

**PILOT DEVIATION APPROVAL RESOLUTION
PENN YAN HOSPITALITY GROUP, LLC PROJECT**

A special meeting of Yates County Industrial Development Agency (the "Agency") was convened in public session in the offices of the Agency located at One Keuka Business Park in Penn Yan, Yates County, New York on April 21, 2010 at 8:00 o'clock a.m., local time.

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

PRESENT:

Kevin T. Bailey	Chairman
Craig E. Densmore	Secretary
Jerry C. Hiller	Treasurer
Rodman Williams	Assistant Treasurer/Secretary
Robert Corcoran	Member
James Long	Member
Tim Dennis	Member

ABSENT:

None.

AGENCY STAFF PRESENT INCLUDED THE FOLLOWING:

Steve Griffin	Chief Executive Officer
Doreen J. Jensen	Chief Financial Officer
Ryan Hallings	Empire Zone Coordinator
A. Joseph Scott, III	Bond Counsel

The following resolution was offered by Craig E. Densmore, seconded by Rodman Williams, to wit:

Resolution No. _____

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 PENN YAN HOSPITALITY GROUP, LLC PROJECT.

WHEREAS, Yates County Industrial Development Agency (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 113 of the 1975 Laws of New York, as amended, constituting Section 893-b 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, Penn Yan Hospitality Group, LLC, a New York limited liability company (the "Company"), submitted an application (the "Application") to the Agency, a copy of which Application is on file at the office of the Agency, which Application requested 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 a parcel of land containing approximately 1.32 acres located at 142 Lake Street in the Village of Penn Yan, Yates County, New York (the "Land"), together with an existing building containing approximately 38,560 square feet of space located thereon (the "Existing Facility"), (2) the renovation and upgrading of a portion of the Existing Facility and the construction of twelve (12) hotel rooms containing in the aggregate approximately 5,000 square feet of space to the Existing Facility (the "Addition"), and (3) the acquisition and installation thereon and therein of various machinery and equipment (the "Equipment"), (the Land, the Existing Facility, the Addition and the Equipment hereinafter collectively referred to as the "Project Facility"), all of the foregoing to constitute a 55-room hotel to be owned and operated by the Company and other directly and indirectly related activities; (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 February 17, 2010 (the "Public Hearing Resolution"), the Chief Executive Officer of the Agency (A) caused notice of a public hearing of the Agency pursuant to Section 859-a of the Act (the "Public Hearing") 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 March 5, 2010 to the chief executive officers of the county and of each city, town, village and school district in which the Project is to be located, (B) caused notice of the Public Hearing to be posted on March 8, 2010 on a bulletin board located in the Yates County Court House, 415 Liberty Street in the Village of Penn Yan, Yates County, New York, (C) caused notice of the Public Hearing to be published on March

10, 2010 in The Chronicle-Express, a newspaper of general circulation available to the residents of the Village of Penn Yan, Yates County, New York, (D) conducted the Public Hearing on March 22, 2010, at 3:30 p.m., local time at the Village Hall's Board Room at the Village Office located at 111 Elm Street in the Village of Penn Yan, Yates County, New York, and (E) prepared a report of the Public Hearing (the "Report") which fairly summarized the views presented at said public hearing and distributed same 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 (collectively with the SEQR Act, "SEQRA"), by resolution adopted by the members of the Agency on February 17, 2010 (the "SEQR Resolution"), the Agency determined (A) that the Project constituted an "Unlisted Action" under SEQRA, (B) that the Project would not have a "significant effect on the environment" pursuant to SEQRA and, therefore, that no environmental impact statement need be prepared with respect to the Project, and (C) as a consequence of the foregoing, to prepare a negative declaration with respect to 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; 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 February 17, 2010, the members of the Agency adopted a resolution (the "Pilot Deviation Notice Resolution") which authorized the Chief Executive Officer of the Agency to notify the Affected Tax Jurisdictions of the proposed deviation from the Agency's uniform tax exemption policy in connection with the Project, which proposed deviation is outlined in the letter dated April 7, 2010 (the "Pilot Deviation Letter"), a copy of which Pilot Deviation Letter is attached hereto as Exhibit A; and

WHEREAS, by the Pilot Deviation Letter, the Chief Executive Officer 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 YATES COUNTY 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 any Affected Tax Jurisdiction with respect to the proposed deviation.

