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PYROTEK INCORPORATED,  
AS LANDLORD

AND

CORTLAND COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY,  
AS TENANT

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LEASE TO AGENCY

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DATED AS OF FEBRUARY 1, 2011

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RELATING TO THE PREMISES LOCATED AT 641  
STATE ROUTE 13 IN THE TOWN OF CORTLANDVILLE,  
CORTLAND COUNTY, NEW YORK.

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**TABLE OF CONTENTS**

(This Table of Contents is not part of the Lease to Agency  
and is for convenience of reference only.)

PAGE

PARTIES .....  
RECITALS .....

**ARTICLE I  
DEFINITIONS**

Section 1.1. Definitions .....  
Section 1.2. Interpretation .....

**ARTICLE II  
REPRESENTATIONS AND WARRANTIES**

Section 2.1. Representations and Warranties of the Agency .....  
Section 2.2. Representations and Warranties of the Company.....

**ARTICLE III  
LEASE PROVISIONS**

Section 3.1. Lease .....  
Section 3.2. Term.....  
Section 3.3. Rent .....  
Section 3.4. Use; Lease Agreement; Non-Merger .....  
Section 3.5. Additions, Alterations and Improvements.....  
Section 3.6. Assignment .....  
Section 3.7. Possession.....  
Section 3.8. Liens .....  
Section 3.9. Taxes .....  
Section 3.10. Maintenance.....  
Section 3.11. Condemnation.....

**ARTICLE IV  
EVENTS OF DEFAULT AND REMEDIES**

Section 4.1. Default.....  
Section 4.2. Remedies on Default.....  
Section 4.3. Remedies Cumulative .....  
Section 4.4. Agreement to Pay Attorneys' Fees and Expenses .....  
Section 4.5. No Additional Waiver Implied by One Waiver.....

ARTICLE V  
MISCELLANEOUS

Section 5.1. Surrender .....  
Section 5.2. Notices .....  
Section 5.3. Applicable Law .....  
Section 5.4. Binding Effect .....  
Section 5.5. Severability.....  
Section 5.6. Amendments, Changes and Modifications .....  
Section 5.7. Execution of Counterparts.....  
Section 5.8. Table of Contents and Section Headings Not Controlling .....  
Section 5.9. No Recourse; Special Obligation .....  
Section 5.10. Recording.....

TESTIMONIUM .....  
SIGNATURES .....  
ACKNOWLEDGMENTS .....

EXHIBIT "A" – Description of the Facility Parcel

## LEASE TO AGENCY

THIS LEASE TO AGENCY dated as of February 1, 2011 (the "Underlying Lease") by and between PYROTEK INCORPORATED, a business corporation organized and existing under the laws of the State of Washington and duly authorized to do business in the State of New York having an office for the transaction of business located at 9601 E. Montgomery Avenue, Spokane Valley, Washington 99206 (the "Company"), as landlord, and CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation organized and existing under the laws of the State of New York having an office for the transaction of business located at 37 Church Street, Cortland, New York (the "Agency"), as tenant;

### WITNESSETH:

WHEREAS, Title 1 of Article 18-A of the General Municipal Law of the State of New York (the "Enabling Act") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York; and

WHEREAS, the Enabling Act authorizes and provides for the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State of New York (the "State") and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and dispose of land and any building or other improvement, and all real and personal properties, including, but not limited to, machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, commercial or industrial purposes, in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State and to improve their standard of living; and

WHEREAS, the Enabling Act further authorizes each such agency to lease or sell any or all of its facilities, for the purpose of carrying out any of its corporate purposes and any agreements made in connection therewith, to mortgage and pledge any or all of its facilities, whether then owned or thereafter acquired, and to pledge the revenues and receipts from the lease or sale thereof; and

WHEREAS, the Agency was created, pursuant to and in accordance with the provisions of the Enabling Act, by Chapter 77 of the Laws of 1974 of the State (collectively, with the Enabling Act, the "Act") and is empowered under the Act to undertake the Project (as hereinafter defined) in order to so advance the job opportunities, health, general prosperity and economic welfare of the people of the State and improve their standard of living; and

WHEREAS, by resolution adopted by the members of the Agency on March 8, 2010 (the "Preliminary Inducement Resolution") the Agency agreed to accept an application (the "Application") from the Company and further agreed, subject to numerous conditions, to consider undertaking a project (the "Project") consisting of the

following: (A) (1) the acquisition of an interest in a parcel of land consisting of approximately 38 acres located at 641 State Route 13, in the Town of Cortlandville, Cortland County, New York (the "Land"), (2) the renovation on the Land of an existing building containing approximately 140,000 square feet of space (the "Facility"), and (3) the acquisition and installation therein and thereon of certain machinery and equipment (the "Equipment"), all of the foregoing to constitute an industrial building to be operated by the Company and occupied by the Company (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including exemption from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, pursuant to the Preliminary Inducement Resolution adopted by the members of the Agency on March 8, 2010, the Executive Director of the Agency (A) caused notice of a public hearing of the Agency to hear all persons interested in the Project and the financial assistance being contemplated by the Agency with respect to the Project (the "Public Hearing") to be mailed on March 10, 2010 to the chief executive officer of the county and of each city, town, village and school district in which the Project is to be located, (B) caused notice of the Public Hearing to be published on March 13, 2010 in the Cortland Standard, a newspaper of general circulation available to residents of the County of Cortland, (C) conducted the Public Hearing on March 25, 2010 at 11:00 o'clock a.m., local time at the Town of Cortlandville Town Hall located at 3577 Terrace Road, in the Town of Cortlandville, Cortland County, New York, and (D) prepared a report of the Public Hearing which fairly summarized the views presented at said public hearing and distributed same to the members of the Agency; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act"), and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, "SEQRA"), the members of the Agency adopted a resolution on March 8, 2010 (the "SEQR Resolution") in which the Agency determined (A) that the Project constitutes an "Unlisted action", (B) therefore that the coordinated review procedures outlined in the Regulations are strictly optional, (C) that the Project will not have a "significant effect on the environment" pursuant to SEQRA and, therefore that no environmental impact statement need be prepared with respect to the Project, and (D) that a negative declaration would be prepared with respect to the Project; and

