

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

INDUCEMENT RESOLUTION

**500 SENECA STREET, LLC, AND/OR INDIVIDUAL(S) OR AFFILIATE(S),
SUBSIDIARY(IES), OR ENTITY(IES) FORMED OR TO BE FORMED ON ITS
BEHALF**

A regular meeting of the Erie County Industrial Development Agency was convened on Wednesday, February 26, 2014 at 9:00 a.m.

The following resolution was duly offered and seconded, to wit:

RESOLUTION OF THE ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY: (i) ACCEPTING THE APPLICATION OF 500 SENECA STREET, LLC, AND/OR INDIVIDUAL(S) OR AFFILIATE(S), SUBSIDIARY(IES), OR ENTITY(IES) FORMED OR TO BE FORMED ON ITS BEHALF (THE "COMPANY") IN CONNECTION WITH A CERTAIN PROJECT DESCRIBED BELOW; (ii) RATIFYING THE SCHEDULING, NOTICING, AND CONDUCTING OF A PUBLIC HEARING IN CONNECTION WITH THE PROJECT; (iii) APPOINTING THE COMPANY, OR ITS DESIGNEE, AS ITS AGENT TO UNDERTAKE THE PROJECT; (iv) MAKING A DETERMINATION PURSUANT TO THE STATE ENVIRONMENTAL QUALITY REVIEW ACT; (v) AUTHORIZING THE UNDERTAKING OF THE PROJECT TO PROVIDE FINANCIAL ASSISTANCE TO THE COMPANY IN THE FORM OF (A) A SALES TAX EXEMPTION BENEFIT FOR PURCHASES AND RENTALS RELATED TO THE CONSTRUCTION AND EQUIPPING OF THE PROJECT AND (B) A MORTGAGE RECORDING TAX EXEMPTION BENEFIT; AND (vi) AUTHORIZING THE NEGOTIATION AND EXECUTION OF A LEASE AGREEMENT, LEASEBACK AGREEMENT, AN AGENT AND FINANCIAL ASSISTANCE AGREEMENT, AND 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 293 of the Laws of 1970 of the State of New York, as amended (collectively, the "Act"), the ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY (the "Agency") was created with the authority and power to own, lease and sell property for the purpose of, among other things, acquiring, constructing and equipping civic, industrial, manufacturing, commercial and other facilities as authorized by the Act; and

WHEREAS, 500 SENECA STREET, LLC, AND/OR INDIVIDUAL(S) OR AFFILIATES, SUBSIDIARY(IES), OR ENTITY(IES) FORMED OR TO BE FORMED ON ITS BEHALF (the "Company") has submitted an application to the Agency (the "Application") requesting the Agency's assistance with a certain project (the "Project") consisting of: (i) a 1.87+/- acre parcel of land located at 500 Seneca Street in the City of Buffalo, Erie County, New York (the "Land") together with an existing 324,000+/- SF building thereon known as the

historic F. N. Burt Company Factory (the "Existing Improvements"), (ii) the construction and/or renovation, expansion, upgrading and equipping of the Existing Improvements thereon into a mixed-use project consisting of 195,000+/- SF of Class A office space, 20,000+/- SF of manufacturing, processing or distribution space, 10,000+/- SF of commercial space, and 110,000+/- SF of dedicated below market space for community and/or cultural organizations, together with secured on-site parking (the "Improvements"), and (iii) the acquisition and installation by the Company of certain items of machinery, equipment and other tangible personal property (the "Equipment," and collectively with the Land, the Existing Improvements and the Improvements, the "Facility"); and

WHEREAS, pursuant to General Municipal Law Section 859-a, on January 8, 2014 at 11:00 a.m. at the Agency's offices located at 95 Perry Street-Suite 403, Buffalo, New York 14203, the Agency held a public hearing with respect to the Project and the proposed financial assistance being contemplated by the Agency (the "Public Hearing") whereat interested parties were provided a reasonable opportunity, both orally and in writing, to present their views; and

