

TURBO MACHINED PRODUCTS LLC

and

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

PAYMENT-IN-LIEU-OF-TAX AGREEMENT

Herkimer County Industrial Development Agency
2006 Sale/leaseback Transaction

PAYMENT-IN-LIEU-OF TAX AGREEMENT

THIS AGREEMENT is by and between TURBO MACHINED PRODUCTS LLC (the "Company"), and the HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York, having its offices at 320 North Prospect Street, Herkimer, New York, 13350 (the "Agency").

WITNESSETH

WHEREAS, the Agency was created pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York, as amended by Chapter 410 of the Laws of 1970 and Chapter 158 of the Laws of 1981, of the State of New York (collectively, the "Act"), as a body corporate and politic and as a public benefit corporation of the State of New York; and

WHEREAS, the Company has executed and delivered a Lease Agreement, dated of even date herewith, with the Agency to acquire a leasehold interest in certain real property located in the Town of Frankfort, New York, more particularly described in Exhibit "A" attached to the Lease Agreement, and to construct and equip a facility thereon (the "Facility"); and

WHEREAS, pursuant to Section 874 of the Act and Section 412-a of the Real Property Tax Law, the Agency is exempt from the payment of general real estate taxes imposed upon real property and improvements owned by it; and

WHEREAS, the Agency and the Company deem it necessary and proper to enter into an agreement making provisions for payments in lieu of taxes by the Company to Herkimer County, the Town of Frankfort, and the Frankfort School District (collectively the "Taxing Jurisdictions");

NOW, THEREFORE, in consideration of the Agency's acquisition and sale of the Facility and in consideration of the covenants herein contained, it is mutually agreed as follows:

1(a). The parties hereto understand that the tax exemption extended to the Agency by Section 874 of the General Municipal Law and Section 412-a of the Real Property Tax Law does not entitle the Agency to exemption from special assessments and special ad valorem levies, service charges and improvement district charges or similar tax equivalents. Pursuant to the Lease Agreement and herein, the Company is required to pay all special assessments and special ad valorem levies, service charges and improvement district charges or similar tax equivalents lawfully levied and/or

assessed against the Facility.

1(b). In lieu of general real property taxes for the Facility, the Company shall pay the following percentages of the actual real property taxes which would be due if the Facility were fully taxable on the tax rolls of the Taxing Jurisdictions:

Year ¹		Percentage of actual real property taxes which would be due if Facility were fully taxed
1		50
2		55
3		60
4		65
5		70
6		75
7		80
8		85
9		90
10		95
11 (and each successive	100	
year of the term of the		
lease pursuant to the		
Lease Agreement)		

1(c). Upon receipt of a bill from the Agency, Company shall make payments in lieu of taxes through the Agency based upon calculations of payments due furnished in writing by the Agency to the Company. Payments shall be made to coincide with each individual Taxing Jurisdiction's scheduled due dates for payment of taxes. The Agency shall accept payment from the Company's Sublessee.

2(a). Special district charges, special assessments, and special ad valorem levies, unless otherwise exempt, and pure waters and sewer charges, if any, are to be paid in full by the Company in accordance with normal billing practices.

2(b). If the Company shall fail to make any payment required by this

¹Being successive 12 month periods commencing on substantial completion of the Facility as provided in the Lease Agreement but in no event prior to the next taxable status date immediately following the date hereof. The Company shall be responsible for taxes until such date of commencement.

Agreement when due, its obligation to make the payment so in default shall continue as an obligation of the Company until such payment in default shall have been made in full, and the Company shall pay the same together with interest thereon, to the extent permitted by law, at the same rate per annum as if such amounts were delinquent taxes, until so paid in full. Notwithstanding anything herein or in the Lease Agreement to the contrary, if the Company shall fail to make any payment required by this Agreement when due and such payment shall remain in default for a period in excess of sixty days after notice of default is given to the Company and the Sublessee by the Agency mailed to Company's above address (or such other address as Company may provide to Agency through written notice thereof) and to the Sublessee's address as set forth in the Lease Agreement (or such other address as the Sublessee may provide to the Agency through written notice thereof) by certified mail return receipt requested then in that event at the election of the Agency Company shall commencing with the next date upon which a payment is otherwise due hereunder and for the balance of the years set forth in paragraph 1(b) make payments in lieu of taxes equivalent to the amount of taxes that would be paid if the property were fully taxable and not exempt.

