the Facility Realty;

(h) Any loss of title by the Agency to the Facility Realty; or

(i) An "Event of Default" under the Guaranty Agreement, the Sales Tax Letter or the Sublease Agreement shall occur and be continuing.

(j) The Lessee, the Sublessee or any Guarantor shall become a Prohibited Person.

Section 7.2 Remedies on Default. Whenever any Event of Default referred to in Section 7.1 hereof shall have occurred and be continuing, the Agency may take any one or more of the following remedial steps:

(a) The Agency may terminate this Agreement (with the effect that the term of this Agreement shall be deemed to have expired on such date of termination as if such date were the original expiration date of this Agreement) in which case this Agreement and all of the estate, right, title and interest herein granted or vested in the Lessee shall cease and terminate, and convey all of the Agency's right, title and interest in the Facility to the Lessee, which the Agency may accomplish by executing and recording, at the sole cost and expense of the Lessee, a deed therefor as required by law, and a bill of sale, and the Lessee hereby waives delivery and acceptance of such deed and bill of sale as a condition to its validity, and appoints the Agency its true and lawful agent and attorney-in-fact (which appointment shall be deemed to be an agency coupled with an interest) with full power of substitution to file on its behalf all affidavits, questionnaires and other documentation necessary to accomplish the recording of such deed; or

(b) The Agency may bring an action for damages, injunction or specific performance;

(c) The Agency may require the Lessee to make payments in lieu of real estate taxes under Section 4.3 hereof with respect to the Facility Realty in an amount equal to that amount which the Lessee would otherwise be required to pay if it were the owner of the Facility Realty;

(d) The Agency may suspend or terminate the Sales Tax Letter or require the Lessee to surrender the Sales Tax Letter to the Agency for cancellation; or

(e) The Agency may take whatever action at law or in equity as may appear necessary or desirable to collect the Rental Payments then due, or to enforce performance or observance of any obligations, agreements or covenants of the Lessee under this Agreement.

No action taken pursuant to this Section 7.2 (including termination of this Agreement pursuant to this Section 7.2 or by operation of law or otherwise) shall, except

as expressly provided herein, relieve the Lessee from the Lessee's obligations hereunder, including without limitation, the obligations of the Lessee under Sections 4.3 (until such time as the Lessee shall again pay taxes as the record owner of the Facility Realty), 6.2, 8.5, 9.13 and 9.15 hereof, all of which shall survive any such action.

Section 7.3 Remedies Cumulative. The rights and remedies of the Agency under this Agreement shall be cumulative and shall not exclude any other rights and remedies of the Agency allowed by law with respect to any default under this Agreement. Failure by the Agency to insist upon the strict performance of any of the covenants and agreements herein set forth or to exercise any rights or remedies upon default by the Lessee hereunder shall not be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy a strict compliance by the Lessee with all of the covenants and conditions hereof, or of the rights to exercise any such rights or remedies, if such default by the Lessee be continued or repeated.

Section 7.4 No Additional Waiver Implied by One Waiver. In the event any covenant or agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver shall be binding unless it is in writing and signed by the party making such waiver. No course of dealing between the Agency and the Lessee or any delay or omission on the part of the Agency in exercising any rights hereunder or under any other Project Document shall operate as a waiver.

Section 7.5 Effect on Discontinuance of Proceedings. In case any proceeding taken by the Agency under this Agreement or under any other Project Document on account of any Event of Default hereunder or thereunder shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Agency, then, and in every such case, the Agency shall be restored to its former position and rights hereunder and thereunder, and all rights, remedies, powers and duties of the Agency shall continue as in effect prior to the commencement of such proceedings.

Section 7.6 Agreement to Pay Attorneys' Fees and Expenses. In the event the Lessee should default under any of the provisions of this Agreement and the Agency should employ attorneys or incur other expenses for the collection of the Rental Payments payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees

that it will on demand therefor pay to the Agency the reasonable fees and disbursements of such attorneys and such other expenses so incurred.

ARTICLE VIII

OPTIONS TO PURCHASE THE FACILITY; RECAPTURE OF BENEFITS

Section 8.1 Option to Purchase Facility and to Terminate Agreement. (a) The Lessee shall have the option to purchase the Agency's interest in the Facility and to terminate this Agreement on any date during the term hereof by paying all Rental Payments then due hereunder. The Lessee shall exercise such option by delivering to the Agency a written notice of an Authorized Representative of the Lessee to an Authorized Representative of the Agency stating that the Lessee has elected to exercise his option under this Section 8.1(a) and the date on which such purchase and termination is to be made. In addition, the Lessee shall purchase the Agency's interest in the Facility on the scheduled expiration date of this Agreement by paying on such date any and all Rental Payments then due hereunder.

(b) The Lessee, in purchasing the Agency's interest in the Facility and terminating this Agreement pursuant to Section 8.1(a) hereof, shall pay to the Agency, as the purchase price, in legal tender, an amount equal to all Rental Payments then due hereunder, plus one dollar (\$1.00).

(c) The Lessee shall not, at any time, assign or transfer its option to purchase the Agency's interest in the Facility as contained in this Section 8.1 separate and apart from a permitted assignment of this Agreement pursuant to the terms of Section 9.3 hereof without the prior written consent of the Agency.

Section 8.2 Conveyance on Exercise of Option to Purchase. At the closing of any purchase of the Agency's interest in the Facility pursuant to Section 8.1 hereof, the Agency will, upon payment of the purchase price, deliver or cause to be delivered to the Lessee (i) a bargain and sale deed without covenants against grantor's acts and all other necessary documents conveying to the Lessee all of the Agency's right, title and interest in and to the Facility and terminating this Agreement; and (ii) all necessary documents releasing and conveying to the Lessee all of the Agency's rights and interests in and to any rights of action (other than as against the Lessee or any insurer of the insurance policies under Section 4.5(a)(iii) hereof), or any insurance proceeds (other than liability insurance proceeds for the

benefit of the Agency) or condemnation awards, with respect to the Facility or any portion thereof.

Upon conveyance of the Agency's interest in the Facility pursuant to this Section 8.2, this Agreement and all obligations of the Lessee hereunder shall be terminated except the obligations of the Lessee under Sections 4.3 (until such time as the Lessee shall again pay taxes as the record owner of the Facility Realty), 6.2, 8.5, 9.13 and 9.15 hereof shall survive such termination.

Section 8.3 **[Reserved]**.

Section 8.4 **[Reserved]**.

Section 8.5 **Recapture of Agency Benefits**. It is understood and agreed by the parties to this Agreement that the Agency is entering into this Agreement in order to provide financial assistance to the Lessee for the Project and to accomplish the public purposes of the Act. In consideration therefor, the Lessee hereby agrees as follows:

(a) (i) If there shall occur a Recapture Event (as defined below) prior to the completion of the Project and the occupancy of the Facility for its intended purposes by the Lessee and the Sublessee, the Lessee shall pay to the Agency as a return of public benefits conferred by the Agency, all Benefits (as defined below).

(ii) If there shall occur a Recapture Event after the date on which the Project shall have been substantially completed (which shall be that date as stated in the certificate of an Authorized Representative of the Lessee delivered to the Agency pursuant to Section 2.2 hereof, but not later than February 1, 1999 (the "**Operations Commencement Date**")), the Lessee shall pay to the Agency as a return of public benefits conferred by the Agency, the following amounts:

(A) one hundred per cent (100%) of the Benefits (as defined below) if the Recapture Event occurs within the first eight (8) years after the Operations Commencement Date;

(B) eighty per cent (80 %) of the Benefits if the Recapture Event occurs during the ninth (9) and tenth (10th) year after the Operations Commencement Date;

(C) sixty per cent (60%) of the Benefits if the Recapture Event occurs during the eleventh (11th) and twelfth (12th) year after the Operations Commencement Date;

(D) forty per cent (40%) of the Benefits if the Recapture Event occurs during the thirteenth (13th) and fourteenth (14th) year after the Operations Commencement Date; or

(E) twenty per cent (20%) of the Benefits if the Recapture Event occurs during the fifteenth (15th) year after the Operations Commencement Date.

The term "**Benefits**" shall mean, collectively:

(1) all real estate tax benefits which have accrued to the benefit of the Lessee during such time as the Agency was the owner of the Facility Realty by reason of the Agency's ownership, such tax benefits to be computed by subtracting the payments in lieu of taxes paid under Section 4.3 hereof from those payments which the Lessee would have been required to pay during the term of this Agreement (within the meaning of Section 3.2 hereof) had the City determined the amount of such real estate taxes as would be due if the Lessee had been the owner of the Facility Realty during such term; and

(2) all miscellaneous benefits derived from the Agency's participation in the straight-lease transaction contemplated by this Agreement, including, but not limited to, any exemption from any applicable mortgage recording tax, New York City commercial rent and occupancy tax, sales or use taxes and filing and recording fees.

