

HARRIS BEACH ^{PLC}
ATTORNEYS AT LAW

February 28, 2018

VIA FEDERAL EXPRESS

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RUSSELL E. GAENZLE

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TO ALL ON THE ATTACHED DISTRIBUTION LIST:

Re: Orange County Industrial Development Agency ("OCIDA")
International Business Machines Corporation Project
299 Long Meadow Drive in the Town of Warwick, Orange County, NY

Ladies and Gentlemen:

Enclosed herewith please find a copy of the Third Amendment to Agreement on Payments-In-Lieu-of-Taxes and the related Third Amended Application for Real Property Tax Exemption with respect to the above-captioned matter.

Very truly yours,


Russell E. Gaenzle

REG/lap

Enclosures

cc: Laurie Villasuso, OCIDA
Wayne Spinei
Ann McEvily, Esq.

AFFECTED TAXING JURISDICTIONS

Honorable Steven M. Neuhaus
Orange County Executive
255 Main Street
Goshen, New York 10924

Mr. John I. McCarey
Real Property Tax Service
124 Main Street
Goshen, New York 10924

Mr. Michael P. Sweeton, Supervisor
Town of Warwick
132 Kings Highway
Warwick, New York 10990

Ms. Nancy Teed, Superintendent
Tuxedo Union Free School District
1 Tornado Drive
Tuxedo, New York 10987

Ms. Deborah A. Eurich, IAO, Assessor
Town of Warwick
132 Kings Highway
Warwick, New York 10990

Mrs. Allyson Arber, President BOE
Tuxedo Union Free School District
1 Tornado Drive
Tuxedo, New York 10987

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

AND

INTERNATIONAL BUSINESS MACHINES CORPORATION

**THIRD AMENDMENT TO AGREEMENT
ON PAYMENTS IN LIEU OF TAXES**

Dated as of January 1, 2018

Affected Tax Jurisdictions:
**Orange County
Town of Warwick
Tuxedo Union Free School District**

**THIRD AMENDMENT TO AGREEMENT
ON PAYMENTS IN LIEU OF TAXES**

THIS THIRD AMENDMENT TO AGREEMENT ON PAYMENTS IN LIEU OF TAXES, dated as of the 1st day of January, 2018 (as amended, the "Tax Agreement"), is by and between the **ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY**, a public benefit corporation duly existing under the laws of the State of New York with its registered offices located at Orange County Business Accelerator, 4 Crotty Lane, Suite 100, New Windsor, New York 12553 (the "Agency") and **INTERNATIONAL BUSINESS MACHINES CORPORATION**, a corporation duly existing under the laws of the State of New York with offices at New Orchard Road, Armonk, New York 10504 (the "Company") and amends that certain Agreement on Payments in Lieu of Taxes, dated as of June 30, 1995 (the "Original Tax Agreement"), by and between the Agency and the Company, as amended by that certain Amendment and Modification to Agreement on Payments in Lieu of Taxes, dated as of August 21, 1995 (the "First Amendment to Tax Agreement"), by and between the Agency and the Company, and as further amended by that certain Second Amendment to Agreement on Payments in Lieu of Taxes, dated as of December 1, 2007 (the "Second Amendment to Tax Agreement"), by and between the Agency and the Company.

WITNESSETH:

WHEREAS, the Agency was created by Chapter 390 of the Laws of 1972 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 Agency and the Company have previously entered into agreements with respect to the Company's existing facility located at 299 Long Meadow Road in the Town of Warwick, Orange County, New York (the "Facility") for the purpose of providing the Company with certain financial assistance in connection with certain projects previously undertaken by the Company at the Facility; and

WHEREAS, in order to provide stability to the Company's financial planning, the Company has submitted an application (the "Application") to the Agency requesting the Agency's continued financial assistance with respect to a certain project (the "Project") consisting of the Company's continued operation of, and retention of employment opportunities at, the Facility; and

