

**APPLICATION  
FOR  
INDUSTRIAL DEVELOPMENT  
REVENUE BOND FINANCING  
AND  
LEASEBACK TRANSACTIONS**

**IMPORTANT NOTICE:** The answers to the questions contained in this Application are necessary to determine your firm's eligibility for financing, tax exemptions and other assistance from the Auburn Industrial Development Authority (the "Authority"). These answers will also be used in the preparation of papers in this transaction. Accordingly, all questions should be answered accurately and completely by an officer or other employee of your firm who is thoroughly familiar with the business and affairs of your firm and who is also thoroughly familiar with the proposed project. This application is subject to acceptance by the Authority.

**TO: AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY**  
24 South Street  
Memorial City Hall  
Auburn, New York 13021

This application by Applicant respectfully states:

APPLICANT: Carolina Eastern-Vail, Inc.

APPLICANT'S  
ADDRESS: 53 Columbus Street CITY: Auburn STATE: NY ZIP: 13021

NAME OF PERSON(S) AUTHORIZED TO SPEAK FOR APPLICANT WITH RESPECT TO THIS

APPLICATION: Cliff Love TELEPHONE NO: 315-253-7379 FAX NO: 315-258-8154

E-MAIL ADDRESS: clove@carolina-eastern.com

**APPLICANT'S ATTORNEY:**

NAME OF FIRM: Nixon Peabody LLP

NAME OF  
ATTORNEY: Jonathan Penna, Esq.

ATTORNEY'S  
ADDRESS: 1100 Clinton Square

CITY: Rochester STATE: NY ZIP: 14604

TELEPHONE NO: 585-263-1388 FAX NO: 866-947-0993 E-MAIL ADDRESS: jpenna@nixonpeabody.com

**APPLICANT'S ACCOUNTANT:**

NAME OF FIRM: Dixon Hughes PLLC, CPA

NAME OF  
ACCOUNTANT: Rudy Thomas

ACCOUNTANT'S  
ADDRESS: P.O. Box 973

CITY: Charleston STATE: SC ZIP: 29402

TELEPHONE NO: 843-722-6443 FAX NO: \_\_\_\_\_ E-MAIL ADDRESS: \_\_\_\_\_

**NOTE:** PLEASE READ THE INSTRUCTIONS ON PAGE 2 HEREOF BEFORE FILLING OUT THE REST OF THIS APPLICATION.

## INSTRUCTIONS

1. The Authority will not approve any application unless, in the judgment of the Authority, said application contains sufficient information upon which to base a decision whether to approve or tentatively approve the project contemplated herein (the "Project").
2. Fill in all blanks, using "none" or "not applicable" or "N/A" where the question is not appropriate to the Project.
3. If an estimate is given as the answer to a question, put "(est)" after the figure or answer which is estimated.
4. If more space is needed to answer any specific question, attach a separate sheet.
5. When completed, return two (2) copies of this application to the Authority at the address indicated on the first page of this application.
6. The Authority will not give final approval to this application until the Authority receives a completed Environmental Assessment Form (EAF) concerning the Project.
7. Please note that Article 6 of the New York Public Officers Law declares that all records in the possession of the Authority (with certain limited exceptions) are open to public inspection and copying. If the Applicant feels that there are elements of the Project which are in the nature of trade secrets or information, the nature of which is such that if disclosed to the public or otherwise widely disseminated would cause substantial injury to the Applicant's competitive position, the Applicant may identify such elements in writing and request that such elements be kept confidential in accordance with Article 6 of the Public Officers Law.
8. The Applicant will be required to pay to the Authority all actual costs incurred in connection with this application and the Project (to the extent such expenses are not paid out of the proceeds of the Authority's bonds issued to finance the Project, if applicable). The costs incurred by the Authority, including the Authority's general counsel, bond counsel and/or special counsel, if any, may be considered as a part of the Project and included as a part of the resultant bond issue.
9. The Authority has established an administrative fee to be paid by the Applicant upon successful conclusion of the sale of the bonds or the leaseback transaction, as applicable, said fee being intended to cover the indirect expenses incurred by the Authority in administering the Project. The administrative fee will be the following amount: (a) for bond transactions, 3/4 of 1% of the aggregate principal amount of the bonds issued with respect to the Project, (b) for leaseback transactions, 1% of the Total Project Costs as set forth in Section V(A) of this Application, or (c) such other amount as is agreed to by the Authority on a case-by-case basis. **UNLESS THE AUTHORITY AGREES IN WRITING TO THE CONTRARY, THE ADMINISTRATIVE FEE IS REQUIRED TO BE PAID AT OR PRIOR TO THE ISSUANCE OF THE BONDS OR THE GRANTING OF ANY FINANCIAL ASSISTANCE, AS APPLICABLE.**
10. The Authority has established an application fee of Two Hundred Fifty and 00/100 Dollars (\$250) to cover the anticipated costs of the Authority in processing this application. A check or money order made payable to the Authority must accompany each application. **THIS APPLICATION WILL NOT BE ACCEPTED BY THE AUTHORITY UNLESS ACCOMPANIED BY THE APPLICATION FEE.**

I. INFORMATION CONCERNING THE PROPOSED OCCUPANT OF THE PROJECT  
(HEREINAFTER REFERRED TO AS THE "COMPANY").

A. Identity of Company.

1. Company Name: Carolina Eastern-Vail, Inc. (CaroVail)  
Present Address: 53 Columbus Street  
City: Auburn State: NY Zip: 13021  
Employer's Federal ID No.: 581358742 NAICS Code No.: 424910
2. If the Company differs from the Applicant, give details of relationship:  
N/A
3. Indicate the type of business organization of Company:
  - a.  Corporation. If so, incorporated in what country? U.S.A.; What State? NY; Date Incorporated 3/8/79; Type of Corporation? C; Authorized to do business in New York?  Yes  No; Date so authorized 3/8/79.
  - b.  Limited Liability Company. If so, State of organization? N/A; Date Organized \_\_\_\_\_; Authorized to do business in New York? \_\_\_\_\_; Date so authorized \_\_\_\_\_ Number of members \_\_\_\_\_.
  - c.  Partnership. If so, indicate type of partnership N/A; Number of general partners \_\_\_\_\_; Number of limited partners \_\_\_\_\_.
  - d.  Sole proprietorship.
  - e.  Other. Please explain N/A
4. Is the Company a subsidiary or direct or indirect affiliate of any other organization(s)? If so, indicate name of related organization(s) and relationship: Carolina Eastern, Inc. (Part Owner)
5. Is the Applicant a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code?  Yes;  No. If yes, please attach the Applicant's Determination Letter from the Internal Revenue Service with respect to such status. Has the Applicant received any notice indicating that its exempt status is under investigation or subject to revocation?  Yes;  No. If yes, please explain and attach relevant correspondence.

