TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY

AND

CASCADE PLAZA LLC

PAYMENT IN LIEU OF TAX AGREEMENT

Dated as of April 1, 2004

Affected Tax Jurisdictions:
Tompkins County
City of Ithaca
Ithaca City School District

Section: 61
Block: 5
Lot: 10
PAYMENT IN LIEU OF TAX AGREEMENT

THIS PAYMENT IN LIEU OF TAX AGREEMENT (the "Agreement"), dated as of the 1st day of April, 2004, by and between TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation duly existing under the laws of the State of New York, with its registered offices located at 200 East Buffalo Street, Suite 102A, Ithaca, New York 14850 (the "Agency") and CASCADE PLAZA LLC, a limited liability company duly organized and validly existing under the laws of the State of New York, with offices located at 350 Essex Road, Williamsville, New York 14221 (the "Company").

WITNESSETH:

WHEREAS, the Agency was created by Chapter 535 of the Laws of 1971 of the State of New York pursuant to Title I of Article 18-A of the General Municipal Law of the State of New York (collectively, the "Act") as a body corporate and politic and as a public benefit corporation of the State of New York; and

WHEREAS, the Company has submitted an application (the "Application") to the Agency requesting the Agency's assistance with respect to a certain project (the "Project") consisting of (i) the acquisition of an interest in an approximately 0.6 acre parcel of land located on the northwest corner of North Tioga Street and East Seneca Street in the City of Ithaca, New York (the "Land"); (ii) the construction on the Land of an approximately 9-story, 186,000 square-foot building (the "Building") to contain (a) an approximately 110-room "Hilton Urban Garden Inn" (or other similar franchise hotel) (the "Hotel"), (b) approximately 70,500 square-feet of office space to be leased to and used by Cornell University (the "Cornell Office Space"), (c) approximately 22,460 square-feet of office space to be leased to and used by other tenants (the "Additional Office Space") and (d) related retail space and common areas (the "Additional Space"), and collectively with the Building, the Hotel, the Cornell Office Space, and the Additional Office Space, the "Improvements") and (iii) the acquisition and installation in and around the Improvements of certain items of machinery, equipment and other items of tangible personal property (the "Equipment" and, collectively with the Land and the Improvements, the "Facility"); and

WHEREAS, in order to induce the Company to acquire, construct and equip the Facility, the Agency is willing to take title to or a leasehold interest to the land, improvements and personal property constituting the Facility and lease said land, improvements and personal property back to the Company pursuant to the terms and conditions of a certain Lease Agreement to be dated on or about the date hereof (the "Lease Agreement"); and

WHEREAS, pursuant to Section 874(1) of the Act, the Agency is exempt from the payment of taxes imposed upon real property and improvements owned by it, other than special ad valorem levies, special assessments and service charges against real property which are or may be imposed for special improvements or special district improvements; and
WHEREAS, the Agency and the Company deem it necessary and proper to enter into an agreement making provisions for payments in lieu of taxes by the Company to the Agency for the benefit of Tompkins County, New York (the "County"), the City of Ithaca, New York (the "City") and the Ithaca City School District (the "School", and collectively with the County and the City, the "Affected Tax Jurisdictions").

NOW, THEREFORE, in consideration of the covenants herein contained, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, it is mutually agreed as follows:

Section I - Payment in lieu of Ad Valorem Taxes:

Section 1.1  A.  Subject to the completion and filing by the taxable status date (March 1, 2005) (the "Taxable Status Date") of New York State Form RP-412-a Application For Real Property Tax Exemption (the "Exemption Application") under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act and the approval of the Exemption Application by the appropriate assessors or Board of Assessment Review, the Facility shall be exempt from Real Estate Taxes commencing with the 2006 City and County tax year and the 2005/2006 School tax year. For purposes of the foregoing "Real Estate Taxes" means all general levy real estate taxes levied against the Facility by the City, County and School. The Company shall provide to the Agency with the information necessary for the completion and filing of the Exemption Application and shall provide such additional information and take such actions as are required by the appropriate assessors or Board of Assessment Review to process and approve the Exemption Application. Notwithstanding anything contained herein or in the Lease Agreement to the contrary, in the event the exemption from Real Estate Taxes is denied for any reason, the Company shall pay (and hereby agrees to pay) all Real Estate Taxes levied upon the Facility as they become due. After giving written notice to the Agency, the Company may in good faith contest the denial of the Exemption Application, provided that (i) the overall operating efficiency of the Facility is not impaired and the Facility continues to qualify as a "project" under the Act; (ii) neither the Facility nor any part of or interest in it would be in any danger of being sold, forfeited or lost; or (iii) neither the Company nor the Agency, as a result of such contest, shall be in any danger of any civil or criminal liability. The Company hereby waives any claim or cause of action against the Agency, and releases the Agency from any liability to the Company, arising from the denial of an exemption from Real Estate Taxes except to the extent that such denial results solely from the failure of the Agency to file the Exemption Application with the appropriate assessors or Board of Assessment Review by the Taxable Status Date.

B.  Pavee.  As long as the Facility is owned or leased by the Agency, the Company agrees to pay annually directly to the Affected Tax Jurisdictions, at the times real estate taxes are due and prior to incurrence of any penalties (the "Payment Date"), as a payment in lieu of taxes, the amounts equal to the Total PILOT Payment as set forth in Schedule A attached hereto. The parties agree and acknowledge that payments made hereunder are to obtain revenues for public purposes, and to provide a revenue source that the Affected Tax Jurisdictions would otherwise lose because the subject parcels are not on the tax rolls. In addition to the foregoing, the Company shall pay on April 29, 2004 to Tompkins County, New York, as a payment in lieu of mortgage recording tax, an amount which would be due in respect of the
mortgage in favor of M&T Real Estate Trust but for the Agency’s record ownership of the Facility, such amount equal to one-half of one percent (.50%) of the maximum amount secured by such mortgage.

1.2 **Allocation.** To the extent that the Agency receives any Total PILOT Payment hereunder, the Agency shall remit to the Affected Tax Jurisdictions such amounts within thirty (30) days of receipt of said payment. All Total PILOT Payments shall be allocated among the Affected Tax Jurisdictions in the same proportion as ad valorem taxes would have been allocated but for the Agency’s involvement, unless the Affected Tax Jurisdictions have consented in writing to a specific allocation.

1.3 **Tax Rates.** For purposes of determining the allocation of the Total PILOT Payment among the Affected Tax Jurisdictions, the last tax rate utilized for levy of taxes by each such jurisdiction shall be used. For County and City and special district purposes, the tax rates used to determine the allocation of the Total PILOT Payment shall be the tax rates relating to the calendar year which includes the PILOT payment due date. For School district purposes, the tax rates used to determine the PILOT payment shall be the rate relating to the school year which includes the PILOT payment due date.

1.4 **Valuation of Future Additions to the Facility:** If there shall be a future addition to the Facility constructed or added in any manner after the date of this Agreement, the Company shall notify the Agency of such future addition ("Future Addition"). The notice to the Agency shall contain a copy of the application for a building permit, plans and specifications, and any other relevant information that the Agency may thereafter request. Upon the earlier of substantial completion, or the issuance of a certificate of occupancy for any such Future Addition to the Facility, the Company shall become liable for payment of an increase in the Total PILOT Payment. The Agency shall notify the Company of any proposed increase in the Total PILOT Payment related to such Future Addition. If the Company shall disagree with the determination of assessed value for any Future Additions, then and in that event that valuation shall be fixed by a court of competent jurisdiction. Notwithstanding any disagreement between the Company and the Agency, the Company shall pay the increased PILOT payment until a different Total PILOT Payment shall be established. If a lesser Total Annual Payment is determined in any proceeding or by subsequent agreement of the parties, the Total PILOT Payment shall be re-computed and any excess payment shall be refunded to the Company or, in the Agency’s sole discretion, such excess payment shall be applied as a credit against the next succeeding PILOT payment(s).

