

MATTHEW T MCDONOUGH
CHIEF EXECUTIVE OFFICER

FORM APPLICATION FOR FINANCIAL ASSISTANCE

MAY 18, 2018

DATE: ~~April 30, 2018~~

APPLICATION OF: D'Addario & Company, Inc./NYXL Realty, LLC
Company Name of Beneficial User of Proposed Project
(Not Realty or Special Purpose Entity (SPE) created for liability)

CURRENT ADDRESS: 595 Smith Street
Farmingdale, New York 11735

ADDRESS OF PROPERTY TO RECEIVE BENEFITS: 525 & 535 Smith Street
Farmingdale, New York 11735

Tax Map # District 0100 Section 006.00 Block 01.00 Lot (s) 13 & 14

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Part I: User (Applicant) & Owner Data (if different)**I. User Data (Applicant):**A. User: D'Addario & Company, Inc.Address: 595 Smith StreetFarmingdale, New York 11735Federal Employer ID #: Website: www.daddario.comNAICS Code: 339992

(The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. www.census.gov/cos/www/naics/)

Name of User Officer Certifying Application: Title of Officer: Phone Number: E-mail: **B. Business Type:**Sole Proprietorship Partnership Privately Held Public Corporation Listed on State of Incorporation/Formation: New York**C. Nature of Business:**(e.g., "manufacturer of for industry"; "distributor of ")

Manufacturer of musical instrument accessories; strings for musical instruments, drumsticks, drumheads, reeds and mouthpieces for clarinets and saxophones as well as other accessory products.

D. User Counsel:Firm Name: Forchelli Deegan TerranaAddress: 333 Earle Covington Blvd, Suite 1010Uniondale, New York 11553Individual Attorney: Brian R. Sahn, Esq.Phone Number: 516-248-1700E-mail: bsahn@forchellilaw.com

E. Principal Stockholders, Members or Partners, if any, of the User (5% or more equity):

Name	Percent Owned
James D'Addario & John D'Addario, Jr.	15.5 % each
John D'Addario, Jr. 2012 Family Trust	10%
James D'Addario 2012 Family Trust	10%

F. Has the User, or any subsidiary or affiliate of the User, or any stockholder, partner, member, officer, director or other entity with which any of these individuals is or has been associated with:

- i. ever filed for bankruptcy, been adjudicated bankrupt or placed in receivership or otherwise been or presently is the subject of any bankruptcy or similar proceeding? (if yes, please explain)

No

- ii. been convicted of a felony, or misdemeanor, or criminal offense (other than a motor vehicle violation)? (if yes, please explain)

No

G. If any of the above persons (see "E", above) or a group of them, owns more than 50% interest in the User, list all other organizations which are related to the User by virtue of such persons having more than a 50% interest in such organizations.

Not applicable

H. Is the User related to any other organization by reason of more than a 50% ownership? If so, indicate name of related organization and relationship:

Not applicable

I. List parent corporation, sister corporations and subsidiaries:

Not applicable

D. Are the User and the Owner Related Entities? Yes No

i. If yes, the remainder of the questions in this Part I, Section 2 (with the exception of "F" below) need not be answered if answered for the Owner.

ii. If no, please complete all questions below.

E. Owner's Counsel:

Firm Name: _____

Address: _____

Individual Attorney: _____

Phone Number: _____ E-mail: _____

F. Principal Stockholders or Partners, if any (5% or more equity):

Name	Percent Owned
D'Addario & Company, Inc.	100%
_____	_____
_____	_____

G. Has the Owner, or any subsidiary or affiliate of the Owner, or any stockholder, partner, officer, director or other entity with which any of these individuals is or has been associated with:

i. ever filed for bankruptcy, been adjudicated bankrupt or placed in receivership or otherwise been or presently is the subject of any bankruptcy or similar proceeding? (if yes, please explain)

ii. been convicted of a felony or criminal offense (other than a motor vehicle violation)? (if yes, please explain)

H. If any of the above persons (see "F", above) or a group of them, owns more than 50% interest in the Owner, list all other organizations which are related to the Owner by virtue of such persons having more than a 50% interest in such organizations.

I. Is the Owner related to any other organization by reason of more than a 50% ownership? If so, indicate name of related organization and relationship:

J. List parent corporation, sister corporations and subsidiaries:

K. Has the Owner (or any related corporation or person) been involved in or benefited by any prior industrial development financing in the municipality in which this project is located, whether by this agency or another issuer? (Municipality herein means city, town or village, or if the project is not in an incorporated city, town or village, the unincorporated areas of the county in which it is located.) If so, explain in full:

L. List major bank references of the Owner:

Part II – Operation at Current Location

1. Current Location Address: 595 Smith Street, Farmingdale, New York 11735

2. Owned or Leased: Owned

3. Describe your present location (acreage, square footage, number of buildings, number of floors, etc.):

The location is a two story building that sits on approximately 4 acres.

