

**PILOT DEVIATION APPROVAL RESOLUTION
SPRUCE PROPERTIES LLC PROJECT**

A regular meeting of Town of Montgomery Industrial Development Agency (the "Agency") was convened in public session in the Town Hall located at 110 Bracken Road in the Town of Montgomery, Orange County, New York on August 22, 2011 at 5:30 p.m., local time.

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

PRESENT:

Edwin Williams	Vice Chairperson
F. Edward Devitt	Second Vice Chairperson
Donna Jennings	Treasurer
Stephen Rainaldi	Secretary
Michael Hayes	Member
Richard A. Lomazzo	Member

ABSENT:

Alice Dickinson	Chairperson
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AGENCY STAFF PRESENT INCLUDED THE FOLLOWING:

Suzanne Hadden	Clerk
George Cregg, Esq.	Agency Counsel

The following resolution was offered by Second Chair Devitt, seconded by Member Rainaldi, to wit:

Resolution No. IX

RESOLUTION AUTHORIZING A DEVIATION FROM THE AGENCY'S UNIFORM TAX EXEMPTION POLICY IN CONNECTION WITH THE PROPOSED PAYMENT IN LIEU OF TAX AGREEMENT TO BE ENTERED INTO BY THE AGENCY IN CONNECTION WITH THE PROPOSED SPRUCE PROPERTIES LLC PROJECT.

WHEREAS, the Agency is authorized and empowered by the provisions of Chapter 1030 of the 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 527 of the 1971 Laws of New York, as amended, constituting Section 911-c of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of manufacturing, warehousing, research, commercial and industrial facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

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

WHEREAS, Spruce Properties LLC, a New York limited liability company (the "Company") presented an application (the "Application") to the Agency, a copy of which Application is on file at the office of the Agency, requesting that the Agency consider undertaking a project (the "Project") for the benefit of the Company, said Project consisting of the following: (A) (1) the acquisition of an interest in an approximately 3.80 acre parcel of land located at State Route 208 (Es) (Tax map no.: 30-1-81) in the Town of Montgomery, Orange County, New York (the "Land"), (2) the construction on the Land of an approximately 9,000 square foot building (the "Facility") and (3) the acquisition and installation therein and thereon of machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment hereinafter collectively referred to as the "Project Facility"), all of the foregoing to constitute a professional office facility to be owned and operated by the Company and leased to various tenants; (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales and use taxes, real property taxes, real estate transfer taxes and mortgage recording taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, pursuant to the authorization contained in a resolution adopted by the members of the Agency on November 1, 2010 (the "Public Hearing Resolution"), the Agency (A) caused notice of a public hearing of the Agency (the "Public Hearing") pursuant to Section 859-a of the Act, to hear all persons interested in the Project and the financial assistance being contemplated by the Agency with respect to the Project, to be mailed on December 16, 2010 to the chief executive officers of the county and of each city, town, village and school district in which the Project Facility is to be located, (B) caused notice of the Public Hearing to be posted on December 22, 2010 at the Town Hall of the Town of Montgomery, New York, (C) caused notice of the Public Hearing to be published on December 22, 2010 in the Wallkill Valley Times, a newspaper of general circulation available to the residents of the Town of Montgomery, New York, (D) conducted the Public Hearing on January 10, 2011 at 6:00 o'clock, p.m., local time at the Town of Montgomery Town Hall, 110 Bracken Road in the Town of Montgomery, Orange County, New York, and (E) prepared a report of the Public Hearing (the "Public Hearing Report") fairly summarizing the views presented at such Public Hearing and caused copies of said Public Hearing Report to be made available to the members of the Agency; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act") and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York, being 6NYCRR Part 617, as amended (collectively with the SEQR Act, "SEQRA"), by resolution adopted by the members of the Agency on July 12, 2011 (the "SEQR Resolution"), the Agency (A) ratified the determination by the Planning Board of the Town of Montgomery (the "Planning Board") to act as "lead agency" with respect to the Project, (B) acknowledged receipt of a copy of a negative declaration issued by the Planning Board on May 23, 2011 (the "Negative Declaration"), and (C) indicated that the Agency had no information to suggest that the Planning Board was incorrect in authorizing the issuance of the Negative Declaration; and

WHEREAS, by resolution adopted by the members of the Agency on June 6, 2011 (the "SEQR Resolution"), the members of the Agency (A) adopted the Findings Statement as the Agency's written findings statement relative to the Project, as required by Section 617.11(c) of the Regulations, and (B) determined to proceed with the Project; and

