

**YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**AND**

**PACO PALACE LLC**

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**TAX AGREEMENT**

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**Project Address:**

211 Hall Road  
Town of Milo  
Yates County

**Tax Map Nos.:**

88.04-1-4.1 & 88.04-1-6.31

**Affected Tax Jurisdictions:**

Yates County  
Town of Milo  
Dundee Central School District

**Dated as of February 1, 2022**

## TAX AGREEMENT

THIS TAX AGREEMENT, dated as of February 1, 2022 (the "Tax Agreement"), is by and between the **YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY**, a public benefit corporation duly existing under the laws of the State of New York, with offices at One Keuka Business Park, Suite 104, Penn Yan, New York 14527 (the "Agency") and **PACO PALACE LLC**, a limited liability company duly organized and validly existing under the laws of the State of New York, with offices at 2893 W. Lake Road, Penn Yan, New York 14527 (the "Company").

### WITNESSETH:

WHEREAS, the Agency was created by Chapter 113 of the Laws of 1975 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 (the "State"); 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: (A) the acquisition by the Agency of a leasehold or other interest in certain real property located at 211 Hall Road, Town of Milo, Yates County, New York (the "Land", being more particularly described as tax parcel Nos. 88.04-1-4.1 and 88.04-1-6.31) and the existing improvements located thereon (the "Existing Improvements"); (B)(1) the planning, design, reconstruction, rehabilitation and renovation of certain upgrades to the Existing Improvements to accommodate a wine tasting room, wedding and event center and (2) the planning, design and construction multi-purpose education and tech incubation facility (collectively, the "Improvements"); and (C) the acquisition and installation in and around the Improvements of certain items of equipment, machinery and other tangible personal property (the "Equipment"; and, collectively with the Land, the Existing Improvements 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 a leasehold interest in the Land, the Existing Improvements, the Improvements, the Equipment and the personal property constituting the Facility pursuant to a certain Lease Agreement, dated as of February 1, 2022 (the "Lease Agreement"), and thereafter to lease said Land, Existing Improvements, Improvements, Equipment and personal property back to the Company pursuant to the terms and conditions of a certain Leaseback Agreement, dated as of February 1, 2022 (the "Leaseback 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 or under its jurisdiction, control or supervision, 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 for the benefit of Yates County (the "County"), the Town of Milo (the "Town") and the Dundee Central School District (the "School District" and, collectively with the County and the Town, 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, 2022** (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 (the "RPTL") 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 (as hereinafter defined) commencing with the 2023-24 School District tax year, and the 2024 County and Town tax years. For purposes of the foregoing "Real Estate Taxes" means all general levy real estate taxes levied against the Facility by the County, the Town and the School District. The Company shall provide 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 Leaseback 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.

B. Interim Real Estate Taxes. To the extent imposed by any of the Affected Tax Jurisdictions, the Company shall pay all Real Estate Taxes relating to the Land and the Existing Improvements due and payable from the date thereof through the Taxable Status Date and any applicable time periods prior to those set forth within Section 1.5.

C. Agreement to Make Payments. As long as the Facility is owned by or leased to the Agency, the Company agrees to pay annually to the Affected Tax Jurisdictions as a payment-in-lieu-of-taxes, on or before February 1 of each year for County and Town taxes, commencing on February 1, 2024, and on or before October 1 of each calendar year for School taxes, commencing October 1, 2023 (collectively, the "Payment Date"), an amount equal to the Total Tax Payment, as described in **Schedule A** attached hereto. The Company shall make all such Total Tax Payments in the amounts and on the dates specified above, whether or not any such

Total Tax Payment is billed by the Agency, the Affected Tax Jurisdictions, or any other party.

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.

1.2 Allocation. A. The Agency shall remit to the Affected Tax Jurisdictions amounts received hereunder, *if any*, within thirty (30) days of receipt of said payment and shall allocate said payments 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 Tax Payment among the Affected Tax Jurisdictions, the Agency shall use the last tax rate utilized for levy of taxes by each such jurisdiction. For County, Town and special district purposes, the tax rates used to determine the allocation of the Total Tax Payment shall be the tax rates relating to the calendar year which includes the Payment Date. For School District purposes, the tax rates used to determine the Total Tax Payment shall be the rate relating to the School District year which includes the Payment 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 Tax 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 Tax Payment. The Agency shall notify the Company of any proposed increase in the Total Tax Payment related to such Future Addition. If the Company shall disagree with the determination of assessed value for any Future Addition made by the Agency, 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 Total Tax Payment until a different Total Tax Payment shall be established. If a lesser Total Tax Payment is determined in any proceeding or by subsequent agreement of the parties, the Total Tax 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 Total Tax Payment(s).

1.5 Period of Benefits. The tax benefits provided for herein should be deemed to include (i) the 2023-24 School District tax year through the 2023-24 School District tax year, and (ii) the 2024 County and Town tax years through the 2033 County and Town tax years. This Tax Agreement **shall expire on December 31, 2033**; *provided, however*, the Company shall pay (i) the 2033-34 School District tax bill, and (ii) the 2034 County and Town 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 Tax Agreement executed by both parties after any applicable public hearings. The Company

agrees that it will not seek any tax exemption for the Facility while this Tax Agreement is in effect, 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 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 Tax 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 or 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 Tax 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 and (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 Leaseback 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 Act 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, the 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, the Company shall pay, in addition to said payment, the greater of the applicable penalties and interest as determined hereunder 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 Tax 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 Tax Agreement may be executed in any number of counterparts each of which shall be deemed an original but all of 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: Yates County Industrial Development Agency  
One Keuka Business Park, Suite 104  
Penn Yan, New York 14527  
Attn: Chairman

With a Copy To: Harris Beach PLLC  
99 Garnsey Road  
Pittsford, New York 14534  
Attn: Russell E. Gaenzle, Esq.

