

INDUCEMENT AGREEMENT

THIS INDUCEMENT AGREEMENT RELATING TO THE **MUNSON MACHINERY COMPANY, INC. FACILITY** (the "AGREEMENT") is between the City of Utica Industrial Development Agency (the "Issuer"), and Munson Machinery Company, Inc., a New York corporation, on behalf of itself and/or the principals of Munson Machinery Company, Inc. and/or an entity formed or to be formed on behalf of any of the foregoing (collectively, the "Company").

Article 1. Preliminary Statement. Among the matters of mutual inducement which have resulted in the execution of this AGREEMENT are the following:

1.01. The Issuer is authorized and empowered by the provisions of Article 18-A of the General Municipal Law of the State of New York as amended, and Chapter 372 of the Laws of 1970 of the State of New York, as may be amended from time to time (collectively, the "Act") to undertake "Projects" (as defined in the Act) and to lease or sell the same upon such terms and conditions as the Issuer may deem advisable.

1.02. The purposes of the Act are (i) to promote industry and develop trade by inducing manufacturing, industrial, warehousing, research, civic, recreation and commercial enterprises to locate or remain in the State and (ii) to encourage and assist in the providing of industrial pollution control facilities and (iii) to promote the economic welfare and prosperity of the inhabitants of the State. The Act vests the Issuer with all powers necessary to enable it to accomplish such purposes.

1.03. The Company has requested that the Issuer enter into a transaction in which the Issuer will assist in construction of a 12,000± addition (the "Addition") to an existing 44,230± manufacturing facility (the "Existing Improvements") (the Addition and the Existing Improvements referred to collectively as the "Improvements") located on a 7.5± acre parcel of land situated at 210 Seward Avenue, City of Utica, Oneida County, New York (the "Land") and acquisition and installation of machinery and equipment in the Improvements (the "Equipment") all for the purpose of manufacturing industrial mixing, blending and size reduction equipment (the Land, Improvements and Equipment collectively, the "Facility"), and including the following as they relate to the construction and equipping of such buildings, whether or not any materials or supplies described below are incorporated into or become an integral part of such building: (i) all purchases, leases, rentals and other uses of tools, machinery and equipment in connection with construction and equipping, and (ii) purchases, rentals, uses or consumption of supplies, materials and services of every kind and description used in connection with construction and equipping 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 building (collectively, the "Facility"). The Company will convey a leasehold interest in the Facility to the Issuer and the Issuer will lease the Facility back to the Company pursuant to a Leaseback Agreement.

1.04. The Company hereby represents to the Issuer that the financing of the Facility through a lease-leaseback transaction (a) will not result in the removal of an industrial or manufacturing plant from one area of the State to another area of the State or an abandonment of one or more plants of the Company located in the State; (b) is reasonably necessary to discourage the Company from removing such other plant or facility to a location outside the State or (c) is reasonably necessary to preserve the competitive position of the Company in its industry. The construction and equipping of the Facility has not commenced as of the date hereof.

1.05. The Issuer has determined that the construction and equipping of the Facility, as described in the Company's application to the Issuer dated November 7, 2013, which Application may be amended from time to time prior to the closing of the lease-leaseback transaction (the "Application") and the subleasing thereof to the Sublessees will promote and further the purposes of the Act.

1.06. On November 19, 2013, the Issuer adopted a resolution (the "Resolution" or the "Inducement Resolution") agreeing to undertake the Facility in order to assist the Company and to effectuate the purposes of the Act and, subject to the happening of all acts, conditions and things required precedent to such undertaking and the satisfactory completion of such additional acts and reviews as the Issuer may deem appropriate to undertake a lease-leaseback transaction in connection with the Facility.