WHEREAS, by resolution adopted by the members of the Agency on May 10, 2010 (the "Final Inducement Resolution"), the Agency determined, following review of the Report, to finalize the preliminary determination made by the Agency in the Preliminary Inducement Resolution to proceed with the Project; and

WHEREAS, by resolution adopted by the members of the Agency on May 10, 2010 (the "Approving Resolution"), the Agency determined to grant the Financial Assistance and to enter into a lease agreement dated as of February 1, 2011 (the "Lease Agreement") between the Agency and the Company and certain other documents related thereto and to the Project (collectively with the Lease Agreement, the "Basic Documents"); and

WHEREAS, pursuant to the terms of the Lease Agreement, (A) the Company will agree (1) to cause the Project to be undertaken and completed, and (2) as agent of the Agency, to undertake and complete the Project and (B) the Agency has leased the Project Facility to the Company for a lease term ending on the earlier to occur of (1) January 31, 2027 or (2) the date on which the Lease Agreement is terminated pursuant to the termination provisions thereof. The Lease Agreement grants to the Company certain options to acquire the Project Facility from the Agency; and

WHEREAS, pursuant to the provisions of the Lease Agreement, (A) the Company will, as agent of the Agency, undertake and complete the Project and (B) the Agency will lease (with an obligation to purchase) the Project Facility to the Company; and

WHEREAS, in connection with the Project, the Agency and the Company intend to grant certain real estate tax reductions with respect to the Facility and, to implement said real estate tax reductions, the Company desires to lease the portion of the Land under the Facility (the "Facility Parcel") to the Agency on the terms and conditions set forth in this Underlying Lease, and it is the intention of the parties hereto that the Company's title interest in the Project Facility and the Company's leasehold interest in the Project Facility created by the Lease Agreement shall not merge; and

WHEREAS, all things necessary to constitute this Underlying Lease a valid and binding agreement by and between the parties hereto in accordance with the terms hereof have been done and performed, and the creation, execution and delivery of this Underlying Lease have in all respects been duly authorized by the Agency and the Company;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS HEREINAFTER CONTAINED, THE PARTIES HERETO HEREBY FORMALLY COVENANT, AGREE AND BIND THEMSELVES AS FOLLOWS TO WIT:

## **ARTICLE I DEFINITIONS**

SECTION 1.1. DEFINITIONS. The following words and terms used in this Underlying Lease shall have the respective meanings set forth below unless the context or use indicates another or different meaning or intent:

"Act" means Title 1 of Article 18-A of the General Municipal Law of the State, as amended from time to time, together with Chapter 77 of the 1974 Laws of the State, constituting Section 902 of the General Municipal Law of the State, as amended from time to time.

"Agency" means (A) Cortland County Industrial Development Agency and its successors and assigns, and (B) any public benefit corporation or other public corporation resulting from or surviving any consolidation or merger to which Cortland County Industrial Development Agency or its successors or assigns may be a party.

"Applicable Laws" means all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof (the applicability of such statutes, codes, laws, acts, ordinances, orders, rules, regulations, directions and requirements to be determined both as if the Agency were the owner of the Project Facility and as if the Company and not the Agency were the owner of the Project Facility), including but not limited to (1) applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (2) restrictions, conditions or other requirements applicable to any permits, licenses or other governmental authorizations issued with respect to the foregoing, and (3) judgments, decrees or injunctions issued by any court or other judicial or quasi-judicial Governmental Authority.

"Approving Resolution" means the resolution duly adopted by the Agency on May 10, 2010 authorizing and directing the undertaking and completion of the Project and the execution and delivery of the Basic Documents to which the Agency is a party.

"Authorized Representative" means the person or persons at the time designated to act in behalf of the Agency or the Company, as the case may be, by written certificate furnished to the Agency or the Company, as the case may be, containing the specimen signature of each such person and signed on behalf of (A) the Agency by its Chairman or Vice Chairman or such other person as may be authorized by resolution of the members of the Agency to act on behalf of the Agency, and (B) the Company by its President or any Vice President or its Secretary or such other person as may be authorized in writing by the President or any Vice President or the board of directors of the Company to act on behalf of the Company.

"Basic Documents" means the Underlying Lease, the Bill of Sale to Agency, the Lease Agreement and the Payment in Lieu of Tax Agreement, and all other instruments and documents related thereto and executed in connection therewith, and any other instrument or document supplemental thereto, each as amended from time to time.

"Bill of Sale to Agency" means the bill of sale delivered on the Closing Date from the Company to the Agency conveying all of the Company's interest in the Equipment to the Agency.

"Bill of Sale to Company" means the bill of sale from the Agency to the Company conveying all of the Agency's interest in the Equipment to the Company, substantially in the form attached as Exhibit "C" to the Lease Agreement.

"Business Day" means a day on which banks located in the City of Cortland, New York are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Closing" means the closing at which the Basic Documents are executed and delivered by the Company and the Agency.

"Closing Date" means the date of the Closing.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Treasury Department promulgated thereunder.

"Company" means Pyrotek Incorporated, a business corporation duly organized and existing under the laws of the State of Washington and duly authorized to do business in the State of New York, and its successors and assigns, to the extent permitted pursuant to Section 8.4 of the Lease Agreement.