(C) A representative from the Town Assessor's office attended the meeting and the Agency such representative the opportunity to address the members of the Agency regarding the proposed deviation and provide comments on the proposed deviation to the members and Agency counsel. The comments received are noted on Schedule B attached.

Section 2. Based on the findings and determinations in Section 1 above, 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.

Section 3. Upon preparation by counsel to the Agency 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 Chairman (or Vice Chairman) of the Agency, the Chairman (or Vice Chairman) 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 Chairman (or Vice Chairman), the execution thereof by the Chairman (or Vice Chairman) 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:

Kevin T. Bailey	VOTING	<u>Yes</u>
Craig E. Densmore	VOTING	<u>Yes</u>
Jerry C. Hiller	VOTING	<u>Yes</u>
Rodman Williams	VOTING	<u>Yes</u>
Robert Corcoran	VOTING	<u>Yes</u>
James Long	VOTING	<u>Yes</u>
Tim Dennis	VOTING	<u>Yes</u>

The foregoing Resolution was thereupon declared duly adopted.

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

I, the undersigned (Assistant) Secretary of Yates County 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 April 21, 2010 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 21st day of April, 2010.



(Assistant) Secretary

(SEAL)

EXHIBIT A
PILOT DEVIATION LETTER

YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY

One Keuka Business Park

Penn Yan, New York

TEL: (315) 536-7328

FAX: (315) 536-2389

April 7, 2010

H. Taylor Fitch, Chairman
Yates County Legislature
County Building
417 Liberty Street
Penn Yan, New York 14527

Robert Church, Mayor
Village of Penn Yan
111 Elm Street
PO Box 426
Penn Yan, New York 14527

John Socha, Town Supervisor
Town of Milo
137 Main Street
Penn Yan, New York 14527

Jeff Morehouse, Board President
Penn Yan Central School District
One School Drive
Penn Yan, New York 14527

Ann Orman, Superintendent
Penn Yan Central School District
One School Drive
Penn Yan, New York 14527

RE: Yates County Industrial Development Agency
Proposed Penn Yan Hospitality Group, LLC Project

Dear Ladies and Gentlemen:

In February, 2010, Penn Yan Hospitality Group, LLC (the "Company") presented an application to the Agency, a copy of which is on file at the office of the Agency, requesting that the Agency consider undertaking a project (the "Project") consisting of the following: (A) (1) the acquisition of an interest in a parcel of land containing approximately 1.32 acres located at 142 Lake Street in the Village of Penn Yan, Yates County, New York (the "Land"), together with an existing building containing approximately 38,560 square feet of space located thereon (the "Existing Facility"), (2) the renovation and upgrading of a portion of the Existing Facility and the construction of twelve (12) hotel rooms containing in the aggregate approximately 5,000 square feet of space to the Existing Facility (the "Addition"), and (3) the acquisition and installation thereon and therein of various machinery and equipment (the "Equipment") (the Land, the Existing Facility, the Addition and the Equipment hereinafter collectively referred to as the "Project Facility"), all of the foregoing

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to constitute a 55-room hotel to be owned and operated by the Company and other directly and indirectly related activities; (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 Project, the Company has requested that the Agency enter into a payment in lieu of tax agreement (the "Proposed PILOT Agreement"), the proposed terms of which would deviate from the Agency's Uniform Tax Exemption Policy (the "Policy"). The Proposed PILOT Agreement would not provide any abatements for any special assessments levied on the Project Facility.

The Proposed PILOT Agreement would provide a real property tax abatement to the Project in accordance with the following schedule:

Year	Amount of Exemption
2010	25%
2011	25%
2012	25%
2013	25%
2014	25%
2015	25%
2016	25%
2017	25%
2018	25%
2019	25%
2020	25%
2021	25%
2022	25%
2023	25%
2024	25%
2025	25%
2026	100%

After Year 2025 the Proposed PILOT Agreement will terminate and the Company will be obligated to pay all real property taxes without any abatement.

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The terms of the Proposed PILOT Agreement deviate from the Agency's Uniform Tax Exemption Policy (the "Policy"). Under the Agency's Policy, commercial projects receive a standard 10 year payment in lieu of tax agreement. The standard 10 year payment in lieu of tax agreement under the Agency's Policy provides for an exemption that starts at 100% and then reduces such exemption by 10%/year over the 10 year period. The abatement is applicable only to the increase in assessed value in the Project Facility relating to the undertaking of the Project.