1.5 **Period of Benefits.** The tax benefits provided for herein should be deemed to include (i) the 2005/2006 School fiscal tax year through the 2024/2025 School fiscal tax year, and (ii) the 2006 County and City calendar tax year through the 2025 County and City calendar tax year. This PILOT Agreement shall expire on December 31, 2024; provided, however, the Company shall pay the 2025/2026 School tax bill and the 2026 County and City tax bills on the dates and in the amounts as if the Agency were not in title on the tax status date with respect to said tax years. In no event shall the Company be entitled to receive tax benefits relative to the Facility for more than the periods provided for herein, unless the period is extended by amendment to this Agreement executed by both parties after any applicable public hearings. The Company agrees that it will not seek any tax exemption for the Facility which could provide
benefits for more than the periods provided for herein and specifically agrees that the exemptions provided for herein, to the extent actually received (based on the number of lease years elapsed), supersede and are in substitution of the exemptions provided by Section 485-b of the New York Real Property Tax Law ("RPTL"). It is hereby agreed and understood that the Affected Tax Jurisdictions can rely upon and enforce the above waiver to the same extent as if they were signatories hereto.

Section II - Special District Charges, Special Assessments and other charges.

2.1 Special district charges, special assessments, and special ad valorem levies (specifically including but not limited to fire district charges), and pure water charges and sewer charges are to be paid in full in accordance with normal billing practices.

Section III - Transfer of Facility.

3.1 In the event that the Facility is transferred from the Agency to the Company (the lease/leaseback agreements are terminated), and the Company is ineligible for a continued tax exemption under some other tax incentive program, or the exemption results in a payment to the Affected Tax jurisdictions in excess of the payment described in Section I herein, or this Agreement terminates and the property is not timely transferred back to the Company, the Company agrees to pay no later than the next tax lien date (plus any applicable grace period), to each of the Affected Tax jurisdictions, an amount equal to the taxes and assessments which would have been levied on the Facility if the Facility had been classified as fully taxable as of the date of transfer or loss of eligibility of all or a portion of the exemption described herein or date of termination.

Section IV - Assessment Challenges.

4.1 The Company shall have all of the rights and remedies of a taxpayer as if and to the same extent as if the Company were the owner of the Facility, with respect to any proposed assessment of change in assessment with respect to the Facility by any of the Affected Tax jurisdictions and likewise shall be entitled to protest before and be heard by the appropriate assessors or Board of Assessment Review, and shall be entitled to take any and all appropriate appeals or initiate any proceedings to review the validity or amount of any assessment or the validity or amount of any tax equivalent provided for herein.

4.2 The Company shall have all of the rights and remedies of a taxpayer with respect to any tax, service charge, special benefit, ad valorem levy, assessment, or special assessment or service charge in lieu of which the Company is obligated to make a payment pursuant to this Agreement, as if and to the same extent as if the Company were the owner of the Facility.

4.3 The Company shall (i) cause the appropriate real estate tax assessment office and tax levy officers to assess the Facility and apply tax rates to the respective assessments as if the Facility were owned by the Company, (ii) file any accounts or tax returns required by the appropriate real estate tax assessment office and tax levy officers.
Section V - Changes in Law.

5.1 To the extent the Facility is declared to be subject to taxation or assessment by an amendment to the Act, other legislative change, or by final judgment of a Court of competent jurisdiction, the obligations of the Company hereunder shall, to such extent, be null and void.

Section VI - Events of Default.