The term "**Recapture Event**" shall mean any of the following events:

(1) The Lessee or the Sublessee shall have liquidated its operations and/or assets (absent a showing of extreme hardship);

(2) The Lessee or the Sublessee shall have ceased all or substantially all of its operations at the Facility (whether by relocation to another facility or otherwise, or whether to another facility either within or outside of the City);

(3) The Lessee or the Sublessee shall have transferred all or substantially all of its employees to a location outside of the City;

(4) The Lessee or the Sublessee shall have effected a substantial change in the scope and nature of the operations of the Lessee or the Sublessee at the Facility;

(5) The Lessee or the Sublessee shall have subleased all or any portion of the Facility in violation of

the limitations imposed by Section 9.3 hereof, without the prior written consent of the Agency; or

(6) The Lessee or the Sublessee shall have sold, leased, transferred or otherwise disposed of all or substantially all of its interest in the Facility.

Notwithstanding the foregoing, a Recapture Event shall not be deemed to have occurred if the Recapture Event shall have arisen as a direct, immediate result of (i) a taking or condemnation by governmental authority of all or substantially all of the Facility, or (ii) the inability at law of the Lessee to rebuild, repair, restore or replace the Facility after the occurrence of a Loss Event to substantially its condition prior to such Loss Event, which inability shall have arisen in good faith through no fault on the part of the Lessee or any Affiliate.

(b) The Lessee covenants and agrees to furnish the Agency with written notification upon any Recapture Event or disposition of the Facility or any portion thereof made within ten (10) years of the Operations Commencement Date, which notification shall set forth the terms of such Recapture Event and/or disposition.

(c) In the event any payment owing by the Lessee under this Section 8.5 shall not be paid on demand by the Lessee, such payment shall bear interest from the date of such demand at the then current interest rate imposed by the City's Department of Finance on delinquent payments until the Lessee shall have paid such payment in full, together with such accrued interest to the date of payment, to the Agency.

(d) The Agency, in its sole discretion, may waive all or any portion of any payment owing by the Lessee under this Section 8.5.

(e) The provisions of this Section 8.5 shall survive the termination of this Agreement for any reason whatsoever, notwithstanding any provision of this Agreement to the contrary.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Force Majeure. In case by reason of *force majeure* either party hereto shall be rendered unable wholly or in part to carry out its obligations under this Agreement, then except as otherwise expressly provided in this Agreement, if such party shall give notice and full particulars of such *force majeure* in writing to the other party

within a reasonable time after occurrence of the event or cause relied on, the obligations of the party giving such notice (other than the obligations of the Lessee to make the Rental Payments required under the terms hereof, or to comply with Sections 4.5 or 6.2 hereof), so far as they are affected by such *force majeure*, shall be suspended during the continuance of the inability then claimed, which shall include a reasonable time for the removal of the effect thereof, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "*force majeure*", as employed herein, shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of any kind of the Government of the United States or of the State or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrest, restraining of government and people, civil disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or different cause not reasonably within the control of the party claiming such inability. It is understood and agreed that the requirements that any *force majeure* shall be reasonably beyond the control of the party and shall be remedied with all reasonable dispatch shall be deemed to be satisfied in the event of a strike or other industrial disturbance even though existing or impending strikes or other industrial disturbances could have been settled by the party claiming a *force majeure* hereunder by acceding to the demands of the opposing person or persons.

The Lessee shall promptly notify the Agency upon the occurrence of each *force majeure*, describing such *force majeure* and its effects in reasonable detail. The Lessee shall also promptly notify the Agency upon the termination of each such *force majeure*. The information set forth in any such notice shall not be binding upon the Agency, and the Agency shall be entitled to dispute the existence of any *force majeure* and any of the contentions contained in any such notice received from the Lessee.

Section 9.2 Priority. Pursuant to (i) the First Mortgage, the Agency and the Lessee will grant to the First Mortgagee a mortgage lien on and a security interest in the Facility Realty as security for the payment of amounts due under the First Mortgage Note, (ii) the Bridge Loan Mortgage, the Agency and the Lessee will grant to the Bridge Loan Mortgagee a mortgage lien on and a security interest in the Facility Realty as security for the payment of amounts due under the Bridge Loan Note and (iii) the Second Mortgage, the Agency and the Lessee will grant to the Second Mortgagee a mortgage lien on and a security interest in the Facility Realty as security for the payment of amounts due under the Second Mortgage Note. This Agreement shall be subject and

subordinate to the First Mortgage, the Bridge Loan Mortgage and the Second Mortgage and to such mortgage liens and security interests so created thereby; provided, however, that nothing in said mortgages shall impair the Agency's ability to enforce its rights hereunder against the Lessor.

Section 9.3 Assignment or Sublease. (a) The Lessee shall not at any time (i) except as permitted by Section 6.1 hereof, assign or transfer this Agreement, or (ii) sublet the whole or any part of the Facility, except pursuant to the Sublease Agreement, without the prior written consent of the Agency, and provided that

(i) the Lessee shall deliver to the Agency an Opinion of Counsel acceptable to the Agency to the effect that the sublease shall not cause the Facility to cease being an Approved Facility and a "project" under the Act;

(ii) the Lessee shall remain primarily liable to the Agency for the payment of all Rental Payments hereunder and for the full performance of all of the terms, covenants and conditions of this Agreement and of any other Project Document to which it shall be a party;

(iii) any assignee or transferee of the Lessee or any sublessee in whole of the Facility shall have assumed in writing (and shall have executed and delivered to the Agency an instrument in form for recording) and have agreed to keep and perform all of the terms of this Agreement on the part of the Lessee to be kept and performed, shall be jointly and severally liable with the Lessee for the performance thereof, shall be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State;

(iv) any assignee, transferee or sublessee shall utilize the Facility as an Approved Facility and a qualified "project" within the meaning of the Act;

(v) such assignment, transfer or sublease shall not violate any provision of this Agreement or any other Project Document;

(vi) with respect to any subletting in part, the term of each such sublease does not exceed five (5) years and no more than an aggregate of twenty percent (20%) of the Facility Realty would be subleased by the Lessee;

(vii) in the Opinion of Counsel, such assignment; transfer or sublease shall not legally impair in any respect the obligations of the Lessee for the payment of all Rental Payments nor for the full

performance of all of the terms, covenants and conditions of this Agreement or of any other Project Document to which the Lessee shall be a party, nor impair or limit in any respect the obligations of any Guarantor under the Guaranty Agreement;

(viii) such sublease shall in no way diminish or impair the Lessee's obligation to carry the insurance required under Section 4.5 of this Agreement and the Lessee shall furnish written evidence satisfactory to the Agency that such insurance coverage shall in no manner be limited by reason of such assignment, transfer or sublease; and

(ix) each such sublease contains such other provisions as the Agency may reasonably require.

The Lessee shall furnish or cause to be furnished to the Agency a copy of any such assignment, transfer or sublease in substantially final form at least thirty (30) days prior to the date of execution thereof.

(b) Any consent by the Agency to any act of assignment, transfer or sublease shall be held to apply only to the specific transaction thereby authorized. Such consent shall not be construed as a waiver of the duty of the Lessee, or the successors or assigns of the Lessee, to obtain from the Agency consent to any other or subsequent assignment, transfer or sublease, or as modifying or limiting the rights of the Agency under the foregoing covenant by the Lessee.

(c) If the Facility or any part thereof is sublet or occupied by any Person other than the Lessee, the Agency, in the event of the Lessee's default in the payment of Rental Payments hereunder may, and is hereby empowered to, collect Rental Payments from the sublessee or occupant during the continuance of any such default. In case of such event, the Agency may apply the net amount received by it to the Rental Payments herein provided, and no such collection shall be deemed a waiver of the covenant herein against assignment, transfer or sublease of this Agreement, or constitute the acceptance of the undertenant or occupant as tenant, or a release of the Lessee from the further performance of the covenants herein contained on the part of the Lessee.

(d) The Lessee covenants and agrees that it shall not, without the prior written consent of the Agency, amend, modify, terminate or assign, or to suffer any amendment, modification, termination or assignment of, the Sublease Agreement or any sublease entered into in accordance with this Section.

(e) The limitations in this Section 9.3 on assignment or transfer of this Agreement and subletting in whole or in part of the Facility shall have equal application to any assignment or transfer of the Sublease Agreement and any sub-subletting in whole or in part of the Facility, except that the Sublease Agreement may be assigned as contemplated by any assignment, collateral or otherwise from the Lessee to the First Mortgagee, from the Lessee to the Bridge Loan Mortgagee or from the Lessee to the Second Mortgagee or any assignee of such Mortgagee, all of the Lessee's right, title and interest in and to the Sublease Agreement, including all sublease rentals, revenues and receipts therefrom, and the right to enforce all of the Lessee's rights and remedies thereunder.

(f) The Lessee agrees to furnish the Agency, in substantially the form provided in Schedule C hereto, with a certificate of an Authorized Representative of the Lessee on January 1 of each year setting forth all Persons other than the Lessee or Sublessee, if any, that shall be utilizing or occupying any portion of the Facility Realty, the amount of space so occupied or utilized and the percentage of the available square footage of the Facility Realty represented by such occupation or utilization.

Section 9.4 Amendments. This Agreement may be amended by a written instrument executed and delivered by the parties hereto; provided, however, that no amendment pertaining directly or indirectly to the rights, powers or privileges of the First Mortgagee, the Bridge Loan Mortgagee or the Second Mortgagee shall be effective without the consent of the First Mortgagee, the Bridge Loan Mortgagee or the Second Mortgagee.