4. Type of operation (manufacturing, wholesale, distribution, retail, etc.) and products and/or services:

The location houses our string manufacturing operation and also office staff/personnel.

5. Are other facilities or related companies of the Applicant located within the State?

Yes No

A. If yes, list the Address: 590 Smith Street, 540 Smith Street and 99 Marcus Drive

6. If yes to above ("5"), will the completion of the project result in the removal of such facility or facilities from one area of the state to another OR in the abandonment of such facility or facilities located within the State? Yes No

A. If no, explain how current facilities will be utilized: D'Addario intends to construct a facility at the 525/535 site that will house its drumhead manufacturing operation as well as certain other percussion accessories that are currently made at our 540 Smith Street facility. D'Addario intends to purchase additional wire drawing machines and increase its wire production at the 540 Smith Street facility with the space gained from moving our drumhead and percussion manufacturing operations to the new 525/535 site. Our operations in 590 Smith Street will continue as currently constituted. Lastly, our warehouse at 99 Marcus Drive will continue to serve as our logistical and distribution hub.

B. If yes, please indicate whether the project is reasonably necessary for the Applicant to maintain its competitive position in its industry or remain in the State and explain in full:

We believe that expanding our wire drawing and plating capabilities will enhance the quality of the wire used to manufacture our strings, permit D'Addario

to be less reliant on third-party wire suppliers and also buttress our research and development efforts to create new string products. We believe that

similar to our experience when we moved our wire mill from Massachusetts to Long Island several years ago, which led to the development of our premium

NYXL guitar string, expanding our wire manufacturing capabilities will provide us with a competitive advantage that our competitors do not possess.

7. Has the Applicant actively considered sites in another state? Yes No

A. If yes, please list states considered and explain: Several years ago, representatives from Nevada, North Carolina, South Carolina, Pennsylvania and one other state encouraged D'Addario to relocate their operations and corporate office to their respective jurisdictions. D'Addario decided to remain in the Town of Babylon based on the benefits awarded to it by the Town of Babylon IDA.

8. Is the requested financial assistance reasonably necessary to prevent the Applicant from moving out of New York State? Yes No

A. Please explain: The requested financial assistance will allow D'Addario to further expand its manufacturing operations and capabilities in the Town of Babylon. The approvals sought from the IDA will ensure that the currently vacant properties are occupied by D'Addario for at least the next 12 years. This alone, together with the improvements to be made by D'Addario, will remove two blighted and empty properties from the Smith Street location and will ensure D'Addario's continued role as a major employer in the Town of Babylon. If D'Addario is not able to obtain the financial assistance from the IDA which it will be requesting, it would not proceed with the purchase of the properties.

9. Number of full-time employees at current location and average salary: _____

Approximately 826 on the D'Addario campus. Average salary is approximately \$48,360.

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Part III – Project Data**1. Project Type:****A. What type of transaction are you seeking?: (Check one)**

Straight Lease Taxable Bonds Tax-Exempt Bonds
 Equipment Only Straight Lease

B. Type of benefit(s) the Applicant is seeking: (Check all that apply)

Sales Tax Exemption Mortgage Recording Tax Exemption
 Real Property Tax Abatement:

2. Location of project:

A. Street Address: 525 & 535 Smith Street, Farmingdale, New York 11735

B. Tax Map: District 0100 Section 006.00 Block 01.00 Lot(s) 013.000 and 014.000

C. Municipal Jurisdiction:

- i. Village: N/A
 ii. School District: Half Hollow Hills
 iii. Library: Half Hollow Hills

D. Acreage: 1.87

3. Project Components (check all appropriate categories):

- A. Construction of a new building Yes No
 i. Square footage: _____
- B. Renovations of an existing building Yes No
 i. Square footage: 525 Smith-21,896 + 535 Smith-18,892
- C. Demolition of an existing building Yes No
 i. Square footage: 535 Smith-6845
- D. Land to be cleared or disturbed Yes No
 i. Square footage/acreage: 40,758
- E. Construction of addition to an existing building Yes No
 i. Square footage of addition: Connection-3300
 ii. Total square footage upon completion: 37,243
- F. Acquisition of an existing building Yes No
 i. Square footage of existing building: 21,896+25,737

G. Installation of machinery and/or Equipment Yes No

i. List principal items or categories of equipment to be acquired: As previously noted, we are moving our drumhead and percussion accessories manufacturing to the 525/535 site. With respect to equipment, which shall be acquired or built, the items include, but are not limited to, the following: a polymer processing line, winding machines, wire wrap machinery, coating equipment, a differential scanning calorimeter, tension testers, high magnification microscopes and the relocation of our injection molding machines and nylon extruder to the site.

