

FIRST AMENDMENT TO PILOT AGREEMENT

BY AND BETWEEN

GRAHAM CORPORATION

AND

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

DATED AS OF SEPTEMBER 1, 2014

RELATING TO THE GRAHAM CORPORATION PROJECT

FIRST AMENDMENT TO PAYMENT IN LIEU OF TAX AGREEMENT

THIS FIRST AMENDMENT TO PAYMENT IN LIEU OF TAX AGREEMENT (the "First Amendment to PILOT"), dated as of the 1st day of September, 2014, 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 offices at 99 MedTech Drive, Suite 106, Batavia, New York 14020 (the "Agency") and **GRAHAM CORPORATION**, a corporation duly organized and validly existing under the laws of the State of Delaware and authorized to do business in the State of New York, with offices located at 20 Florence Avenue, Batavia, New York 14020 (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 Agency and the Company previously entered into that certain Payment-In-Lieu-Of-Tax Agreement (the "Original PILOT Agreement"), dated as of November 1, 2013, with respect to the Company's properties located at 4-12 Howard Street and 20 Florence Avenue in the City of Batavia, New York (the "Facility"); and

WHEREAS, as a result of a longer than anticipated construction period, the Company has requested that the Agency amend the Original PILOT Agreement, by and between the Agency and the Company, in order to delay commencement of the financial assistance provided thereunder by one year; and

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:

The Original PILOT Agreement is hereby as amended as follows:

1. Section 1.1 is hereby deleted in its entirety and replaced with the following:

Section 1.1 A. Subject to the completion and filing by the taxable status date **March 1, 2015** (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 **2015-16** School tax year, the **2016** County tax year and the **2016-17** City tax year. For purposes of the foregoing "Real Estate Taxes" means all general levy real estate taxes levied against the Facility by the County, City 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 Leaseback 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. Agreement to Make Payments. As long as the Facility is owned by or leased to the Agency, the Company agrees to pay annually to the Affected Tax Jurisdictions as a payment in lieu of taxes, on or before October 1 of each year for School taxes, on or before January 1 of each year for County taxes, and on or before May 1 of each year for City taxes (collectively, the "Payment Date"), commencing on October 1, 2015, January 1, 2016, and May 1, 2016, respectively, an amount equal to the Total PILOT Payment, as described in Schedule A attached hereto. The Company shall make all such Total PILOT Payments in the amounts and on the dates specified above, whether or not any such Total PILOT payment is billed by the Agency, the Affected Tax Jurisdictions, or any other party.

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.

2. Section 1.5 is hereby deleted in its entirety and replaced with the following:

1.5 Period of Benefits. The tax benefits provided for herein should be deemed to include (i) the 2015-16 School tax year through the 2024-25 School tax year, (ii) the 2016 County tax year through the 2025 County tax year, and (iii) the 2016-17 City tax year through the 2025-26 City tax year. This PILOT Agreement shall expire on December 31, 2025; *provided, however,* the Company shall pay the 2025-26 School tax bill, the 2026 County tax bill and the 2026-27 City tax bill 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 PILOT 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.

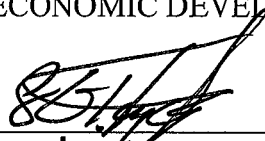
3. Schedule A attached to the PILOT Agreement is hereby deleted in its entirety and replaced with Schedule A attached hereto.

4. This First Amendment to PILOT Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

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

By: _____



Steven G. Hyde, President/CEO

GRAHAM CORPORATION

By: _____

Name: Jennifer R. Condame

Title: Controller and Chief Accounting Officer

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

By: _____
Steven G. Hyde, President/CEO

GRAHAM CORPORATION

By: Jennifer R. Condame
Name: Jennifer R. Condame
Title: Controller and Chief Accounting Officer

SCHEDULE A

TO

PILOT Agreement dated as of November 1, 2013, as amended
by and between the Genesee County Industrial Development Agency d/b/a
Genesee County Economic Development Center
and
Graham Corporation

<u>PILOT Year</u>	<u>School Tax Year</u>	<u>County Tax Year</u>	<u>City Tax Year</u>	<u>Total Taxable Valuation</u>
Year 1	2015-16	2016	2016-17	Base Valuation, plus (Added Value x .00)
Year 2	2016-17	2017	2017-18	Base Valuation, plus (Added Value x .00)
Year 3	2017-18	2018	2018-19	Base Valuation, plus (Added Value x .20)
Year 4	2018-19	2019	2019-20	Base Valuation, plus (Added Value x .20)
Year 5	2019-20	2020	2020-21	Base Valuation, plus (Added Value x .40)
Year 6	2020-21	2021	2021-22	Base Valuation, plus (Added Value x .40)
Year 7	2021-22	2022	2022-23	Base Valuation, plus (Added Value x .60)
Year 8	2022-23	2023	2023-24	Base Valuation, plus (Added Value x .60)
Year 9	2023-24	2024	2024-25	Base Valuation, plus (Added Value x .80)
Year 10	2024-25	2025	2025-26	Base Valuation, plus (Added Value x .80)

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 Existing Improvements 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 City 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 ("Abatement Factor") shall be applied to the increased assessed valuation attributable to the Renovated Space, the Bay Addition and the New Buildings (the "Added Value"). The abatement schedule shall allow for a 100% exemption from taxation for the Added Value in PILOT Year 1 and PILOT Year 2, with such exemption being eliminated in 20% increments on an every-other-year basis.

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 tenth PILOT Year, the Facility shall be subject to full taxation by the affected taxing jurisdictions.

$$\text{Total Taxable Valuation} = \text{Base Valuation} + (\text{Added Value} \times \text{Abatement Factor})$$

$$\text{Total PILOT Payment} = \text{Total Taxable Valuation (after equalization)} \times \text{Tax Rate}$$