Section 9.5 Notices. All notices, certificates or other communications hereunder shall be sufficient if sent (i) by registered or certified United States mail, postage prepaid, (ii) by a nationally recognized overnight delivery service, charges prepaid or (iii) by hand delivery, addressed, as follows:

(y) if to the Agency, to the Chairperson, New York City Industrial Development Agency, 110 William Street, New York, New York 10038 with a copy to the Executive Director of the Agency at the same address, and

(z) if to the Lessee, 729 46th Street, Brooklyn, New York 11220, Attention: Salvatore Salmieri.

The Agency and the Lessee may, by like notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice, certificate or other communication hereunder shall, except as may expressly be provided herein, be deemed to have

been delivered or given (i) three (3) Business Days following posting if transmitted by mail, (ii) one (1) Business Day following sending if transmitted by a nationally recognized overnight delivery service, or (iii) upon delivery if given by hand delivery, with refusal by an Authorized Representative of the intended recipient party to accept delivery of a notice given as prescribed above to constitute delivery hereunder. Notices may also be given in compliance with this Agreement by telecopy, provided that the recipient party consents to the use of telecopy transmissions for giving of notices hereunder and receipt of any such telecopy transmission is confirmed by the transmitting party.

Any notice, demand or report required to be given hereunder by the Agency or the Lessee shall also be delivered, at the same time and in the same manner as such notice, demand or report is required to be given to the Agency or the Lessee hereunder, to the Sublessee.

The Agency shall deliver to the First Mortgagee, the Bridge Loan Mortgagee and the Second Mortgagee a copy of any notice of default or notice of its intent to convey title to the Facility to the Lessee that the Agency delivers to the Lessee. Such copies shall be delivered at the same time and in the same manner as such notice is required to be given to the Lessee, addressed as follows:

(i) if to the First Mortgagee, to New York Business Development Corporation, 633 Third Avenue, 36th Floor, New York, New York 10017, with a copy to _____

(ii) if to the Bridge Loan Mortgagee or Second Mortgagee, to Empire State Certified Development Corporation, 41 State Street (P.O. Box 738), Albany, New York 12201-0738.

Section 9.6 Prior Agreements Superseded. This Agreement shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Agency and the Lessee relating to the Facility.

Section 9.7 Severability. If any clause, provision or section of this Agreement be ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining provisions hereof.

Section 9.8 Inspection of Facility. The Lessee will permit the Agency, or its duly authorized agent, at all reasonable times, to enter the Facility but solely for the purpose of (y) assuring that the Lessee is operating the Facility, or is causing the Facility to be operated, as an

Approved Facility and a qualified "project" within the meaning of the Act consistent with the purposes set forth in the recitals to this Agreement and with the public purposes of the Agency, and (z) determining whether the Facility and/or the use thereof is in violation of any environmental law, and not for any purpose of assuring the proper maintenance or repair of the Facility as such latter obligation is and shall remain solely the obligation of the Lessee.

Section 9.9 Effective Date; Counterparts. This Agreement shall become effective upon its delivery on the Commencement Date. It may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.10 Binding Effect. This Agreement shall inure to the benefit of, and shall be binding upon, the Agency and the Lessee and their respective successors and assigns.

Section 9.11 Third Party Beneficiaries. It is the intention of the parties hereto that nothing contained herein is intended to be for, or to inure to, the benefit of any Person other than the parties hereto.

Section 9.12 Law Governing. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD OR GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF.

Section 9.13 Waiver of Trial by Jury. The parties do hereby expressly waive all rights to trial by jury on any cause of action directly or indirectly involving the terms, covenants or conditions of this Agreement or the Facility or any matters whatsoever arising out of or in any way connected with this Agreement.

The provision of this Agreement relating to waiver of a jury trial and the right of re-entry or repossession shall survive the termination or expiration of this Agreement.

Section 9.14 Non-Discrimination. (a) At all times during the maintenance and operation of the Facility, the Lessee shall not discriminate nor permit the Sublessee to discriminate against any employee or applicant for employment because of race, color, creed, age, sex or national origin. The Lessee shall use its best efforts to ensure that employees and applicants for employment with the Lessee or any subtenant of the Facility are treated without regard to their race, color, creed, age, sex or national origin. As used herein, the term "treated" shall mean and include, without limitation, the following: recruited, whether by advertising or other means; compensated, whether in the form of rates of pay or other forms of compensation; selected for training, including

apprenticeship; promoted; upgraded; downgraded; demoted; transferred; laid off; and terminated.

(b) The Lessee shall, in all solicitations or advertisements for employees placed by or on behalf of the Lessee or the Sublessee, state that all qualified applicants will be considered for employment without regard to race, color, creed or national origin, age or sex.

(c) The Lessee shall furnish to the Agency all information required by the Agency pursuant to this Section and will cooperate with the Agency for the purposes of investigation to ascertain compliance with this Section.

(d) The Agency and the Lessee shall, from time to time, mutually agree upon goals for the employment, training, or employment and training of members of minority groups in connection with performing work with respect to the Facility.

Section 9.15 Recourse under This Agreement. All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency, and not of any member, director, officer, employee or agent of the Agency in such person's individual capacity, and no recourse shall be had for any reason whatsoever hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing this Agreement on behalf of the Agency. In addition, in the performance of the agreements of the Agency herein contained, any obligation the Agency may incur for the payment of money shall not create a debt of the State or the City and neither the State nor the City shall be liable on any obligation so incurred, by any such obligation shall be payable solely out of amounts payable to the Agency by the Lessee hereunder.

Section 9.16 Date of Agreement for Reference Purposes Only. The date of this Agreement shall be for reference purposes only and shall not be construed to imply that this Agreement was executed on the date first above written. This Agreement was executed and delivered on February 11, 1998.

IN WITNESS WHEREOF, the Agency has caused its corporate name to be hereunto subscribed by its duly authorized Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and attested under the seal of the Agency by its Secretary, an Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs and the Lessee has duly executed this Agreement all being done as of the year and day first above written.

(SEAL)

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

ATTEST:



Name: *Carolyn A. Edwards*
Title: *Assistant Secretary*

By:



Ross F. Moskowitz,
Executive Director

(SEAL)

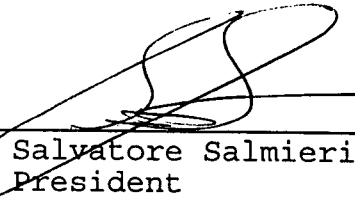
MATSAL REALTY CORP.

ATTEST:



Name:
Title:

By:



Salvatore Salmieri
President

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

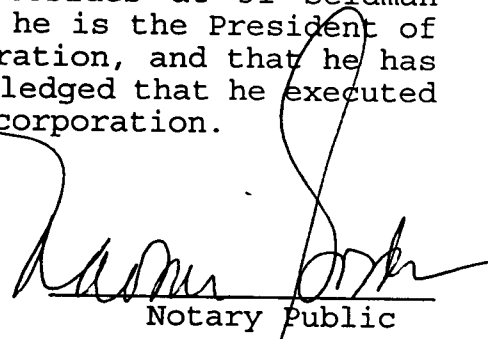
On the 11th day of February, in the year one thousand nine hundred ninety-eight, before me personally came Ross F. Moskowitz, to me known, who being by me duly sworn, did depose and say that his principal place of business is at 110 William Street, New York, New York 10038, that he is the Executive Director of the New York City Industrial Development Agency, the Agency described in and which executed the above instrument; that he knows the seal of said Agency; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the board of directors of said Agency, and that he signed his name thereto by like authority.

Judith A. Capolongo
Notary Public

JUDITH A. CAPOLONGO
Commissioner of Deeds, City of New York
No. 5-1425
Cert. Filed in New York County
Commission Expires October 23, 1999

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

On the 11th day of February, in the year one thousand nine hundred ninety-eight, before me personally came Salvatore Salmieri, to me known to be the individual who executed the foregoing instrument, and who, being duly sworn by me, did depose and say that he resides at 31 Seidman Avenue, Staten Island, New York; that he is the President of Matsal Realty Corp., a New York corporation, and that he has authority to sign the same, and acknowledged that he executed the same as the act and deed of said corporation.



Handwritten signature of Naomi Gordon in cursive script, written over a horizontal line.

Notary Public

NAOMI GORDON
Notary Public, State of New York
No. 4970951
Qualified in Nassau County
Commission Expires August 20, 199_

Exhibit A

DESCRIPTION OF THE LAND

DESCRIPTION OF THE FACILITY EQUIPMENT

Facility Equipment shall mean that machinery, equipment and other tangible personal property acquired and installed as part of the Project pursuant to Section 2.2 hereof, together with all repairs, replacements, improvements, substitutions and renewals thereof or therefor and all parts, additions and accessories incorporated therein or affixed thereto (but excluding Lessee's Property within the meaning of Section 4.1(c) hereof or Existing Facility Property released pursuant to Section 4.2 hereof), as more particularly described in Exhibit B "Description of the Facility Equipment" hereto, which is made a part of this Agreement. "Facility Equipment" shall not include (i) rolling stock, (ii) any item of personalty which shall have a useful life of less than one year or which shall not constitute a tangible capital asset, (iii) plants, shrubs, trees, flowers, lawns or plants, or (iv) fine art, *objects d'art* or other similar decorative items.