3. In the event that the Facility is transferred from the Agency to the Company, and the Company is ineligible for a continued tax exemption under some other tax incentive program, or the exemption is less than that described in Paragraph 1(b) herein, the Company agrees to pay no later than the next tax lien date (plus any applicable grace period) to the Taxing Jurisdictions an amount equal to the taxes and assessments which would have been levied on the Facility if the Facility had been classified as fully taxable, pro rata for the unexpired portion of the year of transfer.

4. The Company shall have all of the rights and remedies of a taxpayer with respect to any tax, service charge, special benefit, ad valorem levy, assessment, or special assessment or service charge in lieu of which the Company is obligated to make a payment pursuant to this Agreement, as if and to the same extent as if the Company were the owner of the Facility. The Agency shall execute, upon request, at the Company's expense, whatever documents are necessary to effectuate the rights delineated herein.

5. The Company shall have all of the rights and remedies of a taxpayer as if and to the same extent as if the Company were the owner of the Facility with respect to any proposed assessment or change in assessment with respect to the Facility by and of the Taxing Jurisdictions and likewise shall be entitled to protest before and be heard by the appropriate assessors or Board of Assessment Review, and shall be entitled to take any and all appropriate appeals or initiate any proceedings to review the validity or amount of any assessment or the validity or amount of any tax equivalent provided for herein.

6. To the extent the Facility is declared to be subject to general real property taxation by an amendment to the Act, other legislative change, or by final judgment of a Court of competent jurisdiction, the obligation of the Company hereunder shall, to such extent, be adjusted by way of a credit to the Company against payments due hereunder to the extent of such taxes paid.

7. If the Company enters into any written agreement with any Taxing Jurisdiction providing for payments in lieu of taxes by the Company to any or all of them, so much of this Agreement as relates to the Taxing Jurisdiction with which the Company has entered into said written agreement shall be automatically modified to reflect the terms of any such written agreement, and any such written agreement shall be deemed to be incorporated herein by reference and made a part hereof as an amendment or modification hereof. The Company shall provide a copy of any such agreement and any and all modifications thereof to the Agency promptly after the execution and delivery thereof. Should the Company receive any exemption from any of the Taxing Jurisdictions, this Agreement shall automatically be deemed modified to reflect the extent of such exemption.

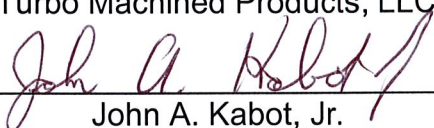
8. If payments are not made as provided for herein, the Agency and/or the Taxing Jurisdictions, individually or collectively, shall in addition to all other rights set forth herein be entitled to pursue any and all remedies afforded a municipal taxing entity at law or in equity.

9. The rights and obligations of the Company hereunder may not be assigned or transferred (except to the Sublessee as provided in this Agreement) without the prior written consent of the Agency, such consent not to be unreasonably withheld.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the 24th day of February, 2006.

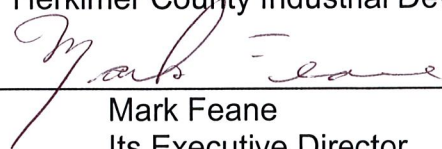
Turbo Machined Products, LLC

By: _____


John A. Kabot, Jr.
Its President

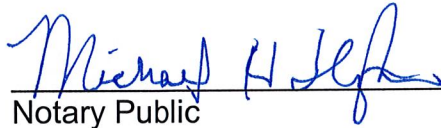
Herkimer County Industrial Development Agency

By: _____


Mark Feane
Its Executive Director

STATE OF NEW YORK)
 : ss.:
COUNTY OF ONEIDA)

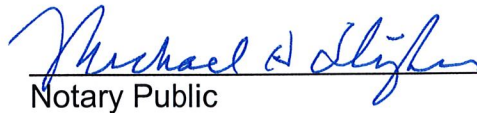
On the 24th day of February, 2006 before me, the undersigned a notary public in and for said state, personally appeared **Mark Feane** personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.


Notary Public

MICHAEL H. STEPHENS
Notary Public, State of New York
Reg # 02ST6108758
Appointed in Oneida County
My Commission Expires Apr. 19, 20 08

STATE OF NEW YORK)
 : ss.:
COUNTY OF ONEIDA)

On the 24th day of February, 2006 before me, the undersigned a notary public in and for said state, personally appeared **John A. Kabot, Jr.** personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.


Notary Public

MICHAEL H. STEPHENS
Notary Public, State of New York
Reg # 02ST6108758
Appointed in Oneida County
My Commission Expires Apr. 19, 20 08