WHEREAS, in connection with the Project, the Company has requested that the Agency deviate from its uniform tax exemption policy with respect to the terms of the proposed payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility, which proposed deviation is outlined in the letter dated July 27, 2011 (the "Pilot Deviation Letter"), a copy of which Pilot Deviation Letter is attached hereto as **Schedule A**; and

WHEREAS, pursuant to Section 874(4) of the Act, prior to taking final action on such request for a deviation from the Agency's uniform tax exemption policy, the Agency must give the chief executive officers of the county and each city, town, village and school district in which the Project Facility is located (collectively, the "Affected Tax Jurisdictions") written notice of the proposed deviation from the Agency's uniform tax exemption policy and the reasons therefor prior to the meeting of the Agency at which the members of the Agency shall consider whether to approve such proposed deviation; and

WHEREAS, on July 27, 2011, the Agency sent a copy of the Pilot Deviation Letter to the Affected Tax Jurisdictions to notify the Affected Tax Jurisdictions of the proposed deviation from the Agency's uniform tax exemption policy in connection with the Project; and

WHEREAS, through the Pilot Deviation Letter, the Agency notified the chief executive officers of the Affected Tax Jurisdictions of the proposed deviation from the Agency's uniform tax exemption policy and further notified said chief executive officers that the members of the Agency would consider whether to approve such proposed deviation at this meeting;

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

Section 1. The Agency hereby finds and determines as follows:

(A) The Agency has considered any and all responses from the Affected Tax Jurisdictions to the Pilot Deviation Letter.

(B) The Agency has reviewed and responded to all written comments received from the Affected Tax Jurisdictions, if any, with respect to the proposed deviation.

(C) The Agency has given all representatives from the Affected Tax Jurisdictions in attendance, if any, at this meeting the opportunity to address the members of the Agency regarding the proposed deviation.

Section 2. Based upon (A) the findings and determinations in Section 1 above, (B) comments received at the Public Hearing, (C) input received at this meeting from the Affected Tax Jurisdictions with respect to the proposed deviation, (D) the Agency's knowledge of the Project, (E) the recommendations of Agency staff, and (F) such further investigation of the Project and the effect of the proposed deviation as the Agency has deemed appropriate, the Agency hereby determines to deviate from the Agency's uniform tax exemption policy with respect to the terms of the proposed payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility for the reasons set forth in the Pilot Deviation Letter. Based upon the aforementioned, the Agency hereby approves a deviation from the Agency's uniform tax exemption policy, the terms of the approved deviation to be as described in **Schedule B** attached to this Resolution and made a part hereof.

Section 3. Upon preparation by Agency Counsel of a payment in lieu of tax agreement with respect to the Project Facility reflecting the terms of this resolution (the "Payment in Lieu of Tax Agreement") and approval of same by the Chairperson (or Vice Chairperson) of the Agency, the Chairperson (or Vice Chairperson) of the Agency is hereby authorized, on behalf of the Agency, to execute and deliver the Payment in Lieu of Tax Agreement, and, where appropriate, the Secretary (or Assistant Secretary) of the Agency is hereby authorized to affix the seal of the Agency thereto and to attest the same, all in such form as is approved by the Chairperson (or Vice Chairperson), the execution thereof by the Chairperson (or Vice Chairperson) to constitute conclusive evidence of such approval.

Section 4. The officers, employees and agents of the Agency are hereby authorized and directed for and in the name and on behalf of the Agency to do all acts and things required or provided for by the provisions of the Payment in Lieu of Tax Agreement, and to execute and deliver all such additional certificates, instruments and documents, to pay all such fees, charges and expenses and to do all such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, desirable and proper to effect the purposes of the foregoing resolution and to cause compliance by the Agency with all of the terms, covenants and provisions of the Payment in Lieu of Tax Agreement binding upon the Agency.

Section 5. This Resolution shall take effect immediately.

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

Alice Dickinson	ABSENT
Edwin Williams	AYE
F. Edward Devitt	AYE
Donna Jennings	AYE
Stephen Rainaldi	AYE
Michael Hayes	AYE
Richard A. Lomazzo	AYE

The foregoing Resolution was thereupon declared duly adopted.

STATE OF NEW YORK)
) SS.:
COUNTY OF ORANGE)

I, the undersigned (Assistant) Secretary of Town of Montgomery Industrial Development Agency (the "Agency"), DO HEREBY CERTIFY that I have compared the foregoing annexed extract of the minutes of the meeting of the members of the Agency, including the Resolution contained therein, held on August 22, 2011 with the original thereof on file in my office, and that the same is a true and correct copy of said original and of such Resolution contained therein and of the whole of said original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that (A) all members of the Agency had due notice of said meeting; (B) said meeting was in all respects duly held; (C) pursuant to Article 7 of the Public Officers Law (the "Open Meetings Law"), said meeting was open to the general public, and due notice of the time and place of said meeting was duly given in accordance with such Open Meetings Law; and (D) there was a quorum of the members of the Agency present throughout said meeting.