6.1 The following shall constitute "Events of Default" hereunder. The failure by the Company to: (i) make the payments described in Section I within thirty (30) days of the Payment Date (the "Delinquency Date"); (ii) make any other payments described herein on or before the last day of any applicable cure period within which said payment can be made without penalty; or (iii) the occurrence and continuance of any events of default under the Lease Agreement after any applicable cure periods. Upon the occurrence of any Event of Default hereunder, in addition to any other right or remedy the Agency and/or the Affected Tax Jurisdictions may have at law or in equity, the Agency and/or Affected Tax Jurisdictions may, immediately and without further notice to the Company (but with notice to the Agency with respect to actions maintained by the Affected Tax Jurisdictions) pursue any action in the courts to enforce payment or to otherwise recover directly from the Company any amounts so in default. The Agency and the Company hereby acknowledge the right of the Affected Tax Jurisdictions to recover directly from the Company any amounts so in default pursuant to Section 874(6) of the General Municipal Law and the Company shall immediately notify the Agency of any action brought, or other measure taken, by any Affected Tax Jurisdiction to recover any such amount.

6.2 If payments pursuant to Section I herein are not made by the Delinquency Dates, or if any other payment required to be made hereunder is not made by the last day of any applicable cure period within which said payment can be made without penalty, the Company shall pay penalties and interest as follows. With respect to payments to be made pursuant to Section I herein, if said payment is not received by the Delinquency Date defined in Section 6.1 herein, Company shall pay, in addition to said payment, (i) a late payment penalty equal to five percent (5%) of the amount due and (ii) for each month, or any part thereof, that any such payment is delinquent beyond the first month, interest on the total amount due plus the late payment penalty, in an amount equal to one percent (1%) per month. With respect to all other payments due hereunder, if said payment is not paid within any applicable cure period, Company shall pay, in addition to said payment, the greater of the applicable penalties and interest or penalties and interest which would have been incurred had payments made hereunder been tax payments to the Affected Tax Jurisdictions.

Section VII - Assignment.

7.1 No portion of any interest in this Agreement may be assigned by the Company, nor shall any person other than the Company be entitled to succeed to or otherwise obtain any benefits of the Company hereunder without the prior written consent of the Agency, which shall not be unreasonably withheld or delayed.
Section VIII - Miscellaneous.

8.1 This Agreement may be executed in any number of counterparts each of which shall be deemed an original but which together shall constitute a single instrument.

8.2 All notices, claims and other communications hereunder shall be in writing and shall be deemed to be duly given if personally delivered or mailed first class, postage prepaid, as follows:

To the Agency: Tompkins County Industrial Development Agency 200 East Buffalo Street, Suite 102A Ithaca, New York 14850 Attn.: Michael Stamm, Administrative Director

With a Copy to: Harris Beach LLP and to Mariette Geldenhuys, Esq. 99 Garnsey Road Gateway Plaza Pittsford, New York 14534 401 E. State Street Attn.: Shawn M. Griffin, Esq. Suite306 Ithaca, New York 14850

To the Company: Cascade Plaza LLC 350 Essjay Road Williamsville, New York 14221 Attn.: James Gottstine


or at such other address as any party may from time to time furnish to the other party by notice given in accordance with the provisions of this Section. All notices shall be deemed given when mailed or personally delivered in the manner provided in this Section.

8.3 This Agreement shall be governed by, and all matters in connection herewith shall be construed and enforced in accordance with, the laws of the State of New York applicable to agreements executed and to be wholly performed therein and the parties hereto hereby agree to submit to the personal jurisdiction of the federal or state courts located in Tompkins County, New York.

8.4 Notwithstanding any other term or condition contained herein, all obligations of the Agency hereunder shall constitute a special obligation payable solely from the revenues and other monies, if any, derived from the Facility and paid to the Agency by the Company. Neither member of the Agency nor any person executing this Agreement on its behalf shall be liable personally under this Agreement. No recourse shall be had for the payment of the principal or interest on amounts due hereunder or for any claim based upon or in respect of any modification
of or supplement hereto against any past, present or future member, officer, agent, servant, or employee, as such, of the Agency, or of any successor or political subdivision, either directly or through the Agency or any such successor, all such liability of such members, officer, agents, servants and employees being, to the extent permitted by law, expressly waived and released by the acceptance hereof and as part of the consideration for the execution of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY

By: 