"Completion Date" means the earlier to occur of (A) January 31, 2027, or (B) such date as shall be certified by the Company to the Agency as the date of completion of the Project pursuant to Section 4.2 of the Lease Agreement, or (C) such earlier date as shall be designated by written communication from the Company to the Agency as the date of completion of the Project.

"Condemnation" means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any Governmental Authority.

"Default Interest Rate " means a per annum rate of interest equal to twelve percent (12%) per annum, or the maximum rate of interest permitted by law, whichever is less.

"Equipment" means all equipment, fixtures, machines, building materials and items of personal property and all appurtenances intended to be acquired in connection with the completion of the Project prior to the Completion Date with the proceeds of any payment made by the Company pursuant to Section 4.1(H) of the Lease Agreement, and such substitutions and replacements therefor as may be made from time to time pursuant to the Lease Agreement, including without limitation, all the Property described in Exhibit "B" attached to the Lease Agreement.



"Event of Default" means, with respect to any particular Basic Document, any event specified as an Event of Default pursuant to the provisions thereof.

"Facility" means the renovation of an existing structure containing approximately 140,000 square feet of space on the Facility Parcel as part of the Project and any other improvements on the Land.

"Facility Parcel" means the portion of the Land as the site for the Facility, as more particularly described on Exhibit "A" attached to the Lease Agreement.

"Facility Premises" means the Facility and the Facility Parcel.

"Facility Term" shall have the meaning assigned to such term in Section 3.2 of the Underlying Lease.

"Final Inducement Resolution" means the resolution of the Agency adopted by the members of the Agency on May 10, 2010 finalizing the Preliminary Inducement Resolution and approving the Project.

"Financial Assistance" shall have the meaning assigned to such term in the fifth recital clause to the Lease Agreement.

"Governmental Authority" means the United States of America, the State, any other state and any political subdivision thereof, and any agency, department, commission, court, board, bureau or instrumentality of any of them.

"Gross Proceeds" means one hundred percent (100%) of the proceeds of the transaction with respect to which such term is used, including, but not limited to, the settlement of any insurance or Condemnation award.

"Hazardous Materials" shall mean all hazardous materials including, without limitation, any flammable explosives, radioactive materials, radon, asbestos, urea formaldehyde foam insulation, polychlorinated byphenyls, petroleum, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials as set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S. C. Sections 6901, et seq.), Articles 15 or 27 of the State Environmental Conservation Law, or in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule or regulation.

"Indebtedness" means (1) the monetary obligations of the Company to the Agency and its members, officers, agents, servants and employees under the Lease

Agreement and the other Basic Documents, and (2) all interest accrued on any of the foregoing.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and not a full-time employee of the Company or the Agency.

"Land" means the land located at 641 State Route 13 in the Town of Cortlandville, Cortland County, New York, as more particularly described on Exhibit "A" attached to the Lease Agreement.

"Lease Agreement" means the lease agreement dated as of February 1, 2011 by and between the Agency, as landlord, and the Company, as tenant, pursuant to which, among other things, the Agency has leased the Project Facility to the Company, as said lease agreement may be amended or supplemented from time to time.

"Lien" means any interest in Property securing an obligation Owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or a judgment against the Company. The term "Lien" includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics', materialmen's, warehousemen's and carriers' liens and other similar encumbrances affecting real property. For purposes of the Basic Documents, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Net Proceeds" means so much of the Gross Proceeds with respect to which that term is used as remain after payment of all fees for services, expenses, costs and taxes (including attorneys' fees) incurred in obtaining such Gross Proceeds.

"Payment in Lieu of Tax Agreement" means the payment in lieu of tax agreement dated as of February 1, 2011 by and between the Agency and the Company, pursuant to which the Company has agreed to make payments in lieu of taxes with respect to the Facility and the Facility Parcel, as such agreement may be amended or supplemented from time to time.

"Permitted Encumbrances" means (A) utility, access and other easements, rights of way, restrictions, encroachments and exceptions that exist on the Closing Date and benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B) mechanics', materialmen's, warehousemen's, carriers' and other similar Liens, to the extent permitted by Section 8.8 of the Lease Agreement, (C) Liens for taxes, assessments and utility charges, to the

extent permitted by Section 6.2(B) of the Lease Agreement, (D) any Lien on the Project Facility obtained through any Basic Document, and (E) any Lien requested by the Company in writing and consented to by the Agency, which consent shall not be unreasonably withheld or delayed.

"Person" means an individual, partnership, corporation, trust, unincorporated organization or Governmental Authority.

"Plans and Specifications" means the description of the Project appearing in the fifth recital clause to the Lease Agreement.

"Preliminary Agreement" means the preliminary agreement dated as of March 8, 2010 between the Agency and the Company with respect to the Project.

"Preliminary Inducement Resolution" means the resolution adopted by the members of the Agency on March 8, 2010 offering to consider undertaking the Project, authorizing a Public Hearing pursuant to Section 859-a of the Act, and authorizing the Agency to execute and deliver the Preliminary Agreement.

"Prime Rate" means a per annum rate of interest equal to the highest "prime rate" of interest quoted, from time to time, in the Money Rates column of the Wall Street Journal as the "base rate on corporate loans at large U.S. money center commercial banks", provided, however, that in the event that the Wall Street Journal does not publish the National Prime Rate, the Prime Rate shall be the per annum rate of interest quoted as the "Bank Prime Loan Rate" for "this week" in Statistical Release H.15(519) published from time to time by the Board of Governors of the Federal Reserve System calculated on actual days elapsed in a year of 360 days, such rate to be adjusted each Business Day based on the Prime Rate as reported for the previous Business Day. Any provisions to the contrary notwithstanding, in no event shall the Prime Rate be established beyond the maximum rate allowed by law.