4. Current Use at Proposed Location:

A. Does the Applicant currently hold fee title to the proposed location?

i. If no, please list the present owner of the site: 525-535 Smith, LLC

B. Present use of the proposed location: The present site is currently vacant.

C. Is the proposed location currently subject to an IDA transaction (whether through this Agency or another?) Yes No

i. If yes, explain: _____

D. Is there a purchase contract for the site? (if yes, attach): Yes No

E. Is there an existing or proposed lease for the site? (if yes, attach): Yes No

5. Proposed Use:

A. Describe the specific operations of the Applicant or other users to be conducted at the project site: As noted above, the proposed site will allow D'Addario to house D'Addario's percussion and drumhead manufacturing

capabilities as we expand our wire drawing and plating capabilities at 540 Smith Street. Such an expansion will enhance D'Addario's string making capabilities

and also allow for D'Addario to market and sell wire to other string manufacturing companies.

B. Proposed product lines and market demands: Please see response in Section 5A.

C. If any space is to be leased to third parties, indicate the tenant(s), total square footage of the project to be leased to each tenant, and the proposed use by each tenant:

Not applicable.

D. Need/purpose for project (e.g., why is it necessary, effect on Applicant's business):

As we discovered when we moved our wire drawing business from Massachusetts to Long Island, the presence of this division here allowed for research and development that resulted in the creation of our premium electric guitar string - NYXL. By relocating our drumhead business to the new site, we can further expand our wire drawing and coating capabilities and become less reliant on outside vendors for various wrap wires and materials that are used to manufacture our guitar strings. Additionally, we believe that the further expansion will also lend itself to additional research and development opportunities.

E. Will any portion of the project be used for the making of retail sales to customers who personally visit the project location? Yes No

i. If yes, what percentage of the project location will be utilized in connection with the sale of retail goods and/or services to customers who personally visit the project location? _____

6. Project Work:

A. Has construction work on this project begun? If yes, complete the following:

- i. Site Clearance: Yes No % Complete _____
- ii. Foundation: Yes No % Complete _____
- iii. Footings: Yes No % Complete _____
- iv. Steel: Yes No % Complete _____
- v. Masonry: Yes No % Complete _____
- vi. Other: N/A _____

B. What is the current zoning? GA Industrial

C. Will the project meet zoning requirements at the proposed location?

Yes No

D. If a variance or change of zoning is required, please provide the details/status of the variance or change of zone request:

N/A

E. Have site plans been submitted to the appropriate planning department? Yes No

7. Project Completion Schedule:

A. What is the proposed commencement date for the acquisition and the construction/renovation/equipping of the project?

i. **Acquisition:** On or about June 3, 2018

ii. **Construction/Renovation/Equipping:** On or about August 3, 2018

B. Provide an accurate estimate of the time schedule to complete the project and when the first use of the project is expected to occur: It is anticipated that the construction will be completed on or about

March 31, 2019. It is believed that our drumhead and percussion accessories manufacturing will be relocated, and

operational, within approximately 60 days thereafter.

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Part IV – Project Costs and Financing**1. Project Costs:**

- A. Give an accurate estimate of cost necessary for the acquisition, construction, renovation, improvement and/or equipping of the project location:

<u>Description</u>	<u>Amount</u>
Land and/or building acquisition	\$ <u>5,098,500</u>
Building(s) demolition/construction	\$ <u>645,000</u>
Building renovation	\$ <u>1,574,000</u>
Site Work	\$ <u>100,000</u>
Machinery and Equipment	\$ <u>2,750,000 (approx. \$2.5M for 540 Smith)</u>
Legal Fees	\$ <u>100,000</u>
Architectural/Engineering Fees	\$ <u>100,000</u>
Financial Charges	\$ <u>0</u>
Other (Specify)	\$ <u>Contingency-266,900</u>
Total	\$ <u>10,634,400</u>

2. Method of Financing:

	<u>Amount</u>	<u>Term</u>
A. Tax-exempt bond financing:	\$ <u>N/A</u>	<u> </u> years
B. Taxable bond financing:	\$ <u>N/A</u>	<u> </u> years
C. Conventional Mortgage:	\$ <u>N/A</u>	<u> </u> years
D. SBA (504) or other governmental financing:	\$ <u>N/A</u>	<u> </u> years
E. Public Sources (include sum of all State and federal grants and tax credits):	\$ <u>N/A</u>	
F. Other loans:	\$ <u> </u>	<u> </u> years
G. Owner/User equity contribution:	\$ <u> </u>	<u> </u> years

Total Project Costs \$

- i. What percentage of the project costs will be financed from public sector sources?