WHEREAS, on February 5, 2014, the Agency received additional correspondence from the Company clarifying that it is only seeking (i) an abatement from mortgage recording tax; and (ii) an abatement for sales and use tax on materials and equipment incorporated into the project for (a) building site, shell and core and (b) materials and equipment incorporated for tenant finishes for non-retail tenants only; and

WHEREAS, it is contemplated that the Agency will (i) designate the Company as its agent for the purpose of constructing and/or renovating, expansion, upgrading and equipping the Facility (excluding materials and equipment incorporated for tenant finishes for retail tenants) pursuant to an agent agreement (the "Agent and Financial Assistance Agreement"), (ii) negotiate and enter into a lease agreement (the "Lease Agreement") and related leaseback agreement (the "Leaseback Agreement") with the Company, pursuant to which the Agency will retain a leasehold interest in the Land, the Existing Improvements, the Improvements, the Equipment and personal property constituting the Facility; and (iii) provide financial assistance to the Company in the form of (A) an exemption benefit from all New York State and local sales and use taxes with respect to the qualifying personal property included in or incorporated into the Facility only with respect to such materials and equipment incorporated into the Project for: (a) building site, shell and core; and (b) materials and equipment incorporated for tenant finishes for non-retail tenants only, and (B) a mortgage recording tax exemption benefit (collectively, the sales and use tax exemption benefit and the mortgage recording tax exemption benefit are hereinafter referred to as the "Financial Assistance"); and

WHEREAS, the City of Buffalo Planning Board (the "Planning Board") in accordance with Article 8 of the New York Environmental Conservation Law and the regulations promulgated thereto in 6 N.Y.C.R.R. Part 617 (collectively referred to as the "State Environmental Quality Review Act" and/or "SEQR") undertook coordinated review with respect to the Project, established itself as Lead Agency as defined in SEQR, and determined that the Project was a "Type I" action; and

WHEREAS, the Agency did not object to the Planning Board's request to be Lead Agency, as defined under SEQR; and

WHEREAS, on December 4, 2012, the Planning Board issued a negative declaration (“Negative Declaration”) under SEQR, with respect to the Project; and

WHEREAS, the Agency’s Policy Committee, on February 13, 2014, unanimously approved of the Project as described herein; and

WHEREAS, pursuant to Article 18-A of the Act, the Agency desires to adopt a resolution describing the Project and the Financial Assistance that the Agency is contemplating with respect to the Project.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. The Company has presented an application in a form acceptable to the Agency. Based upon the representations made by the Company to the Agency in the Company’s application and any other correspondence submitted by the Company to the Agency, public hearing comments and other comments made by the public and so received by the Agency, Agency Policy Committee review of the Project and its February 13, 2014 resolution to approve the Project subject to the terms and conditions as described herein, and Agency board member review, discussion and consideration of same, the Agency hereby finds and determines that:

(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) It is desirable and in the public interest for the Agency to appoint the Company as its agent for purposes of constructing and/or renovation, expansion, upgrading and equipping the Project; and

(C) The Agency has the authority to take the actions contemplated herein under the Act; and

(D) The action to be taken by the Agency will induce the Company to develop the Project, thereby increasing and/or retaining employment opportunities in Erie County, New York, serving the public purposes of the Act by preserving permanent, private sector jobs or increasing the overall number of permanent, private sector jobs in the State and otherwise furthering the purposes of the Agency as set forth in the Act, and

(E) The Project will not result in the removal of a civic, commercial, industrial, or manufacturing plant of the Company or any other proposed occupant of the Project from one area of the State of New York (the “State”) to another area of the State or result in the abandonment of one or more plants or facilities of the Company or any other proposed occupant of the Project located within the State; and the Agency hereby finds that, based on the Company’s application, to the extent occupants are relocating from one plant or facility to another, the Project is reasonably necessary to discourage the Project occupants from removing such other plant or facility to a location outside the State and/or is reasonably necessary to preserve the competitive position of the Project occupants in their respective industries; and

