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January 29, 2013

County of Rockland Industrial Development Agency
Attn: Steven Porath, Executive Director
Two Blue Hill Plaza, 3rd Floor
P.O. Box 1575
Pearl River, New York 10965

RE: Millennium Pipeline Company – Inducement Letter and Application for Financial Assistance.

Dear Mr. Porath:

We offer this letter on behalf of Millennium Pipeline Company, L.L.C. (the “Company”) in relation to a proposed payment in-lieu-of tax (“PILOT”) agreement on the Company’s natural gas transportation pipeline and special franchise property located in the Town of Ramapo (the “Pipeline”). Enclosed herewith is an original copy of the Company’s Application to the County of Rockland Industrial Development Agency (the “Agency”) for financial assistance in the form of a straight-lease transaction (the “Application”). The Company’s \$500.00 Application fee is also enclosed herewith. The Company’s request for Agency assistance is supported by the Town of Ramapo, the Ramapo Central School District, and Rockland County (the “Involved Tax Jurisdictions”).

The proposed PILOT agreement represents a significant step toward creating certainty for the Company and the Involved Tax Jurisdictions with respect to the property tax obligations of the Pipeline. As the Agency may be aware, the Company sought judicial review of the special franchise values of the Pipeline established by the New York State Department of Taxation and Finance, through its administrative arm, the Office of Real Property Tax Services, for the 2010, 2011 and 2012 assessment rolls (the “Company Proceedings”). The Town of Ramapo sought judicial review of such special franchise values for the 2010 assessment roll and sought to intervene in the Company’s 2011 proceeding (together with the Company Proceedings, the “Special Franchise Litigation”). The special franchise valuations serve as the basis for real property taxes levied on the Pipeline by the Involved Tax Jurisdictions. All parties to the Special Franchise Litigation have determined that any outcome in litigation will not provide sufficient tax liability or revenue certainty to the Company and the Involved Tax Jurisdictions and therefore have agreed to resolve their differences by settling the Special Franchise Litigation (the “Proposed Settlement”). The Proposed Settlement calls for: (1) dismissal of the Special Franchise Litigation as it relates to the Pipeline; (2) compromise of real property tax refunds owed the Company; and (3) prospective payment certainty for the Company and the Involved

Tax Jurisdictions in the form of a proposed PILOT agreement. Accordingly, the Agency's support of the proposed PILOT Agreement is critical to resolution of the Special Franchise Litigation and creating budgeting certainty for the Involved Tax Jurisdictions and tax stability for the Company.

Sections F and G.1.b. of the Application request a cost-benefit analysis. There is no cost to the Agency associated with implementing the PILOT agreement – representatives of all Involved Tax Jurisdictions have agreed to the economic terms of the proposed PILOT agreement – and no further assistance is requested of the Agency. The benefits of supporting the proposed PILOT agreement include resolution of valuation litigation spanning several years, elimination of substantial litigation costs and resource commitments, elimination of a significant portion of potential property tax refunds to the Company from the Involved Tax Jurisdictions, and creation of budgeting certainty for the Involved Tax Jurisdictions and tax stability for the Company.

Section G.1.a. of the Application requests financial statements for the last three years and corporate tax returns for the last three fiscal years. The Company believes financial statements and tax returns would not affect the Agency's review of the Application because the Company is not seeking any assistance from the Agency other than implementation of a proposed PILOT agreement with the Involved Tax Jurisdictions.

Section G.1.d. of the Application requests an identification of the consequences that may follow if financial assistance is not granted. It is anticipated the Company would continue to litigate and pursue full property tax refund entitlement in the Special Franchise Litigation because New York law does not provide an alternate means of creating a legally-enforceable, long-term, fixed-payment tax arrangement. Such an arrangement is the only way the Involved Tax Jurisdictions and the Company can effect the economic terms of the Proposed Settlement. In supporting the proposed PILOT agreement the Involved Tax Jurisdictions have determined that the benefits of the proposed PILOT agreement outweigh the costs and risks associated with continuation of the Special Franchise Litigation.