B. Management of Company.

1. List all owners, officers, directors, managers and partners (complete all columns for each person):

<i>NAME</i>	<i>HOME ADDRESS</i>	<i>OFFICE HELD</i>	<i>OTHER PRINCIPAL BUSINESS AFFILIATIONS</i>
Peter Vail, Jr.	831 Rt. 28, Niverville, NY	President	
Tim Perotti	831 Rt. 28, Niverville, NY	Vice President	
Alton Phillips, Sr.	1820 Savannah Hwy, Charleston, SC	Secretary	
Lyn Vail	831 Rt. 28, Niverville, NY	Treasurer	
Anthony Cecil	1820 Savannah Hwy, Charleston, SC	Director	
Sam Rodgers, Jr.	358 McCallister Mill Road, Scranton, SC	Director	

2. Is the Company or management of the Company now a plaintiff or a defendant in any civil or criminal litigation?  Yes;  No.
3. Has any person listed above ever been convicted of a criminal offense (other than a minor traffic violation?)  Yes;  No.
4. Has any person listed above or any concern with whom such person has been connected ever been in receivership or been adjudicated a bankrupt?  Yes;  No.
5. If the answer to any of questions 2 through 4 is yes, please furnish details in a separate attachment.

C. Principal Owners of Company.

1. Is the Company publicly held?  Yes;  No. If yes, please list exchanges where stock of the Company is traded: \_\_\_\_\_
2. If "No", list all stockholders having a 5% or more interest in the Company:

<i>NAME</i>	<i>HOME ADDRESS</i>	<i>PERCENTAGE OF HOLDING</i>
Alton Phillips, Sr.	1820 Savannah Hwy., Charleston, SC 29407	
Peter Vail, Jr.	831 Rt. 28, Niverville, NY	

D. Company's principal bank(s): \_\_\_\_\_  
First Pioneer Farm Credit, P.O. Box 400, Claverack, NY 12513  
518-851-3313 - Julie Forbes  
\_\_\_\_\_

E. Absence of Conflicts of Interest. The Applicant has received from the Authority a list of the members, officers and employees of the Authority. No member, officer or employee of the Authority has an interest, whether direct or indirect, in any transaction contemplated by this application, except as hereinafter described:

N/A  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

II. **INFORMATION CONCERNING PERSON(S) TO WHOM THE COMPANY INTENDS TO LEASE OR SUBLEASE THE PROJECT (HEREINAFTER REFERRED TO AS THE "SUBLESSEES")**. Please give the following information with respect to each Lessee or Sublessee to whom the Company intends to lease or sublease more than 10% (by area or fair market rental value) of the Project:

A. Sublessee Name: N/A \_\_\_\_\_

Present  
Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Employer's Federal ID No.: \_\_\_\_\_ NAICS Code No.: \_\_\_\_\_

Sublessee is:  Corporation;  Limited Liability Company;  Partnership;  
 Sole Proprietorship

Relationship to Company: \_\_\_\_\_

Percentage of Project to be leased or subleased: \_\_\_\_\_

Use of Project intended by Sublessee: \_\_\_\_\_

Date of lease or sublease to Sublessee: \_\_\_\_\_

Term of lease or sublease to Sublessee: \_\_\_\_\_

Will any portion of the space leased by this Sublessee be primarily used in making retail sales of goods or services to customers who personally visit the Project?  Yes;  No. If yes, please provide on a separate attachment (a) detail and (b) the answers to questions III(F)(4) through (6) with respect to each Sublessee.

B. Sublessee Name: N/A \_\_\_\_\_

Present  
Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Employer's Federal ID No.: \_\_\_\_\_ NAICS Code No.: \_\_\_\_\_

Sublessee is:  Corporation;  Limited Liability Company;  Partnership;  
 Sole Proprietorship

Relationship to Company: \_\_\_\_\_

Percentage of Project to be leased or subleased: \_\_\_\_\_

Use of Project intended by Sublessee: \_\_\_\_\_

Date of lease or sublease to Sublessee: \_\_\_\_\_

Term of lease or sublease to Sublessee: \_\_\_\_\_

Will any portion of the space leased by this Sublessee be primarily used in making retail sales of goods or services to customers who personally visit the Project?  Yes;  No. If yes, please provide on a separate attachment (a) detail and (b) the answers to questions III(F)(4) through (6) with respect to each Sublessee.

C. Sublessee Name: N/A

Present  
Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Employer's Federal ID No.: \_\_\_\_\_ NAICS Code No.: \_\_\_\_\_

Sublessee is:  Corporation;  Limited Liability Company;  Partnership;  
 Sole Proprietorship

Relationship to Company: \_\_\_\_\_

Percentage of Project to be leased or subleased: \_\_\_\_\_

Use of Project intended by Sublessee: \_\_\_\_\_

Date of lease or sublease to Sublessee: \_\_\_\_\_

Term of lease or sublease to Sublessee: \_\_\_\_\_

Will any portion of the space leased by this Sublessee be primarily used in making retail sales of goods or services to customers who personally visit the Project?  Yes;  No. If yes, please provide on a separate attachment (a) detail and (b) the answers to questions III(F)(4) through (6) with respect to each Sublessee.

III. DATA REGARDING PROPOSED PROJECT.

A. Description of the Project. (Please provide a brief narrative description of the Project.)  
24,000 Sq. Ft. of demolition took place so a new, energy efficient production and storage facility could be built to produce fertilizers for local farms.  
\_\_\_\_\_  
\_\_\_\_\_

B. Location of the Project

1. Street Address: 53 Columbus Street
2. City: Auburn
3. Town: N/A
4. Village: N/A
5. School District: Auburn
6. Fire District: Auburn
7. County: Cayuga
8. Property Tax Identification No.: 115.65-2-21