(F) The Agency hereby approves the subleasing of space in the Project to Buffalo Collaborative Opportunities & Management Enterprises (BCOME) and to FFZ Holdings, LLC, a/k/a/ Frontier Industries, Inc. and authorizes the Company to proceed with the Project as herein authorized; and

(G) The Project qualifies for Agency assistance as it is compliant with the Agency's Adaptive Reuse Policy as evidenced by the following:

- (i) the building is approximately 113 years old and functional issues related to its age present challenges to its reuse;
- (ii) the building has been vacant for at least the past 8 years;
- (iii) the building is not generating any rental income;
- (iv) the Project is in compliance with the investment and growth criteria of the Framework for Regional Growth;
- (v) the Applicant has demonstrated evidence of financial obstacles to development of the Project without Agency or other public assistance;
- (vi) the Project has received the support of local governmental entities;
- (vii) the structure requires significant costs to comply with building codes; and
- (viii) asbestos issues present a public safety hazard related to rehabilitation and redevelopment of the Project.

(H) Based upon a thorough and complete review of the Application and its accompanying materials and information, the Full Environmental Assessment Form submitted by the Company, and the proceedings conducted by the Agency and the Planning Board, to date, pursuant to SEQR, the Agency hereby:

- (i) consents to and affirms the status of the Planning Board as "Lead Agency" within the meaning of and for all purposes of complying with SEQR and determines that the proceedings undertaken by the Planning Board under SEQR with respect to the undertaking of the Project by the Company (as agent of the Agency) satisfy the requirements of SEQR;
- (ii) ratifies the proceedings conducted by the Planning Board as Lead Agency pursuant to SEQR, as well as the Planning Board's determination that the Project does not pose a significant potential adverse environmental impact, thus warranting the issuance of a negative declaration, as that term is defined in SEQR; and
- (iii) determines that all of the provisions of SEQR that are required to be complied with as a condition precedent to the approval of the Financial Assistance contemplated by the Agency with respect to the Project and the participation by the Agency in undertaking the Project have been satisfied. This determination constitutes a "negative declaration" (as such quoted terms are defined under SEQR) for purposes of SEQR.

Attached hereto as Exhibit A is a copy of the Negative Declaration issued by the City of Buffalo Planning Board which the Agency ratifies above.

Section 2. The Agency hereby authorizes the undertaking of the Project and the provision of the Financial Assistance to the Company as described herein, consistent with the Company's letter request of February 5, 2014, and as referred to above as follows: (i) an abatement from mortgage recording tax; and (ii) an abatement for Sales and Use Tax on materials and equipment incorporated into the project for (a) building site, shell and core and (b) materials and equipment incorporated for tenant finishes for non-retail tenants only.

Section 3. Subject to the Company executing an Agent and Financial Assistance Agreement and the delivery to the Agency of a binder, certificate or other evidence of insurance for the Project satisfactory to the Agency, the Agency hereby authorizes the Company to proceed with the construction and/or renovation, expansion, upgrading and equipping of the Project and hereby appoints the Company as the true and lawful agent of the Agency: (i) to construct and/or renovate, expand, upgrade and equip the Project; (ii) to make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions, as the stated agent for the Agency with the authority to delegate such agency, in whole or in part, to agents, subagents, contractors, and subcontractors of such agents and subagents and to such other parties as the Company chooses; and (iii) in general, to do all things which may be requisite or proper for completing the Project, all with the same powers and the same validity that the Agency could do if acting in its own behalf; provided, however, the appointment of the Company as agent of the Agency, shall expire one year from the date of this resolution (unless extended for good cause by the Chair, the Vice Chair, the Chief Executive Officer, the Chief Operating Officer, the Executive Vice President, the Chief Financial Officer/Treasurer, and/or the Assistant Treasurer).