To the Company: Paco Palace LLC  
2893 W. Lake Road  
Penn Yan, New York 14527  
Attn: Anna Sweet, on behalf of Gizmo Enterprises LLC

With a Copy To: Morgenstern DeVoesick PLLC  
1080 Pittsford Victor Road, Suite 200  
Pittsford, New York 14534  
Attn: Michael Gionta, Esq.

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 Tax Agreement shall be governed by, and all matters in connection herewith shall be construed and enforced in accordance with, the laws of the State 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 Yates 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. No member of the Agency nor any person executing this Tax Agreement on its behalf shall be liable personally under this Tax 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, officers, 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 Tax Agreement.

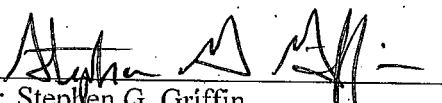
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**[Signature Page to Tax Agreement]**

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

**YATES COUNTY INDUSTRIAL  
DEVELOPMENT AGENCY**

By:   
Name: Stephen G. Griffin  
Title: Chief Executive Officer

**PACO PALACE LLC**

By: Gizmo Enterprises LLC, its Sole Member

By: \_\_\_\_\_  
Name: Anna Sweet  
Title: Member

**[Signature Page to Tax Agreement]**

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

**YATES COUNTY INDUSTRIAL  
DEVELOPMENT AGENCY**

By: \_\_\_\_\_

Name: Stephen G. Griffin

Title: Chief Executive Officer

**PACO PALACE LLC**

By: Gizmo Enterprises LLC, its Sole Member

By:  \_\_\_\_\_

Name: Anna Sweet

Title: Member

**SCHEDULE A**

**TO**

Tax Agreement dated as of February 1, 2022  
by and between the Yates County Industrial Development Agency  
and  
Paco Palace LLC

| <b><u>Tax Year</u></b> | <b><u>School District Tax Year</u></b> | <b><u>County and Town Tax Year</u></b> | <b><u>Total Tax Payment</u></b>                          |
|------------------------|--|--|--|
| Interim                | 2021-22 &<br>2022-23                   | 2022 &<br>2023                         | Full Taxes   |
| 1                      | 2023-24                                | 2024                                   | Base Valuation, plus (Added Value of Improvements x. 00) |
| 2                      | 2024-25                                | 2025                                   | Base Valuation, plus (Added Value of Improvements x. 10) |
| 3                      | 2025-26                                | 2026                                   | Base Valuation, plus (Added Value of Improvements x. 20) |
| 4                      | 2026-27                                | 2027                                   | Base Valuation, plus (Added Value of Improvements x. 30) |
| 5                      | 2027-28                                | 2028                                   | Base Valuation, plus (Added Value of Improvements x. 40) |
| 6                      | 2028-29                                | 2029                                   | Base Valuation, plus (Added Value of Improvements x. 50) |
| 7                      | 2029-30                                | 2030                                   | Base Valuation, plus (Added Value of Improvements x. 60) |
| 8                      | 2030-31                                | 2031                                   | Base Valuation, plus (Added Value of Improvements x. 70) |
| 9                      | 2031-32                                | 2032                                   | Base Valuation, plus (Added Value of Improvements x. 80) |
| 10                     | 2032-33                                | 2033                                   | Base Valuation, plus (Added Value of Improvements x. 90) |

For the term of this Tax Agreement, the Company shall continue to pay full taxes based on the assessed value of the Land and the Existing Improvements located on the Land as of the date of this Tax Agreement prior to the completion of any Improvements (the "Base Valuation"). During the term of this Tax Agreement, the Base Valuation of the Land shall be increased from time to time by the percentage increase in the assessed valuation in all taxable real property in the Town of Jerusalem, Yates County, New York, as of the respective tax status date for the tax year for which the recalculation is being made.

The Total Taxable Valuation shall be calculated such that a graduated abatement factor ("Abatement Factor") shall be applied to the increased assessed valuation attributable to the Improvements made by the Facility by the Company, as an agent of the Agency (the "Added Value"). The abatement schedule shall allow for a one hundred percent (100%) exemption from taxation for the Added Value of the Improvements in Tax Year 1, with such exemption thereafter being eliminated in ten percent (10%) increments on an annual basis.

Once the Total Taxable Valuation of the Facility is established using the Abatement Factor, the Total Tax Payment for the Facility shall be determined by multiplying the Total Taxable Valuation of the Facility by the respective tax rate for each affected tax jurisdiction (after application of any applicable equalization rate). After the tenth Tax Year, the Facility shall be subject to full taxation by the affected taxing jurisdictions.

Total Taxable Valuation = Base Valuation + (Added Value of Improvements x Abatement Factor)

Total Tax Payment = Total Taxable Valuation of the Facility (after equalization) x Tax Rate.