

Date: March 4, 2014

At a meeting of the Town of Islip Industrial Development Agency (the “Agency”), held at Islip Town Hall, 655 Main Street, Islip, New York on the 4th day of March, 2014 the following members of the Agency were:

Present: Chairman Eric Hofmeister  
Councilman Steve Flotteron  
Councilman John C. Cochrane  
Councilman Anthony Senft

Absent: Tom Croci – due to military leave  
Councilwoman Trish Bergin Weichbrodt

Also Present:

After the meeting had been duly called to order, the Chairman announced that among the purposes of the meeting was to consider and take action on certain matters pertaining to a certain industrial development facility more particularly described below (Heartland Boys II, L.P./Sheralven Enterprises Ltd. 2014 Facility) and the leasing of the facility to Heartland Boys II, L.P. for further sublease to Sheralven Enterprises Ltd.

The following resolution was duly moved, seconded, discussed and adopted with the following members voting:

Voting Aye

Voting Nay

Councilman Steve Flotteron  
Councilman John C. Cochrane  
Councilman Anthony Senft

RESOLUTION OF THE TOWN OF ISLIP INDUSTRIAL DEVELOPMENT AGENCY APPROVING THE ACQUISITION, RENOVATION AND EQUIPPING OF A CERTAIN INDUSTRIAL DEVELOPMENT FACILITY TO BE LEASED TO HEARTLAND BOYS II, L.P., A NEW YORK LIMITED PARTNERSHIP AND TO BE SUBLEASED TO SHERALVEN ENTERPRISES LTD., A NEW YORK BUSINESS CORPORATION AND APPROVING THE FORM, SUBSTANCE AND EXECUTION OF RELATED DOCUMENTS.

WHEREAS, by Title 1 of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 47 of the Laws of 1974 of the State of New York, as amended from time to time (collectively, the “**Act**”), the Town of Islip Industrial Development Agency (the “**Agency**”) was created with the authority and power among other things, to assist with the acquisition of certain industrial development projects as authorized by the Act; and

WHEREAS, Heartland Boys II, L.P., a New York limited partnership on behalf of itself and/or the principals of Heartland Boys II, L.P. and/or an entity formed or to be formed on behalf of any of the foregoing (collectively, the “**Company**”), and Sheralven Enterprises Ltd., a New York business corporation, on behalf of itself and/or the principals of Sheralven Enterprises Ltd. and/or an entity formed or to be formed on behalf of any of the foregoing (collectively, the “**Sublessee**”), have applied to the Town of Islip Industrial Development Agency (the “**Agency**”) to enter into a transaction in which the Agency will assist in (a) the acquisition, renovation and equipping of an existing facility consisting of an approximately 148,500 square foot building located on an approximately 9.79 acre parcel of land situated at 2 Rodeo Drive, Edgewood, New York (Tax Map No. 0500-156.00-03.00-001.103) (the “**Land**”) currently owned by the Agency in connection with the Agency’s Heartland Boys II, L.P./Royal Pet Supplies, Inc. 2003 Facility (the “**2003 Facility**”), which 2003 Facility will be terminated prior to entering into the straight lease transaction, and which renovation and equipping shall include an approximately 15,000 square foot expansion to the existing building (the “**Improvements**”) and installation of equipment not part of the Equipment (as such term is defined in Exhibit A to the Equipment Lease Agreement, dated as of March 1, 2014 (the “**Equipment Lease**”), between the Agency and the Sublessee) (the “**Facility Equipment**”; and, together with the Land and the Improvements, the “**Company Facility**”), all to be leased by the Agency to the Company, for further sublease by the Company to, and used by, the Sublessee; and (b) the acquisition and installation of the Equipment (the “**Equipment**”), which Equipment is to be leased by the Agency to the Sublessee for its wholesale distribution of fragrances and beauty products (the Company Facility and the Equipment collectively referred to herein as the “**Facility**”), including the following as they relate to the appointment of the Company and the Sublessee as agent(s) of the Agency pursuant to Section 5 hereof with respect to the acquisition, renovation and equipping of such Facility, whether or not any materials or supplies described below are incorporated into or become an integral part of such Facility: (i) all purchases, leases, rentals and other uses of tools, machinery and equipment in connection with the acquisition, renovation and equipping of the Facility, (ii) all purchases, rentals, uses or consumption of supplies, materials and

services of every kind and description used in connection with the acquisition, renovation and equipping of the Facility, and (iii) all purchases, leases, rentals and uses of equipment, machinery and other tangible personal property (including installation costs with respect thereto) installed or placed in, upon or under such Facility; and

WHEREAS, the Agency previously acquired the Facility pursuant to a certain Bargain and Sale Deed, dated February 27, 2003 from the Royal Pet Supplies, Inc. to the Agency (the “**Deed**”), which Deed was to be recorded in the Suffolk County Clerk’s Office; and

