

FINAL RESOLUTION
(Empire State Pipeline/Empire Pipeline, Inc. Project)

A regular meeting of the Schuyler County Industrial Development Agency was convened on Wednesday, April 11, 2007, at 5:00 p.m.

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

Resolution No. 07/04-___

RESOLUTION OF THE SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY (i) ADOPTING FINDINGS PURSUANT TO THE STATE ENVIRONMENTAL QUALITY REVIEW ACT; (ii) AUTHORIZING THE UNDERTAKING OF A CERTAIN PROJECT (AS MORE FULLY DESCRIBED BELOW); AND (iii) AUTHORIZING THE EXECUTION AND DELIVERY OF THE LEASE AGREEMENT, LEASEBACK AGREEMENT, PAYMENT-IN-LIEU-OF-TAX-AGREEMENT AND RELATED DOCUMENTS WITH RESPECT TO THE EMPIRE STATE PIPELINE/EMPIRE PIPELINE, INC. PROJECT.

WHEREAS, by Title 1 of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 21 of the Laws of 1971 of the State of New York, as amended (hereinafter collectively called the "Act"), the **SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY** (hereinafter, 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 and commercial facilities as authorized by the Act; and

WHEREAS, **EMPIRE STATE PIPELINE/EMPIRE PIPELINE, INC.** (the "Company") has submitted an application (the "Application") to the Agency requesting the Agency's assistance with a certain project (the "Project") consisting of: (i) the acquisition by the Agency of fee title to, leasehold or other interest in certain properties located throughout Schuyler County, New York and the existing improvements located thereon (collectively the "Land"), (ii) the construction and equipping on the Land of a portion of the Company's 78.3 mile 24-inch diameter natural gas pipeline beginning in Victor, New York and traversing the Finger Lakes region through the counties of Genesee, Ontario, Yates, Schuyler, Chemung and Steuben, and terminating in Corning, New York (hereinafter referred to collectively as the "Improvements"), and (iii) the acquisition in and around the Improvements of certain items of equipment and other tangible personal property including pipes, valves, meters, fittings, and compressors (the "Equipment" and, collectively with the Land and the Improvements, the "Facility"); all in furtherance of providing natural gas service to users located or locating at or in areas surrounding the Land in said Counties; and

WHEREAS, by resolution adopted February 27, 2007 (the "Initial Resolution"), the Agency described the forms of financial assistance contemplated with respect to the Project, directed that a public hearing be held and a lease agreement (the "Lease Agreement"), leaseback agreement (the "Leaseback Agreement"), payment-in-lieu-of-tax agreement (the "PILOT Agreement") and related documents be negotiated; and

WHEREAS, pursuant to General Municipal Law Section 859-a, on April 5, 2007, at (i) at 10:00 a.m. at the Dix Town Hall, 304 7th Street, Watkins Glen, New York 14891; (ii) at 11:30 a.m. at the Reading Town Hall, 3914 County Road 28, Watkins Glen, New York 14891; and (iii) at 1:00 p.m. at the Tyrone Town Hall, 435 County Road 23, Dundee, New York 14837; the Agency held public hearings with respect to the Project and the proposed financial assistance being contemplated by the Agency (the "Public Hearings") whereat interested parties were provided a reasonable opportunity, both orally and in writing, to present their views. A copy of the Minutes of the Public Hearings along with the Notice of Public Hearing published and forwarded to the affected taxing jurisdictions thirty (30) days prior to said Public Hearings are attached hereto as **Exhibit A**; and

WHEREAS, subsequent to the adoption by the Agency of this Resolution, the Company requested the Agency to provide benefits under the PILOT Agreement which result in a deviation from the Agency's Uniform Tax Exemption Policy established pursuant to the Act; and

WHEREAS, pursuant to the Act, Notice Letters detailing the proposed deviation from the Policy were mailed or delivered to the chief executive officers of the Affected Tax Jurisdictions on March 7, 2007; and

