HAUPPAUGE HOLDING LLC

and

COLINE CABINETRY NY INC.

and

TOWN OF ISLIP INDUSTRIAL DEVELOPMENT AGENCY

PAYMENT-IN-LIEU-OF-TAX AGREEMENT

Town of Islip Industrial Development Agency
(Hauppauge Holding LLC/Coline Cabinetry NY Inc. 2015 Facility)

Dated as of August 1, 2015

Town of Islip, Hauppauge School District, Suffolk County

District: 500
Section: 038.00
Block: 03.00
Lot: 001,000
PAYMENT-IN-LIEU-OF-TAX AGREEMENT

THIS PAYMENT-IN-LIEU-OF-TAX AGREEMENT, dated as of August 1, 2015 (this “PILOT Agreement”), is by and among HAUPPAUGE HOLDING LLC, a limited liability company, duly organized and validly existing under the laws of the State of New York, having an address of 132-10 33rd Avenue, Flushing, New York 11354 (the “Company”), COLINE CABINETRY NY INC., a business corporation, duly organized and validly existing under the laws of the State of New York, having an address of 132-10 33rd Avenue, Flushing, New York 11354 (the “Sublessee”), and TOWN OF ISLIP INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York, having its office at 40 Nassau Avenue, Islip, New York 11751 (the “Agency”).

RECITALS:

WHEREAS, the Agency was created by Chapter 47 of the Laws of 1974 of the State of New York, as amended, pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York, as amended (collectively, the “Act”); and

WHEREAS, the Agency has agreed to assist in (a) the acquisition of an approximately 3.35 acre parcel of land located at 1795 Express Drive North, Hauppauge, New York 11788 (the “Land”), the renovation of an approximately 51,000 square foot building located thereon (the “Improvements”) and the acquisition and installation therein of certain equipment not part of the Equipment (as such term is defined herein) and personal property including, but not limited to, racks, office equipment, computers and files (the “Facility Equipment”); and together with the Land and the Improvements, the “Company Facility”), which Company Facility is to be leased and subleased by the Agency to the Company and further subleased by the Company to the Sublessee; and (b) the acquisition and installation of certain equipment and personal property (the “Equipment”), which Equipment is to be leased by the Agency to the Sublessee (the Company Facility and the Equipment are collectively referred to herein as the “Facility”), and which Facility is to be used by the Sublessee for its primary use as office, showroom and warehouse space in its business as an importer and assembler of cabinets for residential and commercial use; and

WHEREAS, the Company has agreed with the Agency, on behalf of the Agency and as the Agency’s agent, to renovate and equip the Company Facility in accordance with the Plans and Specifications; and

WHEREAS, the Company has agreed to lease the Land and the Improvements to the Agency pursuant to the terms of a certain Company Lease Agreement, dated as of August 1, 2015 (the “Company Lease”), by and between the Company, as lessor, and the Agency, as lessee; and

WHEREAS, the Company has agreed to transfer title to the Facility Equipment to the Agency pursuant to a Bill of Sale, dated the Closing Date (the “Bill of Sale”); and

WHEREAS, the Agency has agreed to lease and sublease the Company Facility to the Company pursuant to the terms of a certain Lease Agreement, dated as of August 1, 2015
(the "Lease Agreement"), by and between the Agency, as sublessor, and the Company, as sublessee, such that a leasehold interest or title to the Company Facility will remain with the Agency throughout the Lease Term (as such term is defined in the Lease Agreement); and

WHEREAS, the Company has agreed to sub-sublease the Company Facility to the Sublessee pursuant to the terms of a certain Sublease Agreement, dated July 1, 2015 (the "Sublease Agreement"), by and between the Company, as sub-sublessor, and the Sublessee, as sub-sublessee; and

WHEREAS, the Equipment will be leased by the Agency to the Sublessee pursuant to the terms of a certain Equipment Lease Agreement, dated as of August 1, 2015 (the "Equipment Lease Agreement"), by and between the Agency, as lessor, and the Sublessee, as lessee; and