WHEREAS, Agency will lease the Facility to the Company pursuant to a certain Lease Agreement, dated as of March 1, 2014 or such other date as the Chairman or Executive Director of the Agency and counsel to the Agency shall agree (the “**Lease Agreement**”), by and between the Agency and the Company; and

WHEREAS, the Agency contemplates that it will provide financial assistance to the Company consistent with the policies of the Agency, in the form of (i) exemptions from sales and use taxes in connection with the purchase or lease of equipment, building materials, services or other personal property in an amount not to exceed \$31,050 (as set forth in the Form of Sales Tax Letter set forth as Exhibit A hereof) and (iii) abatement of real property taxes (as set forth in the PILOT Schedule attached as Exhibit B hereof), consistent with the policies of the Agency; and

WHEREAS, the Act authorizes and empowers the Agency to promote, develop, encourage and assist projects such as the Facility and to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York; and

WHEREAS, in order to define the Company and the Sublessee’s obligations regarding payments-in-lieu-of taxes with respect to the Facility, the Agency, the Company and the Sublessee will enter into a certain Payment-in-Lieu-of-Tax Agreement, dated as of March 1, 2014, or such date as may be determined by the Agency and counsel to the Agency (the “**PILOT Agreement**”), pursuant to which the Company and the Sublessee will make payments in lieu of taxes on the Facility; and

WHEREAS, in connection with the leasing and the subleasing of the Facility, the Agency, the Company and the Sublessee will enter into a certain Recapture Agreement, dated as of March 1, 2014 or such date as may be determined by the Agency and counsel to the Agency (the “**Recapture Agreement**”), among the Agency, the Company and the Sublessee; and

WHEREAS, the Company and the Sublessee have agreed to indemnify the Agency against certain losses, claims, expenses, damages and liabilities that may arise in connection with the transaction contemplated by the leasing of the Facility by the Agency to the Company;

NOW, THEREFORE, BE IT RESOLVED by the Agency (a majority of the members thereof affirmatively concurring) as follows:

Section 1. The Agency hereby finds and determines:

- (a) By virtue of the Act, the Agency has been vested with all powers necessary and convenient to carry out and effectuate the purposes and provisions of the Act and to exercise all powers granted to it under the Act; and
- (b) The Facility constitutes a “project”, as such term is defined in the Act; and
- (c) The acquisition, renovation and equipping of the Facility, the leasing of the Facility to the Company, and the subleasing of the Facility by the Company to the Sublessee will promote and maintain the job opportunities, health, general prosperity and economic welfare of the citizens of Town of Islip, and the State of New York and improve their standard of living and thereby serve the public purposes of the Act; and
- (d) The acquisition, renovation and equipping of the Facility is reasonably necessary to induce the Company to maintain and expand its business operations in the State of New York; and
- (e) Based upon representations of the Company and the Sublessee and counsel to the Company and the Sublessee, the Facility conforms with the local zoning laws and planning regulations of the Town of Islip, Suffolk County, and all regional and local land use plans for the area in which the Facility is located; and
- (f) The Facility and the operations conducted therein do not have a significant effect on the environment, as determined in accordance with Article 8 of the Environmental Conservation Law of the State of New York and the regulations promulgated thereunder; and
- (g) It is desirable and in the public interest for the Agency to lease the Facility to the Company; and
- (h) The Lease Agreement will be an effective instrument whereby the Agency leases the Facility to the Company; and
- (i) The Equipment Lease will be an effective instrument whereby the Agency leases the Equipment to the Sublessee; and
- (j) The PILOT Agreement will be an effective instrument whereby the Agency, the Company and the Sublessee set forth the terms and conditions of their Agreement regarding the Company's and the Sublessee's payments in lieu of real property taxes; and
- (k) The Recapture Agreement will be an effective instrument whereby the Agency, the Company and the Sublessee agree to provide for the obligations of the Company and the Sublessee under the Transaction Documents (as defined in the Lease Agreement) and describe the circumstances in which the Agency may recapture some or all of the benefits granted to the Company and the Sublessee; and
- (l) The Environmental Compliance and Indemnification Agreement, dated as of March 1, 2014 or such other date as may be determined by the Agency and counsel to the

Agency (the “**Environmental Compliance and Indemnification Agreement**”), by and among the Agency, the Company and the Sublessee will be an effective instrument whereby the Company and the Sublessee agree to comply with all Environmental Laws (as defined therein) applicable to the Facility and will indemnify and hold harmless the Agency for all liability under all such Environmental Laws; and

(m) The Agency Compliance Agreement, dated as of March 1, 2014 or such other date as may be determined by the Agency and counsel to the Agency (the “**Agency Compliance Agreement**”), between the Agency and the Sublessee will be an effective instrument whereby the Sublessee will provide certain assurances to the Agency with respect to the Facility.