"Project" means the project undertaken by the Agency consisting of (A) (1) the acquisition of a leasehold interest in the Facility Parcel, (2) the renovation of the Facility on the Facility Parcel, and (3) the acquisition and installation therein and thereon of the Equipment, all of the foregoing to constitute an office building to be operated by the Company and occupied in part by the Company and in part by tenants providing related services; (B) the granting of certain Financial Assistance with respect to the foregoing, and (C) the lease of the Project Facility to the Company pursuant to the Lease Agreement.

"Project Facility" means the Facility Parcel, the Facility and the Equipment.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Real Property Tax Exemption Form" means a New York State Board of Real Property Services Form RP-412-a.

"Sales Tax Exemption Letter" shall have the meaning assigned to such term in Section 8.12 of the Lease Agreement.

"SEQRA" means Article Eight of the Environmental Conservation Law of the State and the statewide regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York.

"State" means the State of New York.

"Termination of Lease Agreement" means a termination of lease agreement by and between the Company, as tenant, and the Agency, as landlord, intended to evidence the termination of the lease agreement, substantially in the form attached as Exhibit "I" to the Lease Agreement.

"Termination of Underlying Lease" means the termination of the underlying lease by and between the Agency and the Company, substantially in the form attached as Exhibit "J" to the Lease Agreement.

"Underlying Lease" means the lease to agency dated as of February 1, 2011 by and between the Company, as landlord, and the Agency, as tenant, pursuant to which the Company has leased the Facility Premises to the Agency, as said lease to agency may be amended or supplemented from time to time.

SECTION 1.2. INTERPRETATION. In this Underlying Lease, unless the context otherwise requires:

(A) The terms "hereby", "hereof", "herein", "hereunder" and any similar terms as used in this Underlying Lease, refer to this Underlying Lease, and the term "heretofore" shall mean before, and the term "hereafter" shall mean after, the date of this Underlying Lease.

(B) Words of masculine gender shall mean and include correlative words of feminine and neuter genders.

(C) Words importing the singular number shall mean and include the plural number, and vice versa.

(D) Any headings preceding the texts of the several Articles and Sections of this Underlying Lease, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall neither constitute a part of this Underlying Lease nor affect its meaning, construction or effect.

(E) Any certificates, letters or opinions required to be given pursuant to this Underlying Lease shall mean a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Underlying Lease.

## **ARTICLE II REPRESENTATIONS AND WARRANTIES**

**SECTION 2.1. REPRESENTATIONS AND WARRANTIES OF THE AGENCY.** The Agency makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(A) The Agency is duly established under the provisions of the Act and has the power to enter into this Underlying Lease and to carry out its obligations hereunder.

(B) Neither the execution and delivery of this Underlying Lease nor the consummation of the transactions contemplated hereby will conflict with or result in a breach by the Agency of any of the terms, conditions or provisions of the Act, the By-Laws of the Agency or any order, judgment, agreement or instrument to which the Agency is a party or by which the Agency is bound, or will constitute a default by the Agency under any of the foregoing.

**SECTION 2.2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.** The Company makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(A) The Company is a business corporation duly organized and validly existing under the laws of the State of Washington, is duly authorized and qualified to do business in the State of New York and all other jurisdictions in which its operations or ownership of Properties so require, and has the power to enter into this Underlying Lease and carry out its obligations hereunder and has been duly authorized to execute this Underlying Lease. This Underlying Lease and the transactions contemplated hereby have been duly authorized by all necessary action on the part of the board of directors and shareholders of the Company.

(B) Neither the execution and delivery of this Underlying Lease, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the provisions of this Underlying Lease will (1) conflict with or result in a breach of any of the terms, conditions or provisions of the certificate of incorporation or by-laws of the Company or any order, judgment, agreement or instrument to which the Company is a party or by which the Company is bound, or constitute a default under any of the foregoing, or (2) result in the creation or imposition of any Lien of any nature upon any Property of the Company other than pursuant to the Basic Documents, or (3) require consent (which has not been heretofore received) under any corporate restriction, agreement or instrument to which the Company is a party or by which the Company or any of its Property may be bound or affected, or (4) require consent (which

has not been heretofore received) under, conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court (domestic or foreign) having jurisdiction over the Company or any of the Property of the Company.

### **ARTICLE III LEASE PROVISIONS**

**SECTION 3.1. LEASE.** (A) The Company hereby demises and leases to the Agency, and the Agency hereby hires and leases from the Company, the Facility Parcel, as said Facility Parcel is more particularly described on Exhibit "A" attached hereto and the improvements now and hereafter located thereon, including the Facility (the Facility Parcel, the Facility and said improvements being sometimes collectively referred to as the "Facility Premises") for the term set forth in Section 3.2 hereof. The Facility Premises are intended to include (1) all buildings and improvements located on the Facility Parcel, (2) any strips or gores of land adjoining the Facility Parcel, (3) any land lying in the bed of any street or avenue abutting the Facility Parcel, to the centerline thereof, and (4) a non-exclusive right to use any easements or other rights in adjoining property inuring to the Company by reason of the Company's ownership of the Facility Parcel.

(B) It is the intention of the Company and the Agency that the Agency shall hold leasehold title to the entire Facility Premises. Accordingly, leasehold title to the Facility and any other improvements hereinafter constructed by the Agency and for the Company on the Facility Parcel shall vest in the Agency or its successors and assigns as and when the same are constructed thereon.