C. Description of the Project site.

1. Approximate size (in acres or square feet) of the Project site: 7.726 acres. Is a map, survey or sketch of the Project site attached?  Yes;  No. **See attached Exhibit B.**
2. Are there existing buildings on the Project site?  Yes;  No.
  - a. If yes, indicate the number of buildings on the site: 4. Also, please briefly identify each existing building and indicate the approximate size (in square feet) of each such existing building:  
All existing buildings on site support the company's existing production of fertilizer.
  - b. Are the existing buildings in operation?  Yes;  No. If yes, describe present use of such buildings: Storage for inventory used in production, office and equipment repair also used in operation.
  - c. Are the existing buildings abandoned?  Yes;  No. About to be abandoned?  Yes;  No. If yes, describe: 24,000 sq. ft. of abandoned feed mill were demolished.
  - d. Attach photograph of present buildings. **See attached Exhibit C for photographs of the site prior to construction.**
3. Utilities serving the Project site:  
Water-Municipal: City of Auburn  
Other (describe): \_\_\_\_\_  
Sewer-Municipal: City of Auburn  
Other (describe): \_\_\_\_\_  
Electric-Utility: NYSEG  
Other (describe): \_\_\_\_\_  
Heat - Utility: \_\_\_\_\_  
Other (describe): \_\_\_\_\_

4. Present legal owner of the Project site: Carolina Eastern Vail, Inc.
- a. If the Company (or any Sublessee) owns the Project site, indicate date of purchase: 2/28/2005; purchase price: \$ 140,000
- b. If the Company does not own the Project site, does the Company (or any Sublessee) have an option signed with the owner(s) to purchase the Project site?  Yes;  No. If yes, indicate date option signed with the owner(s): N/A; date the option expires: \_\_\_\_\_
- c. If the Company (or any Sublessee) does not own the Project site, is there a relationship legally or by common control between the Company (or any Sublessee) and the present owner(s) of the Project site?  Yes;  No. If yes, describe in detail on separate attachment. N/A
5. a. Zoning District in which the Project is located: Industrial-Commercial
- b. Are there any variances or special permits affecting the Project site?  Yes;  No. If yes, list below and attach copies of all such variances or special permits: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. Will any portion of the Project be located outside the geographical boundaries of the City of Auburn?  Yes;  No. If yes, what other municipality is the Project partially located in? \_\_\_\_\_ Is the portion of the Project located outside the City of Auburn contiguous with the portion of the Project inside the City of Auburn?  Yes;  No.

D. Description of Proposed Construction.

1. Does part of the Project consist of the acquisition or construction of a new building or buildings?  Yes;  No. If yes, indicate number and size of new buildings: One building of 8,500 sq. ft. constructed and 24,000 sq. ft. of abandoned feedmill demolished. See attached Exhibit D for photographs of the site with the new construction.
2. Does part of the Project consist of additions and/or renovations to the existing buildings located on the Project site?  Yes;  No. If yes, indicate the buildings to be expanded or renovated, the size of any expansions and the nature of expansion and/or renovation: Curbing, sidewalks, parking, streetside landscape all brought up to level given by Planning and Zoning Board as part of conditions of approval.
3. Describe the principal uses to be made by the Company of the building or buildings to be acquired, constructed, renovated or expanded: To store and produce materials for manufacturing of fertilizers designed to minimize environmental impact.



E. Description of the Equipment.

1. Does a part of the Project consist of the acquisition or installation of machinery, equipment or other personal property (the "Equipment")?  Yes;  No. If yes, describe the Equipment: Rail unloading site, material handling equipment and supporting delivery equipment.  
\_\_\_\_\_
2. With respect to the Equipment to be acquired, will any of the Equipment be Equipment which has previously been used?  Yes;  No. If yes, please provide detail:  
\_\_\_\_\_  
\_\_\_\_\_
3. Describe the principal uses to be made by the Company of the Equipment to be acquired or installed: to handle materials used to manufacture fertilizers used by farmers that minimize use of phosphorous and environmentally safe nitrogen sources.  
\_\_\_\_\_

F. Project Use.

1. What are the principal products to be produced at the Project? Fertilizer - including reduced phosphorous types that aid in the reduction of point-source phosphorous fertilizer into local water bodies.  
\_\_\_\_\_
2. What are the principal activities to be conducted at the Project? Production and distribution of fertilizers that are based on best management practices to help minimize nutrient run off. See attached Exhibit E for Short Environmental Assessment Form.  
\_\_\_\_\_
3. Does the Project include facilities or property that are primarily used in making retail sales of goods or services to customers who personally visit such facilities?  Yes;  No. If yes, please provide detail: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. If the answer to question 3 is yes, what percentage of the cost of the Project will be expended on such facilities or property primarily used in making retail sales of goods or services to customers who personally visit the Project? N/A %.
5. If the answer to question 3 is yes, and the answer to question 4 is more than 33.33%, indicate whether any of the following apply to the Project:
  - a. Will the Project be operated by a not-for-profit corporation?  Yes;  No. If yes, please explain: \_\_\_\_\_  
N/A  
\_\_\_\_\_

- b. Is the Project likely to attract a significant number of visitors from outside the counties of Cayuga, Onondaga, Madison, Cortland and Oswego?  Yes;  No. If yes, please explain: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
- c. Would the Project occupant, but for the contemplated financial assistance from the Authority, locate the related jobs outside the State of New York?  Yes;  No. If yes, please explain: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
- d. Is the predominant purpose of the Project to make available goods or services which would not, but for the Project, be reasonably accessible to the residents of the City of Auburn; because of a lack of reasonably accessible retail trade facilities offering such goods or services?  Yes;  No. If yes, please provide detail: The next closest facility is in Genoa, NY to south and Williamstown, NY to north and Hall, NY to west.  
 \_\_\_\_\_  
 \_\_\_\_\_
- e. Will the Project be located in one of the following: (i) the City of New York; (ii) an area designed as an economic development zone pursuant to Article 18-B of the General Municipal Law; or (iii) a census tract or block numbering area (or census tract or block numbering area contiguous thereto) which, according to the most recent census data, has (x) a poverty rate of at least 20% for the year in which the data relates, or at least 20% of households receiving public assistance, and (y) an unemployment rate of at least 1.25 times the statewide unemployment rate for the year to which the data relates?  Yes;  No. If yes, please explain: Reason #2, Empire Economic Development Zone  
 \_\_\_\_\_  
 \_\_\_\_\_
6. If the answers to any of subparagraphs c. through e. of question 5 is yes, will the Project preserve permanent, private sector jobs or increase the overall number of permanent, private sector jobs in the State of New York?  Yes;  No. If yes, please explain: One professional and one skilled already hired because of Project. Anticipate one more professional and 3 part time skilled due to increased business.  
 \_\_\_\_\_  
 \_\_\_\_\_
7. Will the completion of the Project result in the removal of a plant or facility of the Company or another proposed occupant of the Project (a "Project Occupant") from one area of the State of New York to another area of the State of New York?  Yes;  No. If yes, please explain: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

