

FINAL RESOLUTION
(Federation Lofts Project)

A regular meeting of the City of Hornell Industrial Development Agency was convened on Thursday, December 16, 2010, at 5:00 p.m. (noon).

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

Resolution No. 12/2010 - 39

RESOLUTION AUTHORIZING THE CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY TO TAKE ACTION ON BEHALF OF THE CITY UNDER CERTAIN GRANTS, ACQUIRE TITLE TO THE FEDERATION BUILDING AND EXECUTE AND DELIVER A LEASE AGREEMENT, PAYMENT-IN-LIEU-OF-TAX AGREEMENT, MORTGAGE AND RELATED DOCUMENTS

WHEREAS, by Title 1 of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 670 of the Laws of 1974 of the State of New York, as amended (hereinafter collectively called the "Act"), the **CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY** (hereinafter called "Agency") was created with the authority and power to own, lease and sell property for the purpose of, among other things, acquiring, constructing and equipping civic, industrial, manufacturing and commercial facilities as authorized by the Act; and

WHEREAS, **PETER L. KROG** under the name, **FEDERATION LOFTS**, for itself or on behalf of an entity to be formed (the "Company") has submitted an application (the "Application") to the Agency requesting the Agency's assistance with a certain project (the "Project") consisting of (i) the acquisition of fee title to or other interest in an approximately 0.2-acre parcel of land located at 40 Broadway, Hornell, New York (being more particularly identified as TMID number 151.72-01-048) (the "Land") and any existing improvements thereon (the "Existing Improvements"); (ii) the acquisition, construction and reconstruction of the Existing Improvements to accommodate approximately 9-12 apartment units with commercial space in the basement and on the first floor (the "Improvements"); and (iii) the acquisition and installation in and around the Improvements of certain items of equipment and other tangible personal property (the "Equipment", and collectively with the Land, the Existing Improvements and the Improvements, the "Facility"); and

WHEREAS, by resolution adopted on November 18, 2010 (the "Inducement Resolution"), the Agency (i) made a determination in conformance with Article 8 of the Environmental Conservation Law and the regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (said law and regulations hereinafter collectively referred to as "SEQR") with respect to the Project; (ii) directed that a lease agreement (the "Lease Agreement"), payment-in-lieu-of-tax agreement (the "PILOT Agreement"), mortgage (the "Mortgage") and related documents be negotiated; and (iii)

authorized the Company to act as its agent to acquire, construct and equip the Project, *provided, however*, that the Financial Assistance (as defined in the Inducement Resolution) provided by the Agency to the Company would not exceed \$100,000 until a public hearing was held in compliance with the Act and a subsequent resolution was adopted by the Agency; and

WHEREAS, pursuant to Section 859-a of the Act, on Thursday, December 9, 2010, at 10:00 a.m. local time, at the Agency's offices at 40 Main Street, Hornell, New York, the Agency held a public hearing with respect to the Project and the proposed financial assistance being contemplated by the Agency (the "Public Hearing") whereat interested parties were provided a reasonable opportunity, both orally and in writing, to present their views. A copy of the Minutes of said Public Hearing along with the Notice of Public Hearing published and forwarded to the affected taxing jurisdictions ten (10) days prior to said Public Hearing are attached hereto as Exhibit A; and

WHEREAS, the City of Hornell has requested that the Agency take actions on behalf of the City of Hornell to draw funds down and comply with the \$1,500,000 grant from Empire State Development Corporation ("ESDC Grant"); and

WHEREAS, the Lease Agreement, PILOT Agreement and related documents have been negotiated and are presented to this meeting for approval and execution.

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

Section 1. The Chairman, Vice Chairman and/or the Executive Director of the Agency are hereby authorized, on behalf of the Agency, to take any and all actions necessary to draw down funds and fully comply with the ESDC Grant on behalf of the City, to draw down \$375,000 under the ESDC Grant to fund the acquisition by the Agency of the Land and Existing Improvements, to execute and deliver the Lease Agreement, PILOT Agreement and related documents in the form presented at this meeting with such changes as shall be approved by the Chairman, Vice Chairman and/or the Executive Director upon execution.

Section 2. The Chairman, Vice Chairman and/or Executive Director of the Agency are hereby authorized, on behalf of the Agency, to execute and deliver any mortgage, assignment of leases and rents, security agreement, UCC-1 Financing Statements and all documents reasonably contemplated by these resolutions or required by the lender or lenders identified by the Company (the "Lender") up to a maximum principal amount necessary to undertake the Project, acquire the Facility and/or finance or refinance equipment and other personal property and related transactional costs (hereinafter, with the Lease Agreement and PILOT Agreement, collectively called the "Agency Documents"); and, where appropriate, the Secretary or Assistant Secretary of the Agency is hereby authorized to affix the seal of the Agency to the Agency Documents and to attest the same, all with such changes, variations, omissions and insertions as the Chairman, Vice Chairman and/or Executive Director of the Agency shall approve, the execution thereof by the Chairman, Vice Chairman and/or Executive Director of the Agency to constitute conclusive evidence of such approval; provided in all events recourse against the Agency is limited to the Agency's interest in the Project.