WHEREAS, pursuant to the Act, the Agency has waited at least thirty (30) days for comments from the Affected Tax Jurisdictions and, no comments on the proposed deviation having been received, the Agency may proceed; and

WHEREAS, the terms of the Lease Agreement, Leaseback Agreement, PILOT Agreement and related documents have been negotiated and are presented to this meeting for approval and execution; and

WHEREAS, in connection with the Project, the Company has applied for and received certain approvals from the Federal Energy Regulatory Commission ("FERC") which, pursuant to the requirements of the National Environmental Policy Act of 1969 ("NEPA"), resulted in the preparation of an Environmental Impact Statement (the "Federal EIS"); and

WHEREAS, in October, 2006, FERC also issued a Final Supplemental EIS for the Project and on December 21, 2006, FERC issued an Order (the "Order") authorizing construction of the Project subject to certain environmental conditions (the "Environmental Conditions"); and

WHEREAS, the Environmental Conditions impose, as a condition to FERC's approval of the Empire Connector Project, the recommended mitigation measures set forth in both the Federal EIS and the Final Supplemental EIS; and

WHEREAS, the Connector Project may be considered exempt from the requirements of the New York State Environmental Quality Review Act ("SEQRA"), Article 8 of the Environmental Conservation Law, and the regulations adopted pursuant thereto, under 6 NYCRR Part 617; and

WHEREAS, although SEQRA may be preempted by NEPA's environmental review, the Company has asked the Genesee County Industrial Development Agency ("GCIDA") to conduct a SEQRA review (as Lead Agency) pursuant to 6 N.Y.C.R.R. § 617.15(a); and

WHEREAS, because the Federal EIS and the Final Supplement EIS have already been prepared for the Project pursuant to NEPA, no separate EIS is required under SEQRA and the Agency may satisfy its SEQRA obligations by making an appropriate SEQRA determination based on the findings made in the NEPA process; and

WHEREAS, the Agency desires to i) ratify the SEQRA findings of GCIDA, adopted March 15, 2007; ii) approve the undertaking of the Project; iii) appoint the Company agent of the Agency in furtherance of same; and iv) approve the terms and conditions of the PILOT Agreement to be entered into by the Agency and the Company..

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE AGENCY AS FOLLOWS:

Section 1. The Agency concludes that the Federal EIS and the Final Supplemental EIS are sufficient to make the requisite findings under SEQRA and incorporates hereto the mitigation measures and findings made pursuant to the Federal EIS and the Final Supplemental EIS as part of this SEQRA determination. Based upon the SEQRA findings adopted by GCIDA, the representations made by the Company, and the Agency's review of the Final Supplemental EIS prepared as part of the NEPA review conducted pursuant to the applicable FERC proceedings, the Agency finds that: (1) the requirements of SEQRA have been met; and (2) consistent with social, economic, and other essential considerations, from among the reasonable alternatives available, the Project avoids or minimizes adverse environmental impacts to the maximum extent practicable, and that adverse environmental impacts will be avoided or minimized, to the maximum extent practicable by incorporating as conditions to this resolution those mitigation measures identified above, as well as the additional mitigation measures identified in the Federal EIS and the Final Supplemental EIS. The Agency hereby ratifies the findings of GCIDA and no further SEQRA review is necessary with respect to the Project.

Section 2. Subject to the Company executing the Lease Agreement and Leaseback Agreement and the delivery to the Agency of a binder, certificate or other evidence of liability insurance policy for the Project satisfactory to the Agency, the Agency hereby authorizes the Company to proceed with the undertaking of the Project and hereby appoints the Company as the true and lawful agent of the Agency: (i) to acquire, construct 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 Inducement Agreement shall expire on December 31, 2008 (unless extended for good cause by the Executive Director or other authorized representative of the Agency) if the Lease Agreement, Leaseback Agreement and PILOT Agreement contemplated have not been executed and delivered.

