

HARRIS BEACH PLLC
ATTORNEYS AT LAW

August 7, 2006

99 GARNSEY ROAD
PITTSFORD, NY 14534
(585) 419-8800

LORI A. PALMER
PARALEGAL
DIRECT: (585) 419-8681
FAX: (585) 419-8816
LPALMER@HARRISBEACH.COM

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

To: The Assessor and Chief Elected
Officials of the Affected Tax Jurisdictions

Re: **Genesee County Industrial Development Agency d/b/a Genesee County**
Economic Development Center and Wellsville Carpet Town, Inc.:
Distribution of Form RP-412-a and PILOT Agreement

Ladies and Gentlemen:

On behalf of the Genesee County Industrial Development Agency d/b/a Genesee County Economic Development Center, I have enclosed for you, the Assessor and the Chief Elected Officials of each taxing jurisdiction within which the above-referenced project is located, an Application for Real Property Tax Exemption on Form RP-412-a with attached Payment-In-Lieu-of-Tax Agreement.

Very truly yours,



Lori A. Palmer
Paralegal

Enclosures
cc.: Suzanne Cook

ASSESSOR

Assessor

Genesee County Assessor
Assessment/Real Property Dept.
15 Main Street
Batavia, New York 14020

Assessor
Town of Batavia
3833 W. Main Street Road
Batavia, New York 14020

AFFECTED TAX JURISDICTION OFFICIALS

Genesee County

Genesee County Legislature
Attn.: Chairperson
7 Main Street
Batavia, New York 14020

Genesee County Real Property Tax Services II
Attn.: Director
15 Main Street
Batavia, New York 14020

County Treasurer
15 Main Street
Batavia, New York 14020

Genesee County Manager
7 Main Street
Batavia, New York 14020

TOWN OF BATAVIA

Town Supervisor
Town of Batavia
3833 W. Main Street Road
Batavia, New York 14020

ELBA CENTRAL SCHOOL DISTRICT

Elba Central School District
Attn.: Superintendent
57 South Main Street
Batavia, New York 14058

SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

County Treasurer
15 Main Street
BATAVIA, New York
14020

2. Article Number

(Transfer from service label)

7003 1680 0000 7491 3698

Domestic Return Receipt

102595-01-M-2509

wellsville

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
Jamez Dupont Addressee

B. Received by (Printed Name) _____ C. Date of Delivery *8-8-06*

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type

- Certified Mail
- Registered
- Insured Mail
- Express Mail
- Return Receipt for Merchandise
- C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

SENDER: COMPLETE THIS SECTION

1. Article Addressed to:

Town Supervisor
Town of Batavia
3833 W. Main St. Road
Batavia, New York 14020

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	\$.87
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.12

Sent To
Gerese County Treasurer
Street, Apt. No., or PO Box No. 15 Main Street
City, State, ZIP+4
BATAVIA New York 14020

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

Town Supervisor
Town of Batavia
3833 W. Main St. Road
Batavia, New York 14020

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent Addressee
x J. Subrock

B. Received by (Printed Name) _____ C. Date of Delivery _____

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type

- Certified Mail
- Registered
- Insured Mail
- Express Mail
- Return Receipt for Merchandise
- C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

7003 1680 0000 7491 3667

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	\$.87
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.12

Sent To
Town of Batavia Supervisor
Street, Apt. No., or PO Box No. 3833 W. Main St. Road
City, State, ZIP+4
BATAVIA NEW YORK 14020

PS Form 3800, June 2002 See Reverse for Instructions

2. Article Number

(Transfer from service label)

