

FIRST AMENDMENT TO PAYMENT-IN-LIEU-OF-TAX AGREEMENT

THIS FIRST AMENDMENT TO PAYMENT IN LIEU OF TAX AGREEMENT (the "Agreement"), dated as of the 1st day of January, 2014 by and between **ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY**, a public benefit corporation duly existing under the laws of the State of New York with offices located at 143 Genesee Street, Buffalo, New York 14203 (the "Agency"), and **NIAGARA TRANSFORMER CORP.**, a corporation duly organized, validly existing and in good standing under the laws of the State of New York, with offices at 1747 Dale Road, Cheektowaga, New York 14225 (the "Company").

WITNESSETH:

WHEREAS, the Agency was created by Chapter 293 of the Laws of 1970 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; and

WHEREAS, the Company and the Agency previously entered into a certain Payment-In-Lieu-Of-Tax Agreement, dated as of January 1, 2013 (the "Original PILOT"), in connection with a certain project (the "Project") undertaken by the Company as agent of the Agency, consisting of: (i) a 3.20+/- acre parcel of land located at 1755 Dale Road, Town of Cheektowaga, Erie County, New York (the "Land"), (ii) the construction and equipping of improvements thereon of a 45,000+/- SF commercial building for operation of a manufacturing facility to be used for the final assembly, painting and testing of power transformers (the "Improvements"), and (iii) the acquisition and installation by the Company of certain items of machinery, equipment and other tangible personal property (the "Equipment," and collectively with the Land and the Improvements, the "Facility"); and

WHEREAS, the Agency and the Company deem it necessary and proper to enter into this Agreement for the purpose of confirming that the Land component of the Facility, upon which the Improvements are located, will have a PILOT payment equal to the full taxes as such valuation may vary from year to year.

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 as follows:

1. Parts (1) and (2) of Section 3. Taxing Authorities and Amounts of the Original PILOT Agreement are hereby amended and restated in their entirety to read as follows:

Section 3. Taxing Authorities and Amounts.

(1) Until the commencement of the tax fiscal years set forth in subparagraph (2) below, the Company shall continue to pay all appropriate taxing authorities all taxes due as if the Agency did not have an interest in the Project. As set forth below, the total payments in lieu of taxes required under this PILOT Agreement are allocated among the affected tax jurisdictions in proportion to the amount of real property tax and other taxes which would have been received by each affected tax jurisdiction had the Project not been tax exempt due to the status of the

Agency. Thereafter, the Company shall make payments in lieu of taxes to all appropriate taxing authorities on the land and buildings constituting the Project, in accordance with this section. For each taxing authority, such payments in lieu of taxes shall have a land component and a variable component. The land component shall be based upon the then current tax rate for the then current tax fiscal year applied against the then current assessed valuation of the non-depreciable portion of all tax parcels comprising the Project (assessed as land). The variable component shall be based upon the then current tax rate applied against a variable portion of the then current assessed valuation of the depreciable portion of all tax parcels comprising the Project (assessed as buildings or other improvements).

(2) For the periods of time indicated below, the Company shall make the indicated payments in lieu of taxes to the indicated taxing authorities:

(a) County PILOT Payments. Payments in lieu of general levy real estate taxes to the County for each of the tax fiscal years **2015 through 2024**, or until termination of the Lease Agreement, whichever date occurs first, shall be in an amount equal to the County Land PILOT Payment plus the County Variable PILOT Payment (as such terms are defined below) for each such tax fiscal year. The County Land PILOT Payment for each tax fiscal year shall be an amount equal to the County tax rate then in effect for such tax fiscal year, applied against the then current assessed valuation of the non-depreciable portion of all tax parcels constituting the Project (assessed as land). The County Variable PILOT Payment for each tax fiscal year shall be an amount equal to the County tax rate in effect for such tax fiscal year, applied to the product of (i) the then current assessed valuation of the depreciable portion of all tax parcels comprising the Project (assessed as buildings or other improvements), and (ii) the abatement factor applicable to such tax fiscal year as shown on Schedule A attached hereto and made a part hereof. Each such payment shall be delivered to County of Erie, Room 100, 95 Franklin Street, Buffalo, NY 14202, or such other place as may be designated from time to time by the County. Payments for each tax fiscal year must be made by February 15 of that year, or such payment shall be considered delinquent.