I FURTHER CERTIFY that, as of the date hereof, the attached Resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Agency this 22nd day of August, 2011.



(Assistant) Secretary

(SEAL)

SCHEDULE "A"

PILOT DEVIATION LETTER

TOWN OF MONTGOMERY INDUSTRIAL DEVELOPMENT AGENCY
Town of Montgomery Government Center
110 Bracken Road
Montgomery, New York 12549
TEL: 845-457-2600
FAX: 845-457-1723

July 27, 2011

Edward A. Diana, County Executive
Orange County Government Center
255 Main Street
Goshen, New York 10924

Dr. Richard M. Hooley, Superintendent of Schools
Valley Central School District (Montgomery)
944 State Route 17K
Montgomery, New York 12549

Michael Hayes, Supervisor
Town of Montgomery
110 Bracken Road
Montgomery, New York 12549

Robert W. Santo, Board President
Valley Central School District (Montgomery)
944 State Route 17K
Montgomery, New York 12549

RE: Proposed Deviation from Uniform Tax Exemption Policy by
Town of Montgomery Industrial Development Agency in connection
with its Proposed Spruce Properties LLC Project

Gentlemen:

Spruce Properties LLC, a New York limited liability company (the "Company") presented an application (the "Application") to the Agency, a copy of which Application is on file at the office of the Agency, requesting that the Agency consider undertaking a project (the "Project") for the benefit of the Company, said Project consisting of the following: (A) (1) the acquisition of an interest in an approximately 3.80 acre parcel of land located at State Route 208 (Es) (Tax map no.: 30-1-81) in the Town of Montgomery, Orange County, New York (the "Land"), (2) the construction on the Land of an approximately 9,000 square foot building (the "Facility") and (3) the acquisition and installation therein and thereon of machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment hereinafter collectively referred to as the "Project Facility"), all of the foregoing to constitute a professional office facility to be owned and operated by the Company and leased to various tenants; (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales and use taxes, real property taxes, real estate transfer taxes and mortgage recording taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

In connection with the Application, the Company has made a request to the Agency (the "PILOT Request") that the Agency enter into a payment in lieu of tax agreement (the "Proposed PILOT Agreement") which terms would deviate from the Agency's Uniform Tax Exemption Policy (the "Policy"). The Proposed

Agreement would not provide any abatement for any special assessments levied on the Project Facility. The Proposed PILOT Agreement would provide that the Company be granted an up to thirteen (13) year payment in lieu of tax agreement on the Facility and any portion of the Equipment assessable as real property pursuant to the New York Real Property Tax Law (collectively, with the Facility, the "Improvements"). The terms of the Proposed PILOT Agreement are as set forth in the table below:

Tax Year	Occupancy Percentage	Abatement
*1-3	Less than 50%	100%
4	N/A	100%
5	N/A	90%
6	N/A	80%
7	N/A	70%
8	N/A	60%
9	N/A	50%
10	N/A	40%
11	N/A	30%
12	N/A	20%
13	N/A	10%
Thereafter	N/A	0%

*If the percentage of occupancy of the Facility is greater than 50% at anytime during the first three years after completion of the Facility, the ten-year abatement schedule (i.e., years 4-13 of the table above) would begin in the next tax year.

The terms of the Proposed PILOT Agreement deviate from the Policy. The Policy provides that, for a facility similar to the Facility, payments in lieu of taxes would not be fixed, but would instead be abated according to the following table:

Tax Year	Percentage of Exemption from School/Town/County Taxes
1	50%
2	45%
3	40%
4	35%
5	30%
6	25%
7	20%
8	15%
9	10%
10	5%
11 and thereafter	0%

The purpose of this letter is to inform you of such PILOT Request and that the Agency is considering whether to grant the PILOT Request and to approve a Proposed PILOT Agreement conforming to the terms of the PILOT Request. The Agency expects to consider whether to approve the terms of the Proposed PILOT Agreement at its meeting scheduled for August 22, 2011 at 5:30 p.m., local time at the offices of the Agency located at 110 Bracken Road in the Town of Montgomery, Orange County, New York (the "Meeting"). As described later in this letter, during the meeting on August 22, 2011, the Agency will review the terms of the PILOT Request and, based on the discussions during such meeting the terms of the PILOT Request may be modified.