N/A

3. **Project Financing:** (**Complete only if Bond Financing is being utilized**)

A. Have any of the above costs been paid or incurred (including contracts of sale or purchase orders) as of the date of this application? Yes No

i. If yes, provide detail on a separate sheet.

B. Are costs of working capital, moving expenses, work in progress, or stock in trade included in the proposed uses of bond proceeds? Give details:

C. Will any of the funds borrowed through Agency Bonds be used to repay or refinance an existing mortgage or outstanding loan? Give details:

D. Has the Applicant made any arrangements for the marketing or the purchase of the bond or bonds? If so, indicate with whom:

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Part V – Project Benefits

1. Mortgage Recording Tax Benefit:

A. Mortgage Amount for exemption (include sum total of construction/permanent/bridge financing):

\$ N/A

B. Estimated Mortgage Recording Tax Exemption (product of Mortgage Amount and current Mortgage Recording Tax Rate):

\$ N/A

2. Sales and Use Tax Benefit:

A. Gross amount of costs for goods and services that are subject to State and local Sales and Use Tax (such amount to benefit from the Agency’s exemption):

\$ 900,000

B. Estimated State and local Sales and Use Tax exemption (product of current State and Local Sales and Use Tax Rate and figure above):

\$ 77,625

C. If your project has a landlord/tenant (owner/user) arrangement, please provide a breakdown of the number in “B” above:

i. Owner: \$ N/A

ii. User: \$ N/A

3. Real Property Tax Benefit:

A. Identify and describe if the project will utilize a real property tax exemption benefit other than the Agency’s PILOT benefit:

N/A

B. Agency PILOT Benefit:

i. Term of PILOT requested: 12 years

ii. Upon acceptance of this application, the Agency staff will create a PILOT schedule and indicate the estimated amount of PILOT Benefit based on anticipated tax rates and assessed valuation and attached such information to Exhibit A hereto. At such time, the Applicant will certify that it accepts the proposed PILOT schedule and requests such benefit to be granted by the Agency.

**** This application will not be deemed complete and final until Exhibit A hereto has been completed and executed.****

Part VI – Employment Data

- List the Applicant's and each users present employment, and estimates of (i) employment at the proposed project location at the end of year one and year two following project completion and (ii) the number of residents of the Labor Market Area* ("LMA") that would fill the full-time and part-time jobs at the end of year second year following completion:

	<u>Present</u>	<u>First Year</u>	<u>Second Year</u>	<u>Residents of LMA</u>
Full-Time	826	N/A	N/A	561
Part-Time**	16	N/A	N/A	9

* The Labor Market Area includes the Town of Babylon, Nassau and Suffolk Counties.

Full-Time Employee shall mean, with respect to an Annual Period, an individual on the payroll of, receiving customary benefits from, and directly employed during such Annual Period by, any Company Group Entity (and excluding any individuals employed by temporary employment or similar agencies) and each of whom works within the Town for any Company Group Entity during such Annual Period on a "full-time basis" (*i.e.*, working at least a 35-hour week, subject to customary vacation, holiday and sick leave).

****Agency converts Part-time staff to Full-Time Equivalent Employee** as follows, with respect to an Annual Period, two (2) individuals on the payroll of, receiving customary benefits from, and directly employed during such Annual Period by, any Company Group Entity (and excluding any individuals employed by temporary employment or similar agencies) and each of whom works within the Town for any Company Group Entity during such Annual Period on a "part-time basis" (*i.e.*, working at least a 20-hour week, subject to customary vacation, holiday and sick leave).

2. Salary and Fringe Benefits:

Category of Jobs to be Retained and Created	Number of Employees	Average Salary or Range of Salary	Average Fringe Benefits or Range of Fringe Benefits
Management	60	\$179,764.23	\$46,713.72
Professional	94	\$84,346.41	\$32,681.27
Administrative	17	\$58,963.40	\$22,213.22
Production	136	\$39,302.67	\$15,702.22
Supervisor	15	\$80,350.54	\$32,140.22
Laborer	520	\$27,794.54	\$11,063.23
Other			

Note: The Agency reserves the right to visit the facility to confirm that job creation numbers are being met.