Section 3. The officers, employees and agents of the Agency are hereby authorized and directed for and in the name and on behalf of the Agency to do all acts and things required and to execute and deliver all such certificates, instruments and documents, to pay all such fees, charges and expenses and to do all such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, desirable and proper to effect the purposes of the foregoing resolutions and to cause compliance by the Agency with all of the terms, covenants and provisions of the documents executed for and on behalf of the Agency.

Section 4. These Resolutions shall take effect immediately.

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

	<i>Yea</i>	<i>Nay</i>	<i>Abstain</i>	<i>Absent</i>
Samuel Nasca	[x]	[]	[]	[]
George Prete	[x]	[]	[]	[]
Shawn Hogan	[x]	[]	[]	[]
Joseph Foreman	[x]	[]	[]	[]
David Parmley	[]	[]	[]	[x]

The Resolutions were thereupon duly adopted.

SECRETARY'S CERTIFICATION

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

The undersigned, being the Secretary of the City of Hornell Industrial Development Agency, DOES HEREBY CERTIFY THAT:

I have compared the foregoing extract of the minutes of the meeting of City of Hornell Industrial Development Agency (the "Agency") including the resolution contained therein, held on the 18th day of November 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 relates to the subject in matters therein referred to.

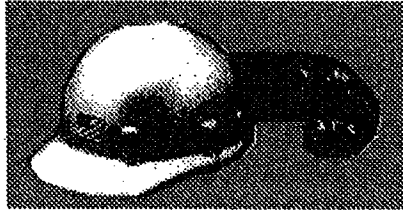
I FURTHER CERTIFY that all members of said Agency had due notice of said meeting, that the meeting was in all respects duly held and that, pursuant to Article 7 of the Public Officers Law (Open Meetings Law), said meeting was open to the general public, and that public notice of the time and place of 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 seal of said Agency this 16 day of December, 2010.

Secretary



HORNELL, THE NEW INDUSTRIAL FRONTIER

NOTICE LETTER

November 23, 2010

Steuben County Legislature
Attn: Legislative Chairman
County Office Building
3 East Pulteney Square
Bath, New York 14810

Steuben County Administrator
3 East Pulteney Square
County Office Building
Bath, New York 14810

City of Hornell
Attn: Mayor
82 Main Street
Hornell, New York 14843

Hornell City School District
Attn: Superintendent
25 Pearl Street
Hornell, New York 14843

Re: Peter L. Krog Under the Name "Federation Lofts": Project with City of Hornell
Industrial Development Agency

Ladies and Gentlemen:

On Thursday, December 9, 2010 at 10:00 a.m., at the offices of the City of Hornell Industrial Development Agency (the "Agency") at 40 Main Street, Hornell, New York 14843, the Agency will conduct a public hearing regarding the above-referenced project. Attached is a copy of the Notice of Public Hearing describing the project and the financial assistance contemplated by the Agency. The Notice has been submitted to *The Evening Tribune* for publication.

You are welcome to attend such hearing at which time you will have an opportunity to review the project application and present your views, both orally and in writing, with respect to the project. We are providing this notice to you, pursuant to General Municipal Law Section 859-(a), as the chief executive officer of an affected tax jurisdiction within which the project is located.

Very truly yours,

CITY OF HORNELL INDUSTRIAL
DEVELOPMENT AGENCY

246155 1490075.1

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that a public hearing pursuant to Article 18-A of the New York General Municipal Law will be held by the City of Hornell Industrial Development Agency (the "Agency") on Thursday, December 9, 2010, at 10:00 a.m., local time, at the Agency's offices at 40 Main Street Hornell, New York 14843, in connection with the following matter:

Peter L. Krog, under the name Federation Lofts, for itself or on behalf of an entity to be formed (the "Company"), has submitted an application (the "Application") to the Agency requesting the Agency's assistance with a certain project (the "Project") consisting of (i) the acquisition of fee title to or other interest in an approximately .2-acre parcel of land located at 40 Broadway, Hornell, New York (being more particularly identified as TMID number 151.72-01-048) (the "Land") and any existing improvements thereon; (ii) the acquisition, construction and reconstruction of the Existing Improvements to accommodate approximately 9-12 apartment units with commercial space in the basement and on the first floor (the "Improvements"); and (iii) the acquisition and installation in and around the Improvements of certain items of equipment and other tangible personal property (the "Equipment", and collectively with the Land and the Improvements, the "Facility").