Exhibit C

PROJECT COST BUDGET

Add from Application

Annual Employment Report

For the Year Ending June 30, _____

In order to comply with Local and State employment reporting requirements, the New York City Industrial Development Agency must require all of its project companies to complete and return the Report to the Agency no later than August 1, _____.

Telephone # _____

Tax ID # _____

Please provide information as of June 30th of jobs at the Project Location(s). Do not include any subcontractors and consultants. Include only employees and owners/principals on your payroll at the Project Location.

Number of existing FULL TIME JOBS

Number of existing PART TIME JOBS

Certification: I, the undersigned, hereby certify to the best of my knowledge and belief, that all information contained in this report is true and complete, and that I understand it is submitted pursuant to agreement. The Company hereby authorizes any private or governmental entity, including but not limited to The New York State Department of Labor ("DOL"), to release to the New York City Industrial Development Agency (the "Agency") and/or to the New York City Economic Development Corporation ("EDC"), and/or to the successors and assigns of either (collectively, the "Information Recipients"), any and all employment information under DOL's control which is pertinent to the Company and the Company's employees. In addition, upon the Agency's request, the Company shall provide to the Agency any employment information in the Company's possession which is pertinent to the Company and the Company's employees. Information released or provided to Information Recipients by DOL, or by any other governmental entity, or by any private entity, or by the Company itself, or any information previously released as provided by all or any of the foregoing parties (collectively, "Employment Information") may be disclosed by the Information Recipients in connection with the administration of the programs of the Agency, and/or EDC, and/or the successors and assigns of either, and/or the City of New York, and/or as may be necessary to comply with law; and, without limiting the foregoing, the Employment Information may be included in (x) reports prepared by the Information Recipients pursuant to New York City Local Law 69 of 1993, (y) other reports required of the Agency, and (z) any other reports required by law. This authorization shall remain in effect throughout the term of this transaction.

Name of Company _____

Principal/Owner/Chief Financial Officer _____

Signature _____ Date _____ (Please Print)

If you have any questions, please call the Compliance Helpline at (212) 312-3963

*Please submit the completed form to: New York City Industrial Development Agency
 110 William Street, New York, NY 10038
 Attention: Compliance Unit*

BENEFITS REPORT

For benefits utilized during the period of 7/1/96 - 6/30/97

SALES TAX BENEFITS - not applicable

Machinery & Equipment

Purchase Cost: \$ _____
 Sales Tax Benefits: \$ _____
 NPV of Benefits*: \$ _____

Tenant Improvements

Purchase Cost: \$ _____
 Sales Tax Benefits: \$ _____
 NPV of Benefits*: \$ _____

Other (please specify) _____

Other (please specify) _____

Purchase Cost: \$ _____
 Sales Tax Benefits: \$ _____
 NPV of Benefits*: \$ _____

Purchase Cost: \$ _____
 Sales Tax Benefits: \$ _____
 NPV of Benefits*: \$ _____

Total Purchase Costs: \$ _____
Total Sales Tax Benefits: \$ _____
Discount Rate Percentage: _____ %
Total NPV of Sales Tax Benefits*: \$ _____

BUSINESS INCENTIVE RATE - not applicable

Normal Rate: \$ _____
 Incentive Rate: \$ _____
 Savings: \$ _____

Company (please print): _____

Authorized Signature: _____

Title: _____ *Date:* _____

** if applicable*

19-- subtenant survey

In order to verify compliance with Section 9.3 of your Lease Agreement, please list all subtenants occupying space in your facility and the corresponding information in complete form by **JANUARY 1, 19--**.

IMPORTANT FOR PILOT RECIPIENTS

FAILURE TO SUPPLY THIS INFORMATION BY THE ABOVE STATED DUE DATE WILL CONSTITUTE AN EVENT OF DEFAULT PURSUANT TO SECTION 7.1 OF THE LEASE AGREEMENT AND YOUR COMPANY MAY BE SUBJECT TO A TERMINATION OF THE PILOT BENEFITS.

Subtenant	Floor	Square Feet Leased	Lease Begins	Lease Ends
-----------	-------	-----------------------	-----------------	---------------

I, the undersigned hereby certify to the best of my knowledge and belief, that the information reported above is true and complete. I understand that this information is submitted pursuant to the requirements of the IDA Lease Agreement.

Name: _____

Title: _____

Signature: _____

Date: _____

Please mail this form to the address below, ATTENTION: COMPLIANCE UNIT

**Annual Report of Sales and Use Tax Exemptions
Claimed by Agent/Project Operator of
Industrial Development Agency/Authority (IDA)**

ST-340
(8/95)

For Period Ending December 31, 19 ____

Project Information

Name of IDA agent/project operator		Federal employer identification number (EIN)	
Street address		Telephone number	
State		ZIP code	
Name of IDA agent/project operator's authorized representative, if any		Title	
Street address		Telephone number	
State		ZIP code	
Name of IDA		Project number	
Street address		State	
State		ZIP code	
Name of project		Project number	
Street address of project site		State	
State		ZIP code	

Project purpose:

<input type="checkbox"/> Services	<input type="checkbox"/> Construction	<input type="checkbox"/> Agriculture, forestry, fishing
<input type="checkbox"/> Wholesale trade	<input type="checkbox"/> Retail trade	<input type="checkbox"/> Finance, insurance or real estate
<input type="checkbox"/> Transportation, communication, electric, gas or sanitary services		
<input type="checkbox"/> Manufacturing	<input type="checkbox"/> Other (specify) _____	

Date project began: ____ / ____ / ____
MM DD YY

Beginning date of construction or installation (actual or expected): ____ / ____ / ____
MM DD YY

Completion date of construction phase of project (actual or expected): ____ / ____ / ____
MM DD YY

Completion date of project (actual or expected): ____ / ____ / ____
MM DD YY

Duration of project (years/months; actual or expected): ____ / ____
Years Months

Total sales and use tax exemptions	7
Name of officer, employee or authorized representative signing for the IDA agent/project operator	Title of person signing
Signature	Date

Failure to file a complete report annually may result in the removal of authority to act as an IDA agent/project operator.

Completed report to: NYS TAX DEPARTMENT, IDA UNIT, BLDG 9 RM 215, W A HARRIMAN CAMPUS, ALBANY NY 12227.

General Information

The General Municipal Law (GML) and the Public Authorities Law require agents or project operators (also known as project occupants) of an Industrial Development Agency or Authority (i.e., an IDA) to file an annual report with the New York State Department of Taxation and Finance. The agent/project operators required to file this report are those persons the IDA appoints to act for and represent the IDA with regard to the project, and the industrial, manufacturing, commercial or other enterprise the IDA appoints to use, occupy or operate the project undertaken by the IDA. It does not include persons who are mere tenants of the IDA agent/project operator, nor does it include officers or employees of an IDA in their capacity as such officers or employees.

The reporting requirement applies to IDA projects commenced on or after July 21, 1993. The initial report that must be filed is for the period October 19, 1993, through December 31, 1994, and is due by September 30, 1995. Because September 30, 1995 is a Saturday, this initial report is actually due by October 2, 1995. Subsequent reports must be filed on a calendar-year basis and are due by the last day of February of the following year.

The report must show the total value of all state and local sales and compensating use taxes exempted during the reporting period as a result of the project's designation as an IDA project. The IDA agent or project operator must include in its report the value of the exemptions it obtained, as well as the value of the sales and use tax exemptions obtained by its contractors, subcontractors, consultants and other agents. You are not required to report separately the value of the sales and use tax exemptions obtained by contractors, subcontractors, consultants, etc., individually. However, since you must include the value of the exemptions they have obtained by reason of the IDA project's exempt status in the total amount you report on line 7, you should keep documentation of the amounts they provide to you for your use in completing this report, or in the event you are asked to produce this information.

Do not include in this report the amount of any sales and use tax exemptions arising out of other provisions of the Tax Law e.g., manufacturer's production equipment exemption, research and development exemption, etc.)

Instructions

At the top of the form, identify the reporting period by entering the year in the space provided. If an address is required, always include the ZIP code.

Name of IDA agent/project operator

Enter the name, address, federal employer identification number (EIN), and telephone number of the IDA agent/project operator.

Name of IDA agent/project operator's authorized representative

Enter the name, address, title and telephone number of the individual (e.g. attorney or accountant) authorized by the IDA agent/project operator to submit this report.

Name of IDA

Enter the name and address of the IDA.

Note: If more than one IDA is involved in a particular project, the IDA agent or project operator must file a separate report for each tax exemptions attributable to each IDA.

Name of Project

Enter the name of the project, the address of the project site, and the number assigned to the project (if applicable). A separate report must be filed by the IDA agent or project operator for each project, even if authorized by the same IDA.

Line Instructions

Line 1 - **Project purpose** - Check the box that identifies the purpose of the project. If you check *Other*, please be specific in identifying its purpose.

Line 2 - Enter the date the project started (this means the earliest of the date of any bond or inducement resolution, the execution of any lease, or any bond issuance). Include month, day and year.

Line 3 - Enter the date on which you, or your general contractor or subcontractor, actually began or expect to begin construction or installation on the project. If the project does not involve any construction, enter: *Does not apply*.

Line 4 - Enter the date the construction phase of the project completed. If it has not been completed by the end of the reporting period, enter the date you expect to complete this phase of the project.