Section 3. The Chairman, Vice Chairman and/or Executive Director of the Agency are hereby authorized, on behalf of the Agency, to execute and deliver the Lease Agreement, Leaseback Agreement and related documents substantially in the forms thereof presented to this meeting with such changes (including without limitation any change in the dated date of such documents), variations, omissions and insertions as the Chairman, Vice Chairman and/or Executive Director shall approve. The execution of the Lease Agreement, Leaseback Agreement and related documents by the Chairman, Vice Chairman and/or Executive Director of the Agency shall constitute conclusive evidence of such approval.

Section 4. The Chairman, Vice Chairman and/or Executive Director of the Agency is hereby authorized, on behalf of the Agency, to execute and deliver the PILOT Agreement and any documents necessary and incidental thereto, including but not limited to NYS Form RP-412-a, "Application for Real Property Tax Exemption," and the Secretary of the Agency is hereby authorized to affix the seal of the Agency thereto where appropriate and to attest the same, all in substantially the forms thereof presented to this meeting with such changes (including without limitation any change in the dated date of such documents), variations, omissions and insertions as the Chairman, Vice Chairman and/or Executive Director shall approve. The execution of the PILOT Agreement and the Application for Real Property Tax Exemption by the Chairman, Vice Chairman and/or Executive Director of the Agency shall constitute conclusive evidence of such approval.

The Agency's approval of the PILOT Agreement, after due consideration, is consistent with the deviation Notice letters transmitted by the Agency on March 7, 2007 to each of the Affected Taxing Jurisdictions and shall provide abatements from real property taxes with respect to the Facility for a term of fifteen (15) years and provide for fixed payments in each year not to exceed the percentage abatement set forth below:

<u>PILOT Years</u>	<u>Percentage Abatement from Real Property Taxes</u>
1-5	75% (estimated fixed payment - \$146,690)
6-10	50% (estimated fixed payment - \$293,390)
11-15	25% (estimated fixed payment - \$440,070)

After year 15, the Facility will be subject to full taxes.

The Agency's approval of the foregoing PILOT Agreement and related deviation from the Agency's UTEP have been provided to induce the Company to undertake the Project in Schuyler County which will result in significant construction jobs and related employment. The Agency's approval of the foregoing PILOT Agreement shall be contingent upon the following:

- 1) Prior to or commensurate with the Company's execution and delivery of the PILOT Agreement, the Company shall execute and delivery a community benefit fund agreement (the "Benefit Agreement") with the Agency or 3rd party community organization designated by the Agency, such Benefit Agreement to be co-terminus with the PILOT Agreement and

- require the Company to provide fifteen (15) annual payments in an amount of \$101,406.00 per year; and
- 2) The Agency's approval of the foregoing PILOT Agreement and Benefit Agreement shall be subject to modification, at the sole discretion of the Agency, where another industrial development agency providing financial assistance to the Company in connection with the Empire Connector Project grants the Company a PILOT Agreement and/or Benefit Agreement providing enhanced economic incentives from the Company to such other industrial development agency and/or host county at large, the within-approved PILOT Agreement and Benefit Agreement shall be modified accordingly, subject to any necessary deviation notice requirements under the Act.

Section 5. The Chairman, Vice Chairman and/or Executive Director of the Agency are hereby authorized, on behalf of the Agency, to 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 and/or finance or refinance equipment and other personal property and related transactional costs (together with the Lease Agreement, Leaseback Agreement and PILOT Agreement, collectively, the "Agency Documents"); and, where appropriate, the Secretary or 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 Chairman, Vice Chairman and/or Executive Director of the Agency shall approve; the execution thereof by the Chairman, Vice Chairman and/or Executive Director of the Agency shall 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 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. These Resolutions shall take effect immediately upon adoption.