With respect to the foregoing, and based upon the representations and warranties made by the Company in its application for financial assistance, the Agency hereby authorizes and approves the Company, as its agent, to make purchases of goods and services relating to the Project and that would otherwise be subject to New York State and local sales and use tax in an estimated amount up to \$11,782,869.00, which may result in New York State and local sales and use tax exemption benefits ("sales and use tax exemption benefits") not to exceed \$1,031,002.00. The Agency may consider any requests by the Company for increases to the amount of sales and use tax exemption benefits authorized by the Agency upon being provided with appropriate documentation detailing the additional purchases of property or services.

Pursuant to Section 875(3) of the New York General Municipal Law, and per the policies of the Agency, the Agency may recover or recapture from the Company, its agents, consultants, subcontractors, or any other party authorized to make purchases for the benefit of the Project, any sales and use tax exemption benefits taken or purported to be taken by the Company, and may recover or recapture from the Company any and all mortgage recording tax exemption benefits taken or purported to be taken by the Company, if it is determined by the Agency that: (i) the Company, its agents, consultants, subcontractors, or any other party authorized to make purchases for the benefit of the Project, is not entitled to the sales and use tax exemption benefits; (ii) the sales and use tax exemption benefits are in excess of the amounts authorized to be taken by the Company, its agents, consultants, subcontractors, or any other party authorized to

make purchases for the benefit of the Project; (iii) the sales and use tax exemption benefits are for property or services not authorized by the Agency as part of the Project; (iv) the Company has made a material false statement on its application for financial assistance; (v) the sales and use tax exemption benefits are taken in cases where the Company, its agents, consultants, subcontractors, or any other party authorized to make purchases for the benefit of the Project fails to comply with a material term or condition to use property or services in the manner approved by the Agency in connection with the Project; and/or (vi) the Company obtains a mortgage recording tax exemption benefit and fails to comply with a material term or condition to use property or services in the manner approved by the Agency in connection with the Project (collectively, items (i) through (vi) hereby defined as a "Recapture Event").

As a condition precedent of receiving sales and use tax exemption benefits and mortgage recording tax exemption benefits, the Company, its agents, consultants, subcontractors, or any other party authorized to make purchases for the benefit of the Project, must (i) if a Recapture Event determination is made by the Agency, cooperate with the Agency in its efforts to recover or recapture any sales and use tax exemption benefits and mortgage recording tax benefits, and (ii) promptly pay over any such amounts to the Agency that the Agency demands, if and as so required to be paid over as determined by the Agency.

As an additional condition precedent of receiving sales and use tax exemption benefits and mortgage recording tax exemption benefits, and as a material term or condition as approved by the Agency in connection with the Project, the Company covenants and agrees and understands that it must, subject to potential recapture of state and local sales and use tax exemption benefits and mortgage recording tax exemption benefits for failure to meet and maintain the thresholds as described below, submit, on an annual basis or as indicated below, through the conclusion of the later of either two years following (i) the construction completion date, or (ii) the termination of the Agent and Financial Assistance Agreement, as applicable, a certification, as so required by the Agency, confirming:

- (i) the total investment actually made with respect to the Project at the time of Project completion equals or exceeds \$26,976,980.00 (which represents the product of 85% multiplied by \$31,737,624.00, being the total project cost as stated in the Company's application for financial assistance); and
- (ii) that there are at least 20 existing full time equivalent ("FTE") employees located at, or to be located at, the Facility as stated in the Company's application for financial assistance (the "Baseline FTE"); and
- (iii) the number of current FTE employees in the then current year at the Facility; and
- (iv) that, at the conclusion of the later of two years following either (i) the construction completion date or (ii) the termination of the Agent and Financial Assistance Agreement, as applicable, the Company has maintained and created FTE employment at the Facility equal to 29 FTE employees (representing the sum of 20 Baseline FTE plus the product of 85% multiplied by 11 (representing the 11 new FTE employee positions as proposed to be created by the Project as stated in the Company's application for financial assistance); and

- (v) that the Company adheres to and complies with the Agency's Local Labor Workforce Certification Policy on a quarterly basis during the construction period.