Line 5 - Enter the date on which installation, lease, or rental of property (e.g., machinery, computers, etc.) on the project ended. If the project was not completed by the end of the reporting period, enter the date the project is expected to be completed.

Line 6 - Enter the total number of years and months from the project's inception to its completion or expected completion.

Line 7 - Enter the total amount of New York State and local sales and compensating use taxes exempted during the reporting period (if none, enter "0") as a result of the project's receipt of IDA financial assistance. This includes exemptions obtained at the time of purchase as well as through a refund of credit of tax paid. Include the sales and use taxes exempted on purchases of property or services incorporated into or used on the exempt project. This includes the taxes exempted on purchases made by or on behalf of the agent or project operator, the general contractor for the project and any subcontractors, consultants or other agents.

Signature area

Enter the name and title of the person signing on behalf of the IDA agent/project operator (e.g., the IDA agent/project operator officer, employee or other authorized representative). The report must be signed by the IDA agent/project operator's officer or employee or authorized representative. Enter the date signed.

Mail completed report to: NYS Tax Department, IDA Unit, Bldg. 9 Rm 215, W A Harriman Campus, Albany NY 12227.

Privacy Notification

The right of the Commissioner of Taxation and Finance and the Department of Taxation and Finance to collect and maintain personal information, including mandatory disclosure of social security number in the manner required by tax regulations, instructions and forms, is found in Articles 8, 15, 18-A, 28 and 28-A of the Tax Law and 42 USC 405(c)(2)(C)(i).

The Tax Department will use this information primarily to determine and administer the insurance awards and sales tax liabilities under the Tax Law, and for any other purpose authorized by law.

Failure to provide the required information may result in civil or criminal penalties, or both, under the Tax Law.

This information will be maintained by the Director of the Data Management Services Bureau, NYS Tax Department, Building 8 Room 905, W A Harriman Campus, Albany NY 12227; telephone (from New York State only) 1 800 CALL TAX (1 800 225-5829); from areas outside New York State call (518) 438-8581.

Need Help?

For forms or publications, call toll free (from New York State only) 1 800 462-8100. From areas outside New York State, call (518) 438-1073.

For information, forms or publications, call the Business Tax Information Center at 1 800 972-1233. The call is toll free from anywhere in the U.S. (including Alaska and Hawaii) and Canada. For information, you can also call toll free (from New York State only) 1 800 CALL TAX (1 800 225-5829). From areas outside New York State, call (518) 438-8581.

Telephone assistance is available from 8:30 a.m. to 4:25 p.m., Monday through Friday.

Persons with Disabilities - In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call the information and assistance numbers listed above.

Hotline for the Hearing and Speech Impaired - If you have a hearing or speech impairment and have access to a telecommunications device for the deaf (TDD), you can get answers to your New York State tax questions by calling 1 800 634-2110 toll free from anywhere in the U.S. (including Alaska and Hawaii) and Canada. Hours of operation are from 8:30 a.m. to 4:15 p.m., Monday through Friday. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.

If you need to write, address your letter to: NYS Tax Department, Taxpayer Assistance Bureau, W A Harriman Campus, Albany NY 12227.

PILOT ESCROW AGREEMENT

Dated as of February 1, 1998

by and among

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

MATSAL REALTY CORP.

JAMES F. VOLPE ELECTRICAL CONTRACTING CORP.

and

UNITED STATES TRUST COMPANY OF NEW YORK
as Escrow Agent

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PILOT ESCROW AGREEMENT

THIS PILOT ESCROW AGREEMENT, dated as of February 1, 1998 (this "Agreement"), by and among NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York organized and existing under the laws of the State of New York (the "Agency"), MATSAL REALTY CORP., a corporation organized and existing under the laws of the State of New York (the "Lessee"), JAMES F. VOLPE ELECTRICAL CONTRACTING CORP., a corporation organized and existing under the laws of the State of New York, (the "Sublessee"), and UNITED STATES TRUST COMPANY OF NEW YORK ("U.S. Trust"), a bank organized and existing under the laws of New York, as Escrow Agent (the "Escrow Agent").

WHEREAS, concurrently with the execution and delivery of this Agreement, the Agency and the Lessee are entering into that certain Lease Agreement, dated as of February 1, 1998 (as the same may be amended from time to time, the "Lease Agreement"), pursuant to which the Agency will lease to the Lessee certain premises and improvements thereon as described therein (the "Facility"); and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Lessee and the Sublessee are entering into that certain Sublease Agreement, dated as of February 1, 1998 (as the same may be amended from time to time, the "Sublease Agreement"), pursuant to which the Lessee will sublease its interest in the Facility to the Sublessee and the Sublessee will agree, among other things, to pay on behalf of the Lessee, all Rental Payments (as defined in the Lease Agreement) payable by the Lessee under the Lease Agreement as the same become due; and

WHEREAS, under Section 4.3 of the Lease Agreement, the Lessee will be required to make certain payments in lieu of taxes with respect to the Facility; and

WHEREAS, Section 4.3 of the Lease Agreement provides that the Lessee shall provide for such payments, if so directed by the Agency, by paying certain installments to a "PILOT Escrow Agent" and that such PILOT Escrow Agent shall apply such installments to satisfy the Lessee's obligations under Section 4.3 to make such payments in lieu of taxes when due; and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Agency and the Lessee are entering into that certain Mortgage (the "First Mortgage") pursuant to which the Agency and the Lessee are granting to New York Business Development Corporation (the "First Mortgagee") a first mortgage on the Facility and related collateral as security for the payment by the Lessee to the First Mortgagee of certain indebtedness and amounts payable pursuant to the First Mortgage; and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Agency and the Lessee are entering into that certain Bridge Loan Mortgage (the "Bridge Loan Mortgage") pursuant to which the Agency and the Lessee are granting to Empire State Certified Development Corporation (the "Bridge Loan Mortgagee" or the "Second Mortgagee") a subordinate or bridge mortgage on the Facility and related collateral as security for the payment by the Lessee to the Bridge Loan Mortgagee of certain indebtedness and amounts payable pursuant to the Bridge Loan Mortgage; and

WHEREAS, after completion of construction of improvements to the Facility, the Agency and the Lessee are entering into that certain Mortgage Agreement (the "Second Mortgage") pursuant to which the Agency and the Lessee are granting to the Second Mortgagee a second mortgage on the Facility and related collateral as security for the payment by the Lessee to the Second Mortgagee of certain indebtedness and amounts payable pursuant to the Second Mortgage; and

WHEREAS, the First Mortgage, the Bridge Loan Mortgage and the Second Mortgage provide that the Lessee shall promptly pay when due all taxes, including payments in lieu of taxes (including amounts payable by the Lessee pursuant to Section 4.3 of the Lease Agreement) imposed, levied or assessed against the Facility; and

WHEREAS, the Agency and the Lessee and the Sublessee hereby determine that it is in their best interests to provide herein for the appointment of a PILOT Escrow Agent and to provide for the duties to be performed by such PILOT Escrow Agent in order to comply with Section 4.3 of the Lease Agreement and to ensure compliance with the First Mortgage, the Bridge Loan Mortgage and the Second Mortgage;

NOW, THEREFORE, in consideration of the premises and the respective agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions. Capitalized terms used but not otherwise defined in this Agreement shall have the respective meanings given to such terms in the recitals hereto, unless the context in which such terms are used requires otherwise.

ARTICLE II

APPOINTMENT OF PILOT ESCROW AGENT; CREATION OF PILOT ESCROW FUND; AGREEMENT TO MAKE DEPOSITS TO THE PILOT ESCROW FUND; AND APPLICATION OF PILOT ESCROW FUND

SECTION 2.1 Appointment of Escrow Agent. The Agency hereby appoints United States Trust Company of New York, a bank organized and existing under the laws of the State of New York, as Escrow Agent to perform the duties of the PILOT Escrow Agent under the Lease Agreement upon the terms and subject to the conditions herein set forth, and United States Trust Company of New York, subject to Article III of this Agreement, hereby accepts such appointment. The Escrow Agent shall have the power and authority granted to and conferred upon it in this Agreement and such further power and authority to act on behalf of the Agency as the Agency may hereafter grant to or confer upon the Escrow Agent. The Escrow Agent shall not assign its obligations under this Agreement, other than as permitted under 3.1 (j)(iv) hereof, without the prior written consent of the Agency, which consent shall not be unreasonably withheld, and without delivery to the other parties hereto of a written instrument executed by any purported assignee by which such assignee expressly and unconditionally accepts its obligations to perform as the Escrow Agent hereunder.

SECTION 2.2 Creation of the PILOT Escrow Fund. There is hereby created and established with the Escrow Agent a special fund designated the "New York City Industrial Development Agency James F. Volpe Electrical Contracting Corp. Project PILOT Escrow Fund" (the "PILOT Escrow Fund") to be held in the custody and possession of the Escrow Agent and accounted for separately and apart from all other funds of the Agency, the Lessee, the Sublessee and the Escrow Agent.