The question of the adoption of the foregoing Resolutions was duly put to a vote on roll call, which resulted as follows:

	<i>Yea</i>	<i>Nay</i>	<i>Absent</i>	<i>Abstain</i>
Kevin Murphy	[x]	[]	[]	[]
Jerold Marvel	[]	[x]	[]	[]
Carl L. Taber	[x]	[]	[]	[]
Dennis Fagan	[x]	[]	[]	[]
Richard Owlett	[x]	[]	[]	[]
Jerry Gapp	[]	[x]	[]	[]
Carl Blowers	[]	[x]	[]	[]

The Resolutions were thereupon duly adopted.

EXHIBIT A

Notice Documents

(Attached hereto)

State of New York

County of Schuyler,

ss.

Patricia Pierce

Watkins Glen, N.Y., being

duly sworn, says she is the *billing clerk* of the WATKINS EXPRESS, a newspaper published weekly in the Village of Watkins Glen, Schuyler County, New York, and that the

legal notice

of which the annexed is a copy, has been regularly published in said newspaper once a week for *1* weeks, successively,

commencing on the *7* day of *March*, 20*07*

and ending on the *7* day of *March*, 20*07*

the day of the last publication thereof.

Subscribed and sworn to before me this *8th*

day of *March*, 20*07*

Patricia Pierce

Naomi C. Kingsley

NAOMI C. KINGSLEY

Notary Public, State of New York
No. 4997015

Notary Public.

Qualified in Schuyler County
Commission Expires May 26, 2010

LEGAL NOTICE

LEGAL NOTICE

LEGAL NOTICE

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that public hearings will be held by the Schuyler County Industrial Development Agency (the "Agency") on Thursday, April 5, 2007, at the following places and times:

- (i) at 10:00 a.m. at the Dix Town Hall, 304 7th Street, Watkins Glen, New York 14891;
- (ii) at 11:30 a.m. at the Reading Town Hall, 3914 County Road 28, Watkins Glen, New York 14891; and
- (iii) at 1:00 p.m. at the Tyrone Town Hall, 435 County Road 23, Dundee, New York 14837;

each in connection with the following matter:

EMPIRE STATE PIPELINE/EMPIRE PIPELINE, INC. (the "Company") has submitted an application (the "Application") to the Agency requesting the Agency's assistance with a certain project (the "Project") consisting of (i) the acquisition by the Agency of fee title to or a leasehold or other interest in certain properties located throughout Schuyler County, New York and the existing improvements located thereon (collectively the "Land"), (ii) the construction and equipping on the Land of a portion of the Company's 78.3 mile 24-inch diameter natural gas pipeline beginning in Victor, New York and traversing the Finger Lakes region through the counties of Genesee, Ontario, Yates, Schuyler, Chemung and Steuben, and terminating in Corning, New York (hereinafter referred to collectively as the "Improvements"), and (iii) the acquisition in and around the Improvements of certain items of equipment and other tangible personal property including pipes, valves, meters, fittings, and compressors (the "Equipment" and, collectively with the Land and the Improvements, the "Facility"); all in furtherance of providing natural gas service to users located or locating at or in areas surrounding the Land in said Counties.

The Agency is considering whether to undertake the Project and to provide financial assistance (the "Financial Assistance") with respect to the Project in the form of: (1) the financing of the Project and certain necessary and incidental expenditures in connection therewith through a straight lease transaction within the meaning of Section 854(15) of New York General Municipal Law, pursuant to which the Agency shall take and hold title to the Land (or an interest therein), the Existing Improvements, Improvements and Equipment for a period of time and sell or lease the same back to the Company (the "Straight Lease"), (ii) an exemption from New York State and local sales and use taxes with respect to qualifying personal property included in or incorporated into the Facility or used in the acquisition, construction, renovation or equipping of the Facility, (iii) the grant of one or more mortgage liens on the Land (or such interest therein as is conveyed to the Agency) and the Improvements (the "Mortgages") to secure the indebtedness incurred by or for the benefit of the Company in connection with the Project, which Mortgages would be exempt from all mortgage recording taxes imposed by the State and any political subdivision thereof, and (iv) the retention of fee title to or a leasehold interest in the Facility by the Agency for a period of time so as to enable the Agency and the Company to enter into one or more agreements regarding payments in lieu of real property taxes, pursuant to which the Company would make payments in lieu of real property taxes to each municipality and school district having taxing jurisdiction over the Facility (collectively, the "Affected Taxing Jurisdictions").