Section 4. Subject to the terms of this Inducement Resolution, the Chair, the Vice Chair, the Chief Executive Officer, the Chief Operating Officer, the Executive Vice President, the Chief Financial Officer/Treasurer and/or the Assistant Treasurer, are hereby authorized, on behalf of the Agency, to negotiate, execute and deliver (A) an Agent and Financial Assistance Agreement, (B) the Lease Agreement whereby the Company leases the Project to the Agency, (C) the related Leaseback Agreement conveying the Land and Project back to the Company, and (D) related documents; provided, however, that the rental payments under the Leaseback Agreement include payments of all costs incurred by the Agency arising out of or related to the Project and indemnification of the Agency by the Company for actions taken by the Company and/or claims arising out of or related to the Project.

Section 5. Subject to the terms of this Inducement Resolution, the Chair, the Vice Chair, the Chief Executive Officer, the Chief Operating Officer, the Executive Vice President, the Chief Financial Officer/Treasurer and/or the Assistant Treasurer, are hereby authorized, on behalf of the Agency, to negotiate, execute and deliver any mortgage, assignment of leases and rents, security agreement, UCC-1 Financing Statements and all documents reasonably contemplated by these resolutions or required by any lender identified by the Company (the "Lender") up to a maximum principal amount necessary to undertake the Project, acquire the Facility and/or finance or refinance acquisition and Project costs or equipment and other personal property and related transactional costs (hereinafter, with the Lease Agreement, Leaseback Agreement, and related documents, collectively called the "Agency Documents"); and, where appropriate, the Secretary or the Assistant Secretary of the Agency is hereby authorized to affix the seal of the Agency to the Agency Documents and to attest the same, all with such changes, variations, omissions and insertions as the Chair, the Vice Chair, the Chief Executive Officer, the Chief Operating Officer, the Executive Vice President, the Chief Financial Officer/Treasurer and/or the Assistant Treasurer of the Agency shall approve, the execution thereof by the Chair, the Vice Chair, the Chief Executive Officer, the Chief Operating Officer, the Executive Vice President, the Chief Financial Officer/Treasurer and/or the Assistant Treasurer of the Agency to constitute conclusive evidence of such approval; provided in all events recourse against the Agency is limited to the Agency's interest in the Project.

Section 6. 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 and to negotiate, execute and deliver all such certificates, instruments and documents, to 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 resolutions and to cause compliance by the Agency with all of the terms, covenants and provisions of the documents executed for and on behalf of the Agency.

Section 7. The provision by the Agency of Financial Assistance with respect to the Project as described herein is subject to the execution and delivery of the Agency's Administrative Fee Agreement (the "Fee Agreement") and payment by the Company of an

administrative fee calculated in accordance with the Fee Agreement, all within sixty (60) days of the date of this resolution. In the event the Agency has not received the executed Fee Agreement and the appropriate fee within such sixty (60) day period, this resolution shall become automatically null and void and of no further effect and the Agency shall have no liability to the Company hereunder or otherwise, unless extended in the discretion of the Chair, the Vice Chair, the Chief Executive Officer, the Chief Operating Officer, the Executive Vice President, the Chief Financial Officer/Treasurer, or the Assistant Treasurer for good cause shown.

Section 8. This resolution shall take effect immediately, and shall expire one (1) year from the date hereof unless extended for good cause by the Chair, the Vice Chair, the Chief Executive Officer, the Chief Operating Officer, the Executive Vice President, the Chief Financial Officer/Treasurer, or the Assistant Treasurer.

Dated: February 26, 2014

EXHIBIT A

City of Buffalo Planning Department Negative Declaration

SEQRA Notice of Determination

Non Significance

Negative Declaration

This notice is issued pursuant to Part 617 of the implementing regulations pertaining to Article 8 (SEQR – State Environmental Quality Review) of the Environmental Conservation Law.