(b) Town PILOT Payments. Payments in lieu of general levy real estate taxes for the Town for each of the tax fiscal years **2015 through 2024**, or until termination of the Lease Agreement, whichever date occurs first, shall be in an amount equal to the Town Land PILOT Payment plus the Town Variable PILOT Payment (as such terms are defined below) for each such tax fiscal year. The Town Land PILOT Payment for each tax fiscal year shall be an amount equal to the Town tax rate then in effect for such tax fiscal year, applied against the then current assessed valuation of the non-depreciable portion of all tax parcels constituting the Project (assessed as land). The Town Variable PILOT Payment for each tax fiscal year shall be an amount equal to the Town tax rate in effect for such tax fiscal year applied to the product of (i) the then current assessed valuation of the depreciable portion of all tax parcels comprising the Project (assessed as buildings or other improvements), and (ii) the abatement factor applicable to such tax fiscal year as shown on Schedule A attached hereto and made a part hereof. Each such payment shall be delivered to the Town of Cheektowaga, Attn: Town Assessor, or such other place as may be designated from time to time by the Town. Payments for each Town tax fiscal year must be made by February 15 of that year, unless otherwise required by the Town, or such payment shall be considered delinquent.

(c) School District PILOT Payments. Payments in lieu of general levy real estate taxes for the School District for each of the tax fiscal years **2014-2015 through 2023-2024**, or until termination of the Lease Agreement, whichever date occurs first, shall be in an amount equal to the School District Land PILOT Payment plus the School District Variable PILOT Payment (as such terms are defined below) for each such tax fiscal year. The School District Land PILOT Payment for each tax fiscal year shall be an amount equal to the School District tax rate then in effect for such tax fiscal year, applied against the then current assessed valuation of the non-depreciable portion of all tax parcels constituting the Project (assessed as land). The School District Variable PILOT Payment for each tax fiscal year shall be an amount equal to the School District tax rate in effect for such tax fiscal year applied to the product of (i) the then current assessed valuation of the depreciable portion of all tax parcels comprising the Project (assessed as buildings or other improvements), and (ii) the abatement factor applicable to such tax fiscal year as shown on Schedule A attached hereto and made a part hereof. Each such payment shall be delivered to the School District, or such other place as may be designated from time to time by the School District. Payments for each tax fiscal year must be made one half by July 31 of that year and one half by December 31 (unless otherwise required by the School District), or such payments shall be considered delinquent.

(d) In addition to the foregoing, the Company shall pay all special district charges, special assessments and special ad valorem levies (specifically including but not limited to any fire district charges or "curb charges"), and pure water charges and sewer charges that are levied against the Project are to be paid in full in accordance with normal billing practices as if the Agency did not have an interest in the Project.

2. Part (2) of Section 10 – Miscellaneous of the PILOT Agreement, is hereby amended and restated in its entirety to read as follows:

(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, or by nationally-recognized overnight courier, as follows:

To the Agency: Erie County Industrial Development Agency
95 Perry Street, Suite 403
Buffalo, New York 14203
Attn: Chief Executive Officer

With a copy to: Harris Beach PLLC
726 Exchange Street, Suite 1000
Buffalo, New York 14210
Attn: Robert G. Murray, Esq.

To the Company: Niagara Transformer Corp.
1747 Dale Road
Cheektowaga, New York 14225
Attn: Mr. John F. Darby, President

With a copy to: Harter Secrest & Emery LLP
12 Fountain Plaza, Suite 400
Buffalo, New York 14202
Attn: Anthony D. Mancinelli, 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.

3. Unless amended by the terms of this Agreement, the terms and provisions of the Original PILOT shall remain unchanged and in full force and effect.

4. All terms used herein that are defined in the Original PILOT shall have the meanings set forth therein, unless the context otherwise requires.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ERIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: Karen M. Fiala
Karen M. Fiala
Assistant Treasurer

NIAGARA TRANSFORMER CORP.

By: John F. Darby
John F. Darby
President

[Acknowledgment Page to the First Amendment to PILOT Agreement]

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

On the 25 day of August, 2014, before me, the undersigned, personally appeared **KAREN M. FIALA**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signatures on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



Notary Public

KATHLEEN A. DRUMM
Notary Public State of New York
Qualified in Erie County
My Commission Expires: June 30, 2018

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

On the 29 day of August, 2014, before me, the undersigned, personally appeared **JOHN F. DARBY**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



Notary Public

PAULA R. WALTER
Notary Public, State of New York
Qualified in Erie County
My Commission Expires June 27, 2018