WHEREAS, in order to induce the Company to continue operating, and retaining employment opportunities at, the Facility, the Agency is willing to retain title to the land, improvements and personal property constituting the Facility and lease said land, improvements and personal property constituting the Facility back to the Company pursuant to the terms and conditions of a certain Amended and Restated Lease Agreement, dated as of the date hereof (as amended and restated, the "Lease Agreement"); and

WHEREAS, the Agency and the Company desire to amend the Original Tax Agreement, as amended by the First Amendment to Tax Agreement and as further amended by the Second

Amendment to Tax Agreement in order to, among other things, extend the period of benefits provided thereunder; 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 to the Agency for the benefit of Orange County (the "County"), the Town of Warwick (the "Town") and the Tuxedo Union Free 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 that the Original Tax Agreement, as amended by the First Amendment to Tax Agreement and as further amended by the Second Amendment to Tax Agreement is hereby amended in its entirety as follows:

Section I - Payment in lieu of Ad Valorem Taxes:

Section 1.1 A. Subject to the completion and filing 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 commencing with the **2018/2019** School District fiscal tax year and the **2018** County and Town calendar tax year. 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 Lease Agreement to the contrary, in the event the exemption from Real Estate Taxes is denied for any reason, the Company shall pay (and hereby agrees to pay) all Real Estate Taxes levied upon the Facility as they become due. After giving written notice to the Agency, the Company may in good faith contest the denial of the Exemption Application, provided that (i) the overall operating efficiency of the Facility is not impaired and the Facility continues to qualify as a "project" under the Act; (ii) neither the Facility nor any part of or interest in it would be in any danger of being sold, forfeited or lost; or (iii) neither the Company nor the Agency, as a result of such contest, shall be in any danger of any civil or criminal liability.

B. Agreement to Make Payments. The parties agree and acknowledge that payments made under this Tax Agreement are to obtain revenues for public purposes, and to provide a revenue source that the Affected Tax Jurisdictions would otherwise lose because the subject parcel is not on the tax rolls. The Company shall pay annually to the Affected Tax

Jurisdictions as a payment in lieu of taxes (i) on or before January 31 of each calendar year for County and Town taxes; and (ii) on or before September 30 of each calendar year for School District taxes, an amount equal to the Total Tax Payment (as calculated on Schedule A attached hereto, and in accordance with the other provisions set forth in this Tax Agreement). The first such Total Tax Payment shall be due on or before January 31, 2018 and September 30, 2018, respectively, and on each January 31 and September 30 thereafter for the term of this Tax Agreement. Upon the expiration of this Tax Agreement, the Company shall pay the County, the Town and the School District tax bills in the amounts and on the dates when due as if the Agency were not in title.

1.2 Allocation. 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 the Total Tax Payment is allocated among the Affected Tax Jurisdictions on Schedule A attached hereto, which allocation has been consented to by the Affected Tax Jurisdictions.

1.3 Reserved.

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 Additions 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 **2018/2019** School District fiscal tax year through the **2027/2028** School District fiscal tax year and (ii) the **2018** County and Town calendar tax year through the **2027** County and Town calendar tax year. This Tax Agreement shall expire on **December 31, 2027**; provided, however, the Company shall pay the **2028/2029** School District tax bill and the **2028** County and Town tax bill on the due 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 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 years elapsed under the Lease Agreement), 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 Agency's fee interest is conveyed to the Company), 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 hereof, 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 and 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) allow 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 Lease Agreement after any applicable cure periods. Upon the occurrence of any Event of Default hereunder, in addition to any other right or remedy the Agency and/or the Affected Tax Jurisdictions may have at law or in equity, the Agency and/or the 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 hereof 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 hereof, if said payment is not received by the Delinquency Date, 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 calculated 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 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:

Orange County Industrial Development Agency
Orange County Business Accelerator
4 Crotty Lane, Suite 100
New Windsor, New York 12553
Attn: Laurie Villasuso, Chief Operating
Officer and Executive Vice President

With Copy To:

Kevin T. Dowd, Esq.
Attorney - Orange County IDA
46 Daisy Lane
Montgomery, New York 12549

And To:

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

To the Company:

Internal Business Machines Corporation
New Orchard Road
Armonk, New York 10504
Attn.: Wayne Spinei, Program Manager,
Economic Development

With Copy To:

Internal Business Machines Corporation
New Orchard Road
Armonk, New York 10504
Attn.: Ann McEvily, 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 of New York applicable to agreements executed and to be wholly performed therein and the parties hereto hereby agree to submit to the personal jurisdiction of the Federal or state courts located in Orange 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. None of the members 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, officer, agents, servants and employees being, to the extent permitted by law, expressly waived and

released by the acceptance hereof and as part of the consideration for the execution of this Tax Agreement.

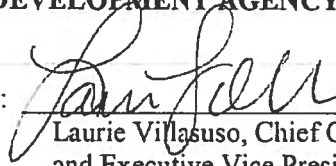
[Signature Page Follows]

[Signature Page to Third Amendment to Agreement on Payments in Lieu of Taxes]

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment to Agreement on Payments in Lieu of Taxes as of the day and year first above written.

**ORANGE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

By: _____



Laurie Villasuso, Chief Operating Officer
and Executive Vice President.

**INTERNATIONAL BUSINESS MACHINES
CORPORATION**

By: _____

Bruce Sargent, Director, North America R/E
Strategy and Operations

[Signature Page to Third Amendment to Agreement on Payments in Lieu of Taxes]

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment to Agreement on Payments in Lieu of Taxes as of the day and year first above written.

**ORANGE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

By: _____
Laurie Villasuso, Chief Operating Officer
and Executive Vice President.

**INTERNATIONAL BUSINESS MACHINES
CORPORATION**

By:  _____
Bruce Sargent, Director, North America R/E
Strategy and Operations

SCHEDULE A
TO
THIRD AMENDMENT TO AGREEMENT ON PAYMENTS IN LIEU OF TAXES
DATED AS OF JANUARY 1, 2018
BY AND BETWEEN
THE ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
AND INTERNATIONAL BUSINESS MACHINES CORPORATION

"Total Tax Payment" shall be calculated as follows:

<u>Tax Year</u>	<u>County & Town Tax Year</u>	<u>School Tax Year</u>	<u>Total Tax Payment</u>	<u>Town (16%)</u>	<u>County (25%)</u>	<u>School District (59%)</u>
Year 1	2018	2018/2019	\$532,300.00	\$85,168.00	\$133,075.00	\$314,057.00
Year 2	2019	2019/2020	\$522,300.00	\$83,568.00	\$130,575.00	\$308,157.00
Year 3	2020	2020/2021	\$522,300.00	\$83,568.00	\$130,575.00	\$308,157.00
Year 4	2021	2021/2022	\$512,300.00	\$81,968.00	\$128,075.00	\$302,257.00
Year 5	2022	2022/2023	\$512,300.00	\$81,968.00	\$128,075.00	\$302,257.00
Year 6	2023	2023/2024	\$502,300.00	\$80,368.00	\$125,575.00	\$296,357.00
Year 7	2024	2024/2025	\$502,300.00	\$80,368.00	\$125,575.00	\$296,357.00
Year 8	2025	2025/2026	\$512,300.00	\$81,968.00	\$128,075.00	\$302,257.00
Year 9	2026	2026/2027	\$522,300.00	\$83,568.00	\$130,575.00	\$308,157.00
Year 10	2027	2027/2028	\$532,300.00	\$85,168.00	\$133,075.00	\$314,057.00
Year 11 and Thereafter... Full Taxes						



NYS DEPARTMENT OF TAXATION & FINANCE
OFFICE OF REAL PROPERTY TAX SERVICES

For Third Amended Tax Agreement

RP-412-a (1/95)