3. Annualized salary range of jobs to be created in the first two years (see question #1).

FROM \$ N/A TO \$ N/A

4. List the number of *Construction jobs (if applicable) to be created by the Applicants Project.

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>
* Full-Time	<u>N/A</u>	<u> </u>	<u> </u>
** Part-Time	<u>N/A</u>	<u> </u>	<u> </u>

*Construction jobs are defined as full-time equivalents (FTE), or 2,080-hour units of labor (one construction period job equates to one full-time job for 1 year).

**A part-time or temporary job may be considered one job by other models, but would constitute only a fraction of a job. For example, if a laborer or craftsman worked only 3 months on a construction or renovation project (assuming no overtime), that would be considered one-quarter of a job.

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Part VII – Representations, Certifications and Indemnification

1. Is the Applicant in any litigation which would have a material adverse effect on the Applicant’s financial condition? (if yes, furnish details on a separate sheet)

Yes No

2. Has the Applicant or any of the management of the Applicant, the anticipated users or any of their affiliates, or any other concern with which such management has been connected, been cited for a violation of federal, state or local laws or regulations with respect to:

- a. Labor practices,
(with respect to workers and/or their working conditions and/or their wages, including but not limited to pending or threatened labor strikes, hand billing, consumer boycotts, mass demonstrations or other similar incidents; unfair labor practices complaints; incurred, or potentially incurred, liability including withdrawal liability with respect to an employee benefit plan, including a pension plan; any complaints, claims, proceedings or litigation arising from alleged discrimination in the hiring, firing, promoting, compensating or general treatment of employees. Please consider "discrimination" to include sexual harassment.)

Yes No (If yes, furnish details on a separate sheet)

- b. hazardous wastes, environmental pollution,

Yes No (If yes, furnish details on a separate sheet)

- c. other operating practices

Yes No (If yes, furnish details on a separate sheet)

3. Is there a likelihood that the Applicant would not proceed with this project without the Agency’s assistance? (If yes, please explain why; if no, please explain why the Agency should grant the benefits requested)

Yes No

As noted in our purchase contract, IDA benefits are essential to this purchase. The benefits previously received from the IDA have enabled D’Addario to not only grow our business but, more importantly, retain our footprint here on Long Island. In order to remain competitive in our industry, and help manage costs, these benefits are an essential aspect of our expansion plans.

4. If the Applicant is unable to obtain financial assistance from the Agency for the project, what would be the impact on the Applicant and on the municipality?

The impact on the municipality is that the blighted, empty buildings will continue to exist within the Town of Babylon. With respect to the sales tax exemption, the savings achieved on approximately construction and equipment purposes is money that can be re-purposed for other legitimate business purposes. Finally, and as most people understand, it is a challenge to run a business here on Long Island. The real estate tax abatement savings will assist reduce D’Addario’s expenses and, as previously noted, allow us to use these monies and further grow our business which, of course, keeps us as a viable business and employer here in the Town of Babylon.

5. The Applicant understands and agrees that the provisions of Section 862(1) of the New York General Municipal Law, as provided below, will not be violated if financial assistance is provided for the proposed project:

§ 862. Restrictions on funds of the agency. (1) No funds of the agency shall be used in respect of any project if the completion thereof would result in the removal of an industrial or manufacturing plant of the project occupant from one area of the state to another area of the state or in the abandonment of one or more plants or facilities of the project occupant located within the state, provided, however, that neither restriction shall apply if the agency shall determine on the basis of the application before it that the project is reasonably necessary to discourage the project occupant from removing such other plant or facility to a location outside the state or is reasonably necessary to preserve the competitive position of the project occupant in its respective industry.

Initial JB

6. The Applicant understands and agrees that in accordance with Section 858-b(2) of the General Municipal Law, except as otherwise provided by collective bargaining agreements, new employment opportunities created as a result of the project will be listed with the New York State Department of Labor, Community Services Division and with the administrative entity of the service delivery area created pursuant to the Job Training Partnership Act (PL 97-300) in which the project is located (collectively, the "Referral Agencies"). The Applicant also agrees, that it will, except as otherwise provided by collective bargaining contracts or agreements to which they are parties, first consider for such new employment opportunities persons eligible to participate in federal job training partnership programs who shall be referred by the Referral Agencies

Initial JB

7. The Applicant confirms and acknowledges that the owner, occupant, or operator receiving financial assistance for the proposed project is in substantial compliance with applicable local, state and federal tax, worker protection and environmental laws, rules and regulations.