SECTION 2.3 Agreement to Make Deposits to the PILOT Escrow Fund. The Lessee and the Sublessee hereby agree, and the Agency hereby acknowledges and directs, that to the extent that the Lessee or the Sublessee shall be required under Section 4.3 of the Lease Agreement (the provisions of which are set forth in Exhibit A to this Agreement, which is hereby incorporated by reference into this Agreement as if the contents thereof were fully set forth herein) to pay moneys to the PILOT Escrow Agent defined thereunder, such payments shall be made directly to the Escrow Agent, and the Escrow Agent hereby agrees to deposit such moneys so paid into the PILOT Escrow Fund as soon as practicable following the receipt thereof.

SECTION 2.4 Application of the PILOT Escrow Fund. The parties to this Agreement hereby acknowledge and agree that moneys on deposit in the PILOT Escrow Fund shall be held and applied subject to and in accordance with Section 4.3 of the Lease Agreement. The Escrow Agent hereby agrees to perform each of the

obligations provided to be performed by the PILOT Escrow Agent under Section 4.3 of the Lease Agreement.

ARTICLE III

ADDITIONAL PROVISIONS CONCERNING THE ESCROW AGENT

SECTION 3.1 Conditions of Escrow Agent's Obligations.

The Escrow Agent accepts its obligations herein set forth, upon the following terms, to all of which the Agency, the Lessee and the Sublessee agree:

(a) Compensation and Indemnification. The Lessee and the Sublessee jointly and severally agree to pay the Escrow Agent \$500 on the first day of January of each year commencing January 1, 1999. The Lessee and the Sublessee, jointly and severally, agree to pay the Escrow Agent for the services rendered by the Escrow Agent hereunder, and, within ten (10) days after receipt by the Lessee or the Sublessee of a written request therefor, to reimburse the Escrow Agent for reasonable out-of-pocket expenses (including counsel fees) incurred by the Escrow Agent in connection with the services rendered hereunder by the Escrow Agent. The Lessee and the Sublessee also, jointly and severally, agree to indemnify the Escrow Agent for, and to hold it harmless against, any loss, liability or expense incurred by the Escrow Agent without wilful misconduct, gross negligence or bad faith on the part of the Escrow Agent, arising out of or in connection with its acting as such Escrow Agent hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance at any time of its powers or duties hereunder. The obligations of the Lessee and the Sublessee under this subsection (a) shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent. In the event that the Lessee and the Sublessee fail to pay fees and expenses in full when due, the Escrow Agent shall be entitled to exercise all remedies available to the Escrow Agent at law or in equity to collect such amounts, but the Escrow Agent shall not have any lien on any of the moneys on deposit in, or paid for deposit in, the PILOT Escrow Fund.

(b) Agent for the Agency. In acting under this Agreement, the Escrow Agent is acting solely as agent of the Agency and does not assume any obligation or relationship of agency or trust for or with any of the Lessee, the Sublessee or any other person.

(c) Reliance on Counsel. As a condition to performing its duties hereunder, the Escrow Agent may consult with counsel, and the written advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Lessee and the Sublessee, jointly and severally, agree to pay the reasonable fees and expenses of such counsel

promptly upon the written demand therefor delivered by the Escrow Agent to the Lessee or the Sublessee.

(d) Documents. The Escrow Agent shall be protected and shall incur no liability for or in respect of any action taken or omitted by it in reliance upon any notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably believed by it to be genuine and to have been presented or signed by the proper parties.

(e) Certain Transactions. The Escrow Agent, any of its officers, directors and employees, or any other agent of the Agency, in its individual or any other capacity, to the extent permitted by applicable law, may engage or be interested in any financial or other transaction with the Agency, the Lessee or the Sublessee and may act on, or as depository, trustee or agent for, any committee or body of obligations of the Agency, the Lessee or the Sublessee as freely as if it were not such Escrow Agent hereunder.

(f) No Liability for Interest. The Escrow Agent shall not be under any liability for interest on any moneys at any time received by it pursuant to any of the provisions of this Agreement.

(g) No Liability. The Escrow Agent shall not incur any liability with respect to the validity of this Agreement, the Lease Agreement or the Sublease Agreement nor shall the Escrow Agent be liable in any respect for acting hereunder in its capacity as Escrow Agent other than for its gross negligence or willful misconduct.

(h) No Responsibility for Recitals. The Escrow Agent shall not be responsible for any of the recitals contained herein, all of which are made solely by the Agency, the Lessee and the Sublessee.

(i) No Implied Obligations. The Escrow Agent shall be obligated to perform such duties as are herein specifically set forth, and no implied duties or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not be under any obligation to take any action hereunder which may tend to involve it in any expense or liability, the payment of which within a reasonable time is not, in its reasonable opinion, assured to the Escrow Agent. The Escrow Agent shall have no duty or responsibility in case of any default by the Lessee or the Sublessee in the performance of any covenants or agreements contained herein.

(j) Resignation, Removal and Appointment of Successor.

(i) The Escrow Agent may at any time resign as such agent by giving written notice to the Agency, the Lessee and the Sublessee of such intention on its part, specifying the date on which it desires its resignation to become effective; provided that, without

the consent of the Agency, such date shall not be less than thirty (30) days after the date on which such notice is given.

(ii) The Escrow Agent hereunder may be removed at any time by the filing with it of an instrument in writing signed by or on behalf of the Agency and specifying such removal and the date on which the Agency expects such removal to become effective.

(iii) In case at any time the Escrow Agent shall resign, or be removed, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or shall file a voluntary petition in bankruptcy or make an assignment for the benefit of its creditors or consent to the appointment of a receiver or custodian of all or any substantial part of its property, or shall admit in writing its inability to pay or meet its debts as they mature, or if a receiver or custodian of it or of all or any substantial part of its property shall be appointed, or if an order of any court shall be entered approving any petition filed by it or against it under the provisions of any applicable bankruptcy or similar law, or if any public officer shall have taken charge or control of the Escrow Agent or of its property or affairs, a successor Escrow Agent may be appointed by the Agency, and, upon the appointment of any such successor Escrow Agent and acceptance by such successor of such appointment, the Escrow Agent so superseded shall cease to be Escrow Agent hereunder and shall transfer to such successor all monies held by the Escrow Agent hereunder.

(iv) Any corporation into which the Escrow Agent hereunder may be merged or converted or any corporation with which the Escrow Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Escrow Agent, shall be the successor Escrow Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that its assumption of the duties of the Escrow Agent hereunder shall be subject to the prior written consent of the Agency.

ARTICLE IV

MISCELLANEOUS

SECTION 4.1 Amendments. (a) This Agreement may be amended or modified only by a written instrument executed by all of the parties hereto.

(b) Notwithstanding any provisions of the Lease Agreement or the Sublease Agreement to the contrary, the Agency and the Lessee agree not to amend or modify the Lease Agreement; and the Lessee and the Sublessee agree not to amend or modify the Sublease Agreement, in any way which would adversely affect the rights of or in any way alter, amend, modify or supplement the obligations to be performed by the Escrow Agent under this Agreement, unless the Escrow Agent gives its prior written consent to any such amendment or modification.

SECTION 4.2 Communications. Any communications to the parties hereto shall be given by first-class mail, postage prepaid, or by overnight courier, charges prepaid, or by telecopy transmission, receipt promptly confirmed by telephone, to the addresses, or, in the case of telecopy transmissions, to the telecopy numbers set forth below:

if to the Agency: New York City Industrial
Development Agency
110 William Street
New York, New York 10038
Attention: Executive Director
cc: General Counsel

if to the Lessee: Matsal Realty Corp.
729 46th Street
Brooklyn, New York 11220
Attention: Salvatore Salmieri

with copies to: Gregory C. Poulos, Esq.
26 Court Street, Suite 1402
Brooklyn, New York 11242

if to the Sublessee: James F. Volpe Electrical
Contracting Corp.
729 46th Street
Brooklyn, New York 11220
Attention: Salvatore Salmieri

with copies to: Gregory C. Poulos, Esq.
26 Court Street, Suite 1402
Brooklyn, New York 11242

if to the Escrow Agent: United States Trust Company
of New York
114 West 47th Street
New York, New York 10036-1532
Attn: Corporate Trust Department

A true and complete copy of any communication given by the Lessee or the Sublessee by the Escrow Agent, and any communication given by the Escrow Agent to the Lessee or the

Sublessee, shall be sent to the Agency by the party furnishing such communication simultaneously with the provision of such communication and in the same manner in which such communication is so provided.

Any communication given hereunder shall be given concurrently, by the same means, to the First Mortgagee and the Second Mortgagee at the following addresses:

if to the First
Mortgagee:

New York Business
Development Corporation
633 Third Avenue, 36th Floor
New York, New York 10017
Attn: Chet Sadowski

with copies to:

Michael F. O'Shea, Esq.
Certilman, Balin, Adler &
Hyman, LLP
90 Merrick Avenue
East Meadow, New York 11554

if to the Second
Mortgagee:

Empire State Certified
Development Corporation
41 State Street
P.O. Box 738
Albany, New York 12201-0738

with copies to:

Michael F. O'Shea, Esq.
Certilman, Balin, Adler &
Hyman, LLP
90 Merrick Avenue
East Meadow, New York 11554

The Agency, the Lessee, the Sublessee, the Escrow Agent, the First Mortgagee or the Second Mortgagee at any time, by written notice to such other parties, may direct that communications to it be sent to another address than as set forth above, and, upon receipt of such notice and thereafter, such other parties shall furnish communications, if any, to it at such new address.