WHEREAS, the Agency, the Company and the Sublessee have agreed to enter into a certain Recapture Agreement, dated as of August 1, 2015 (the "Recapture Agreement"), pursuant to which the Agency has the right to recapture certain economic benefits and assistance granted to the Company and the Sublessee upon the terms and conditions set forth in the Recapture Agreement; and

WHEREAS, pursuant to Section 874(1) of the Act, the Agency is exempt from the payment of taxes and assessments imposed upon real property owned by it, or under its jurisdiction or control or supervision, other than special ad valorem levies, special assessments and service charges against real property located in the Town of Islip (including any existing incorporated village or any village which may be incorporated after the date hereof, within which the Facility is or may be wholly or partially located) which are or may be imposed for special improvements or special district improvements; and

WHEREAS, the Agency, the Company and the Sublessee deem it necessary and proper to enter into an agreement making provision for payments in lieu of taxes and such assessments by the Company and the Sublessee to the Town of Islip, any existing incorporated village or any village which may be incorporated after the date hereof, within which the Facility is or may be wholly or partially located, Hauppauge School District, Suffolk County and appropriate special districts (hereinafter the "Taxing Authorities") in which any part of the Facility is or is to be located.

NOW, THEREFORE, in consideration of the foregoing and in consideration of the covenants herein contained, it is mutually agreed as follows:

1. (a) As long as the Lease Agreement is in effect, the Company and the Sublessee, jointly and severally, agree to make payments in lieu of all real estate taxes and assessments (in addition to paying all special ad valorem levies, special assessments or Special District Taxes and service charges against real property located in the Town of Islip, New York (including any existing incorporated village or any village which may be incorporated after the date hereof, within which the Facility is or may be wholly or partially located) which are or may be imposed for special improvements or special district improvements) which would be levied upon or with respect to the Facility if the Facility were
owned by the Company exclusive of the Agency's leasehold interest therein (the "Taxes on the Facility"). The amounts of such payments and method for calculation are set forth herein.

(b) After the effective date of this PILOT Agreement and until the provisions of paragraph 1(c) become effective, the Company and the Sublessee, jointly and severally, shall pay, as payments in lieu of taxes and assessments, one hundred percent (100%) of the taxes and assessments that would be levied upon the Facility by the respective Taxing Authorities.

(c) Commencing with the 2016/2017 Tax Year, the Company and the Sublessee shall pay, as payments in lieu of taxes and assessments, the amounts set forth on Exhibit A attached hereto and made a part hereof. The Company and the Sublessee covenant at all times to cause to be maintained at the Facility the number of FTE's as agreed upon pursuant to Section 8.13 of the Lease Agreement.

(d) The Company and the Sublessee, jointly and severally, shall pay, or cause to be paid, the amounts set forth in paragraphs 1(a) through (c) above, as applicable, after receipt of tax bills from the Agency or the Taxing Authorities, as the case may be. Failure to receive a tax bill shall not relieve the Company or the Sublessee of their respective obligations to make all payments provided for hereunder. If, for any reason, the Company and/or the Sublessee do not receive an appropriate tax bill, the Company and the Sublessee shall have the responsibility and obligation to make all reasonable inquiries to the Taxing Authorities and to have such a bill issued, and thereafter to make payment of the same no later than the due dates provided therein. Payments shall be made directly to the Taxing Authorities. Payments made after the due date(s) as set forth in the applicable tax bills shall accrue interest (and penalties) at the rates applicable to late payments of taxes for the respective Taxing Authorities and as further provided in the General Municipal Law, including Section 874(5) thereof, which currently provides for an initial penalty of five percent (5%) of the amount due and an additional penalty of one percent (1%) per month on payments more than one month delinquent. Anything contained in this paragraph (d) to the contrary notwithstanding, the Company and the Sublessee shall have the obligation to make all annual payments required by this paragraph (other than payments of penalties, if any) in two equal semi-annual installments on or prior to January 10 and May 31 of each year of the Lease Term or on such other due dates as may be established from time to time during the Lease Term.