The Agency will acquire title to or a leasehold interest in the Facility and lease its interest in the Facility back to the Company. The Company will operate the Facility during the term of the lease. At the end of the lease term, the Company will purchase the Facility from the Agency, or if the Agency holds a leasehold interest, the leasehold interest will be terminated. The Agency contemplates that it will provide financial assistance (the "Financial Assistance") to the Company in the form of sales and use tax exemptions and a mortgage recording tax exemption, consistent with the policies of the Agency, and a partial real property tax abatement.

A representative of the Agency will be at the above-stated time and place to present a copy of the Company's Application and hear and accept written and oral comments from all persons with views in favor of or opposed to or otherwise relevant to the proposed Financial Assistance.

Dated: November 23, 2010

By: CITY OF HORNEILL INDUSTRIAL
DEVELOPMENT AGENCY

HIDA/Federation Lofts Notice Letter/Proof of Mailing

U.S. Postal Service™ CERTIFIED MAIL™ RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at www.usps.com	
OFFICIAL USE	
Postage	\$ 00.44
Certified Fee	\$2.80
Return Receipt Fee (Endorsement Required)	\$2.30
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 05.54

0692
 ROCHESTER NY 14692
 27 Postmark Here
 NOV 24 2010
 11/25/10

Sent To
 Steuben County Legislature, Attn: Legislative Chairman
 Street, Apt. No. or PO Box No. County Office Bldg, 3 East Pulteney Squar
 City, State, ZIP+4
 Bath, New York 14810

PS Form 3800, August 2006 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION <ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. <p>1. Article Addressed to:</p> <p style="padding-left: 40px;"> Steuben County Legislature Attn: Legislative Chairman County Office Building 3 East Pulteney Square Bath, New York 14810 </p> <p>2. Article Number (Transfer from service label) 7010 1870 0003 2525 0122</p>	COMPLETE THIS SECTION ON DELIVERY <p>A. Signature X <i>Bruce Cornell</i> <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>Bruce Cornell</i> C. Date of Delivery <i>11/24/10</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type <input type="checkbox"/> Certified Mail <input checked="" type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
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PS Form 3811, February 2004 Domestic Return Receipt *Federation Lofts HIDA* 102595-02-M-1540

HIDA/Federation Lofts Notice Letter/Proof of Mailing

U.S. Postal Service™ CERTIFIED MAIL™ RECEIPT <i>(Domestic Mail Only; No Insurance Coverage Provided)</i>	
For delivery information visit our website at www.usps.com	
OFFICIAL USE	
HORNELL, NY 14843	0692
N.Y. Federation of CPAS Postage	\$ 0.44
Certified Fee	\$2.80
Return Receipt Fee (Endorsement Required)	\$2.30
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 5.54
Sent To Hornell City School District, Attn: Superintendent	
Street, Apt. No., or PO Box No.	
25 Pearl Street	
City, State, ZIP+4 Hornell, New York 14843	
PS Form 3800, August 2006	


SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete Items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Signature x <i>[Signature]</i> Agent <input type="checkbox"/> Addressee
1. Article Addressed to: Hornell City School District Attn: Superintendent 25 Pearl Street Hornell, New York 14843	B. Received by (Printed Name) C. Date of Delivery 11-24-10 D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No
2. Article Number (Transfer from service label)	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.
7010 1870 0003 2525 0177	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes
PS Form 3811, February 2004 Domestic Return Receipt <i>HIDA/Federation</i> 102595-02-M-1540	


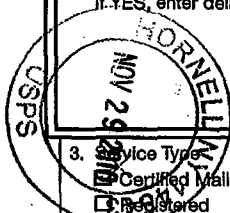
HIDA/Federation Lofts Notice Letter/Proof of Mailing

U.S. Postal Service TM	
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Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 5.54
11/24/2010	
Sent To Steuben County Administrator	
Street, Apt. No., or PO Box No. County Office Bldg, 3 East Pulteney Square	
City, State, ZIP+4 [®] Bath, New York 14810	
PS Form 3800, August 2006 See Reverse for Instructions	

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<p>2. Article Number (Transfer from serv) 7010 1870 0003 2525 0153</p>	
<p>PS Form 3811, February 2004 Domestic Return Receipt <i>HIDA/Federation</i> 102595-02-M-1540</p>	

HIDA/Federation Lofts Notice Letter/Proof of Mailing

U.S. Postal Service CERTIFIED MAILTM RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)		
For delivery information visit our website at www.usps.com		
OFFICIAL USE		
Postage	\$ 0.44	0692 
Certified Fee	\$2.80	
Return Receipt Fee (Endorsement Required)	\$2.30	
Restricted Delivery Fee (Endorsement Required)	\$0.00	
Total Postage & Fees	\$ 5.54	
Sent To City of Hornell, Attn: Mayor Street, Apt. No., or PO Box No. 82 Main Street City, State, ZIP+4 Hornell, New York 14843		
PS Form 3800, August 2006 See Reverse for Instructions		

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 		A. Signature  <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
1. Article Addressed to: City of Hornell Attn: Mayor 82 Main Street Hornell, New York 14843		B. Received by (Printed Name) _____ C. Date of Delivery _____ D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
2. Article Number (Transfer from service) 7010 1870 0003 2525 0160		3. Service Type: <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes			
PS Form 3811, February 2004 Domestic Return Receipt HIDA/Federation 102595-02-M-1540			

STATE OF NEW YORK }
STEUBEN COUNTY } SS.