This letter is forwarded to you for purposes of complying with Section 874 of the General Municipal Law of the State of New York, which requires written notice prior to the Agency taking final action with respect to the Proposed PILOT Agreement (if said Proposed PILOT Agreement may deviate from the provisions of the Agency's Policy).

The Agency considered the following factors in considering the proposed deviation:

1. The nature of the proposed Project:

The Project involves the construction on the Land of an approximately 9,000 square foot professional office building.

2. The nature of the property before the undertaking of the Project:

The Land is zoned "commercial" and was most recently vacant land.

3. The economic condition of the area at the time of the application and the economic multiplying effect that the Project will have on the area:

At the time of the filing of the Application, the economic condition of the area in which the Project Facility is to be located is average. The area is strategically targeted for adding professional tenants and increasing the commercial tax base of the Town of Montgomery.

4. The extent to which the Project will create or retain permanent, private sector jobs and the number of jobs to be created or retained and the salary range of such jobs:

The Project will create at least 10 temporary construction jobs with annual wages in excess of \$30,000 per worker.

The Project will create or retain approximately 20 full-time jobs within the first three years of operation.

5. The estimated value of tax exemptions to be provided:

Sales Tax Exemption - \$26,609

Real Property Tax Exemption - \$125,000

Mortgage Recording Tax Exemption - \$9,000

6. The economic impact of the Proposed PILOT Agreement on affected tax jurisdictions:

The economic impact of the Proposed PILOT Agreement is positive as the Company will be paying more in PILOT payments than is currently being paid on the Project Facility. In addition, the development of the Project Facility may spur additional development in the Town of Montgomery.

7. The amount of private sector investment generated or likely to be generated by the proposed Project:

The investment by the Company will be approximately \$950,000.

8. The effect of the proposed Project on the environment:

It is likely that the Project will not have a significant effect on the environment.

9. The likelihood of accomplishing the proposed Project in a timely fashion:

The construction industry is somewhat depressed, and, as a result, it is expected that the Company will have more than adequate resources to complete the project in a timely manner.

10. The extent to which the Proposed PILOT Agreement will require the provision of additional services including, but not limited to, additional educational, transportation, police, emergency medical or fire services:

It is not anticipated that the Project will result in a burden upon the educational facilities for any school district within the Town of Montgomery

11. Anticipated tax revenues:

As described in the Application, the amount of estimated PILOT payments on the Project will exceed the annual tax payment of \$1,162.94 that is currently being paid on the Land.

12. The extent to which the Proposed PILOT Agreement will provide a benefit (economic or otherwise) not otherwise available within the municipality in which the Project Facility is located:

The benefit is a positive one economically, in that the Project will create a number of temporary and permanent employment in the Town of Montgomery, and, because of the investment in professional space, the Project should promote the development of the Town of Montgomery.

The Agency will consider the Proposed PILOT Agreement (and the proposed deviation from the Agency's Policy) at the Meeting. The discussion at the Meeting will include a review of (a) the terms of the PILOT Request, (b) other projects where the Agency has approved a deviation from its Policy, and (c) the information contained in this letter and other materials provided by the Company supporting the PILOT Request. Based on the discussion at the Meeting, and the review of any comments received by the Agency with respect to the PILOT Request, the Agency may determine to modify the terms of the PILOT Request.

The Agency would welcome any written comments that you might have on this proposed deviation from the Agency's Policy. In accordance with Section 874 of the General Municipal Law, prior to taking final

action at the Meeting, the Agency will review and respond to any written comments received from any affected tax jurisdiction with respect to the proposed deviation. The Agency will also allow any representative of any affected tax jurisdiction present at the Meeting to address the Agency regarding the proposed deviation.

If you have any questions or comments regarding the foregoing, please do not hesitate to contact me at the above telephone number.

Sincerely yours,

/s/ Alice Dickinson
Chairman

SCHEDULE "B"

APPROVED TERMS OF THE PAYMENT IN LIEU OF TAX AGREEMENT

Tax Year	Occupancy Percentage	Abatement
*1-3	Less than 50%	100%
4	N/A	100%
5	N/A	90%
6	N/A	80%
7	N/A	70%
8	N/A	60%
9	N/A	50%
10	N/A	40%
11	N/A	30%
12	N/A	20%
13	N/A	10%
Thereafter	N/A	0%

*If the percentage of occupancy of the Facility is greater than 50% at anytime during the first three years after completion of the Facility, the ten-year abatement schedule (i.e., years 4-13 of the table above) would begin in the next tax year.