(e) During the term of this PILOT Agreement, the Company and the Sublessee shall continue to pay all special ad valorem levies, special assessments and service charges levied against the Facility for special improvements or special district improvements.

(f) In the event that any structural addition shall be made to the building or buildings included in the Facility subsequent to the Completion Date, or any additional building or improvement shall be constructed on the real property described on Exhibit B hereto (such structural additions, buildings and improvements being referred to hereinafter as "Additional Facilities"), the Company and the Sublessee agree to make additional payments in lieu of taxes to the Taxing Authorities in amounts equal to the product of the then current
ad valorem tax rates which would be levied upon or with respect to the Additional Facilities by the Taxing Authorities if the Additional Facilities were owned by the Company and not subject to a lease to the Agency times the assessment or assessments established for that tax year by the Town of Islip. All other provisions of this PILOT Agreement shall apply to this obligation for additional payments.

2. In the event that the Agency's leasehold interest in the Facility or any part thereof is terminated at such time in reference to any taxable status date as to make it impossible to place such Facility or part thereof on the tax rolls of the Town of Islip, Hauppauge School District, Suffolk County, any existing incorporated village or any village which may be incorporated after the date hereof, within which the Facility is or may be wholly or partially located, or appropriate special districts, as the case may be, by such taxable status date, the Company and the Sublessee, jointly and severally, hereby agree to pay, at the first time taxes or assessments are due following the taxable status date on which such Facility or part thereof is placed on the tax rolls, an amount equal to the taxes or assessments which would have been levied on such Facility or part thereof had it been on the tax rolls from the time the Agency's leasehold interest in the Facility was terminated until the date of the tax rolls following the taxable status date as of which such Facility or part thereof is placed on the tax rolls. There shall be deducted from such amount any amounts previously paid pursuant to this PILOT Agreement by the Agency or the Company and the Sublessee to the respective Taxing Authorities relating to any period of time after the date of termination of the Lease Agreement. The provisions of this paragraph 2 shall survive the termination or expiration of the Lease Agreement. Any rights the Company or the Sublessee may have against its respective designees are separate and apart from the terms of this paragraph 2.

3. In the event the Facility or any part thereof is declared to be subject to taxation for taxes or assessments by an amendment to the Act or other legislative change or by a final judgment of a court of competent jurisdiction, the obligations of the Company and the Sublessee hereunder shall, to such extent, be null and void.

4. In the event the Company and the Sublessee shall enter into a subsequent PILOT agreement or agreements with respect to the Taxes on the Facility directly with any or all Taxing Authorities in the jurisdiction of which the Facility is located, the obligations of the Company and the Sublessee hereunder, which are inconsistent with such future PILOT agreement or agreements, shall be superseded and shall, to such extent, be null and void.