INDUSTRIAL DEVELOPMENT AGENCIES
APPLICATION FOR REAL PROPERTY TAX EXEMPTION
(Real Property Tax Law, Section 412-a and General Municipal Law, Section 874)

1. **INDUSTRIAL DEVELOPMENT AGENCY (IDA)**

Name Orange County Industrial Development Agency
Street 4 Crotty Lane, Suite 100
City New Windsor, New York 12553
Telephone no. Day (845) 234-4192
Evening () _____
Contact Laurie Villasuso
Title COO & Executive VP

2. **OCCUPANT (IF OTHER THAN IDA)**

(If more than one occupant attach separate listing)

Name International Business Machines Corporation
Street New Orchard Road
City Armonk, New York 10504
Telephone no. Day (914) 765-5190
Evening () _____
Contact Wayne Spinei
Title Program Manager, Economic Development

3. **DESCRIPTION OF PARCEL**

- a. Assessment roll description (tax map no./roll year) 85-1-1.1
- b. Street address 299 Long Meadow Road
- c. City, Town or Village Town of Warwick
- d. School District Tuxedo Union Free S.D.
- e. County Orange
- f. Current assessment \$6,000,000
- g. Deed to IDA (date recorded; liber and page)
Deed dated 12/30/1992; Liber 3739, Page 44

4. **GENERAL DESCRIPTION OF PROPERTY** (if necessary, attach plans or specifications)

- a. Brief description (include property use) continued operation by the Company of the existing facility located on the property and the retention of existing employment opportunities located thereat
- b. Type of construction N/A
- c. Square footage N/A
- d. Total cost N/A
- e. Date construction commenced N/A
- f. Projected expiration of exemption (i.e. date when property is no longer possessed, controlled, supervised or under the jurisdiction of IDA)
December 31, 2027

5. **SUMMARIZE AGREEMENT (IF ANY) AND METHOD TO BE USED FOR PAYMENTS TO BE MADE TO MUNICIPALITY REGARDLESS OF STATUTORY EXEMPTION**

(Attach copy of the agreement or extract of the terms relating to the project).

- a. Formula for payment See Attached Third Amendment to Agreement on Payments In Lieu Of Taxes
- b. Projected expiration date of agreement December 31, 2027

c. Municipal corporations to which payments will be made

	Yes	No
County <u>Orange</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Town/City <u>Warwick</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Village _____	<input type="checkbox"/>	<input type="checkbox"/>
School District <u>Tuxedo Union Free</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

d. Person or entity responsible for payment

Name International Business Machines
 Title _____
 Address New Orchard Road
Armonk, New York 10504

e. Is the IDA the owner of the property? ☒ Yes ☐ No (check one)

If "No" identify owner and explain IDA rights or interest in an attached statement.

Telephone 914-765-5190

6. Is the property receiving or has the property ever received any other exemption from real property taxation? (check one) ☒ Yes ☐ No

If yes, list the statutory exemption reference and assessment roll year on which granted:
 exemption Section 874 of NYS GML assessment roll year 1992

7. A copy of this application, including all attachments, has been mailed or delivered on 2/28/18 (date) to the chief executive official of each municipality within which the project is located as indicated in Item 3.

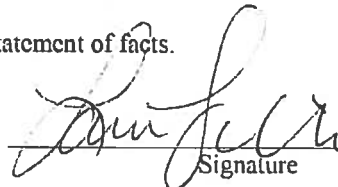
CERTIFICATION

I, Laurie Villasuso, COO & Executive VP of _____

Name _____ Title _____
Orange County Industrial Development Agency hereby certify that the information
 Organization _____

on this application and accompanying papers constitutes a true statement of facts.

2/15/2018
 Date


 Signature

FOR USE BY ASSESSOR

1. Date application filed _____

2. Applicable taxable status date _____

3a. Agreement (or extract) date _____

3b. Projected exemption expiration (year) _____

4. Assessed valuation of parcel in first year of exemption \$ _____

5. Special assessments and special ad valorem levies for which the parcel is liable:

 Date

 Assessor's signature