The proposed deviation provides for a sixteen (16) year term because the Existing Facility is subject to a payment in lieu of tax agreement dated as of September 1, 2004 (the "Original PILOT Agreement") by and between the Agency and the Company. The remaining term in the Original PILOT Agreement is approximately sixteen (16) years. There will be no diminution or other change in the payment terms contained in the Original PILOT Agreement. And, further, the amount of the abatement schedule in the Proposed PILOT Agreement is less than the abatement schedule contained in the Original PILOT Agreement.

The purpose of this letter is to inform you of such deviation and that the Agency is considering the terms of the Proposed PILOT Agreement. The Agency expects to consider whether to approve the terms of the Proposed PILOT Agreement at its meeting scheduled for **April 21, 2010 at 8:00 o'clock, a .m., local time** at One Keuka Business Park in the Village of Penn Yan, Yates County, New York (the "Meeting"). 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 notice prior to the Agency taking final action with respect to the Proposed PILOT Agreement.

The Agency is considering the following factors, enumerated under the Policy, in considering the proposed deviation:

1. The nature of the Project:

The Project involves the construction of 12 additional rooms and the renovation of the existing hotel located in the Village of Penn Yan.
2. The nature of the property before the Project begins:

The property is currently a Best Western Hotel.
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:

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Any increase in local tourism due to the renovation and construction of additional hotel rooms will boost local and county-wide economic development efforts through increased support of tourism in Yates County

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 retain 8 full-time permanent private sector jobs, create 6 full-time permanent private sector jobs and 10 construction jobs over the course of its development at the Project Facility.

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

The term of the Proposed PILOT Agreement is longer than the term of the standard PILOT abatement schedule of the Agency. However, the amount of PILOT payments to be paid by the Company under the Proposed PILOT Agreement is greater than the amounts to be paid under the Original PILOT Agreement. The Company is willing to pay a higher PILOT payment under the Proposed PILOT Agreement than under the Original PILOT Agreement because the Company expects to receive certain Empire Zone benefits with respect to the Project.

6. The economic impact of the Project and the proposed tax exemptions on affected tax jurisdictions:

The exemptions provided under the Proposed PILOT Agreement are critical to the Company and will permit the Company to develop the Project Facility in the Village of Penn Yan.

7. The impact of the Project on existing and proposed businesses and economic development projects in the vicinity:

The impact of the Project is a positive one on the community, as it will promote tourism and will thereby assist local private businesses.

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

The investment by the private investors will be approximately \$870,000.

9. The effect of the Project on the environment:

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The Company has complied with the provisions of the State Environmental Quality Review Act ("SEQR") in connection with the obtaining of local approvals for undertaking the Project.

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

It is anticipated that the Project will be accomplished in a timely fashion.

11. The extent to which the Project 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 have a tremendous burden upon the educational facilities for any school district within Yates County. After the completion of the Project, the employment at the Project is not anticipated to generate a substantial burden on the highways of the Village of Penn Yan. All necessary emergency medical and police services are available in the Village of Penn Yan.

12. The extent to which the Project will provide additional sources of revenue for municipalities and school districts in which the Project is located:

The undertaking and completion of the Project will provide an additional source of revenue through increased sales tax revenue and tax collections through the construction jobs and permanent jobs created by the Project.

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

The benefit is a positive one economically, in that the Project will create permanent jobs in the area and promote tourism in Yates County.

The Agency will consider the Project and the Proposed PILOT Agreement (and the proposed deviation from its Policy) at the Meeting. The Agency will welcome any written comments that you might have on this proposed deviation from the Agency's Uniform Tax Exemption Policy. In accordance with Section 874(4)(c) 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

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representative of any affected tax jurisdiction present at the Meeting to address the Agency regarding the proposed deviation.

Very truly yours,

YATES COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: s/ Steve Griffin
Chief Executive Officer

EXHIBIT B

COMMENTS ON PILOT DEVIATION LETTER

The comments received are described as follows:

1. The schedule of the abatement on page 2 should make clear the difference between "Tax Year" and "Role Year".
2. The last number in the schedule of the abatement on page 2 should read 0% and not 100%.
3. The PILOT deviation letter should make clear that the abatement schedule applies to a floating assessed value of the Project Facility, and that such assessed value will be adjusted in the normal course.
4. Paragraph 5 of the letter on page 4 should be considered in light of possible elimination of the Empire Zone program for the Project