Initial JB

8. The Applicant confirms and acknowledges that the submission of any knowingly false or knowingly misleading information may lead to the immediate termination of any financial assistance and the reimbursement of an amount equal to all or part of any tax exemption claimed by reason of the Agency's involvement the Project.

Initial JB

9. The Applicant confirms and hereby acknowledges that as of the date of this Application, the Applicant is in substantial compliance with all provisions of Article 18-A of the New York General Municipal Law, including, but not limited to, the provision of Section 859-a and Section 862(1) of the New York General Municipal Law.

Initial JB

10. In accordance with Section 862(1) of the New York General Municipal Law the Applicant understands and agrees that projects which result in the removal of an industrial or manufacturing plant of the project occupant from one area of the State to another area of the State or in the abandonment of one or more plants or facilities of the project occupant within the State is ineligible for financial assistance from the Agency, unless otherwise approved by the Agency as reasonably necessary to preserve the competitive position of the project in its respective industry or to discourage the project occupant from removing such other plant or facility to a location outside the State.

Initial JB

11. The Applicant represents and warrants that to the Applicant's knowledge neither it nor any of its affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents is, nor will they become a person or entity with who United States persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control (OFAC) of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List or under any statute, executive order including the September 24, 2001, Executive Order Block Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, or other governmental action and is not and will not assign or otherwise transfer this Agreement to, contract with or otherwise engage in any dealings or transactions or be otherwise associated with such persons or entities.

Initial JB

Initial after receipt and acceptance of Schedule A and Schedule B

12. The Applicant confirms and hereby acknowledges it has received the Agency's fee schedule attached hereto as Schedule A and agrees to pay such fees, together with any expenses incurred by the Agency, including those of Transaction Counsel, with respect to the Facility. The Applicant agrees to pay such expenses and further agrees to indemnify the Agency, its members, directors, employees and agents and hold the Agency and such persons harmless against claims for losses, damage or injury or any expenses or damages incurred as a result of action taken by or on behalf of the Agency in good faith with respect to the project.

Initial JB

13. The Applicant hereby agrees to comply with Section 875 of the General Municipal Law. The Company further agrees that the financial assistance granted to the project by the Agency is subject to recapture pursuant to Section 875 of the Act and the Agency's Recapture Policy, attached hereto as Schedule B.


Initial JB

Part IX – Certification

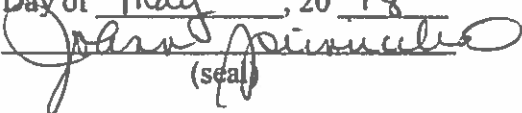
John J. Bucke, Jr. (name of representative of company submitting application) deposes and says that he or she is the General Counsel (title) of D'Addario & Company, Inc., the corporation (company name) named in the attached application; that he or she has read the foregoing application and knows the contents thereof; and that the same is true to his or her knowledge.

Deponent further says that s/he is duly authorized to make this certification on behalf of the entity named in the attached Application (the "Applicant") and to bind the Applicant. The grounds of deponent's belief relative to all matters in said Application which are not stated upon his/her personal knowledge are investigations which deponent has caused to be made concerning the subject matter this Application, as well as information acquired by deponent in the course of his/her duties in connection with said Applicant and from the books and papers of the Applicant.

As representative of the Applicant, deponent acknowledges and agrees that Applicant shall be and is responsible for all costs incurred by the Town of Babylon Industrial Development Agency (hereinafter referred to as the "Agency") in connection with this Application, the attendant negotiations and all matters relating to the provision of financial assistance to which this Application relates, whether or not ever carried to successful conclusion. If, for any reason whatsoever, the Applicant fails to conclude or consummate necessary negotiations or fails to act within a reasonable or specified period of time to take reasonable, proper, or requested action or withdraws, abandons, cancels or neglects the application or if the Applicant is unable to find buyers willing to purchase the total bond issue required, then upon presentation of invoice, Applicant shall pay to the Agency, its agents or assigns, all actual costs incurred with respect to the application, up to that date and time, including fees to bond or transaction counsel for the Agency and fees of general counsel for the Agency. Upon successful conclusion and sale of the transaction contemplated herein, the Applicant shall pay to the Agency an administrative fee set by the Agency in accordance with its fee schedule in effect on the date of the foregoing application, and all other appropriate fees, which amounts are payable at closing.