8. Will the completion of the Project result in abandonment of one or more plants or facilities of the Company located in the State of New York?  Yes;  No. If yes, please provide detail: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. If the answer to either question 7 or 8 is yes, indicate whether any of the following apply to the Project:

a. Is the Project reasonably necessary to preserve the competitive position of the Company or such Project Occupant in its industry?  Yes;  No. If yes, please provide detail: \_\_\_\_\_  
\_\_\_\_\_

N/A

b. Is the Project reasonably necessary to discourage the Company or such Project Occupant from removing such other plant or facility to a location outside the State of New York?  Yes;  No. If yes, please provide detail: \_\_\_\_\_  
\_\_\_\_\_

N/A

G. Project Status.

1. If the Project includes the acquisition of any land or buildings, have any steps been taken toward acquiring same?  Yes;  No. If yes, please discuss in detail the approximate stage of such acquisition: \_\_\_\_\_  
\_\_\_\_\_

N/A

2. If the Project includes the acquisition of any Equipment, have any steps been taken toward acquiring same?  Yes;  No. If yes, please discuss in detail the approximate stage of such acquisition: \_\_\_\_\_  
\_\_\_\_\_

~~Fertilizer handling equipment has been purchased as well as fertilizer application equipment that will be able to apply fertilizer following Best Management Practices.~~

3. If the Project involves the construction or reconstruction of any building or other improvement, has construction work on any such building or improvement begun?  Yes;  No. If yes, please discuss in detail the approximate extent of construction and the extent of completion. Indicate in your answer whether specific steps have been completed, such as site clearance and preparation, completion of foundations, installation of footings, etc.: \_\_\_\_\_  
\_\_\_\_\_

~~demolition, clearance, and new facility have been done.~~

4. Please indicate amount of funds expended on the Project by the Company in the past three (3) years and the purposes of such expenditures: \_\_\_\_\_

**Building:** 1,470,000  
**Equipment:** 243,000

**TOTAL:** \$1,713,000

H. Method of Construction After Authority Approval. If the Authority approves the Project, there are two methods that may be used to construct the Project. The Applicant can construct the Project privately and sell the Project to the Authority upon completion. Alternatively, the Applicant can request to be appointed as "agent" of the Authority for purposes of constructing the Project, which request, if approved, will result in the Applicant constructing the Project as "agent" of the Authority, in which case certain laws applicable to public construction will apply to the Project. Does the Applicant anticipate that in the future the Company may wish to request being designated as "agent" of the Authority for purposes of construction of the Project?  Yes;  No.

IV. EMPLOYMENT IMPACT. Indicate below the number of people presently employed at the Project site and the number that will be employed at the Project site at the end of the first and second years after the Project has been completed. (Do not include construction workers). Also indicate below the number of workers employed at the Project site representing newly created positions as opposed to positions relocated from other project sites of the Applicant.

TYPE OF EMPLOYMENT				
	PROFESSIONAL, MANAGERIAL OR TECHNICAL	SKILLED	UNSKILLED OR SEMI-SKILLED	TOTALS
Present Full Time	SEE ATTACHED	EXHIBIT F		
Present Part Time				
Present Seasonal				
First Year Full Time				
First Year Part Time				
First Year Seasonal				
Second Year Full Time				
Second Year Part Time				
Second Year Seasonal				

V. PROJECT COST

A. State the costs reasonably necessary for the acquisition of the Project site, the construction of the proposed buildings and the acquisition and installation of any machinery and equipment necessary or convenient in connection therewith, including any utilities, access roads or appurtenant facilities, using the following categories:

<u>Description of Cost</u>	<u>Amount</u>
Land	\$ <u>0</u>
Buildings	\$ <u>1,470,000</u>

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Machinery and Equipment costs	\$ 243,000 + 330,000 future
Utilities, roads and appurtenant costs	\$ 9,400 + 130,000 future
Architects and engineering fees	\$ _____
Costs of financing (legal, financial and printing)	\$ _____
Construction loan fees and interest	\$ _____
Other (specify)	\$ _____
_____	\$ _____
_____	\$ _____
<b>TOTAL PROJECT COSTS</b>	<b>\$ 2,182,400 (excluding demolition)</b>

- B. Have any of the above expenditures already been made by the Applicant?  Yes;  No. If yes, indicate particulars: \_\_\_\_\_  
Bldg. 1,470,000, Machinery 243,000, and \$9,400
- C. Amount of financial assistance requested: N/A Dollars;  
Maturity requested: \_\_\_\_\_ Years.
- D. Has the Applicant made any arrangements for the marketing or purchase of the proposed bond issue?  Yes;  No. If yes, please explain: \_\_\_\_\_  
N/A
- E. Does the Applicant intend to designate the bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code?  Yes;  No. If yes, please provide name of financial institution and details of transaction: \_\_\_\_\_  
N/A
- F. Will the proceeds of the bonds be used to finance or refund any prior industrial development bond or private activity bond issued by the Authority with respect to the Project?  Yes;  No. If yes, please provide details of prior bond issuance: \_\_\_\_\_  
N/A
- G. Will the proceeds of the bonds be used to finance or refund any existing mortgage, loan or other indebtedness with respect to the Applicant or the Project?  Yes;  No. If yes, please provide details of prior obligations: \_\_\_\_\_  
N/A
- H. Does the Applicant, any affiliate of the Applicant, or any user of the Project, currently have outstanding any bonds, notes or other obligations, the interest on which is, or is claimed to be, exempt from federal taxation under Section 103 of the Internal Revenue Code?  Yes;  No. If yes, please provide details: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

VI. FINANCIAL ASSISTANCE EXPECTED FROM THE AUTHORITY

- A. Is the Applicant requesting any real property tax exemption in connection with the Project that would not be available to a project that did not involve the Authority?  Yes;  No. If yes, is the real property tax exemption being sought consistent with the Authority's Uniform Tax Exemption Policy?  Yes;  No.
- B. Is the Applicant expecting the financing of the Project to be secured by one or more mortgages?  Yes;  No. If yes, what is the approximate amount of financing to be secured by the mortgage(s)? \$ mortgage already filed.
- C. Is the Applicant expecting to be appointed agent of the Authority for purposes of avoiding payment of New York State Sales Tax and Compensating Use Taxes?  Yes;  No. If yes, what is the approximate amount of purchases which the Applicant expects to be exempt from the New York State Sales and Compensating Use Taxes? \$ 460,000.
- D. What is the estimated value of each type of tax exemption being sought in connection with the Project? Please detail the type of tax exemption and value of each exemption.
- |    |  |                  |
|----|--|------------------|
| 1. | N.Y.S. Sales and Compensating Use Taxes: | \$ <u>36,800</u> |
| 2. | Mortgage Recording Taxes:                | \$ _____         |
| 3. | Real Property Tax Exemptions:            | \$ _____         |
| 4. | Other (please specify):                  | \$ _____         |
|    | See attached spreadsheet as Exhibit G    | \$ _____         |
|    | based on current tax rates               | \$ _____         |
- E. Are any of the tax exemptions being sought in connection with the Project inconsistent with the Authority's Uniform Tax Exemption Policy?  Yes;  No. If yes, please explain how the request of the Applicant differs from the Authority's Uniform Tax Exemption Policy: \_\_\_\_\_  
See attached term sheet as Exhibit H