Section 2. In consequence of the foregoing, the Agency hereby determines to: (i) lease the Facility to the Company pursuant to the Lease Agreement, (ii) execute, deliver and perform the Lease Agreement, (iii) execute, deliver and perform the Equipment Lease; (iv) execute, deliver and perform the PILOT Agreement, (v) execute, deliver and perform the Recapture Agreement, (vi) execute and deliver the Environmental Compliance and Indemnification Agreement and (vii) execute and deliver the Agency Compliance Agreement.

Section 3. The Agency is hereby authorized to acquire the real property and personal property described in Exhibit A and Exhibit B, respectively, to the Lease Agreement and to do all things necessary or appropriate for the accomplishment thereof, and all acts heretofore taken by the Agency with respect to such acquisition are hereby approved, ratified and confirmed.

Section 4. The Agency hereby authorizes and approves the following economic benefits to be granted to the Company and the Sublessee in connection with the acquisition, renovation and equipping of the Facility in the form of (i) exemptions from sales and use taxes in connection with the purchase or lease of equipment, building materials, services or other personal property in an amount not to exceed \$31,050 (as set forth in the Form of Sales Tax Letter set forth as Exhibit A hereof) and (iii) abatement of real property taxes (as set forth in the PILOT Schedule attached as Exhibit B hereof), consistent with the policies of the Agency.

Section 5. The Company and the Sublessee hereby agree to comply with Section 875 of the Act. The Company and the Sublessee further agree that the exemption of sales and use tax provided pursuant to the Act and the appointment of the Company and the Sublessee as agents of the Agency pursuant to this Authorizing Resolution is subject to termination and recapture of benefits pursuant to Section 875 of the Act and the Recapture Agreement.

Section 6. The form and substance of the Lease Agreement, the Equipment Lease, the PILOT Agreement, the Recapture Agreement, the Environmental Compliance and Indemnification Agreement and the Agency Compliance Agreement (each in substantially the forms presented to or approved by the Agency and which, prior to the execution and delivery thereof, may be redated and renamed) are hereby approved.

Section 7.

(a) The Chairman, Vice Chairman, Executive Director or any member of the Agency are hereby authorized, on behalf of the Agency, to execute and deliver the Lease Agreement, the Equipment Lease, the PILOT Agreement, the Recapture Agreement, the Environmental Compliance and Indemnification Agreement and the Agency Compliance Agreement, all in substantially the forms thereof presented to this meeting with such changes, variations, omissions and insertions as the Chairman, Vice Chairman, Executive Director or any member of the Agency shall approve, and such other related documents as may be, in the judgment of the Chairman and counsel to the Agency, necessary or appropriate to effect the transactions contemplated by this resolution (hereinafter collectively called the “**Agency Documents**”). The execution thereof by the Chairman, Vice Chairman, Executive Director or any member of the Agency shall constitute conclusive evidence of such approval.

(b) The Chairman, Vice Chairman, Executive Director or any member of the Agency are further hereby authorized, on behalf of the Agency, to designate any additional Authorized Representatives of the Agency (as defined in and pursuant to the Lease Agreement).

Section 8. The officers, employees and agents of the Agency are hereby authorized and directed for and in the name and on behalf of the Agency to do all acts and things required or provided for by the provisions of the Agency Documents, and to execute and deliver all such additional certificates, instruments and documents, pay all such fees, charges and expenses and to do all such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, desirable and proper to effect the purposes of the foregoing resolution and to cause compliance by the Agency with all of the terms, covenants and provisions of the Agency Documents binding upon the Agency.

Section 9. This resolution shall take effect immediately.

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

I, the undersigned Secretary of the Town of Islip Industrial Development Agency, DO  
HEREBY CERTIFY:

That I have compared the annexed extract of the minutes of the meeting of the Town  
of Islip Industrial Development Agency (the “Agency”), including the resolutions contained  
therein, held on the 4th day of March, 2014, with the original thereof on file in my office, and  
that the same is a true and correct copy of the proceedings of the Agency and of such  
resolutions set forth therein and of the whole of said original insofar as the same related to  
the subject matters therein referred to.

That the Agency Documents contained in this transcript of proceedings are each in  
substantially the form presented to the Agency and/or approved by said meeting.

I FURTHER CERTIFY that public notice of the time and place of said meeting was  
duly given to the public and the news media in accordance with the New York Open  
Meetings Law, constituting Chapter 511 of the Laws of 1976 of the State of New York, that  
all members of said Agency had due notice of said meeting and that the meeting was all  
respects duly held.

IN WITNESS WHEREOF, I have hereunto set my hand as of the 4th day of March,  
2014.

By:   
Secretary