SECTION 4.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the principles of conflicts of laws thereof.

SECTION 4.4 Beneficiaries. Nothing in this Agreement express or implied and nothing that may be inferred from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any person or corporation other than the Agency,

the Lessee, the Sublessee and the Escrow Agent any right, remedy or claim under or by reason of this Agreement or of any covenant, condition, stipulation, promise or agreement hereof; and all covenants, conditions, stipulations, promises and agreements in this Agreement contained shall be for the sole and exclusive benefit of the Agency, the Lessee, the Sublessee and the Escrow Agent.

SECTION 4.5 No Recourse Against Agency Members and Officers and Persons acting on Agency's Behalf. All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency, and not of any member, director, officer, employee or agent of the Agency in such person's individual capacity, and no recourse shall be had for any reason whatsoever hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing this Agreement on behalf of the Agency. In addition, in the performance of the agreements of the Agency herein contained, any obligation the Agency may incur for the payment of money shall not create a debt of the State of New York or The City of New York, and neither the State of New York nor The City of New York shall be liable on any obligation so incurred, but any such obligation shall be payable solely out of amounts payable to the Agency by the Lessee under the Lease Agreement or by the Sublessee under the Sublease Agreement.

SECTION 4.6 Successors and Assigns. Whenever in this Agreement the Agency, the Lessee, the Sublessee or the Escrow Agent is named or referred to, it shall be deemed to include the successors and assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of each such party shall bind and enure to the benefit of such party's successors and assigns whether so expressed or not.

SECTION 4.7 Severability. In case any one or more of the provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement, but this Agreement shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein. Any constitutional or statutory provision enacted after the date of this Agreement which validates or makes legal any provision of this Agreement which would not otherwise be valid or legal shall be deemed to apply to this Agreement.

SECTION 4.8 Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.


SECTION 4.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original; but such counterparts shall together constitute but one and the same instrument.

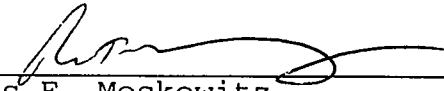
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed all on February 11, 1998.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY


[SEAL]

ATTEST:

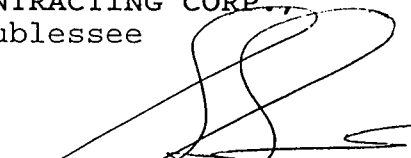

Assistant Secretary

By: 
Ross F. Moskowitz
Executive Director

MATSAL REALTY CORP.
as Lessee

By: 
Salvatore Salmieri
President

JAMES F. VOLPE ELECTRICAL
CONTRACTING CORP.
as Sublessee

By: 
Salvatore Salmieri
President

UNITED STATES TRUST COMPANY
OF NEW YORK,
as Escrow Agent

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed all on February 11, 1998.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

[SEAL]

ATTEST:

By: _____

Ross F. Moskowitz
Executive Director

Assistant Secretary

MATSAL REALTY CORP.
as Lessee

By: _____

Salvatore Salmieri
President


JAMES F. VOLPE ELECTRICAL
CONTRACTING CORP.,
as Sublessee

By: _____

Salvatore Salmieri
President

UNITED STATES TRUST COMPANY
OF NEW YORK,
as Escrow Agent

By: _____


Name: _____
Title: **H. WILLIAM WEBER
VICE PRESIDENT**

SECTION 4.3 OF THE LEASE AGREEMENT(a) *Description and Address of Project:*

The Project consists of the acquisition of a manufacturing facility consisting of the acquisition of an approximately 8,000 square foot building on a 4,000 square foot lot of land for the manufacturing and fabrication of electrical components. The Facility Realty is located at 81-85 and 87 Sackett Street, Brooklyn, New York 11231, being Block 329 and Lot 154 and 54.

(b) *Payments Prior to PILOT Commencement Date:*

The PILOT Commencement Date shall be July 1, 1998. Until the PILOT Commencement Date, or such later date as the Facility Realty is determined to be exempt from real estate taxes, the Lessee shall pay to the City all real estate taxes with respect to the Facility Realty at such times, in such manner and in such amounts as would be applicable if the Facility Realty were owned by the Lessee and not owned by the Agency.

(c) *Payments in Lieu of Real Estate Taxes, Generally:*

It is recognized that under the provisions of the Act the Agency is generally required to pay no real estate taxes upon any of the property acquired by it or under its jurisdiction or control or supervision or upon its activities. The Agency and the Lessee agree, however, that the Lessee shall be required to make payments in lieu of real estate taxes with respect to the Facility Realty, payable to the PILOT Escrow Agent, in the manner and at the time provided in subsection (g) below or at such other times as the Agency may designate in writing. Except as otherwise provided below in this Section 4.3, the Lessee shall make payments in lieu of real estate taxes (i) with respect to the Land constituting part of the Facility Realty, in the amounts as determined in subsection (d) below, and (ii) with respect to the Improvements constituting part of the Facility Realty, in the amounts as determined in subsections (e) and (f) below.

The Agency makes no representation as to the availability of an exemption from real estate taxes for the Facility Realty in the event that the Department of Finance, Assessors' Office of the City, the City Surveyor, or any other relevant official of the City fails to recognize the Agency's exemption from real estate taxes on the basis of a discrepancy existing between the Facility Realty and the tax map of The City of New York or the existence of another impediment to implementation of the Agency's exemption contemplated hereunder.

The Lessee shall take such action as is reasonably necessary in order to correct any defect or deficiency which may prevent the Facility Realty from being recognized as exempt by the City. The Lessee acknowledges that the Agency has not represented the availability of any such exemption for the Facility Realty, and the Lessee hereby releases the Agency from any claim arising from any loss of the benefits which were contemplated hereunder.

The Lessee acknowledges that the PILOT Commencement Date will not be deferred notwithstanding any loss of benefits contemplated hereunder in the event that the City does not recognize the Agency's exemption from real estate taxes on the PILOT Commencement Date.

(d) *Payments in Lieu of Taxes on the Land:*

For the period commencing on the PILOT Commencement Date until the earlier of (i) June 30, 2023 or (ii) the date on which the Agency no longer owns the Facility Realty, the Lessee shall make payment in lieu of real estate taxes, in accordance with Section 4.3(g) hereof, with respect to the Land constituting part of the Facility Realty (subject to Section 4.3(i) hereof) only to the extent the Full Land Taxes (as defined below) in the respective tax fiscal year of the City shall exceed the following:

Year	<u>Maximum Land Tax Abatement</u>
PILOT Commencement Date - June 30, 2019	\$26,500
July 1, 2019 - June 30, 2020	\$21,200
July 1, 2020 - June 20, 2021	\$15,900
July 1, 2021 - June 30, 2022	\$10,600
July 1, 2022 - June 30, 2023	\$ 5,300

Full Land Taxes shall mean that amount of taxes with respect to the Land constituting part of the Facility Realty as the Lessee would otherwise be required to pay from time to time if it were the owner of the Land.

For the period commencing on July 1, 2023 until the date on which the Agency no longer owns the Facility Realty, the Lessee shall make payments in lieu of real estate taxes equal to Full Land Taxes with respect to the Land constituting part of the Facility Realty.

(e) *Payments in Lieu of Taxes on the Improvements:*

For the period commencing on the PILOT Commencement Date until the earlier of (i) June 30, 2023, (the "Abatement Termination Date") or (ii) the date on which the Agency no longer owns the Facility Realty, the Lessee shall make payments in lieu of real estate taxes, in accordance with Section 4.3(g) hereof, on the

Improvements constituting part of the Facility Realty (subject to Section 4.3(i) hereof) pursuant to the following:

(x) from the PILOT Commencement Date through June 30, 2019, the Lessee shall make payments in lieu of real estate taxes on the Improvements in an amount equal to the AV of such Improvements as of May 25, 1997 multiplied by the City's real estate tax rate effective as of July 1, 1997.

(y) from July 1, 2019 through the Abatement Termination Date, the Lessee shall make payments in lieu of real estate taxes on the Improvements pursuant to the following formula:

<u>Year</u>	<u>Lessee pays:</u>
July 1, 2019 - June 30, 2020	$0.2 \times \text{Improvement Benefit} \times \text{CTR} + Z$
July 1, 2020 - June 30, 2021	$0.4 \times \text{Improvement Benefit} \times \text{CTR} + Z$
July 1, 2021 - June 30, 2022	$0.6 \times \text{Improvement Benefit} \times \text{CTR} + Z$
July 1, 2022 - June 30, 2023	$0.8 \times \text{Improvement Benefit} \times \text{CTR} + Z$

Certain terms used in the above formula are defined as follows:

AV: the current assessed value of Improvements.

CTR: the City's current real estate tax rate.

Improvement Benefit: difference between the then current AV and AV calculated as of May 25, 1997 and paid pursuant to paragraph (x) above.

Z = amount paid pursuant to paragraph (x) above in the City's tax fiscal year that begins July 1, 2018 and ends June 30, 2019.

For the period from the Abatement Termination Date until the date on which the Agency no longer owns the Facility Realty, the Lessee shall make payments in lieu of real estate taxes on the Improvements in those amounts which the Lessee would otherwise be required to pay as if it were the owner of the Improvements.

