

INITIAL PROJECT RESOLUTION
(Johnston Paper Company, Inc. Project)

A regular meeting of Cayuga County Industrial Development Agency was convened on Tuesday, October 21, 2014, at 4:00 p.m.

The following resolution was duly offered and seconded, to wit:

Resolution No. 10/2014 - 1

RESOLUTION OF THE CAYUGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY (i) ACCEPTING THE APPLICATION OF JOHNSTON PAPER COMPANY, INC. AND REHC 5, INC. (COLLECTIVELY, THE "COMPANY") IN CONNECTION WITH A PROPOSED PROJECT (AS FURTHER DESCRIBED HEREIN) LOCATED WITHIN THE VILLAGE OF NEWARK, NEW YORK; (ii) AUTHORIZING THE SCHEDULING AND CONDUCT OF A PUBLIC HEARING; AND (iii) DESCRIBING THE FORMS OF FINANCIAL ASSISTANCE BEING CONTEMPLATED BY THE AGENCY WITH RESPECT TO THE PROJECT

WHEREAS, by Title 1 of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 688 of the Laws of 1970 of the State of New York, (hereinafter collectively called the "Act"), the **CAYUGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY** (hereinafter called the "Agency") was created with the authority and power to promote, develop, encourage and assist in acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, civic, research, and recreational facilities as authorized by the Act, and in connection therewith to issue its revenue bonds, enter into straight lease transactions and provide other forms of financial assistance; and

WHEREAS, the Agency previously undertook a certain project (herein, the "2003 Project") for the benefit of REHC 5, INC. (as successor to May & May Associates, LLC) and JOHNSTON PAPER COMPANY, INC. (collectively, the "Company"), consisting of: (1) the acquisition of a leasehold interest in a parcel of land formerly known as "Parcel F" of the Aurelius Industrial Park and located at 2 Eagle Drive, Aurelius, Cayuga County, New York (said parcel being identified as tax map number 114-2-27.1, and herein, the "Land"); (2) the construction and equipping on the Land of an approximately 100,000 square-foot building to be used as an office, training and warehouse facility (the "2003 Improvements"); (3) the acquisition of and installation in and around the 2003 Improvements of certain machinery and related equipment and items of personal property (the "2003 Equipment" and, collectively with the Land and the 2003 Improvements, the "2003 Facility"); and (4) the sublease of the 2003 Facility to and operation by JOHNSTON PAPER COMPANY, INC.; and

WHEREAS, the Agency and Company (through assignor May & May Associates, LLC) undertook the 2003 Project pursuant to a straight lease transaction (within the meaning of subdivision (15) of Section 854 of the Act, and collectively the "2003 Straight Lease Transaction"), pursuant to which (i) the Agency acquired a leasehold interest in the 2003 Facility pursuant to a Lease Agreement, dated as of November 1, 2003 (the "2007 Lease Agreement"); (ii) the Agency leased the 2003 Facility back to the Company pursuant to a certain Leaseback Agreement, dated as of November 1, 2003 (the "2003 Leaseback Agreement"); and (iii) the Agency and Company entered into a certain Payment in Lieu of Taxes Agreement, also dated as of November 1, 2003 (the "2003 PILOT Agreement", and collectively with the 2003 Lease Agreement, 2003 Leaseback Agreement and related documents, the "2003 Project Documents", as assigned and assumed); and

WHEREAS, the Company has requested the Agency's assistance with a certain project (the "2014 Project") consisting of: (i) the retention by the Agency of a leasehold interest in the Land pursuant to amendments to the 2003 Project Documents (ii) the planning, design and construction on the Land of approximately 58,200 square-feet of additions to the 2007 Improvements (the "2014 Improvements") comprised of approximately 36,200 square feet of new warehouse space and 22,000 square feet of office space, improvements and modifications to the 2003 Improvements, certain exterior driveway, parking, landscaping and curbage improvements to be incorporated for use by the Company as additional office space, warehouse space, and distribution space of paper supply and distribution business; (iii) the acquisition of and installation in and around the 2003 Improvements and Improvements by the Company of machinery, equipment, furniture, fixtures and other items of tangible personal property (the "2014 Equipment" and, collectively with, the Land, the 2003 Improvements and the Improvements, the "2014 Facility"); and

WHEREAS, the Agency is contemplating providing financial assistance to the Company with respect to the 2014 Project (collectively, the "Financial Assistance") in the form of: (A) an exemption from all State and local sales and use taxes with respect to qualifying personal property included in or incorporated into the 2014 Facility or used in the acquisition, construction or equipping of the 2014 Facility; (B) mortgage recording tax exemption(s) relating to financings undertaken by the Company in furtherance of the 2014 Project, and (C) a partial real property tax abatement through a payment-in-lieu-of-tax agreement (the "PILOT Agreement"), pursuant to which the Company would make payments in lieu of real property taxes to each affected tax jurisdiction (the "Affected Tax Jurisdictions"); and

WHEREAS, the Agency intends to describe the 2014 Project, accept the Application, describe the forms of Financial Assistance contemplated by the Agency and authorize the scheduling and conduct of a public hearing pursuant to and in accordance with the Act.