**SECTION 3.2. TERM.** (A) The term of this Underlying Lease (the "Facility Term") shall commence as of the dated date hereof and shall expire on the earlier to occur of (1) January 31, 2027, or (2) so long as neither the Lease Agreement nor the Company's right of possession as lessee thereunder shall have been terminated by the Agency pursuant to Article X thereof, the termination of the term of the Lease Agreement.

(B) So long as neither the Lease Agreement nor the Company's right of possession thereunder shall have been terminated by the Agency pursuant to Article X thereof, upon any termination of this Underlying Lease, the Company shall prepare and the Agency will execute and deliver to the Company such instruments as the Company shall deem appropriate to evidence the release and discharge of this Underlying Lease.

**SECTION 3.3. RENT.** The rent payable by the Agency under this Underlying Lease shall be one dollar (\$1.00) and other good and valuable consideration, receipt of which is hereby acknowledged by the Company.

**SECTION 3.4. USE; LEASE AGREEMENT; NON-MERGER.** (A) So long as neither the Lease Agreement, nor the Company's right of possession as lessee thereunder, have been terminated by the Agency pursuant to Article X thereof, the Agency shall (1)

hold and use the Facility Premises only for lease to the Company under the Lease Agreement and (2) shall not sell or assign its rights hereunder nor the leasehold estate hereby created, except as provided in the Lease Agreement.

(B) Contemporaneously with the execution and delivery of this Underlying Lease, the Agency is entering into the Lease Agreement, pursuant to which the Company as agent of the Agency agrees to undertake and complete the Project and the Agency agrees, upon completion of the Project, to lease (with an obligation to purchase) the Project Facility to the Company. Pursuant to the Lease Agreement, the Company, as tenant of the Project Facility under the Lease Agreement, is required to perform all of the Agency's obligations under this Underlying Lease. Accordingly, and notwithstanding anything to the contrary contained in this Underlying Lease, the Company shall not be entitled to declare a default hereunder or exercise any rights or remedies hereunder if any asserted default by the Agency hereunder relates to a failure by the Company, as tenant of the Project Facility under the Lease Agreement, to perform its corresponding obligations under the Lease Agreement.

(C) Notwithstanding the lease of the Project Facility by the Agency to the Company pursuant to the Lease Agreement, during the term of this Underlying Lease, there shall be no merger of this Underlying Lease nor of the leasehold estate created by this Underlying Lease with the fee estate in the Facility Premises or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly, (1) this Underlying Lease or the leasehold estate created by this Underlying Lease or any interest in this Underlying Lease or in any such leasehold estate and (2) the fee estate in the Facility Premises or any part thereof or any interest in such fee estate, and no such merger shall occur unless and until all corporations, firms and other entities, including any mortgagee having any interest in (x) this Underlying Lease or the leasehold estate created by this Underlying Lease and (y) the fee estate in the Facility Premises or any part thereof or any interest in such fee estate, shall join in a written instrument effecting such merger and shall duly record the same.

(D) Upon any termination of the Lease Agreement or the Company's rights of possession as lessee thereunder pursuant to Article X thereof, the Agency may use the Premises for any lawful purpose, may sell or assign its rights hereunder or the leasehold estate hereby created to any Person or Persons without the consent of the Company, and may enter upon the Premises for purpose of taking possession thereof.

**SECTION 3.5. ADDITIONS, ALTERATIONS AND IMPROVEMENTS.** Subject to the provisions of the Lease Agreement, the Company, as agent of the Agency pursuant to the Lease Agreement, shall have the right, from time to time, to make such changes, additions, improvements and alterations, demolition or new construction, structural or otherwise, to the Facility Premises as the Company shall deem necessary or desirable. Title to improvements now located or hereafter constructed upon the Facility Premises, and any modifications, additions, restrictions, repairs and replacements, thereof, shall

be in the Agency during the term of this Underlying Lease, except as otherwise provided in the Lease Agreement.

**SECTION 3.6. ASSIGNMENT.** (A) Neither the Agency nor the Company shall assign or transfer this Underlying Lease, nor sublease the whole or any part of the Property leased hereby, except that the Agency may lease the leasehold interest created hereunder to the Company pursuant to the Lease Agreement. The Agency may enter into the Lease Agreement on the terms provided therein.

(B) Upon the occurrence and continuance of an Event of Default under the Lease Agreement, the Agency shall have the unrestricted right to assign and sublet, from time to time, all or any part of this Underlying Lease and the leasehold estate hereby created, to any one or more Persons. Upon such assignment, the assignee shall thereupon be subrogated to all the rights of the former lessee under this Underlying Lease, whereupon (1) the former lessee shall have no further rights or obligations hereunder and (2) such assignee shall forthwith be obligated to assume and perform each and all of the former lessee's obligations and covenants hereunder.

**SECTION 3.7. POSSESSION; QUIET ENJOYMENT.** (A) Pursuant to the terms of the Lease Agreement, except as otherwise provided therein after the occurrence of an Event of Default thereunder, the Company has the exclusive right to possess and make improvements to the Facility Premises leased hereby.

(B) The Agency, upon paying the rent and observing and keeping all covenants, warranties, agreements and conditions of this Underlying Lease on the Agency's part to be kept, shall quietly have, hold and enjoy the Facility Premises during the Facility Term.

**SECTION 3.8. LIENS.** The Agency shall not, directly or indirectly, create or permit to be created, any mortgage, lien, encumbrance or other charge upon, or pledge of, the Facility Premises or the Agency's interest therein (except for Permitted Encumbrances), without the Company's prior written consent.

**SECTION 3.9 TAXES.** (A) It is recognized that, under the provisions of the Act, the Agency is required to pay no taxes or assessments upon any property acquired by it or under its jurisdiction or control or supervision. Pursuant to the Lease Agreement, the Company has agreed to pay all taxes levied against the Project Facility, including the Facility.