7003 1680 0000 7491 3667

Domestic Return Receipt

102595-01-M-2509

wellsville

SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

Genesee County Manager
7 Main Street
BATAVIA, New York
14020

2. Article Number
 (Transfer from service label)

7003 1680 0000 7491 3681

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

wellsville

COMPLETE THIS SECTION ON DELIVERY

A. Signature *wellsville* Agent
 B. Received by (Printed Name) Addressee
 C. Date of Delivery *8-8-06* Date of Delivery

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

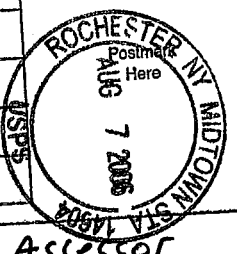
3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes No

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	\$.87
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.12



Sent To **Town of Batavia Assessor**
 Street, Apt. No., or PO Box No. **3833 W. Main Street Road**
 City, State, ZIP+4 **BATAVIA NY 14020**

PS Form 3800, June 2002

See Reverse for Instructions

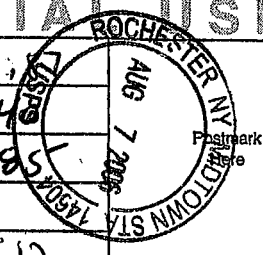
7003 1680 0000 7491 3681

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	\$.87
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.12



Sent To **Genesee County Manager**
 Street, Apt. No., or PO Box No. **7 Main Street**
 City, State, ZIP+4 **BATAVIA New York 14020**

PS Form 3800, June 2002

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

Assessor
Town of Batavia
3833 W. Main St. Road
Batavia, New York
14020

COMPLETE THIS SECTION ON DELIVERY

A. Signature *wellsville* Agent
 B. Received by (Printed Name) Addressee
 C. Date of Delivery *8-8-06* Date of Delivery
 D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes No

2. Article Number
 (Transfer from service label)

7003 1680 0000 7491 3728

PS Form 3811, August 2001

Domestic Return Receipt

wellsville

102595-01-M-2509

SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

Superintendent
Elba Central School Dist.
57 South Main Street
Batavia, New York 14020

2. Article Number

7003 1680 0000 7491 3674

(Transfer from service label)

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

wellsville

COMPLETE THIS SECTION ON DELIVERY

A. Signature

J.J. Newberg
 Agent

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? Yes No

If YES, enter delivery address below:

PO Box 370
Elba NY 14058

3. Service Type

Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes No

Sent To

Genesee County Assessor
15 Main Street
Batavia New York 14020

PS Form 3800, June 2002

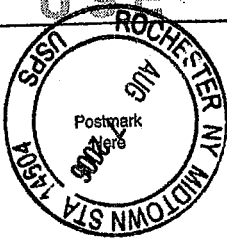
See Reverse for Instructions

**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	\$ 1.11
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.36

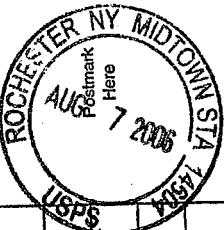


**U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$ 1.87
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.12



Sent To
Elba Central School Dist. - Supervisor
57 South Main Street
Batavia New York 14020
PS Form 3800, June 2002

SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

Genesee County Assessor
15 Main Street
Batavia, New York
14020

2. Article Number

(Transfer from service label)

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

wellsville

COMPLETE THIS SECTION ON DELIVERY

A. Signature

J. James
 Agent

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? Yes No

3. Service Type

Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes No

7003 1680 0000 7491 3759

COMPLETE THIS SECTION ON DELIVERY

A. Signature *X [Signature]* Agent
 B. Received by (Printed Name) *8-8-04* Addressee
 C. Date of Delivery *8-8-04* Date of Delivery

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes No

SENDER: COMPLETE THIS SECTION

1. Article Addressed to:
*Genesee County Real Property
 Trx Services II
 15 Main Street
 Batavia, New York
 14020*

2. Article Number (Transfer from service label)
 7003 1680 0000 7491 3704
 Domestic Return Receipt *wellsville*
 PS Form 3811, August 2001 102595-01-M-2509

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	\$.87
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.12

Sent To
Chairman - Genesee County Legislature
 Street, Apt. No., or PO Box No. *7 Main Street*
 City, State, ZIP+4 *Batavia New York 14020*