1.07. In the Resolution, the Issuer appointed the Company and its agents and other designees, as its agent for the purposes of constructing and equipping the Facility, and such appointment includes the following activities as they relate to the construction and equipping of the Facility, whether or not the materials, services or supplies described below are incorporated into or become an integral part of the Facility: (i) all purchases, leases, rentals and other uses of tools, machinery and equipment in connection with constructing and equipping the Facility, (ii) all purchases, rentals, uses or consumption of supplies, materials and services of every kind and description used in connection with constructing and equipping 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 the Facility, including all repairs and replacements of such property. Such agency appointment includes the power to make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions, as the stated agent for the Issuer, and in general to do all things which may be requisite or proper for completing the Facility, all with the same powers and with the same validity as the Issuer could do if acting on its own behalf.

Article 2. Undertakings on the Part of the Issuer. Based upon the statements, representations and undertakings of the Company regarding the Facility and subject to the conditions set forth herein, the Issuer hereby confirms and acknowledges:

2.01. Upon satisfactory completion of the conditions precedent set forth herein and in the Resolution and the satisfactory completion of such additional acts and reviews as the Issuer may deem appropriate, the Issuer will (A) adopt, or cause to be adopted, such proceedings and authorize the execution of such documents as may be necessary or advisable for (i) a lease-leaseback transaction, (ii) the construction and equipping of the Facility and (iii) the leasing of the Facility to the Issuer and the leaseback of the Facility to the Company, all as shall be authorized by law and be mutually satisfactory to the Issuer and the Company and (B) shall enter into a lease-leaseback transaction pursuant to the terms of the Act, as then in force, for the purpose of financing certain costs of the Facility.

2.02. The Company and the Issuer will enter into an Leaseback Agreement. The Leaseback Agreement shall obligate the Company to make annual rental payments in the sum of \$1.00 and annual administrative fee payments of \$1,000.00. The Company shall be entitled to acquire from the Issuer title to or a leasehold interest in the Facility for \$1.00, plus such additional amounts as shall be prescribed in the Leaseback Agreement. The Leaseback Agreement shall contain all provisions required by law and such other provisions as shall be mutually acceptable to the Issuer and the Company.

2.03. That all services, costs and expenses of whatever nature incurred in connection with constructing, equipping, installing, replacement, rebuilding, restoration, repair, maintenance and operation of the Facility have been and will continue to be undertaken by the Company as agent for the Issuer, regardless of whether such services, costs and expenses were undertaken and/or paid in its own name or in the name of the Issuer, and the Issuer shall furnish to the Company an appropriate letter on Issuer letterhead evidencing the authority of the Company to act as agent of the Issuer.

2.04. That, in connection with any lease by the Issuer to the Company that is, in turn, subleased or leased by the Company, it is the intent of all parties to the transactions that any sublease or lease is undertaken by the Company as agent for the Issuer;

2.05. That, at the request of the Company, and subject to the agreement between the Issuer and the Company, any future transfers of any portion of real property upon which the Facility is located and not owned by the Issuer, are hereby authorized, such transfers to be from the Company to the Issuer, and there shall be no need for any further official action on behalf of the Issuer other than the execution of the appropriate documents evidencing such transfer.

2.06. The Issuer will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings or as it may deem appropriate in pursuance thereof.

Article 3. Undertakings on the Part of the Company. Based upon the statements, representations and undertakings of the Issuer herein and in the Resolution and subject to the conditions set forth herein and in the Resolution, the Company agrees as follows:

3.01. The Company hereby accepts the appointment made by the Issuer in the Resolution to be the true and lawful agent of the Issuer to (i) construct, equip, repair and maintain the Facility and (ii) make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions, as the stated agent of the Issuer, and in general to do all things which may be requisite or proper for completing the Facility, all with the same powers and the same validity as the Issuer could do if acting on its own behalf, including the authority to delegate such Issuer appointment, as described in the Resolution.

3.02. In its Application for Financial Assistance, the Company projected that it will retain thirty-eight (38) full time equivalent jobs, will create an additional six (6) full time equivalent jobs by year three of the Leaseback Agreement and maintain all for the duration of the Lease Term as a result of undertaking the Facility (the "Employment Obligation"). The Company acknowledges that the financial assistance by the Issuer is conditioned upon the Company meeting the Employment Obligation.