AFFIDAVIT

Beth Ann Hults being duly sworn, disposes and says that she resides in the County of Steuben, and State of New York, that she is the signor and authorized designee of the publisher of The Evening Tribune, a public newspaper, published and printed daily in the City of Hornell by GateHouse Media, Inc., and that a notice of which the annexed is a printed copy, was published in said newspaper The Evening Tribune, said publication therein being on the following dates:

11/26/10

Beth Ann Hults

Subscribed and sworn to before me this 8th _____

day of December, 2010

Joy L. Stuart

Notary Public

Joy L. Stuart #01ST6116432
Notary Public, State of New York
Qualified in Allegany County
My Comm Expires 10/4/12

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that a public hearing pursuant to Article 18-A of the New York General Municipal Law will be held by the City of Hornell Industrial Development Agency (the "Agency") on Thursday, December 9, 2010, at 10:00 a.m. local time, at the Agency's offices at 40 Main Street, Hornell, New York 14849, in connection with the following matter:

Re: (i) the acquisition of the Federal Office for itself or on behalf of an entity to be formed (the "Company") (as submitted in application (the "Application") to the Agency requesting the Agency's assistance with a certain project (the "Project") consisting of: (i) the acquisition of fee title or other interest in an approximately 2.5-acre parcel and located at 40 Broadway, Hornell, New York (also more particularly identified as "Parcel" number 15-72-01-045) (the "Land") and any existing improvements thereon; (ii) the acquisition, construction and reconstruction of the Existing Improvements to accommodate approximately 9-12 apartment units with commercial space in the basement and on the first floor (the "Improvements"); and (iii) the acquisition and installation in and around the Improvement of certain items of equipment and other tangible personal property (the "Equipment") and collectively with the Land and the Improvements, the "Facility").

The Agency acquire title to the leasehold interest in the Facility and lease the interest in the Facility back to the Company. The Company will operate the Facility during the term of the lease. At the end of the lease term, the Company will purchase the Facility from the Agency. If the Agency holds a leasehold interest, the leasehold interest will be terminated. The Agency contemplates that it will provide financial assistance (the "Financial Assistance") to the Company in the form of sales and use tax exemptions and mortgage recording tax exemption, consistent with the policies of the Agency and a partial real property tax abatement.

An representative of the Agency will be at the above-stated time and place to present all stock of the Company's Application and hear and accept written and oral comments from all persons with views in favor of or opposed to or otherwise relevant to the proposed Financial Assistance.

Dated: November 23, 2010. J.A.M.

By: CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY

A Public Hearing pursuant to Article 18-A of the New York General Municipal Law was held by the City of Hornell Industrial Development Agency (the "Agency") on the 9th day of December 2010, at 10:00 AM, at the Agency's Office at 40 Main Street, Hornell, NY.

PRESENT: David Blauvelt, IBEW
James Griffin
Marge Frungillo

Executive Director, James Griffin, called the hearing to order at 10:00 AM. The following project was discussed:

Peter L. Krog, under the name Federation Lofts, for itself or on behalf of an entity to be formed, has submitted an application to the Agency requesting the Agency's assistance with a certain project consisting of the acquisition of fee title to or other interest in an approximately .2 acre parcel of land located at 40 Broadway, Hornell, NY and any existing improvements thereon; the acquisition, construction and reconstruction of the existing improvements to accommodate approximately 9-12 apartment units with commercial space in the basement and on the first floor and the acquisition and installation in and around the improvements of certain items of equipment and other tangible personal property.

The Agency will acquire title to or a leasehold interest in the facility and lease its interest in the facility back to the Company. The Company will operate the facility during the term of the lease. At the end of the lease term, the company will purchase the facility from the Agency or if the Agency holds a leasehold interest, the leasehold interest will be terminated. The Agency contemplates that it will provide financial assistance to the company in the form of sales and use tax exemptions and a mortgage recording tax exemption consistent with the policies of the Agency, and partial real property tax abatement.

David Blauvelt representing IBEW questioned the proposed use of local labor and prevailing wages. Mr. Griffin responded that they have contracted with Krog in the past and have excellent results with hiring the majority of local labor and paying on a scale over our local labor.

There being no further comments, the hearing was adjourned at 10:25 AM.