(B) Pursuant to the Lease Agreement and the Payment in Lieu of Tax Agreement, the Agency has agreed to apply for the tax exemptions respecting the Facility Premises to which the Agency may be entitled pursuant to the Act, upon the condition that the Company make certain payments in lieu of taxes respecting the Facility Premises, as more fully set forth in the Lease Agreement and the Payment in Lieu of Tax Agreement.



(C) In the event that (1) title to the Agency's interest in the Facility Premises shall be conveyed to the Company, (2) on the date on which the Company obtains title to the Agency's interest in the Facility Premises, the Facility Premises shall be assessed as exempt upon the assessment roll of any one or more of any taxing entities, and (3) the fact of obtaining title to the Agency's interest in the Facility Premises shall not immediately obligate the Company to make pro rata tax payments pursuant to legislation similar to Chapter 635 of the 1978 Laws of the State (codified as subsection 3 of Section 302 of the Real Property Tax Law and Section 520 of the Real Property Tax Law), the Company shall be obligated to make payments in lieu of taxes to the respective receivers of taxes in amounts equal to those amounts which would be due from the Company as real property taxes with respect to the Facility Premises if the Facility Premises were owned by the Company and not the Agency until the first tax year in which the Company shall appear on the tax rolls of the various taxing entities having jurisdiction over the Facility Premises as the legal owner of record of the Agency's interest in the Facility Premises.

**SECTION 3.10. MAINTENANCE.** Pursuant to the Lease Agreement, during the term of this Underlying Lease, the Company has agreed, at the Company's sole cost and expense, to keep and maintain or cause to be kept and maintained the Facility Premises and all improvements now or hereafter located thereon in good order and condition and make or cause to be made all repairs thereto, interior and exterior, structural and non-structural, ordinary and extraordinary, and foreseen and unforeseen. The Agency will have no responsibility with respect to the foregoing.

**SECTION 3.11. CONDEMNATION.** Subject to the provisions of the Lease Agreement, in the event of a total, substantial or partial taking by eminent domain or for any public or quasi public use under any statute (or voluntary transfer or conveyance to the condemning agency under threat of condemnation), the Agency shall be entitled to its costs and expenses incurred with respect to the Facility Premises (including any unpaid amounts due pursuant to the Basic Documents and the costs of participating in such condemnation proceeding or transfer), and thereafter the Agency shall not participate further in any condemnation award.

#### **ARTICLE IV EVENTS OF DEFAULT AND REMEDIES**

**SECTION 4.1 DEFAULT.** (A) Any one or more of the following events shall constitute an "Event of Default" under this Underlying Lease:

(1) The failure of the Agency (or the Company on behalf of the Agency) to pay the rent due pursuant to this Underlying Lease within fifteen (15) days after notice to the Agency specifying the nature of such default; or

(2) The failure of the Agency (or the Company on behalf of the Agency) to observe and perform any covenant, condition or agreement on its part to be performed (other than as referred to in paragraph (1) above) and continuance of such

failure for a period of thirty (30) days after notice to the Agency specifying the nature of such default; provided that if by reason of the nature of such default the same cannot be remedied within thirty (30) days, failure of the Agency (or the Company on behalf of the Agency) to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence.

(B) Notwithstanding the provisions of Section 4.1(A) hereof, if by reason of force majeure (as hereinafter defined) either party hereto shall be unable, in whole or in part, to carry out its obligations under this Underlying Lease and if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied upon, the obligations under this Underlying Lease of the party giving such notice so far as they are affected by such force majeure, shall be suspended during the continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The suspension of such obligations for such period pursuant to this subsection (B) shall not be deemed an event of default under this Section. The term "force majeure" as used herein shall include, without limitation, acts of God, strikes, lockouts or other industrial disturbances, acts of public, enemies, orders of any kind of government authority or any civil or military authority, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, partial or entire failure of utilities. It is agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the party having difficulty and the party having difficulty shall not be required to settle any strike, lockout or other industrial disturbances by acceding to the demands of the opposing party or parties.

**SECTION 4.2. REMEDIES ON DEFAULT.** Whenever any Event of Default hereunder by one party hereto shall have occurred and be continuing for more than fifteen (15) days after written notice of default by the other party, the other party may enforce the provisions of this Underlying Lease and may enforce and protect its right by a suit or suits in equity or at law for (1) the specific performance of any covenant or agreement contained herein or (2) any other appropriate legal or equitable remedy.

**SECTION 4.3. REMEDIES CUMULATIVE.** No remedy herein conferred upon or reserved to the Agency is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Underlying Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Agency to exercise any remedy reserved to it in this Article IV, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

**SECTION 4.4. AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES.** In the event either party should default under any of the provisions of this Underlying Lease

and the other party should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligations or agreements on the part of the defaulting party herein contained, the defaulting party shall, on demand therefor, pay to the other party the reasonable fees of such attorneys and such other expenses so incurred, whether an action is commenced or not.

**SECTION 4.5. NO ADDITIONAL WAIVER IMPLIED BY ONE WAIVER.** In the event any agreement contained herein should be breached by either party and thereafter such breach be waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

## **ARTICLE V MISCELLANEOUS**

**SECTION 5.1. SURRENDER.** (A) The Agency shall, on the last day of the Facility Term or on the last day of any earlier termination of the Facility Term, surrender and deliver the Facility Premises and all buildings, improvements, alterations, equipment and fixtures located thereon to the possession and use of the Company without delay and in good order, condition and repair, except for reasonable wear and tear.