The Agency will at said time and place provide a reasonable opportunity to all interested persons to present their views, either orally or in writing, on the nature and location of the proposed Facility and the proposed Financial Assistance to be provided the Company in connection with the Project.

This public hearing is being conducted in accordance with subdivision 2 of Section 859-a of the New York General Municipal Law.

DATED: March 7, 2007

SCHUYLER COUNTY INDUSTRIAL
DEVELOPMENT AGENCY



SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
2 N. Franklin Street, Watkins Glen, NY 14891 - (607) 535-4341

NOTICE LETTER

March 7, 2007

TO ALL ON THE ATTACHED DISTRIBUTION LIST:

Re: Empire State Pipeline - Public Hearing

The Schuyler County Industrial Development Agency (the "Agency") will conduct public hearings on Thursday, April 5, 2007, at the following times and places regarding the above-referenced project:

- (i) at 10:00 a.m. at the Dix Town Hall, 304 7th Street, Watkins Glen, New York 14891;
- (ii) at 11:30 a.m. at the Reading Town Hall, 3914 County Road 28, Watkins Glen, New York 14891; and
- (iii) at 1:00 p.m. at the Tyrone Town Hall, 435 County Road 23, Dundee, New York 14837.

Attached is a copy of the Notice of Public Hearing describing the project and the financial assistance contemplated by the Agency. The Notice has been submitted to the *Watkins Glen Review & Express* for publication.

You are welcome to attend such hearing at which time you will have an opportunity to review the project application and present your views, both orally and in writing, with respect to the project. We are providing this notice to you, pursuant to General Municipal Law Section 859-(a), as the chief executive officer of an affected tax jurisdiction within which the project is located.

Very truly yours,

**SCHUYLER COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

By: Chief Executive Officer

AFFECTED TAX JURISDICTION OFFICIALS

Schuyler County

Schuyler County Legislature
Attn.: Chairman
105 Ninth Street
Watkins Glen, New York 14891

Schuyler County Assessor
105 Ninth Street
Watkins Glen, New York 14891

Town of Tyrone

Town Supervisor
Tyrone Town Hall
435 County Road 23
Dundee, New York 14837

Town Assessor
Tyrone Town Hall
435 County Road 23
Dundee, New York 14837

Town of Reading

Town Supervisor
Reading Town Hall
3914 County Route 28
Watkins Glen, New York 14876

Town Assessor
3224 County Road 6
Alpine, New York 14805

Town of Dix

Town Supervisor
Dix Town Hall
304 7th Street
Watkins Glen, New York 14891

Town Assessor
3224 County Road 6
Alpine, New York 14805

School Districts

Superintendent
Watkins Glen Central School District
303 12th Street
Watkins Glen, New York 14891

Board President
Watkins Glen Central School District
303 12th Street
Watkins Glen, New York 14891

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the Facility by the Agency for a period of time so as to enable the Agency and the Company to enter into one or more agreements regarding payments in lieu of real property taxes, pursuant to which the Company would make payments in lieu of real property taxes to each municipality and school district having taxing jurisdiction over the Facility (collectively, the "Affected Taxing Jurisdictions").

The Agency will at said time and place provide a reasonable opportunity to all interested persons to present their views, either orally or in writing, on the nature and location of the proposed Facility and the proposed Financial Assistance to be provided the Company in connection with the Project.

This public hearing is being conducted in accordance with subdivision 2 of Section 859-a of the New York General Municipal Law.

DATED: March 7, 2007

SCHUYLER COUNTY INDUSTRIAL
DEVELOPMENT AGENCY