5. As long as this PILOT Agreement is in effect, the Agency, the Company and the Sublessee agree that (i) the Company shall be deemed to be the owner of the Facility and of the Additional Facilities for purposes of instituting, and shall have the right to institute, judicial review of an assessment of the real estate with respect to the Facility and the Additional Facilities pursuant to the provisions of Article 7 of the Real Property Tax Law or any other applicable law, as the same may be amended from time to time, and (ii) the Agency shall request the Assessor of the Town of Islip, or any other assessor having jurisdiction to assess the Facility, to take into consideration the value of surrounding properties of like character when assessing the Facility. Notwithstanding the foregoing, in the event that the assessment of the real estate with respect to the Facility and the Additional Facilities is reduced as a result of any such judicial review so that such complaining party would be entitled to receive a refund or refunds of taxes paid to the respective Taxing Authorities, if
such complaining party were the owner of the Facility and the Additional Facilities exclusive of the Agency’s leasehold interest therein. Such complaining party shall not be entitled to receive a refund or refunds of the payments-in-lieu-of-taxes paid pursuant to this PILOT Agreement. In that event, such complaining party shall be entitled to receive a credit against future payments-in-lieu-of-taxes and assessments to be paid pursuant to this PILOT Agreement, as and when collected by the Agency or the affected tax jurisdictions as defined in Section 854 of the General Municipal Law, as amended (as the case may be), in an amount equal to any refund that such complaining party would be entitled to receive if such complaining party were the owner of the Facility and the Additional Facilities exclusive of the Agency’s leasehold interest therein; provided, however, that the Agency shall have no obligation to provide a credit against any payments-in-lieu-of-taxes or assessments which it has remitted to any of the respective Taxing Authorities before the date the Agency receives written notice from the complaining party that it seeks a credit. In no event shall the Agency be required to remit to the Company, the Sublessee or any Taxing Authority any moneys otherwise due as a result of a reduction in the assessment of the Facility (or any part thereof) due to a certiorari review. If the Company or the Sublessee receives a reduction in assessment in the last year of the Lease Agreement after they have made their final payments-in-lieu-of-taxes, the Company and the Sublessee acknowledge that they shall look solely to the Taxing Authorities for repayment or for a credit against the first payment(s) of Taxes on the Facility which will be due after the Facility is returned to the tax rolls. The Company and the Sublessee hereby agree that they will notify the Agency if the Company and/or the Sublessee shall have requested a reassessment of the Facility or a reduction in the taxes on the Facility or shall have instituted any tax certiorari proceedings with respect to the Facility. The Company shall deliver to the Agency copies of all notices, correspondence, claims, actions and/or proceedings brought by or against the Company and/or the Sublessee in connection with any reassessment of the Facility, reduction of taxes with respect to the Facility or tax certiorari proceedings with respect to the Facility.

6. The Company and the Sublessee, in recognition of the benefits provided under the terms of this PILOT Agreement, including, but not limited to, the formula for payments in lieu of taxes set forth in Exhibit A hereto, and for as long as the Lease Agreement is in effect, expressly waive any rights they may have for any exemption under Section 485-b of the Real Property Tax Law or any other exemption under any other law or regulation (except, however, for the exemption provided by Title 1 of Article 18-A of the General Municipal Law) with respect to the Facility. The Company and the Sublessee, however, reserve any such rights with respect to all special ad valorem levies, special assessments, or Special District Taxes and service charges levied against the Facility as referred to in paragraph 1(c) and the Additional Facilities as referred to in paragraph 1(f) and with respect to the assessment and/or exemption of the Additional Facilities.

7. Reserved.

8. Except as otherwise provided herein, any notice required to be given under this PILOT Agreement shall be deemed to have been duly given when delivered and shall be either delivered personally or sent by certified mail, return receipt requested, or delivered by any national overnight express delivery service (in each case, postage or delivery charges paid by the party giving such communication) addressed as follows or to such other address as any party may specify in writing to the other:
The Agency:
Town of Islip Industrial Development Agency
40 Nassau Avenue
Islip, New York 11751
Attention: William G. Mannix, Executive Director

With a copy to:
Islip Town Attorney's Office
Town Hall
655 Main Street
Islip, New York 11751
Attention: John R. Dicioccio, Esq.

To the Company and Sublessee:
Hauppauge Holding LLC (the "Company")
Coline Cabinetry NY Inc. (the "Sublessee")
132-10 33rd Avenue
Flushing, New York 11354
Attention: Xu Ting Hu, Member and President

With a copy to:
Law Offices of Allison G. Fung
136-20 38th Avenue, Suite 11D
Flushing, New York 11354
Attention: Allison G. Fung, Esq.

Notice by mail shall be effective when delivered but if not yet delivered shall be deemed effective at 12:00 p.m. on the third Business Day after mailing.