Michael B. Stamm, Administrative Director

CASCADE PLAZA LLC

By: 

John A. Ciminelli, Operating Agent
"Total PILOT Payment" on an annual basis shall mean the assessed value of the Facility multiplied by the then current tax rates (after application of any applicable equalization rate) multiplied by the Total Taxable Valuation as set forth below:

<table>
<thead>
<tr>
<th>PILOT Year</th>
<th>School Tax Year</th>
<th>County/Town Tax Year</th>
<th>Total Taxable Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005-2006</td>
<td>2006</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 0%)</td>
</tr>
<tr>
<td>2</td>
<td>2006-2007</td>
<td>2007</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 0%)</td>
</tr>
<tr>
<td>3</td>
<td>2007-2008</td>
<td>2008</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 10%)</td>
</tr>
<tr>
<td>4</td>
<td>2008-2009</td>
<td>2009</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 10%)</td>
</tr>
<tr>
<td>5</td>
<td>2009-2010</td>
<td>2010</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 20%)</td>
</tr>
<tr>
<td>6</td>
<td>2010-2011</td>
<td>2011</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 20%)</td>
</tr>
<tr>
<td>7</td>
<td>2011-2012</td>
<td>2012</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 30%)</td>
</tr>
<tr>
<td>8</td>
<td>2012-2013</td>
<td>2013</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 30%)</td>
</tr>
<tr>
<td>9</td>
<td>2013-2014</td>
<td>2014</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 40%)</td>
</tr>
<tr>
<td>10</td>
<td>2014-2015</td>
<td>2015</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 40%)</td>
</tr>
<tr>
<td>11</td>
<td>2015-2016</td>
<td>2016</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 50%)</td>
</tr>
<tr>
<td>12</td>
<td>2016-2017</td>
<td>2017</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 50%)</td>
</tr>
<tr>
<td>13</td>
<td>2017-2018</td>
<td>2018</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 60%)</td>
</tr>
<tr>
<td>14</td>
<td>2018-2019</td>
<td>2019</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 60%)</td>
</tr>
<tr>
<td>15</td>
<td>2019-2020</td>
<td>2020</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 70%)</td>
</tr>
<tr>
<td>16</td>
<td>2020-2021</td>
<td>2021</td>
<td>(Valuation of Unimproved Portion) plus (Valuation of Improvements x 70%)</td>
</tr>
</tbody>
</table>
The total PILOT Payment shall be calculated so that a portion of the Facility shall be exempt for a period of two years to the extent of one-hundred per centum (100%) of the increase in assessed valuation thereof attributable to the project undertaken with the Agency’s assistance relating, but not limited, to: (i) the acquisition of an interest in an approximately 0.6 acre parcel of land located on the northwest corner of North Tioga Street and East Seneca Street in the City of Ithaca, New York (the "Land"); (ii) the construction on the Land of an approximately 9-story, 186,000 square-foot building (the "Building") to contain (a) an approximately 110-room "Hilton Urban Garden Inn" (or other similar franchise hotel) (the "Hotel"), (b) approximately 70,500 square-feet of office space to be leased to and used by Cornell University (the "Cornell Office Space"), (c) approximately 22,460 square-feet of office space to be leased to and used by other tenants (the "Additional Office Space") and (d) related retail space and common areas (the "Additional Space", and collectively with the Building, the Hotel, the Cornell Office Space, and the Additional Office Space, the "Improvements") and (iii) the acquisition and installation in and around the Improvements of certain items of machinery, equipment and other items of tangible personal property (the "Equipment" and, collectively with the Land and the Improvements, the "Facility"); and for an additional period of 18 years; provided, however, that the extent of such exemption shall be decreased by ten per centum (10%) every two years during such period of 18 years. For the term of the PILOT Agreement, the Company shall pay full taxes based on the assessed value the Facility not attributable to the Improvements (the "Unimproved Portion"). Valuation means assessed valuation as determined from time to time by the applicable tax assessor. The table above illustrates the computation of the tax exemption.