(f) *Subsequent Alterations and Improvements:*

If, at any time after completion of the Project, the Lessee shall make any alterations of or additions to the Facility Realty (the "**Additional Improvements**"), the Lessee shall deliver written notice to an Authorized Representative of the Agency of same within thirty (30) days after the completion thereof. The Agency shall thereupon request that the Improvements constituting a part of the Facility Realty (including any such Additional Improvements) be reassessed by the appropriate officer or officers

of the City and the Lessee shall make additional payments in lieu of taxes equal to:

(a) the amount of increase in assessed valuation of the Facility Realty when the Additional Improvements are first assessed as completed, multiplied by

(b) the City's real property tax rate prevailing after such first assessment and thereafter.

(g) *General Payment Provisions:*

In order to provide for payments in lieu of taxes payable pursuant to subsections (d), (e) and (f) above, the Lessee agrees to pay to the Agency, or, in accordance with the written direction of an Authorized Representative of the Agency delivered to an Authorized Representative of the Lessee, to the PILOT Escrow Agent, by certified check or bank draft payable at a bank in New York, New York, on the fourth day of each month of each year commencing January 1998, an amount equal to one-twelfth (1/12th) of the payments in lieu of taxes which are payable, or estimated by the Agency to be payable, during such year for deposit into a special account to be held by the Agency or the PILOT Escrow Agent for application in accordance with this subsection (g) (the "**PILOT Escrow Fund**"); provided, however, that if and to the extent the Lessee funds an escrow established pursuant to or as permitted by the First Mortgage in an amount not less than the amounts required to be deposited into the PILOT Escrow Fund in accordance with the terms of this Agreement, the Agency may in its sole discretion determine not to require the Lessee to fund the PILOT Escrow Fund as provided herein. The Agency hereby is, and any PILOT Escrow Agent shall be, appointed by the Lessee to act as the Lessee's attorney-in-fact without power of revocation (which appointment shall be deemed to be an agency coupled with an interest) for purposes of applying moneys on deposit in the PILOT Escrow Fund to the payments in lieu of real estate taxes payable pursuant to subsections (d), (e) or (f) above, and as such shall so apply such moneys. If the moneys on deposit in the PILOT Escrow Fund shall at any time exceed the amount of the payments in lieu of real estate taxes so payable by the Lessee, the Agency, at its sole discretion, or the PILOT Escrow Agent, at the written direction of an Authorized Representative of the Agency, shall (i) return any excess moneys to the Lessee, or (ii) credit such excess against future payments to be made for deposit into the PILOT Escrow Fund. If moneys on deposit in the PILOT Escrow Fund at any time are less than the amount needed to make the payments in lieu of real estate taxes payable pursuant to subsections (d), (e) and (f) above as the same become due, the Lessee shall pay to the Agency, or to the PILOT Escrow Agent, as the case may be, upon demand of an Authorized Representative of the Agency delivered to an Authorized Representative of the Lessee, an amount which the Agency shall estimate as sufficient to make up the deficiency in the amounts on deposit in the PILOT Escrow Fund. Until expended or applied as

above provided, any moneys on deposit in the PILOT Escrow Fund shall be accounted for separately and apart from any other funds of the Agency or the PILOT Escrow Agent, and they shall be pledged solely for the purposes herein provided and shall be held uninvested. The PILOT Escrow Agent may utilize the services of a mortgage servicing agent in performing its functions under the PILOT Escrow Agreement but the PILOT Escrow Agent shall have full responsibility for the actions of any such agent.

Moneys on deposit in the PILOT Escrow Fund shall be applied to installments of payments in lieu of taxes payable pursuant to subsections (d), (e) and (f) above, and amounts sufficient to make such installment payments shall be withdrawn and paid, on or prior to the Business Day immediately prior to each January 1 and July 1, commencing on the PILOT Commencement Date, to United States Trust Company of New York, New York, New York, as trustee of the Agency for the purposes of receiving payments in lieu of taxes payable to the Agency, subject in each case to the Lessee's right, to the extent permitted by law, to obtain reductions in the valuation of the Facility Realty or the right to obtain exemptions (and discounts, if any) therefrom and to seek to obtain a refund of any such payments made.

The parties to this Agreement acknowledge and agree that the escrow fund established under the PILOT Escrow Agreement shall constitute the PILOT Escrow Fund and United States Trust Company of New York (or its successors under the terms of the PILOT Escrow Agreement), shall be the PILOT Escrow Agent within the meaning of this Section 4.3.

The parties to this Agreement further acknowledge and agree that the funds deposited into the PILOT Escrow Fund prior to the PILOT Commencement Date, pursuant to the first paragraph of this Section 4.3(g), shall be held by the PILOT Escrow Agent as collateral securing the obligation of the Lessee to make payments in lieu of real estate taxes in accordance with sub-sections (d), (e), or (f) above, and shall only be applied to fund any deficiency thereof.

In the event the Lessee shall fail to make any such installments of payments in lieu of real estate taxes, the amount or amounts so in default shall continue as an obligation of the Lessee until fully paid, and the Lessee agrees to pay the same to the Agency, or to the PILOT Escrow Agent, as the case may be. The Lessee shall pay a late payment penalty of five percent (5%) of any amount which is not paid when due under this Section 4.3. In addition, for each month or part thereof that a payment under this Section 4.3 is delinquent beyond the first month, interest shall accrue and be payable by the Lessee on the total amount due as provided above plus a late payment penalty in the amount of one percent (1%) per month for each month or part thereof until the payment is made.

It is agreed that the Agency shall request the respective appropriate officer or officers of the City charged with the duty of levying and collecting such taxes to submit to the Lessee and the PILOT Escrow Agent, if a PILOT Escrow Agent has been appointed, when the respective levies are made for purposes of such taxes, a statement specifying the amount and due date or dates of such taxes and amounts in lieu thereof which the City shall receive hereunder.

(h) *Apportionment of Payments After Transfer:*

The Agency shall cause the Collector of the City to apportion, within a reasonable period of time prior to the date on which the Agency is no longer to be the owner of the Facility Realty, that installment of payment in lieu of real estate taxes paid by the Agency or the PILOT Escrow Agent, as the case may be, to the Collector of the City immediately preceding the date on which the Agency no longer owns the Facility Realty, as of such date, and apply that portion attributable to the period from such date to the end of the period of such installment as a credit against the amount of real estate tax that would have been due for the period of such installment had the Facility Realty been privately owned on the January 5th (or such other date as may be the City's tax status date) immediately preceding the date of such installment and bill the Lessee for the balance of such installment, which amount shall be paid by the Lessee to the Agency, immediately upon receipt thereof. The Agency shall cause the Collector of the City to return the Facility Realty to the tax rolls as of the date of transfer of title out of the Agency to the new owner of the Facility Realty, who shall pay the remaining installments due for such tax fiscal year.

(i) *Withdrawal of Real Estate Tax Abatements:*

The Lessee understands and agrees that the Lessee is required to pay or cause to be paid, as additional payments in lieu of real estate taxes, the amount of taxes that the Lessee would have been required to pay as if it were the owner of the Land and Improvements constituting the Facility Realty for that portion of the Facility Realty, if any, utilized or occupied by any Person other than the Lessee or any Affiliate thereof for so long as such utilization or occupation shall continue. The Lessee hereby represents to the Agency that no portion of the Facility Realty is utilized or occupied or is intended to be utilized or occupied by Persons other than the Lessee or any Affiliate thereof or any subtenants existing as of the date of this Agreement. The Lessee agrees that it shall immediately notify in writing the Agency or cause said written notice to be given in the event that there shall be any change in the portion of the Facility Realty utilized or occupied by any Person other than the Lessee or Affiliates of the Lessee. The Lessee understands and agrees that in such event, unless the Agency in its sole discretion shall determine otherwise, the amounts payable by the Lessee as additional payments in lieu of taxes shall be adjusted to an amount equal to the amount of taxes

that the Lessee would have been required to pay as if it were the owner of the Facility Realty for that portion of the Facility Realty utilized or occupied by Persons other than the Lessee or Affiliates thereof for so long as such utilization or occupation shall continue. The Lessee further agrees to furnish the Agency, in substantially the form provided in Schedule C attached hereto, with a certificate of an Authorized Representative of the Lessee on January 1 of each year setting forth all Persons other than the Lessee or Affiliates of the Lessee, if any, that shall be utilizing or occupying any portion of the Facility Realty, the amount of space so occupied or utilized and the percentage of the available square footage of the Facility Realty represented by such occupation or utilization.

Commencing as of the date on which the Facility is not used in accordance with the Act and this Agreement or upon the occurrence of an Event of Default under this Agreement, the Lessee shall be required to make payments in lieu of real estate taxes on the Land and Improvements constituting a part of the Facility Realty in such amounts as would result from taxes levied on the Facility Realty if the Facility Realty were owned by the Lessee. For purposes of the determination of such payments in lieu of real estate taxes, the tax rate shall be the rate then in effect as shown on the records of the proper City department.

(j) *Survival of Obligations:*

The obligations of the Lessee under this Section 4.3 shall survive the termination or expiration of this Agreement for any reason whatsoever. The Agency, in its sole discretion and in furtherance of the purposes of the Act, may waive, in whole or in part, payments in lieu of taxes set forth in this Section 4.3, for good cause shown.