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

Section 1. The Company has presented the Application and related information in a form acceptable to the Agency. Based upon the representations made by the Company to the Agency, the Agency hereby finds and determines that:

(A) By virtue of the Act, the Agency has been vested with all powers necessary and convenient to carry out and effectuate the purposes and provisions of the Act and to exercise all powers granted to it under the Act; and

(B) It is desirable and in the public interest for the Agency to appoint the Company as its agent for purposes of acquiring, constructing, reconstructing, renovating and equipping the Project; and

(C) The action to be taken by the Agency will induce the Company to develop the Project, thereby increasing employment opportunities in Cayuga County and otherwise furthering the purposes of the Agency as set forth in the Act; and

(E) The Project will not result in the removal of a facility or plant of the Company or any other proposed occupant of the Project from one area of the State of New York (the "State") to another area of the State or result in the abandonment of one or more plants or facilities of the Company or any other proposed occupant of the Project located within the State; and the Agency hereby finds that, based on the Company's Application, to the extent occupants are relocating from one plant or facility to another, the Project is reasonably necessary to discourage the Project occupants from removing such other facility or plant to a location outside the State and/or is reasonably necessary to preserve the competitive position of the Project occupants in their respective industries.

Section 2. The proposed financial assistance being contemplated by the Agency includes (i) an exemption from all state and local sales and use taxes with respect to the qualifying personal property included within the 2014 Project or used in the acquisition, construction or equipping of the 2014 Project; (ii) mortgage recording tax exemption(s) relating to financings undertaken by the Company in furtherance of the 2014 Project, and (iii) a partial real property tax abatement through a payment-in-lieu-of-tax agreement (the "PILOT Agreement"), pursuant to which the Company would make payments in lieu of real property taxes to the Affected Tax Jurisdictions.

Section 3. The Agency authorizes the scheduling and conduct of a public hearing as required by Article 18-A of the New York State General Municipal Law.

Section 4. The Agency's formal inducement to undertake the 2014 Project and approve the Financial Assistance shall be by one or more further resolutions of the Agency and shall be subject to the terms and conditions as are set forth therein.

Section 5. The Chairman, the Executive Director and counsel to the Agency are hereby authorized and directed to negotiate, but not execute, certain lease agreements, the PILOT Agreement, and related documents to undertake the Project, including amendments to the 2003 Project Documents.

Section 6. Harris Beach PLLC, as Transaction Counsel for the Agency, is hereby authorized to work with the Galbato Law Firm, as Agency General Counsel, and counsel to the

Company and others to prepare for submission to the Agency all documents necessary to effect the authorization and undertaking of the 2014 Project.

Section 7. The Chairman and the Executive Director of the Agency are hereby authorized and directed to distribute copies of this Resolution to the Company and to do such further things or perform such acts as may be necessary or convenient to implement the provisions of this Resolution.

Section 8. This Resolution shall take effect immediately.

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

	<u>Yea</u>	<u>Nay</u>	<u>Absent</u>	<u>Abstain</u>
Paul Lattimore	[X]	[]	[]	[]
Carol Contiguglia	[]	[]	[X]	[]
John Latanyshyn	[X]	[]	[]	[]
Raymond Lockwood	[X]	[]	[]	[]
Herb Marshall	[X]	[]	[]	[]
Gina Speno	[X]	[]	[]	[]
Joseph Runkle	[X]	[]	[]	[]

The Resolution was thereupon declared duly adopted.

SECRETARY'S CERTIFICATION

STATE OF NEW YORK)
COUNTY OF CAYUGA) SS:

I, the undersigned Acting Secretary of the Cayuga County Industrial Development Agency,
DO HEREBY CERTIFY:

That I have compared the annexed extract of minutes of the meeting of the Cayuga County Industrial Development Agency (the "Agency"), including the resolution contained therein, held on October 21, 2014, with the original thereof on file in my office, and that the same is a true and correct copy of the proceedings of the Agency and of such resolution set forth therein and of the whole of said original insofar as the same related to the subject matters therein referred to.

I FURTHER CERTIFY, that all members of said Agency had due notice of said meeting, that the meeting was in all respects duly held and that, pursuant to Article 7 of the Public Officers Law (Open Meetings Law), said meeting was open to the general public, and that public notice of the time and place of said meeting was duly given in accordance with such Article 7.

I FURTHER CERTIFY, that 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 modified.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Agency this 22 day of October, 2014.

Michelle Prugo-Milewski

Acting Secretary

[SEAL]