(B) On the last day of the Facility Term or on the last day of any earlier termination of the Facility Term, title to all buildings, improvements, alterations, equipment located on the Facility Premises shall automatically, and without the need of any further or additional instrument, vest in the Company. Notwithstanding the foregoing, upon the reasonable request of the Company, the Agency shall execute and deliver to the Company an instrument in a form of Exhibit C to the Lease Agreement to be recorded to confirm this vesting of title.

**SECTION 5.2. NOTICES.** (A) All notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when (1) sent to the applicable address stated below by registered or certified mail, return receipt requested, or by such other means as shall provide the sender with documentary evidence of such delivery, or (2) delivery is refused by the addressee, as evidenced by an affidavit of the Person who attempted to effect such delivery.

(B) The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

**IF TO THE COMPANY:**

Pyrotek Incorporated  
641 Route 13 South  
Cortland, New York 13045  
Attn: Facility Manager

WITH A COPY TO:

Pyrotek Incorporated  
9601 E. Montgomery Avenue  
Spokane Valley, Washington 99206  
Attn: Emma Thompson, Esq., Corporation Counsel

IF TO THE AGENCY:

Cortland County Industrial Development Agency  
37 Church Street  
Cortland, New York 13045  
Attn: Executive Director

WITH A COPY TO:

Menter, Rudin & Trivelpiece, P.C.  
308 Maltbie Street  
Suite 200  
Syracuse, New York 13204  
Attn: John P. Sidd, Esq.

(C) The Agency or the Company may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications to the Agency or the Company, as the case may be, shall be sent.

SECTION 5.3. APPLICABLE LAW. This Underlying Lease shall be governed exclusively by the applicable laws of the State.

SECTION 5.4. BINDING EFFECT. This Underlying Lease shall inure to the benefit of, and shall be binding upon the Agency and the Company and their respective successors and assigns; provided, that, except as provided elsewhere herein, the interest of the Agency in this Underlying Lease may not be assigned, sublet or otherwise transferred without the prior written consent of the Company.

SECTION 5.5. SEVERABILITY. If any one or more of the covenants or agreements provided herein on the part of the Agency or the Company to be performed shall, for any reason, be held or shall, in fact, be inoperative, unenforceable or contrary to law in any particular case, such circumstance shall not render the provision in question inoperative or unenforceable in any other case or circumstance. Further, if any one or more of the phrases, sentences, clauses, paragraphs or sections herein shall be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining provisions hereof and shall in no way affect the validity of the other provisions of this Underlying Lease.

SECTION 5.6. AMENDMENTS, CHANGES AND MODIFICATIONS. This Underlying Lease may not be amended, changed, modified, altered or terminated, except by an instrument in writing signed by the parties hereto.

SECTION 5.7. EXECUTION OF COUNTERPARTS. This Underlying Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 5.8. TABLE OF CONTENTS AND SECTION HEADINGS NOT CONTROLLING. The Table of Contents and the headings of the several Sections in this Underlying Lease have been prepared for convenience of reference only and shall not control, affect the meaning of or be taken as an interpretation of any provision of this Underlying Lease.

SECTION 5.9. NO RECOURSE; SPECIAL OBLIGATION. (A) The obligations and agreements of the Agency contained herein and in the other Basic Documents shall be deemed the obligations and agreements of the Agency, and not of any member, officer, agent (other than the Company) or employee of the Agency in his individual capacity, and the members, officers, agents (other than the Company) and employees of the Agency shall not be liable personally hereon or thereon or be subject to any personal liability or accountability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby.

(B) The obligations and agreements of the Agency contained herein and in the other Basic Documents shall not constitute or give rise to an obligation of the State of New York or Cortland County, New York, and neither the State of New York nor Cortland County, New York shall be liable hereon or thereon and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency payable solely from the revenues of the Agency derived and to be derived from the lease, sale or other disposition of the Project Facility.

(C) No order or decree of specific performance with respect to any of the obligations of the Agency hereunder or under the other Basic Documents shall be sought or enforced against the Agency unless (1) the party seeking such order or decree shall first have requested the Agency in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Agency shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten [10] days, shall have failed to institute and diligently pursue action to cause compliance with such request) or failed to respond within such notice period, (2) if the Agency refuses to comply with such request and the Agency's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Agency an amount or undertaking sufficient to cover such reasonable fees and expenses, and (3) if the Agency refuses to comply with such request and the Agency's refusal to comply is

based on its reasonable expectation that it or any of its members, officers, agents (other than the Company) or employees shall be subject to potential liability, the party seeking such order or decree shall (a) agree to indemnify and hold harmless the Agency and its members, officers, agents (other than the Company) and employees against any liability incurred as a result of its compliance with such demand, and (b) if requested by the Agency, furnish to the Agency satisfactory security to protect the Agency and its members, officers, agents (other than the Company) and employees against all liability expected to be incurred as a result of compliance with such request.

SECTION 5.10. RECORDING. The Agency and the Company agree that this Underlying Lease (or a memorandum thereof) shall be recorded by the Agency in the appropriate office of the County Clerk of Cortland County, New York.

IN WITNESS WHEREOF, the Agency and the Company have caused this Underlying Lease to be executed in their respective names by their respective duly authorized officers and to be dated as of the day and year first above written.

CORTLAND COUNTY INDUSTRIAL  
DEVELOPMENT AGENCY

By:   
Garry VanGorder, Executive Director

PYROTEK INCORPORATED

By:   
Paul A. Rieckers, Chief Financial Officer

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

On the 17<sup>th</sup> day of February, 2011 before me, the undersigned, a notary public in and for said State, personally appeared **Garry VanGorder**, 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 as **Executive Director of Cortland County Industrial Development Agency**, and that by his signature on the instrument, the individual, or the person or entity upon behalf of which the individual acted, executed the instrument.