9. Failure by the Agency in any instance to insist upon the strict performance of any one or more of the obligations of the Company and/or the Sublessee under this PILOT Agreement, or to exercise any election herein contained, shall in no manner be or be deemed to be a waiver by the Agency of any of the Company's and/or the Sublessee's defaults or breaches hereunder or of any of the rights and remedies of the Agency by reason of such defaults or breaches, or a waiver or relinquishment of any or all of the Company's and/or the Sublessee's obligations hereunder. No waiver, amendment, release or modification of this PILOT Agreement shall be established by custom, course of dealing. Further, no payment by the Company and/or the Sublessee or receipt by the Agency of a lesser amount than or different manner from the correct amount or manner of payment due hereunder shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed to effect or evidence an accord and satisfaction, and the Agency may accept any checks or payments as made without prejudice to the right to recover the balance or pursue any other remedy in this PILOT Agreement or otherwise provided at law or in equity.
10. This PILOT Agreement shall become effective immediately as of the date of execution hereof. All taxes, assessments, special assessments, service charges, special ad valorem levies or similar tax equivalents due or to become due based upon prior taxable status dates shall be paid by the Company and the Sublessee when due. Upon termination of the Lease Agreement, this PILOT Agreement shall terminate.

11. Whenever the Company and/or the Sublessee fails to comply with any provision of this PILOT Agreement, the Agency may, but shall not be obligated to, take whatever action at law or in equity may appear necessary or desirable to collect the amount then in default or to enforce the performance and observance of the obligations, agreements and covenants of the Company and the Sublessee under this PILOT Agreement. The Agency agrees to notify the Company and the Sublessee in writing of any failure by the Company and/or the Sublessee to comply with any provision of this PILOT Agreement and shall provide the Company and/or the Sublessee with the opportunity to cure such failure within thirty (30) days after receipt by the Company and/or the Sublessee of such notice.

12. This PILOT Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

13. The Company and the Sublessee agree to hold the Agency harmless from and against any liability arising from any default by the Company and/or the Sublessee in performing their respective obligations hereunder or any expense incurred under this PILOT Agreement, including any expenses of the Agency, including without limitation, reasonable attorneys' fees.

14. This PILOT Agreement may be modified only by a written instrument duly executed by the parties hereto.

15. This PILOT Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs, distributees and assigns.

16. Except as provided in paragraphs 3 and 4, if any provision of this PILOT Agreement shall for any reason be held or adjudged to be invalid or illegal or unenforceable by any court of competent jurisdiction, such provision so adjudged invalid, illegal or unenforceable shall be deemed separate, distinct and independent and the remainder of this PILOT Agreement shall be and remain in full force and effect and shall not be invalidated or rendered illegal or unenforceable or otherwise affected by such holding or adjudication.

17. All capitalized terms used in this PILOT Agreement and not otherwise defined herein shall have the meanings assigned thereto in the Schedule of Definitions attached to the Lease Agreement as Schedule A, which definitions are incorporated herein and made a part hereof.

(remainder of page intentionally left blank – signature page follows)
IN WITNESS WHEREOF, the parties hereto have executed this PILOT Agreement as of the date first written above.

HAUPPAUGE HOLDING LLC

By: 
Name: Xu Ting Hu
Title: Member

COLINE CABINETRY NY INC.

By: 
Name: Xu Ting Hu
Title: President

TOWN OF ISLIP INDUSTRIAL DEVELOPMENT AGENCY

By: 
Name: William G. Mannix
Title: Executive Director
EXHIBIT A

Formula for payments-in-lieu-of-taxes: Town of Islip, (including any existing incorporated village and any village which may be incorporated after the date hereof, within which the Facility is wholly or partially located), Hauppauge School District, Suffolk County and Appropriate Special Districts

Definitions

Normal Tax Due = Those payments for taxes and assessments, other than special ad valorem levies, special assessments and service charges against real property located in the Town of Islip (including any existing incorporated village or any village which may be incorporated after the date hereof, within which the Facility is wholly or partially located) which are or may be imposed for special improvements or special district improvements, that the Company and/or Sublessee would pay without exemption.