VII. OTHER GOVERNMENTAL INVOLVEMENT

- A. Has the Applicant contacted any other governmental agency with regard to the Project?  Yes;  No. If yes, indicate the agency and the nature of the inquiry: \_\_\_\_\_  
\_\_\_\_\_
- B. Does the Applicant have any agreement to subsequently contract with a municipality for the lease or purchase of all or part of the Project?  Yes;  No. If yes, please explain: \_\_\_\_\_  
\_\_\_\_\_

VIII. FINANCIAL INFORMATION: (Please attach the following to the Application):

- A. Certified or reviewed Financial Statements of the Applicant (and of any expected guarantor of the bond issue) for the last three fiscal years. **Not Applicable.**
- B. Pro forma balance sheet as of the start of operations at the Project site.  
**See \* below**
- C. Projected profit and loss statements for the first two years of operation at the Project site.  
**Applicant does not prepare projected Profit and Loss Statements.**
- D. Projected quarterly cash flow statement for the Project for the first year of operation at the Project site. **Also forwarded separately will be a Balance Sheet as of 2/28/2010.**

{H0473877.2}

IX. **HOLD HARMLESS AGREEMENT.** Applicant hereby releases the Authority and the members, officers, servants, agents (other than the Company) and employees thereof from, agrees that the Authority shall not be liable for and agrees to indemnify, defend and hold the Authority harmless from and against any and all liability arising from or expense incurred by the Authority with respect to (i) the Authority's examination and processing of, and action pursuant to or upon, the attached application, regardless of whether or not the application or the Project, the issue of bonds requested therein, or the tax exemptions and other assistance requested therein are favorably acted upon by the Authority, (ii) the Authority's acquisition, construction and/or installation of the Project described therein, (iii) the issue of bonds requested therein or the Project described therein, and (iv) any further action taken by the Authority with respect to the Project; including, without limiting the generality of the foregoing, all causes of action and attorney's fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing. If, for any reason, the Applicant fails to conclude or consummate necessary negotiations, or fails, within a reasonable or specified period of time, to take reasonable, proper or requested action, or withdraws, abandons, cancels or neglects the application, or if the Authority or the Applicant are unable to reach final agreement with respect to the Project or to find buyers willing to purchase the total bond issue requested, then, and in that event, upon presentation of an invoice itemizing the same, Applicant shall pay to the Authority, its agents or assigns, all actual costs incurred by the Authority in the processing of the application, including attorney's fees, if any.

X. **VERIFICATION.** The undersigned deposes and says that he/she is the PRESIDENT of the Applicant; (Title) that he/she has read the foregoing application and knows the contents thereof and that the same is true and complete and accurate to the best of his/her knowledge. The undersigned further says that the reason this verification is made by the undersigned and not by the Applicant is because the Applicant is an entity. The grounds of the undersigned's belief relative to all matters in this application which are not stated upon his/her own personal knowledge are investigations which the undersigned has caused to be made concerning the subject matter of this application as well as information acquired by the undersigned in the course of his/her duties as an officer of and from the books and papers of the Applicant.

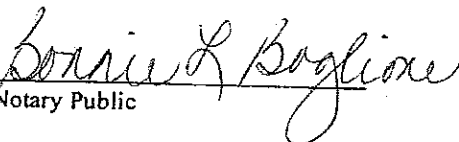
IN WITNESS WHEREOF, the Applicant has duly executed this application this 16<sup>th</sup> day of December 2009

CAROLINA EASTERN-VAIL, INC.

  
(Applicant)

By: \_\_\_\_\_  
Name: Peter Vail, Jr.  
Its: President

Sworn to before me this  
16<sup>th</sup> day of December 2009

  
Notary Public

BONNIE L. BOAGLIONE  
Notary Public in the State of New York  
Qualified in Cayuga Co. No. 01BQ5038526  
My Commission Expires 9/19/2010

## Index to Exhibits

- Exhibit A - Justification for Deviation From Policy Guidelines
- Exhibit B - Map
- Exhibit C - Photographs of the Site Prior to Construction
- Exhibit D - Photographs of the Site with New Construction
- Exhibit E - Short Environmental Assessment Form
- Exhibit F - Type of Employment
- Exhibit G - Estimated Value of Real Property Tax Exemption
- Exhibit H - Tax Exemption Term Sheet



## Exhibit A – Justifications for Deviation from Policy Guidelines

In connection with this Application, Carolina Eastern-Vail, Inc. (“Caro-Vail”) has requested that Auburn Industrial Development Authority (the “Authority”) deviate from its Uniform Tax Exemption Policy (the “Policy”) with respect to the payments in lieu of taxes (“PILOT Payments”) due under a proposed payment in lieu of tax agreement to be entered into between Caro-Vail and the Authority with respect to the Project (the “Proposed PILOT Agreement”).

The terms of the Proposed PILOT Agreement deviate from the Policy in the following ways: (1) the annual PILOT assessment will remain the same throughout the term of the Proposed PILOT Agreement; (2) the Property and all Improvements currently located thereon will be exempt from real property taxes under the Proposed PILOT Agreement (subject to PILOT payments); and (3) the Proposed PILOT Agreement will have a term of fifteen (15) years.