PS Form 3800, June 2002 See Reverse for Instructions

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	\$.87
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.12

Sent To
Genesee Co. Real Property Tax Services
 Street, Apt. No., or PO Box No. *15 Main Street*
 City, State, ZIP+4 *BATAVIA New York 14020*

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

1. Article Addressed to:
*Genesee County Legislature
 Attn: Chairman
 7 Main Street
 Batavia, New York 14020*

2. Article Number (Transfer from service label)
 7003 1680 0000 7491 3711
 Domestic Return Receipt *wellsville*
 PS Form 3811, August 2001 102595-01-M-2509

COMPLETE THIS SECTION ON DELIVERY

A. Signature *X [Signature]* Agent Addressee
 B. Received by (Printed Name) *8-8-04* Date of Delivery
 C. Date of Delivery *8-8-04* Date of Delivery

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes No



**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: **Genesee County Industrial Development Agency
d/b/a Genesee County Economic Development
Center**

Street: **One Mill Street**

City: **Batavia, New York 14020**

Telephone No. Day: **(585) 343-4866**

Contact: **Steven G. Hyde**

Title: **President & CEO**

2. OCCUPANT (IF OTHER THAN IDA)

(If more than one occupant attach separate listing)

Name: **Wellsville Carpet Town, Inc.**

Street: **1429 Olean-Portville Road**

City: **Westons Mills, New York 14788**

Telephone No. Day: **(716) 373-3300**

Evening _____

Contact: **Ronald Gilbert**

Title: **Controller**

DESCRIPTION OF PARCEL

- | | |
|--|--|
| <p>a. Assessment roll description (tax map no./roll year)
004.000-0001-026.012</p> <p>b. Street address: Intersection of Rt. 98 and
West Saile Drive</p> <p>c. City, Town or Village: Town of Batavia</p> | <p>d. School District: Elba</p> <p>e. County: Genesee</p> <p>f. Current assessment: approx. \$250,000</p> <p>g. Deed to IDA (date recorded; liber and page)
Lease Agreement, a memorandum of which was
recorded on July 11, 2006</p> |
|--|--|

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

- | | |
|---|---|
| <p>a. Brief description (include property use) : construction of approx. 100,000 sq.ft. warehouse and distribution center.</p> <p>b. Type of construction: concrete</p> <p>c. Square footage: approximately 100,000 sq. ft.</p> <p>d. Total cost: approximately \$4,045,000</p> <p>e. Date construction commenced: April, 2006</p> | <p>f. Projected expiration of exemption (i.e. date when property is no longer possessed, controlled, supervised or under the jurisdiction of IDA):
December 31, 2021</p> |
|---|---|

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 PILOT Agreement**
- b. Projected expiration date of agreement: **December 31, 2021**

c. Municipal corporations to which payments will be made

County: **Genesee**
Town/City: **Batavia**
Village: **N/A**
School District: **Elba**

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>

d. Person or entity responsible for payment

Name: **Ronald Gilbert**
Title: **Controller**
Address: **Wellsville Carpet Town, Inc., 1429 Olean-Portville Rd., Westons Mills, NY 14788**
Telephone: **(716) 373-3300**

e. Is the IDA the owner of the property? Yes/No (circle one)

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

Occupant owns property and leases to IDA, IDA then leases property back to the Occupant.

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 _____ assessment roll year _____

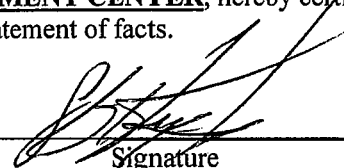
7. A copy of this application, including all attachments, has been mailed or delivered on August 7, 2006 to the chief executive official of each municipality within which the project is located as indicated in Item 3.

CERTIFICATION

I, Steven G. Hyde, President & CEO of the GENESEE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Name Title Organization

d/b/a GENESEE COUNTY ECONOMIC DEVELOPMENT CENTER, hereby certify that the information on this application and accompanying papers constitutes a true statement of facts.