Payment Formula

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<thead>
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<th>Tax Year</th>
<th>Percentage</th>
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<tbody>
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<td>2016/2017</td>
<td>100% Normal Tax Due on $185,000.</td>
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<tr>
<td>2017/2018</td>
<td>100% Normal Tax Due on $203,500.</td>
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<tr>
<td>2018/2019</td>
<td>100% Normal Tax Due on $222,000.</td>
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<tr>
<td>2019/2020</td>
<td>100% Normal Tax Due on $240,500.</td>
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<td>2020/2021</td>
<td>100% Normal Tax Due on $259,000.</td>
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<td>2021/2022</td>
<td>100% Normal Tax Due on $277,500.</td>
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<td>2022/2023</td>
<td>100% Normal Tax Due on $296,000.</td>
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<td>2023/2024</td>
<td>100% Normal Tax Due on $314,500.</td>
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<td>2025/2026</td>
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<tr>
<td>2026/2027</td>
<td>100% Normal Tax Due on Full Assessed Value.</td>
</tr>
</tbody>
</table>

and thereafter
EXHIBIT B

Legal Description of Real Property
SCHEDULE A

PROPERTY DESCRIPTION

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being at Hauppauge, Town of Islip, County of Suffolk and State of New York, known and designated as part of Lot No. 5 as shown upon a certain map entitled: “Map of Expressway Industrial Park” situate at Hauppauge, Town of Islip, prepared by William R. Simmons, Jr. Land Surveyor, dated April 21, 1966 and filed in the Suffolk County Clerk’s Office on November 29, 1967 as Map No. 5004, said part of lot being bounded and described as follows:

BEGINNING at a point on the easterly side of Ranick Road at the northerly end of the arc of a curve connecting the easterly side of Ranick Road with the northerly side of the North Service Road Long Island Expressway (S.R. 495) (Expressway Drive North);

RUNNING THENCE along the easterly side of Ranick Road, the following two (2) courses and distances:

1. Northerly along the arc of a curve bearing to the right, having a radius of 617.98 feet, a distance of 127.51 feet;
2. North 00 degrees 12 minutes 18 seconds east, 232.49 feet;

THENCE south 89 degrees 47 minutes 42 seconds east, 390.50 feet;

THENCE south 00 degrees 12 minutes 18 seconds west 263.75 feet to the northerly side of the North Service Road Long Island Expressway (S.R. 495) (Expressway Drive North);

THENCE along the northerly side of the North Service Road Long Island Expressway (S.R. 495) (Expressway Drive North), the following three (3) courses and distances:

1. Westerly along the arc of a curve bearing to the right, having a radius of 756.00 feet, a distance of 37.03 feet;
2. South 11 degrees 20 minutes 46 seconds east, 34.77 feet; and
3. South 78 degrees 28 minutes 00 seconds west, 331.73 feet to the easterly end of the connecting curve above mentioned.

THENCE westerly and northerly along the arc of said curve bearing to the right, having a radius of 20.00 feet, a distance of 31.46 feet to the easterly side of Ranick Road, and the point or place of

BEGINNING.

FOR INFORMATION ONLY:
SAID PREMISES being known as 1795 Express Drive North, Hauppauge, New York 11788.
SCHEDULE A

PROPERTY DESCRIPTION

District: 0500
Section: 038.00
Block: 03.00
Lot: 001.000

FOR CONVEYANCE ONLY:
Together with the right, title and interest of, in and to any streets and roads abutting the above described premises, to the center line thereof. TOGETHER with the appurtenances and all the estate and rights of the party of the first part in and to said premises; TO HAVE AND TO HOLD the premises herein granted unto the party of the second part, the heirs or successors and assigns of the party of the second part forever.