The Authority shall consider the following issues in determining whether any deviation from the Policy should be made:

1. **The nature of the project:** The Project consists of the land included in SBL Tax Account no. 115.65-2-2.1 in the City of Auburn (“City”), County of Cayuga, State of New York (the “Property”), together with all improvements located thereon and thereunder in connection with Caro-Vail’s fertilizer operation, including a new 8,500 square foot fertilizer storage facility (the “Improvements”). Caro-Vail also anticipates purchasing new fertilizer handling equipment and making improvements to its rail sidings. Project benefits are now being requested in order to maintain current employment at this facility and to promote future job growth at this facility given significant increases in external costs, including the cost of the fertilizer product and Caro-Vail’s real property tax liability.
2. **The location of the project in Auburn’s Economic Development Zone:** The Project is located in an Empire Economic Development Zone.
3. **The nature of the property before the project began:** Before the Improvements were constructed, the Property hosted 24,000 square feet of abandoned and dilapidated feed mill structures. The Project consisted of demolition of the 24,000 square feet of abandoned structures and the construction of an 8,500 square foot fertilizer storage facility in connection with Caro-Vail’s fertilizer operation, along with curbing, sidewalk and parking construction, and various landscaping to bring the Property into conformance with the City’s stated design standards. Before and after photographs are attached as Exhibits C and D.
4. **The economic condition of the area at the time of the application:** The area surrounding the Property is largely industrial.
5. **The extent to which the project will create or retain permanent, private sector jobs:** During construction of the Project, Caro-Vail employed numerous engineers, architects, electric workers, crane operators, equipment operators, carpenters, and other construction workers. With the requested tax relief, we

anticipate that within the next two (2) years, Caro-Vail will employ a total of at least five (5) professional full-time, four (4) skilled full-time, three (3) skilled part-time, and seven (7) skilled seasonal employees in connection with the Project.

6. **The estimated value of tax exemptions to be provided:** Given the uncertainty surrounding future City equalization rates and the Affected Taxing Jurisdictions' future tax rates, along with the extent of any appreciation or depreciation in the value of the Property and/or Improvements, it is difficult to quantify the value of tax exemptions to be provided pursuant to the Proposed PILOT Agreement. However, attached hereto as Exhibit G is a good faith estimate. This estimate compares the applicant's payments in lieu of taxes under the Authority's uniform tax exemption policy to the proposed 15-year PILOT model, assuming no change in tax rates and a fixed assessment over a 15-year period.
7. **The economic impact of the project and the proposed tax exemptions on the Affected Tax Jurisdictions.** While the Project consumes no additional municipal and school district resources, the Improvements to the Property added nearly \$750,000 in additional taxable assessed value for the Affected Tax Jurisdictions over the life of the proposed 15-year PILOT.
8. **The impact of the project on existing and proposed businesses and economic development projects in the vicinity:** The Project has resulted in a significant new revenue source for the Affected Tax Jurisdictions.
9. **The amount of private sector investment generated or likely to be generated by the project:** To complete the required demolition, construction, landscaping, and other site improvements, Caro-Vail's investment costs in connection with the Project have exceeded \$1.7 million dollars.
10. **The likelihood of accomplishing the project in a timely fashion:** N/A; the Project is complete.
11. **The effect of the project upon the environment:** As determined by the City during its review of the Project under the State Environmental Quality Review Act ("SEQRA"), the Project does not have any significant adverse environmental effects. Rather, since 24,000 square feet of abandoned and dilapidated feed mill was demolished and replaced with 8,500 square feet of state of the art development and various landscaping and other site improvements, the Project resulted in a decreased and improved environmental footprint. Further, the Project involves the storage and production of materials for the manufacturing of fertilizers designed to minimize the adverse environmental impact of farming operations in the surrounding area.
12. **The extent to which the project will require the provision of additional services including, but not limited to, additional educational, transportation,**

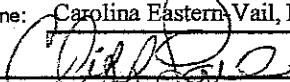
**police, emergency medical, or fire services:** The Project will not require the provision of any new or additional municipal services, and will not result in consumption of a significant amount of existing municipal and school district services.

13. **The extent to which the project will provide additional sources of revenue for municipalities and school districts in which the project is located:** As stated above, although the Project necessitates no increase in municipal or school district services, the Proposed PILOT Agreement will create approximately \$750,000.00 in assessed value over the life of the proposed PILOT.
14. **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:** As stated above, the Project involves the storage and production of materials for the manufacturing of fertilizers to serve the surrounding agricultural community. The materials produced and stored in connection with the Project help minimize the use of potentially harmful phosphorus, and offer other environmentally safe nitrogen sources to facilitate crop production. These environmentally safe fertilizer materials are important to area farmers, especially given the close proximity of many local farms to the finger lakes and other bodies of water. Further, these materials are relatively unique to Caro-Vail's operation, and are not widely available in the area market.

EXHIBIT B

**Appendix C**  
**State Environmental Quality Review**  
**SHORT ENVIRONMENTAL ASSESSMENT FORM**  
**For UNLISTED ACTIONS Only**

**PART I - PROJECT INFORMATION (To be completed by Applicant or Project Sponsor)**

1. APPLICANT/SPONSOR Carolina Eastern-Vail, Inc.	2. PROJECT NAME Auburn Distribution Center
3. PROJECT LOCATION: Municipality <u>City of Auburn</u> County <u>Cayuga</u>	
4. PRECISE LOCATION (Street address and road intersections, prominent landmarks, etc., or provide map)  <u>53 Columbus Street</u> <u>Tax Map Parcel No.: 115.65-2-2.1</u>	
5. PROPOSED ACTION IS: <input type="checkbox"/> New <input type="checkbox"/> Expansion <input checked="" type="checkbox"/> Modification/alteration	
6. DESCRIBE PROJECT BRIEFLY:  <u>New improvements, machinery and equipment and site upgrades to existing facility.</u>	
7. AMOUNT OF LAND AFFECTED: Initially <u>7.56</u> acres    Ultimately <u>7.56</u> acres	
8. WILL PROPOSED ACTION COMPLY WITH EXISTING ZONING OR OTHER EXISTING LAND USE RESTRICTIONS? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No    If No, describe briefly	
9. WHAT IS PRESENT LAND USE IN VICINITY OF PROJECT? <input type="checkbox"/> Residential <input checked="" type="checkbox"/> Industrial <input checked="" type="checkbox"/> Commercial <input type="checkbox"/> Agriculture <input type="checkbox"/> Park/Forest/Open Space <input type="checkbox"/> Other Describe:	
10. DOES ACTION INVOLVE A PERMIT APPROVAL, OR FUNDING, NOW OR ULTIMATELY FROM ANY OTHER GOVERNMENTAL AGENCY (FEDERAL, STATE OR LOCAL)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No    If Yes, list agency(s) name and permit/approvals:	
11. DOES ANY ASPECT OF THE ACTION HAVE A CURRENTLY VALID PERMIT OR APPROVAL? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No    If Yes, list agency(s) name and permit/approvals:	
12. AS A RESULT OF PROPOSED ACTION WILL EXISTING PERMIT/APPROVAL REQUIRE MODIFICATION? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS TRUE TO THE BEST OF MY KNOWLEDGE Applicant/sponsor name: <u>Carolina Eastern Vail, Inc.</u> Date: <u>April 8, 2010</u> Signature: By: <u></u> Cliff Love, Manager	