Lead Agency: City of Buffalo Planning Board
Room 901, City Hall
65 Niagara Square
Buffalo New York 14202

As per the provisions of SEQR, the Lead Agency has reviewed the following action as it relates to the environment:

Action Title 500 Seneca LLC

Location: 500 Seneca Street

Type of Action: Type 1, Coordinated

Description: Savarino Companies is proposing on behalf of 500 Seneca street LLC is proposing the renovation of a building with parking and landscaping on the property located at 500 Seneca Street Buffalo New York. 500 Seneca Street will see the historic renovation and adaptive reuse of a prominent piece of Buffalo's industrial heritage, transforming the former F.N. Burt Company factory into a mixed use development featuring over 310,000 Square Feet of space for Class A offices, retail, museum and flex space. The building will feature amenities such as a large multi-story interior green atrium area, enclosed exterior courtyard, on site fitness center and café. This project will bridge the downtown core with the developing Larkin District and should spur future development in the area. 500 Seneca will also extend streetscape improvements for the Larkin District towards the Downtown core. The commercial space at 500 Seneca will feature loft-style finishes, large exterior windows and large floor plates and provide a location that will have quick access to the I-190 for both tenants and visitors. New parking areas will be provided to handle the new business located on site. The 500 Seneca Street project is in the process of obtaining Federal and New York State tax credits for the project. The building has demonstrable historical, architectural and cultural significance for the region and country as supported by the State Office of Parks, Recreation and Historic Preservation as well as the National Park Services.

As a result of this Environmental Review, the Lead Agency has determined the undertaking of This action will not have a significant adverse affect on the quality of the environment. No further environmental review of this action will be conducted prior to project implementation and a Draft Environmental Impact Statement will not be prepared.

Reasons Supporting This Determination: The facts and reasons for this decision are as follows: the renovated building will help bring a connection to the downtown core and the Larkin district that should allow for more growth in this area as well as provide new jobs including construction that will overall assist with the growth of our local economy. The identified potential negative impacts appear to be primarily short-term site preparation and construction related activities, and do not appear to be significant in magnitude or effect. There are no actions related to the construction of this project which will have a significant adverse impact on the environment.

For further information relative to this Negative Declaration, contact Mr. Martin Grunzweig, Land Use Controls Coordinator, Room 901 City Hall, Buffalo New York 14202 – 716 851-5085

Dated: December 4, 2012

CC: City Clerk
City of Buffalo Public Works, Parks, Streets Department
City of Buffalo Economic Development, Permits and Inspection
ECIDA
SHPO
Savarino Companies

DEC 11 2012

STATE OF NEW YORK)
COUNTY OF ERIE) SS:

I, the undersigned Assistant Secretary of the Erie County Industrial Development Agency, DO HEREBY CERTIFY:

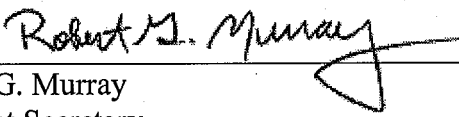
That I have compared the annexed extract of minutes of the meeting of the Erie County Industrial Development Agency (the "Agency"), including the resolution contained therein, held on February 26, 2014, with the original thereof on file in my office, and that the same is a true and correct copy of the proceedings of the Agency and of such resolution set forth therein and of the whole of said original insofar as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY, that all members of the Agency had due notice of said meeting, that the meeting was in all respects duly held and that, pursuant to Article 7 of the Public Officers Law (Open Meetings Law), said meeting was open to the general public, and that public notice of the time and place of said meeting was duly given in accordance with Article 7.

I FURTHER CERTIFY, that there was a quorum of the members of the Agency present throughout said meeting.

I FURTHER CERTIFY, that as of the date hereof, the attached resolution is in full force and effect and has not been amended, repealed or modified.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Agency this 26th day of February, 2014.



Robert G. Murray
Assistant Secretary

[SEAL]