August 7, 2006
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

**GENESEE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
d/b/a
GENESEE COUNTY ECONOMIC DEVELOPMENT CENTER**

AND

WELLSVILLE CARPET TOWN, INC.

PAYMENT-IN-LIEU-OF-TAX AGREEMENT

*Relating to Construction of Furniture Warehouse and Distribution Facility
Located at the Intersection of County Rt. 98 and West Saile Drive
in the Town of Batavia, Genesee County, New York*

**Section: 004.000
Block: 0001
Lot: 026.012**

Dated as of July 1, 2006

**Affected Tax Jurisdictions:
Genesee County
Town of Batavia
Elba Central School District**

PAYMENT IN LIEU OF TAX AGREEMENT

THIS PAYMENT IN LIEU OF TAX AGREEMENT (the "Agreement"), dated as of the 1st day of July, 2006, by and between **GENESEE COUNTY INDUSTRIAL DEVELOPMENT AGENCY d/b/a GENESEE COUNTY ECONOMIC DEVELOPMENT CENTER**, a public benefit corporation duly existing under the laws of the State of New York, with its registered offices located at One Mill Street, Batavia, New York 14020 (the "Agency") and **WELLSVILLE CARPET TOWN, INC.**, a corporation duly organized and validly existing under the laws of the State of New York, with offices at 1429 Olean-Portville Road, Westons Mills, New York 14788 (the "Company").

WITNESSETH:

WHEREAS, the Agency was created by Chapter 565 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 has submitted an application (the "Application") to the Agency requesting the Agency's assistance with respect to a certain project (the "Project") consisting of (i) the acquisition (or retention) by the Agency of fee title to or a leasehold interest in an approximately 9-acre unimproved parcel of land located at the intersection of Route 98 and West Saile Drive in the Town of Batavia, Genesee County, New York (the "Land"), (ii) the construction and equipping on the Land of an approximately 100,000 square-foot assembly warehouse and distribution center for the Company's "Ashley Homestore" furniture assembly operations (the "Improvements"), and (iii) the acquisition 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"); and

WHEREAS, in order to induce the Company to acquire, construct and equip the Facility, the Agency is willing to take a leasehold interest in the land, improvements and personal property constituting the Facility and lease said land, improvements and personal property back to the Company pursuant to the terms and conditions of a certain Lease Agreement to be dated on or about the date hereof (the "Lease Agreement"); 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 Genesee County (the "County"), the Town of Batavia (the "Town") and the Elba Central 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 as follows:

Section I - Payment in lieu of Ad Valorem Taxes:

Section 1.1 A. Subject to the completion and filing by the taxable status date (**March 1, 2007**) (the "Taxable Status Date") 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 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 2007-08 School tax year and the 2008 Town and County tax year. For purposes of the foregoing "Real Estate Taxes" means all general levy real estate taxes levied against the Facility by the Town, County and School. The Company shall provide to 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. The Company hereby waives any claim or cause of action against the Agency, and releases the Agency from any liability to the Company, arising from the denial of an exemption from Real Estate Taxes except to the extent that such denial results solely from the failure of the Agency to file the Exemption Application with the appropriate assessors or Board of Assessment Review by the Taxable Status Date.

B. Payee. As long as the Facility is leased by the Agency, the Company agrees to pay annually to the Affected Tax Jurisdictions as a payment in lieu of taxes, on or before September 1 of each calendar year for School taxes and on or before January 1 of each calendar year for Town and County taxes (collectively, the "Payment Date"), commencing on September 1, 2007 and January 1, 2008, respectively, an amount equal to the Total PILOT payment, which shall be calculated and paid in accordance with Schedule A attached hereto.