**If the action is in the Coastal Area, and you are a state agency, complete the Coastal Assessment Form before proceeding with this assessment**

**PART II - IMPACT ASSESSMENT (To be completed by Lead Agency)**

A. DOES ACTION EXCEED ANY TYPE I THRESHOLD IN 6 NYCRR, PART 617.4? If yes, coordinate the review process and use the FULL EAF.  
 Yes  No

B. WILL ACTION RECEIVE COORDINATED REVIEW AS PROVIDED FOR UNLISTED ACTIONS IN 6 NYCRR, PART 617.6? If No, a negative declaration may be superseded by another involved agency.  
 Yes  No

C. COULD ACTION RESULT IN ANY ADVERSE EFFECTS ASSOCIATED WITH THE FOLLOWING: (Answers may be handwritten, if legible)

C1. Existing air quality, surface or groundwater quality or quantity, noise levels, existing traffic pattern, solid waste production or disposal, potential for erosion, drainage or flooding problems? Explain briefly:

C2. Aesthetic, agricultural, archaeological, historic, or other natural or cultural resources; or community or neighborhood character? Explain briefly:

C3. Vegetation or fauna, fish, shellfish or wildlife species, significant habitats, or threatened or endangered species? Explain briefly:

C4. A community's existing plans or goals as officially adopted, or a change in use or intensity of use of land or other natural resources? Explain briefly:

C5. Growth, subsequent development, or related activities likely to be induced by the proposed action? Explain briefly:

C6. Long term, short term, cumulative, or other effects not identified in C1-C5? Explain briefly:

C7. Other impacts (including changes in use of either quantity or type of energy)? Explain briefly:

D. WILL THE PROJECT HAVE AN IMPACT ON THE ENVIRONMENTAL CHARACTERISTICS THAT CAUSED THE ESTABLISHMENT OF A CRITICAL ENVIRONMENTAL AREA (CEA)?  
 Yes  No If Yes, explain briefly:

E. IS THERE, OR IS THERE LIKELY TO BE, CONTROVERSY RELATED TO POTENTIAL ADVERSE ENVIRONMENTAL IMPACTS?  
 Yes  No If Yes, explain briefly:

**PART III - DETERMINATION OF SIGNIFICANCE (To be completed by Agency)**

**INSTRUCTIONS:** For each adverse effect identified above, determine whether it is substantial, large, important or otherwise significant. Each effect should be assessed in connection with its (a) setting (i.e. urban or rural); (b) probability of occurring; (c) duration; (d) irreversibility; (e) geographic scope; and (f) magnitude. If necessary, add attachments or reference supporting materials. Ensure that explanations contain sufficient detail to show that all relevant adverse impacts have been identified and adequately addressed. If question D of Part II was checked yes, the determination of significance must evaluate the potential impact of the proposed action on the environmental characteristics of the CEA.

Check this box if you have identified one or more potentially large or significant adverse impacts which MAY occur. Then proceed directly to the FULL EAF and/or prepare a positive declaration.

Check this box if you have determined, based on the information and analysis above and any supporting documentation, that the proposed action WILL NOT result in any significant adverse environmental impacts AND provide, on attachments as necessary, the reasons supporting this determination.

March \_\_, 2010

Name of Lead Agency	Date
Print or Type Name of Responsible Officer in Lead Agency	Title of Responsible Officer
Signature of Responsible Officer in Lead Agency	Signature of Preparer (If different from responsible officer)



**CAROLINA EASTERN-VAIL, INC.  
CITY OF AUBURN, CAYUGA COUNTY**

**UTEP/PILOT Comparison  
Calculation of Tax Benefit under PILOT Proposal**

For UTEP payment projections:	
Assessment:	\$1,021,056
For PILOT payment projections:	
Assessment:	\$1,000,000

Tax Rates per \$1,000 of Assessed Value <sup>1</sup>	
County	8.6073
City	13.2070
Auburn City	18.4200
School District	

	UTEP				PILOT			
	UTEP Exemption <sup>2</sup>	Taxable Assessed Value	Tax Authority	Tax Rates	Taxes with UTEP	PILOT Exemption <sup>3</sup>	PILOT Assessed Value	Taxes with PILOT Payment
Year 1	100%	\$0	County	8.6073	\$0	100%	\$0	\$0
			City	13.2070	\$0			\$0
			Auburn City					
			School District	18.42	\$0			\$0
			Total:		\$0			Total: \$0
Year 2	90%	\$102,106	County	8.6073	\$879	95%	\$50,000	\$430
			City	13.2070	\$1,349			\$660
			Auburn City					
			School District	18.42	\$1,881			\$921
			Total:		\$4,108			Total: \$2,012
Year 3	80%	\$204,211	County	8.6073	\$1,758	90%	\$100,000	\$861
			City	13.2070	\$2,697			\$1,321
			Auburn City					
			School District	18.42	\$3,762			\$1,842
			Total:		\$8,216			Total: \$4,023
Year 4	70%	\$306,317	County	8.6073	\$2,637	85%	\$150,000	\$1,291
			City	13.2070	\$4,046			\$1,981
			Auburn City					
			School District	18.42	\$5,642			\$2,763
			Total:		\$12,324			Total: \$6,035

<sup>1</sup> Tax rates are the 2009 calendar year rates including the 2009 city and county rates and the 2009-10 school tax rate. For purposes of these calculations, the rates do not increase over time.

<sup>2</sup> The UTEP exemption is 100% of the Project Assessment Year 1 and the exemption decreases 10% annually for a 10 year period.

<sup>3</sup> The PILOT exemption is 100% of the Project Assessment in Year 1 and the exemption decreases over 14 years to 10% in Year 15.