Section G.1.e. of the Application requests a description of key Company personnel with respect to the Application. John Keith is the Company's Vice President of Finance and its Controller. Gary Kruse is a Company Vice President and its General Counsel.

Section G.1.f. of the Application requests a description of the Company's business. The Company owns, operates and maintains a large diameter pipeline facility spanning New York's Southern Tier, providing consumers in the Northeast with additional natural gas transportation infrastructure to meet the growing demand for clean energy. The Company's pipeline facility extends from Independence in Steuben County, New York to Buena Vista in Rockland County, New York, is supplied by interconnecting upstream pipelines as well as local production and storage fields, serves customers along its route in the Southern Tier, helps meet the energy needs of Northeast markets, and provides a critical supply alternative and price competition for Gulf Coast natural gas for Downstate New York counties including Rockland County. Importantly, the Company maintains its corporate headquarters in Rockland County at One Blue Hill Plaza, Pearl River, New York.

Section C of the Application requests employment information. The Company engages eleven (11) full-time employees in Rockland County. The Company also regularly engages outside contractors for the operation and maintenance of the Pipeline in Rockland County and along the Southern Tier. The Agency's support of the proposed PILOT agreement will help ensure the Company continues a corporate presence and employment in Rockland County.

Section E.4. of the Application requests litigation information. The Company has immaterial civil litigation cases pending that are typical of any corporation. Other than the Special Franchise Litigation, none of the cases relates to this Project or any of the properties associated with this Project.

Attached hereto as Exhibit "A" is a proposed "Project Description" which includes a list of the New York State tax parcel identification numbers for the Pipeline properties that would be covered by the proposed PILOT agreement.

The Company is prepared to meet with representatives of the Agency at the earliest convenience of the parties involved. The Proposed Settlement calls for implementation of the proposed PILOT agreement before the March 1, 2013 taxable status date. The Company was unable to present this Application earlier because the terms of the Proposed Settlement had not yet been agreed upon by the parties, and understands that closing on the proposed PILOT agreement in that timeframe will be difficult. However, the Company believes all parties are motivated to support the process of implementing the proposed PILOT agreement on that timetable as the most important element of effectuating the Proposed Settlement.

Very truly yours,



Matthew S. Moses

cc: John V. Keith (via electronic mail)
Gary A. Kruse, Esq. (via electronic mail)
Sarah Seltzer (via electronic mail)
Peter H. Swartz, Esq. (via electronic mail)

Enclosure

Exhibit “A”

Project Description and
List of New York State Tax Parcel Identification Numbers for Pipeline Property

The project (the “Project”) would consist of: (a) the County of Rockland Industrial Development Agency’s acquisition of a leasehold interest in the Millennium Pipeline Company, L.L.C. (the “Company”) rights, easements, franchises, special franchises, authority and permissions in certain parcels of land and/or in, upon and under the streets, highways and public places in the Town of Ramapo comprising a right-of-way approximately 50 feet wide and 23,047 feet long including the property covered by the New York State tax parcel identification numbers set forth below and located in the Town of Ramapo, Rockland County, New York (the “Land”), together with the improvements presently located thereon collectively constituting an approximately 18,250-foot long, 30-inch diameter natural gas transportation pipeline, an approximately 4,797-foot long, 24-inch diameter natural gas transportation pipeline, and related equipment and facilities (the “Improvements”, and together with the Land, the “Project Facility”), (b) the sublease of the Project Facility to the Company to maintain the operation of the Project Facility in Rockland County, to preserve the competitive position of the Company in the natural gas transportation industry, to preserve permanent private sector jobs of the Company in Rockland County, and to preserve and create budgeting certainty for tax-related revenues of the involved tax jurisdictions, and (c) the grant of “financial assistance” (within the meaning of Section 854(14) of the General Municipal Law) with respect to the foregoing in the form of exemption from real property taxation and a payment in-lieu-of tax (“PILOT”) agreement approved by the involved tax jurisdictions.

New York State Tax Parcel Identification Numbers:

89/500-0-486-0-0-0

09/500-0-490-0-0-0