Sandy L. Griep  
Notary Public

SANDY L. GRIEP  
Notary Public, State of New York  
Registration No. 01GR5006734  
Qualified in Cortland County  
Commission Expires January 11, 2015

STATE OF WASHINGTON )  
COUNTY OF Spokane ) ss.:

On the 14 day of February, 2011 before me, the undersigned, a notary public in and for said State, personally appeared **Paul A. Rieckers**, 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 as **Chief Financial Officer of Pyrotek Incorporated**, and that by his signature on the instrument, the individual, or the person or entity upon behalf of which the individual acted, executed the instrument.

EMMA CLARIE THOMPSON  
Notary Public

EMMA CLARIE THOMPSON  
Notary Public  
State of Washington  
My Commission Expires  
July 10, 2012

## EXHIBIT "A"

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cortlandville, County of Cortland and State of New York, being part of Military Lot #92, and more particularly bounded and described as follows: BEGINNING at a point marked by a #5 rebar with plastic cap stamped "RJ Stockwin/PLS 049012" set in the northwesterly line of NYS Route 13 at the southeasterly corner of lands of Route 13, Inc., reputed owner per deed filed as Instrument #1027448-004, said point being located 2886.25 feet more or less as measured along said northwesterly line of NYS Route 13 from the easterly line of Gracie Road; Thence running along said northwesterly line of NYS Route 13, the following six (6) courses:

1. North 49 degrees, 11 minutes, 39 seconds East a distance of 183.39 feet to a point;
2. North 57 degrees, 43 minutes, 30 seconds East a distance of 101.12 feet to a point;
3. North 47 degrees, 44 minutes, 49 seconds East a distance of 148.84 feet to a point;
4. North 38 degrees, 15 minutes, 47 seconds East a distance of 43.40 feet to a point marked by a concrete monument;
5. North 39 degrees, 47 minutes, 49 seconds East a distance of 66.64 feet to a point;
6. North 47 degrees, 01 minutes, 39 seconds East a distance of 1348.64 feet to a point marked by a #5 rebar with plastic cap stamped "RJ Stockwin/PLS 049012" set in the southwesterly corner of lands of Osbeck, reputed owner per deed filed at Liber 344, page 874;

THENCE running North 20 degrees, 43 minutes, 21 seconds West along the westerly line of said lands of Osbeck, reputed owner, a distance of 113.56 feet to a point marked by a #5 rebar with plastic cap stamped "RJ Stockwin/PLS 049012"; THENCE running South 88 degrees, 12 minutes, 53 seconds West along the southerly line of said lands of Osbeck, reputed owner, a distance of 2046.82 feet to a point marked by a concrete monument found in the northeasterly corner of said lands of Gutches Timberlands, LLC, reputed owner per deed filed as Instrument #1044016-005; THENCE running South 02 degrees, 42 minutes, 11 seconds East along a tree row and fence line marking the easterly line of said lands of Gutches Timberlands, LLC, reputed owner, a distance of 546.12 feet to a point marked by a #5 rebar with plastic cap stamped "RJ Stockwin/PLS 049012" set in the northeasterly corner of said lands of Route 13, Inc., reputed owner; THENCE running South 40 degrees, 48 minutes, 21 seconds East along the easterly line of said lands of Route 13, Inc., reputed owner, a distance of 1024.44 feet to the place of beginning.

Excepting and Reserving: ALL THAT CERTAIN PIECE OR PARCEL OF LAND situate in the Town of Cortlandville, County of Cortland, State of New York, being part of Military Lot No. 92 and being more particularly bounded and described as follows: BEGINNING at a point in the northerly highway boundary of N.Y.S. Route 13 (a.k.a.



Cortland-Dryden Road) at the intersection of the division line between the lands now or formerly Rt. 13, Inc. as described in Instrument No. 1027448-004 on the west and the lands of New Monarch Machine Tool, Inc. as described in Instrument No. 2000-655 on the east; thence North 41 deg. 00 min. 36 sec. West along said division line, a distance of 1023.08 feet to a point on the division line between the said lands of New Monarch Machine Tool, Inc. on the east and the lands now or formerly of Cortland Wood Products, Inc. as described in Instrument No. 1997- 5875 on the west; thence North 02 deg. 54 min. 26 sec. West along said division line, a distance of 546.12 feet to a point on the division line between the said lands of New Monarch Machine Tools, Inc. on the south and the lands now or formerly of Osbeck Realty, Inc. as described in Liber 344 of Deeds at Page 874 on the north; thence North 88 deg. 00 min. 38 sec. East along said division line, a distance of 65.82 feet to a point; thence through the said lands of New Monarch Machine Tools, Inc., the following six (6) courses and distances: 1.) southerly along a curve to the left having a radius of 420.00 feet, length 64.49 feet and chord of South 01 deg. 35 min. 11 sec. West, 64.43 feet to a point; thence 2.) South 02 degrees 48 min. 46 sec. East a distance of 298.73 feet to a point of curvature; thence 3.) southeasterly along a curve to left having a radius of 420.00 feet, length of 283.70 feet and chord of South 22 deg. 09 min. 49 sec. East, 278.33 feet to a point; thence 4.) South 41 deg. 30 min. 52 sec. East a distance of 472.22 feet to a point; thence 5.) South 49 deg. 47 min. 25 sec. East a distance of 111.25 feet to a point; and 6) South 41 deg. 30 min. 42 sec. East a distance of 283.63 feet to a point in the said northerly highway boundary of N.Y.S. Route 13 (a.k.a. Cortland-Dryden Road); thence South 48 deg. 59 min. 19 sec. West along said northerly highway boundary of N.Y.S. Route 13 (a.k.a. Cortland-Dryden Road), a distance of 93.51 feet to the point of beginning.