The Company acknowledges and confirms that it has applied (or will apply) to the State for certification under the State's Empire Zones Program (the "Program") for the Project and the Facility. It shall be the Company's (and not the Agency's nor the Agency's counsel) obligation to fully comply with all requirements of the Program, to file with the State on a timely basis (after giving effect to any extensions) all tax returns and other reports required under the Program, and to provide the Agency with copies of all such tax returns and reports simultaneously with the filing of the same with the State. The Agency makes no representation or warranty with respect to the Program, the Company's certification under the Program or the Company's ability to claim the

Credit. The Company shall notify the Agency in writing of any repeal or unavailability of the Credit.

The parties agree and acknowledge that payments made hereunder are to obtain revenues for public purposes, and to provide a revenue source that the Affected Tax Jurisdictions would otherwise lose because the subject parcels are not on the tax rolls.

1.2 Allocation. The Agency shall remit to the Affected Tax Jurisdictions amounts received hereunder within thirty (30) days of receipt of said payment and shall allocate said payments among the Affected Tax Jurisdictions in the same proportion as ad valorem taxes would have been allocated but for the Agency's involvement, unless the Affected Tax Jurisdictions have consented in writing to a specific allocation.

1.3 Tax Rates. For purposes of determining the allocation of the Total PILOT Payment among the Affected Tax Jurisdictions, the Agency shall use the last tax rate utilized for levy of taxes by each such jurisdiction. For County and Town and special district purposes, the tax rates used to determine the allocation of the Total PILOT Payment shall be the tax rates relating to the calendar year which includes the PILOT payment due date. For school district purposes, the tax rates used to determine the PILOT payment shall be the rate relating to the school year which includes the PILOT payment due date.

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 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 PILOT Payment. The Agency shall notify the Company of any proposed increase in the Total PILOT 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 PILOT payment until a different Total PILOT Payment shall be established. If a lesser Total Annual Payment is determined in any proceeding or by subsequent agreement of the parties, the Total PILOT 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 PILOT payment(s).

1.5 Period of Benefits. The tax benefits provided for herein should be deemed to include (i) the 2007-08 School tax year through the 2021-22 School tax year, and (ii) the 2008 County and Town tax year through the 2022 County and Town tax year. This PILOT Agreement shall expire on December 31, 2021; *provided, however*, the Company shall pay the 2022-23 School tax bill and the 2023 County and Town tax bills on the 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 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 lease years elapsed), supersede and are in substitution of the exemptions provided by Section 485-b of the New York Real Property Tax Law ("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 lease/leaseback agreements are terminated), 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 herein, or this 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 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 Agreement, as if and to the same extent as if the Company were the owner of the Facility.

4.3 The Company shall (i) cause 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, (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 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 General Municipal Law 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 herein 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 herein, if said payment is not received by the Delinquency Date defined in Section 6.1 herein, 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, Company shall pay, in addition to said payment, the greater of the applicable penalties and interest 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 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 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: Genesee County Industrial Development Agency
d/b/a Genesee County Economic Development Center
One Mill Street
Batavia, New York 14020
Attn: Steven G. Hyde, CEO

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

To the Company: Wellsville Carpet Town, Inc.
1429 Olean-Portville Road
Westons Mills, New York 14788
Attn: Ronald Gilbert, Controller

With Copy To: Embser & Woltag, P.C.
164 North Main Street
Wellsville, New York 14895-1152
Attn: J. Timothy Embser, 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 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 Genesee 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. Neither member of the Agency nor any person executing this Agreement on its behalf shall be liable


personally under this 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 Agreement.

[Remainder of Page Intentionally Left Blank]

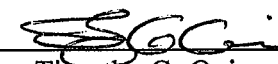
[Signature Page to PILOT Agreement]

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

GENESEE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY d/b/a
GENESEE COUNTY ECONOMIC
DEVELOPMENT CENTER

By: 
Name: Steven G. Hyde
Title: President & CEO

WELLSVILLE CARPET TOWN, INC.

