

APPENDIX C

2005 SPRING LAKE WINERY, LLC PROJECT

PAYMENTS IN LIEU OF TAXES

It is recognized that under the provisions of the Act, the Agency is required to pay no real estate taxes upon any of the property acquired by it or under its jurisdiction or control or supervision or upon its activities. Except as otherwise provided herein and in Section 4.4, while the Facility is being used in accordance with the Act and this Agreement, the provisions of this paragraph with respect to payments in lieu of real estate taxes shall be applicable. Until the commencement of the tax fiscal year of the appropriate taxing authority subsequent to the first tax status date on which the Agency is the owner of record of the Facility, Varallo Vineyards, LLC (the "Lessee") shall continue to pay all appropriate taxing authorities all taxes due. Thereafter the Lessee shall pay to the Town of Lockport (Town), County of Niagara (County) and the Royalton-Hartland Central School District (School District) payments in lieu of exempted taxes as follows:

A. To the Town, 6560 Dysinger Road, Lockport, New York 14094, no later than January 15th of each year,

1. Commencing in tax fiscal year 2007 and continuing through tax fiscal year 2016, no payment in lieu of taxes shall be required.

2. Commencing in tax fiscal year 2017, an amount equal to the percentage of the Town taxes which would be due, were there no such exemption, based upon the assessed value of the Facility in accordance with the following schedule:

Tax Fiscal Year	Percentage
2017	20%
2018	40%
2019	60%
2020	80%

3. Commencing in tax fiscal year 2021, an amount equal to the Town taxes which would be due, were there no such exemption based upon the then assessed value of the Facility.

B. To the County, c/o County Treasurer, County Office Building, Lockport, New York 14094, no later than January 15th of each year,

1. Commencing in tax fiscal years 2007 and continuing through tax fiscal year 2016, no payment in lieu of taxes shall be required; and

2. Commencing in tax fiscal year 2017, an amount equal to the percentage of the County taxes which would be due, were there no such exemption, based upon the assessed value of the

Facility in accordance with the following schedule:

Tax Fiscal Year	Percentage
2017	20%
2018	40%
2019	60%
2020	80%

3. Commencing in tax fiscal year 2021, an amount equal to the County taxes which would be due, were there no such exemption based upon the then assessed value of the Facility.

C. To the School District, Royalton-Hartland Central School District, 54 State Street, Middleport, New York 14105, no later than October 15th of each year,

1. Commencing with the School District's tax fiscal year 2006-2007 and continuing through tax fiscal year 2015-2016 no payment in lieu of taxes shall be required.; and

2. Commencing with the School District's tax fiscal year 2016-2017, an amount equal to the percentage of the School District taxes which would be due, were there no such exemption, based upon the assessed value of the Facility in accordance with the following schedule:

Tax Fiscal Year	Percentage
2016-2017	20%
2017-2018	40%
2018-2019	60%
2019-2020	80%

3. Commencing with the School District's tax fiscal year 2020-2021, an amount equal to the School District taxes which would be due, were there no such exemption based upon the then assessed value of Facility.

The parties intend that the Lessee shall receive the standard tax abatement provided by the Agency on the full assessed value of the Facility Realty.

The foregoing provisions are subject, in each case, to the Lessee's right to obtain reductions in the assessed valuation of the Facility, to maintain existing exemptions, and to obtain other exemption, abatements or discounts therefrom, if any, and to seek to obtain a refund of any such payments made, all of which are hereby expressly reserved by the Lessee.

If the Lessee shall fail to make any such installments of payments in lieu of real estate taxes, the amount or amounts so in default shall continue as an obligation of the Lessee until fully paid and the Lessee agrees to pay the same with interest thereon.

In addition, a late payment penalty of five percent (5%) of the amount due shall be paid

by the Lessee if payment is not received by the affected tax jurisdiction by the due date. For each month, or part thereof, that the payment in lieu of taxes is delinquent beyond the first month, interest shall accrue and be paid to the affected tax jurisdiction on the total amount due plus a late payment penalty in the amount of one percent (1%) per month until the payment is made. Once having paid the amount required by Section 4.3 of the Lease Agreement to be paid by it in lieu of real estate taxes, the Lessee shall not be required to pay any such taxes for which a payment in lieu thereof has been made to the appropriate officer if the Town, County or School District, as the case may be.

The Agency shall cause such officers to apportion, within fifteen days prior to the date on which the Agency is no longer to be the holder of a leasehold interest in the Facility, that installment or payment in lieu of tax paid by the Lessee to the Town, County and the School District, as the case may be, immediately preceding the date on which the Agency no longer holds a leasehold interest in the Facility, as of such date, and apply that portion attributable to the period from such date to the end of the period of such installment as a credit against the amount of real estate tax that would have been due for the period of such installment had the Facility been privately owned and not leased to the Agency on the final assessment date of the tax year immediately preceding the date of such installment, and bill the Lessee for the balance of such installment, which amount shall be paid by the Lessee to such officer immediately upon the receipt thereof. The Agency shall terminate the Lease to Agency and the Lease Agreement cause the Facility to be returned to the tax rolls as of the termination of the Lease to Agency and the Lease Agreement and the Lessee shall pay the remaining installments due for such tax fiscal year.

If the Project is not being used in accordance with the Act and this Agreement, the Lessee shall be required to make full payments in lieu of real estate taxes on the land, building and improvements constituting the Facility in such amount as would result from taxes levied on the Facility if the Facility were owned by the Lessee and not leased to the Agency. Such amounts shall commence to be paid for the period subsequent to the date it is reasonably determined by the Agency that use of the Project under the Act or this Agreement is not in compliance. In such event, the tax rate and valuation shall be those then in effect in the records of the proper County, Town and School District departments, respectively. The Agency in its discretion may waive the increased payments set forth in this paragraph and agree to the continuation of the payments as otherwise set forth in Section 4.3 of this Lease Agreement.

The obligations of the Lessee under Sections 4.3 and 4.4 of this Lease Agreement shall survive the termination or expiration of this Agreement for any reason whatsoever. The Agency, in its discretion and in furtherance of the purposes of the Act, may waive, in whole or in part, payments in lieu of taxes, set forth in Section 4.3 and 4.4 of this Lease Agreement, for good cause shown.

Payments for the Town of Lockport shall be mailed to the Town of Lockport, 6560 Dysinger Road, Lockport, New York 14094 and are due no later than January 15th of each year.

Payments to the County of Niagara shall be mailed to the County Treasurer, County Office Building, Lockport, New York 14094 and are due no later than January 15th of each year.

Payments for the Royalton-Hartland Central School District shall be mailed to the School District, 54 State Street, Middleport, New York 14105 and are due not later than October 15th of each year.