3.03. The Company will, to the extent deemed by it to be necessary or desirable, enter into a contract or contracts for the construction and equipping of the Facility (including any necessary contracts for the acquisition of real property necessary or useful in said Facility), and, on the terms and conditions set forth in the Leaseback Agreement, it will transfer to the Issuer, or cause to be transferred to the Issuer, a leasehold interest in the Facility.

3.04. Contemporaneously with the closing of the lease-leaseback transaction the Company will enter into the Leaseback Agreement with the Issuer containing, among other things, the terms and conditions described in Section 2.02 hereof and such other financing agreements, indentures, guarantees, and related agreements as shall be necessary or appropriate so that the Company will be obligated to pay to the Issuer sums set forth in the Leaseback Agreement.

3.05. (a) The Company shall not permit to stand, and will, at its own expense, take all steps reasonably necessary to remove (or bond the same if acceptable to the Issuer and its counsel), any mechanics' or other liens against the Facility for labor or materials furnished in connection with the construction and equipping of the Facility. The Company shall forever defend, indemnify and hold the Issuer, its members, officers, employees, and agents, and anyone for whose acts or omissions the Issuer or any of them may be liable, harmless from and against all costs, losses, expenses, claims, damages and liabilities of whatever kind or nature arising, directly or indirectly, out of or based on labor, services, materials and supplies, including equipment, ordered or used in connection with the construction and equipping of the Facility or arising out of

any contract or other arrangement therefor (and including any expenses incurred by the Issuer in defending any claims, suits or actions which may arise as a result of any of the foregoing), whether such claims or liabilities arise as a result of the Company acting as agent for the Issuer pursuant to this AGREEMENT or otherwise.

(b) The Company shall forever defend, indemnify and hold harmless the Issuer, its members, officers, employees and agents, and anyone for whose acts or omissions the Issuer or any of them may be liable, from and against all claims, causes of action, liabilities and expenses (including without limitation attorneys' fees) howsoever arising for loss or damage to property or any injury to or death of any person (including, without limitation, death of or injury to any employee of the Company) that may occur subsequent to the date hereof by any cause whatsoever in relation to the Facility including the failure to comply with the provisions of Article 3.05 hereof, or arising, directly or indirectly, out of the ownership, construction, renovation, acquisition, operation, maintenance, repair or financing of the Facility, and including, without limitation, any expenses incurred by the Issuer in defending any claims, suits or actions which may arise as a result of the foregoing.

(c) The defense and indemnities provided for in this Article 3 shall apply whether or not the claim, liability, cause of action or expense is caused or alleged to be caused, in whole or in part, by the activities, acts, fault or negligence of the Issuer, its members, officers, employees and agents, anyone under the direction and control of any of them, or anyone for whose acts or omissions the Issuer or any of them may be liable, and whether or not based upon the breach of a statutory duty or obligation or any theory or rule of comparative or apportioned liability, subject only to any specific prohibition relating to the scope of indemnities imposed by law. Without limiting the generality of the foregoing, the foregoing indemnifications shall apply to and encompass any action (or alleged failure to act) of the Issuer pursuant to the SEQR Act.

(d) The Company shall provide and carry workers' compensation and disability insurance as required by law and comprehensive liability insurance with such coverages (including, without limitation, owner's protective for the benefit of the Issuer and contractual coverage covering the indemnities herein provided for), with such limits and with such companies as may be approved by the Issuer. Upon the request of the Issuer, the Company shall provide certificates of insurance in form satisfactory to the Issuer evidencing such insurance.

3.06. With the exception of the authorizations required to be adopted by the Issuer for the Issuer to enter into the lease-leaseback transaction, the Company agrees that, as agent for the Issuer or otherwise, it will comply with all the requirements of all federal, state and local laws, rules and regulations of whatever kind and howsoever denominated applicable to the Issuer and/or the Company with respect to the Facility, the construction and equipping thereof, the operation and maintenance of the Facility and the financing thereof. Every provision required by law to be inserted herein shall be

deemed to be set forth herein as if set forth in full; and upon the request of either party, this AGREEMENT shall be amended to specifically set forth any such provision or provisions.