Representative of Applicant

Sworn to me before this 19th
Day of May, 2018

(seal)

JOANN SPINNICCHIA
NOTARY PUBLIC - STATE OF NEW YORK
NO. 01SP6152748
QUALIFIED IN SUFFOLK COUNTY
MY COMMISSION EXPIRES SEPT. 18, 2018

EXHIBIT A

Payments in Lieu of Taxes on the Land and the Buildings:

For the period commencing on the PILOT Commencement Date (hereinafter defined) until the Abatement Termination Date or (ii) the date on which the Agency no longer owns the Facility Realty, the Lessee shall make payment in lieu of real estate taxes (the "PILOT Payments"), as follows:

Definitions

- X =** the then current assessed value of Facility Realty from time to time
- PILOT Commencement Date =** the Taxable Status Date of the Town immediately following the date hereof.
- Normal Tax Due =** those payments for taxes and assessments, other than special ad valorem levies, special assessments and service charges against real property located in the Town of Babylon (including any existing incorporated village or any village which may be or may have been incorporated after the date hereof, within which the Project is wholly or partially located) which are or may be imposed for special improvements or special district improvements, which the Lessee would pay without exemption.
- Tax Year =** the Tax Year of the Town commencing each December 1 and ending the following November 30.

Payment

Tax Year

1	40.0% Normal Tax Due on X
2	45.0% Normal Tax Due on X
3	50.0% Normal Tax Due on X
4	55.0% Normal Tax Due on X
5	60.0% Normal Tax Due on X
6	65.0% Normal Tax Due on X
7	70.0% Normal Tax Due on X
8	75.0% Normal Tax Due on X
9	80.0% Normal Tax Due on X
10	85.0% Normal Tax Due on X
11	90.0% Normal Tax Due on X
12	95.0% Normal Tax Due on X
13 and thereafter	100% Normal Tax Due on X

The tax benefits provided for in this subsection shall be deemed to commence on the PILOT Commencement Date. In no event shall the Lessee be entitled to receive real property tax benefits due to the Project under this agreement for a period longer than the period set forth in the formula immediately above. Notwithstanding the foregoing schedule, the Lessee further covenants and agrees that for any period that the Agency continues to hold title to the Facility after termination, the Lessee shall pay 100% of the Normal Tax Due on X together with any special assessment and services charges relating to the Facility whichever may be imposed for special district improvements in accordance with the provisions of this Section.

Exhibit A - Estimated Net PILOT Exemptions

Tax Savings for property with physical address of:

D'Addario
525 Smith Street
0100-006.00-01.00-014.000
535 Smith Street
0100-006.00-01.00-013.000

Assuming:

Assessed Value of:	44480	
2017-2018 Tax without Exemption		118,192
2017-2018 Tax Rate of:	292.4137	
Rate Increment of:	2.00%	
PILOT number of years	12	
Abatements starting at	60%	

Number of Years	Abatement %	PILOT %	Estimated Taxes To be Paid	Estimated Savings
1	60.0%	40.0%	\$ 60,631	\$ 81,150
2	55.0%	45.0%	68,631	75,850
3	50.0%	50.0%	76,897	70,350
4	45.0%	55.0%	85,468	64,600
5	40.0%	60.0%	94,388	58,550
6	35.0%	65.0%	103,599	52,300
7	30.0%	70.0%	113,177	45,700
8	25.0%	75.0%	123,065	38,850
9	20.0%	80.0%	133,306	31,700
10	15.0%	85.0%	143,947	24,250
11	10.0%	90.0%	154,925	16,500
12	5.0%	95.0%	166,325	8,400
Estimate Taxes to be paid			\$ 1,324,359	
Estimated Savings				\$ 568,200

SCHEDULE A

Agency's Fee Schedule

Application

4/30/2018

D'Addario
 525 Smith Street
 0100-006.00-01.00-014.000
 535 Smith Street
 0100-006.00-01.00-013.000
 Farmingdale NY, 11735 (HHH SD)

Application Fee \$ 1,500

Estimated Public Hearing Notice \$ 800

Straight lease

1.25% of Hard costs + 1% of Est savings

Acquisition	5,098,500	1.25%	\$ 63,730
Renovation, Demo, Site	2,319,000	1.25%	28,990
Machinery & Equip	2,750,000	1.25%	34,375
Arch/Eng & Contigency	366,900	1.25%	4,585
Soft Costs	<u>100,000</u>		

Total Project Costs pg 14 10,634,400

Estimated Savings 1% 6,460

Estimated Closing fee \$ 138,140 \$ 138,140

Total Estimated Fees \$ 140,440

Estimated Savings

Est PILOT		12@60	568,200
Est Mtg Rec	pg 16	0 0.75	-
Est Sales Tax	pg 16	900,000 0.08625	77,625
Estimated Savings			645,825
1% of Estimated Savings			6460