By: 
Name: Timothy G. Quinn
Title: President

SCHEDULE A
 TO PILOT AGREEMENT DATED AS OF JULY 1, 2006
 BY AND BETWEEN
WELLSVILLE CARPET TOWN, INC.

AND
 GENESEE COUNTY INDUSTRIAL DEVELOPMENT AGENCY D/B/A GENESEE
 COUNTY ECONOMIC DEVELOPMENT CENTER AND COMPANY

Total PILOT Payment shall mean an amount per annum equal to the product of:

The assessed value of the Facility (as defined in the PILOT Agreement), *multiplied by* the respective tax rate for the Affected Tax Jurisdictions (after application of any applicable equalization rate) *multiplied by* the applicable percentage below.

The assessed value of the Facility shall be increased from time to time by the percentage increase in the assessed valuation in all taxable real property in the Town of Batavia, Genesee County, New York, as of the respective tax status date for the tax year for which the recalculation is being made.

<u>PILOT Year</u>	<u>School Tax Year</u>	<u>County and Town Tax Year</u>	<u>Total Taxable Valuation</u>
1	2007/2008	2008	Base Valuation, plus (Added Value x .00) (pay 100%)
2	2008/2009	2009	Base Valuation, plus (Added Value x .00) (pay 100%)
3	2009/2010	2010	Base Valuation, plus (Added Value x .00) (pay 100%)
4	2010/2011	2011	Base Valuation, plus (Added Value x .00) (pay 100%)
5	2011/2012	2012	Base Valuation, plus (Added Value x .00) (pay 100%)
6	2012/2013	2013	Base Valuation, plus (Added Value x .00) (pay 100%)
7	2013/2014	2014	Base Valuation, plus (Added Value x .40) (pay 60%)
8	2014/2015	2015	Base Valuation, plus (Added Value x .40) (pay 60%)
9	2015/2016	2016	Base Valuation, plus (Added Value x .60) (pay 40%)
10	2016/2017	2017	Base Valuation, plus (Added Value x .60) (pay 40%)
11	2017/2018	2018	Base Valuation, plus (Added Value x .60) (pay 40%)
12	2018/2019	2019	Base Valuation, plus (Added Value x .60) (pay 40%)
13	2019/2020	2020	Base Valuation, plus (Added Value x .60) (pay 40%)
14	2020/2021	2021	Base Valuation, plus (Added Value x .60) (pay 40%)
15	2021/2022	2022	Base Valuation, plus (Added Value x .60) (pay 40%)

For the term of this PILOT Agreement, the Company shall continue to pay full taxes based on the assessed value of the Land and any improvements existing thereon as of the date of this agreement prior to the completion of any Project improvements (the "Base Valuation"). During the term of this PILOT Agreement, the Base Valuation shall be increased from time to time by the percentage increase in the assessed valuation in all taxable real property in the Town of Batavia, Genesee County, New York, as of the respective tax status date for the tax year for which the recalculation is being made. The Total Taxable Valuation for each Total PILOT

Payment shall be calculated such that a graduated abatement factor (the "Abatement Factor") shall be applied to the increased assessed valuation attributable to the Improvements made to the Facility by the Company, as an Agent of the Agency (the "Added Value"). The abatement schedule shall allow for a 100% exemption from taxation for the Added Value in PILOT years one (1) through six (6), a 40% exemption from taxation for the Added Value in the PILOT years seven (7) and eight (8), and a 60% abatement to the remainder of the term of the PILOT.

Once the Total Taxable Valuation is established using the Abatement Factor, the Total PILOT Payment shall be determined by multiplying the Total Taxable Valuation by the respective tax rate for each affected tax jurisdiction (after application of any applicable equalization rate). After the fifteenth PILOT Year, the Facility shall be subject to full taxation by the affected taxing jurisdictions.

Total Taxable Valuation = Base Valuation + (Added Value x Abatement Factor)
Total PILOT Payment = Total Taxable Valuation (after equalization) x Tax Rate