3.07. The Company will take such further action and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in pursuance thereof.

3.08. If it should be determined that any State or local sales or compensatory use taxes or similar taxes however denominated are payable with respect to the acquisition, purchase or rental of machinery or equipment, materials or supplies in connection with the Facility, or are in any manner otherwise payable directly or indirectly in connection with the Facility, the Company shall pay the same and defend and indemnify the Issuer from and against any liability, expenses and penalties arising out of, directly or indirectly, the imposition of any such taxes.

3.09. The Company shall file with the New York State Department of Taxation and Finance Form ST-340 (Annual Report of Sales and Use Tax Exemptions Claimed by Agent/Project Operator of Industrial Development Agency/Authority), for as long as the Company claims a sales tax exemption, an annual statement of the value of all sales and use tax exemptions claimed in connection with the Facility, in compliance with Section 874(8) of the New York State General Municipal Law. The Company shall provide the Issuer with a copy of such annual statement at the time of filing with the State Department of Taxation and Finance.

3.10. If the Facility is leased to another party by the Issuer and subleased to the Company, then in such event, the Company guarantees all of the covenants, undertakings and indemnities of such other party as set forth in this Article 3.

Article 4. General Provisions.

4.01. This AGREEMENT shall take effect on the date of execution hereof by the Issuer and the Company and shall remain in effect until the Leaseback Agreement becomes effective. It is the intent of the Issuer and the Company that this AGREEMENT be superseded in its entirety by the Leaseback Agreement, except for the indemnities and guarantee of indemnities contained herein, which shall survive.

4.02. It is understood and agreed by the Issuer and the Company that entering into the lease-leaseback and the execution of the Leaseback Agreement and related documents are subject to (i) obtaining all necessary governmental approvals, (ii) approval of the directors of the Company, (iii) approval of the members of the Issuer, (iv) satisfactory completion of the environmental review of the Facility by the Issuer in compliance with the State Environmental Quality Review Act, (vi) agreement by the Issuer and the Company upon mutually acceptable terms and conditions for the Leaseback Agreement and other documentation usual and customary to transaction of

this nature, (vi) the condition that there are no changes in New York State Law which prohibit or limit the Issuer from fulfilling its obligation and commitment as herein set forth to enter into the sale-leaseback transaction and (vii) payment by the Company of the Issuer's transaction fee and the fees and disbursements of transaction and agency counsel.

4.03. The Company agrees that it will reimburse the Issuer for all reasonable and necessary direct out-of-pocket expenses that the Issuer may incur as a consequence of executing this AGREEMENT or performing its obligations hereunder.

4.04. If for any reason the sale-leaseback or lease-leaseback transaction does not close on or before twelve (12) months from the execution hereof, the provisions of this AGREEMENT (other than the provisions of Articles 3.05, 3.06, 3.07 and 3.08 above, which shall survive) shall, unless extended by agreement of the Issuer and the Company (whether before or after such original expiration date), terminate and be of no further force or effect, and following such termination neither party shall have any rights against the other party except:

(a) The Company shall pay the Issuer for all expenses which were authorized by the Company and incurred by the Issuer in connection with the acquisition, construction and equipping of the Facility;

(b) The Company shall assume and be responsible for any contracts for construction or purchase of equipment entered into by the Issuer at the request of or as agent for the Company in connection with the Facility; and

(c) The Company will pay the out-of-pocket expenses of members of the Issuer, counsel for the Issuer and Transaction Counsel incurred in connection with the Facility and will pay the reasonable fees of counsel for the Issuer and Transaction Counsel for legal services relating to the Facility or the proposed financing thereof.

IN WITNESS WHEREOF, the parties hereto have entered into this AGREEMENT as of the 19th day of November 2013.

CITY OF UTICA INDUSTRIAL
DEVELOPMENT AGENCY

By: Joseph H. Hobika Sr.
Joseph H. Hobika, Sr.
Chairman

MUNSON MACHINERY COMPANY, INC.

By: Charles Drives
Name: Charles Drives
Title: President