	UTEP Exemption <sup>2</sup>	Taxable Assessed Value	Tax Authority	Tax Rates	Taxes with UTEP	PILOT Exemption <sup>3</sup>	PILOT Assessed Value	Taxes with PILOT Payment
Year 5	60%	\$408,422	County	8.6073	\$3,515	80%	\$200,000	\$1,721
			City	13.2070	\$5,394			\$2,641
			Auburn City School District	18.42	<u>\$7,523</u>			<u>\$3,684</u>
			Total:		\$16,433			Total:
Year 6	50%	\$510,528	County	8.6073	\$4,394	75%	\$250,000	\$2,152
			City	13.2070	\$6,743			\$3,302
			Auburn City School District	18.42	<u>\$9,404</u>			<u>\$4,605</u>
			Total:		\$20,541			Total:
Year 7	40%	\$612,634	County	8.6073	\$5,273	70%	\$300,000	\$2,582
			City	13.2070	\$8,091			\$3,962
			Auburn City School District	18.42	<u>\$11,285</u>			<u>\$5,526</u>
			Total:		\$24,649			Total:
Year 8	30%	\$714,739	County	8.6073	\$6,152	65%	\$350,000	\$3,013
			City	13.2070	\$9,440			\$4,622
			Auburn City School District	18.42	<u>\$13,165</u>			<u>\$6,447</u>
			Total:		\$28,757			Total:
Year 9	20%	\$816,845	County	8.6073	\$7,031	60%	\$400,000	\$3,443
			City	13.2070	\$10,788			\$5,283
			Auburn City School District	18.42	<u>\$15,046</u>			<u>\$7,368</u>
			Total:		\$32,865			Total:
Year 10	10%	\$918,950	County	8.6073	\$7,910	55%	\$450,000	\$3,873
			City	13.2070	\$12,137			\$5,943
			Auburn City School District	18.42	<u>\$16,927</u>			<u>\$8,289</u>
			Total:		\$36,973			Total:
Year 11	0%	\$1,021,056	County	8.6073	\$8,789	50%	\$500,000	\$4,304
			City	13.2070	\$13,485			\$6,604
			Auburn City School District	18.42	<u>\$18,808</u>			<u>\$9,210</u>
			Total:		\$41,081			Total:
Year 12	0%	\$1,021,056	County	8.6073	\$8,789	40%	\$600,000	\$5,164
			City	13.2070	\$13,485			\$7,924
			Auburn City School District	18.42	<u>\$18,808</u>			<u>\$11,052</u>
			Total:		\$41,081			Total:
Year 13	0%	\$1,021,056	County	8.6073	\$8,789	30%	\$700,000	\$6,025
			City	13.2070	\$13,485			\$9,245
			Auburn City School District	18.42	<u>\$18,808</u>			<u>\$12,894</u>
			Total:		\$41,081			Total:

	UTEP Exemption <sup>2</sup>	Taxable Assessed Value	Tax Authority	Tax Rates	Taxes with UTEP	PILOT Exemption <sup>3</sup>	PILOT Assessed Value	Taxes with PILOT Payment	
Year 14	0%	\$1,021,056	County	8.6073	\$8,789	20%	\$800,000	\$6,886	
			City	13.2070	\$13,485			\$10,566	
			Auburn City School District	18.42	<u>\$18,808</u>			<u>\$14,736</u>	
			Total:		\$41,081			Total:	\$32,187
Year 15	0%	\$1,021,056	County	8.6073	\$8,789	10%	\$900,000	\$7,747	
			City	13.2070	\$13,485			\$11,886	
			Auburn City School District	18.42	<u>\$18,808</u>			<u>\$16,578</u>	
			Total:		\$41,081			Total:	\$36,211
<b>Total Payments:</b>					<b>\$390,274</b>	<b>Total Payments:</b> <b>\$231,347</b>			

**Carolina Eastern-Vail, Inc. ("Caro-Vail") PILOT Agreement**  
**(to be signed by the City of Auburn IDA and Caro-Vail)**

Overview

The following outlines a draft proposal for a payment in lieu of tax agreement ("PILOT") with the City of Auburn Industrial Development Authority ("Agency"). The proposal provides that tax abatement will not occur until after a "Negative State Action" which is essentially any action by NYS that results in Caro-Vail not receiving the full Empire Zone real property tax credit equal to 100% of the eligible real property taxes paid in a tax year. Following the occurrence of a Negative State Action, the proposed tax abatement formula under the PILOT Agreement will become effective. The proposed PILOT formula is basically as follows:

- A. The "PILOT Assessment" based on a full market value equal to \$1.0 million (fixed for the life of the PILOT Agreement for the building and improvements currently on the property), multiplied by
- B. The "PILOT Tax Rates" for the City/School/County (fixed at the tax rates applicable to the tax fiscal year immediately following the PILOT Effective Date) and thereafter at the rate that would be applicable if the Agency did not have a leasehold interest in the property, multiplied by
- C. X Percentage (starting at 0% in PILOT Year 1, i.e., no PILOT Payment is due, and ending with a PILOT payment equal to 90% of the product of A & B in PILOT Year 15).

1. Definitions.

- a. "Project" shall mean the land ("Land") currently included in SBL Tax Account no. 115.65-2-2.1 ("Project Tax Account") and all improvements located thereon and thereunder.
- b. "Negative State Action" shall mean any action or occurrence that results in the Caro-Vail's failure to receive a 100% Credit for Real Property Taxes under the Empire Zone Program for any of calendar years 2010, 2011, 2012, 2013, or 2014 (i.e., the remaining Empire Zone period).
- c. "PILOT Effective Date" shall mean the earlier to occur of: (i) February 1, 2015 or (ii) the February 1 following the date Caro-Vail delivers written notice of Negative State Action to the Agency.
- d. "Term" – The Term of this Agreement shall commence on the PILOT Effective Date and shall expire on December 31 of PILOT Year 15 for the County.
- e. "PILOT Year" - shall mean (i) each July 1 – June 30 fiscal year for the City/School District, and (ii) each January 1 – December 31 fiscal year for the County following the PILOT Effective Date. For example, if the PILOT

Effective Date is February 1, 2015, PILOT Year 1 for the City/School District shall be 7/1/2015 – 6/30/2016, and PILOT Year 1 for the County shall be 1/1/2016 – 12/31/2016.

2. Following the PILOT Effective Date, the PILOT Payments shall be the product of multiplying the “CV PILOT Assessment” (as defined below), multiplied by “PILOT Tax Rate” (as defined below), multiplied by the “Applicable Percentage” (defined below).

- a. “CV PILOT Assessment”: The CV PILOT Assessment during the term of this Agreement shall be the product of multiplying \$1,000,000 by the most recently published ORPS equalization rate for the City of Auburn (not to exceed 100%).
- b. “PILOT Tax Rate”: The PILOT Tax Rate shall be the normal City and School tax rate and County tax rate applicable to the tax fiscal year next following the PILOT Effective Date and thereafter at the rate that would be applicable if the Agency did not have a leasehold interest in the Property.
- c. “Applicable Percentage”: The Applicable Percentage of the PILOT payment to be made in each PILOT Year shall be as follows:

<u>PILOT Year</u>	<u>Applicable Percentage</u>
1	0%
2	5%
3	10%
4	15%
5	20%
6	25%
7	30%
8	35%
9	40%
10	45%
11	50%
12	60%
13	70%
14	80%
15	90%
16	and thereafter 100%