SCHEDULE B

Recapture of Agency Benefits. It is understood and agreed by the parties to this Agreement that the Agency is entering into this Agreement in order to provide financial assistance to the Lessee for the Project and to accomplish the public purposes of the Act. In consideration therefor, the Lessee hereby agrees as follows:

(a)(i) If there shall occur a Recapture Event after the date hereof, the Lessee or the Sublessee shall pay to the Agency as a return of public benefits conferred by the Agency, the following amounts:

(A) one hundred per cent (100%) of the Benefits (as defined below) if the Recapture Event occurs within the first (4) years after the date hereof;

(B) eighty per cent (80%) of the Benefits if the Recapture Event occurs during the fifth (5th) year after the date hereof;

(C) sixty per cent (60%) of the Benefits if the Recapture Event occurs during the sixth (6th) year after the date hereof;

(D) forty per cent (40%) of the Benefits if the Recapture Event occurs during the seventh (7th) year after the date hereof; or

(E) twenty per cent (20%) of the Benefits if the Recapture Event occurs during the eighth (8th) year after the date hereof.

As used in this Section, the term “**Benefits**” shall mean, collectively:

(1) all real estate tax benefits which have accrued to the benefit of the Lessee or the Sublessee commencing from and after the “Commencement Date”, and during the period of time that the Agency is the owner of the Facility, such tax benefits to be computed by subtracting the payments in lieu of taxes paid hereof from those payments which the Lessee or the Sublessee would have been required to pay during the term of this Agreement had the Town determined the amount of such real estate taxes as would be due if the Lessee had been the owner of the Facility Realty during such term; and

(2) all miscellaneous benefits derived from the Agency’s participation in the straight-lease transaction contemplated by this Agreement, including, but not limited to, any exemption from any applicable state or local sales and use tax, mortgage recording tax and filing and recording fees accruing from and after the date hereof.

As used in this Section, the term “Recapture Event” shall mean any of the following events:

(1) The Lessee or the Sublessee shall have liquidated its operations and/or assets (absent a showing of extreme hardship);

(2) The Lessee or the Sublessee shall have ceased all or substantially all of its operations at the Facility (whether by relocation to another facility or otherwise, or whether to another facility either within or outside of the Town) through no force majeure event;

(3) The Lessee or the Sublessee shall have transferred all or substantially all of its employees within the Town to a location outside of the Town through no force majeure event;

(4) The Lessee or the Sublessee shall have subleased all or any portion of the Facility in violation of the limitations imposed hereof, without the prior written consent of the Agency;

(5) The Lessee or the Sublessee shall have sold, leased, transferred or otherwise disposed of all or substantially all of its interest in the Facility; or

(6) Base Employment Reduction Percentage shall be greater than fifteen percent (15%) due to a Relocation Reduction occurring with respect to an Annual Period.

Notwithstanding the foregoing, a Recapture Event shall not be deemed to have occurred if the Recapture Event shall have arisen as a direct, immediate result of (i) a taking or condemnation by governmental authority of all or substantially all of the Facility, or (ii) the inability at law of the Lessee to rebuild, repair, restore or replace the Facility after the occurrence of a Loss Event to substantially its condition prior to such Loss Event, which inability shall have arisen in good faith through no fault on the part of the Lessee or any Affiliate.

(b) The Lessee covenants and agrees to furnish the Agency with written notification upon any Recapture Event or disposition of the Facility or any portion thereof made within twelve (12) years of the Commencement Date, which notification shall set forth the terms of such Recapture Event and/or disposition.

(c) In the event any payment owing by the Lessee or the Sublessee under this Section shall not be paid on demand by the Lessee or the Sublessee, such payment shall bear interest from the date of such demand at the then current interest rate imposed on delinquent payments of real property taxes until the Lessee or the Sublessee shall have paid such payment in full, together with such accrued interest to the date of payment, to the Agency.

(d) The Agency, in its sole discretion, may waive all or any portion of any payment owing by the Lessee or the Sublessee under this Section.

(e) The provisions of this Section shall survive the termination of this Agreement for any reason whatsoever, notwithstanding any provision of this Agreement to the contrary.

On July 24, 2017, an employee, who was standing next to a straightening machine, carelessly placed his gloved left hand into a rotating wheel on the device and incurred several cuts on portions of his left hand. As a result, OSHA reviewed the situation and assessed what was classified as a "serious" violation. The Company subsequently agreed to pay a nominal fine of \$6652 and immediately installed additional safety guarding on all of such machines. This matter has been closed out with OSHA.