

**AMENDMENT #1 TO
PAYMENT-IN-LIEU-OF-TAX AGREEMENT**

THIS AMENDMENT #1 TO PAYMENT-IN-LIEU-OF-TAX AGREEMENT dated as of February 1, 2001 is between the ONEIDA COUNTY INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York having its office at 153 Brooks Road, Rome, New York 13441-4105 (the "Agency"), and ALFRED PUBLISHING CO., INC., having its principal office at 16320 Roscoe Boulevard, Suite 100, Van Nuys, California 91406 (the "Company").

WITNESSETH:

The Agency and the Company entered into a Lease Agreement dated as of February 24, 1994 (the "Lease Agreement") with respect to a certain facility consisting of the acquisition of certain real property located at 123 Dry Road in the Town of Whitestown, County of Oneida, New York and the construction of a $\pm 55,000$ square foot building situated thereon, all for the use as a warehouse and related use facility (the "Original Facility");

The Company and the Agency have agreed to revise the description of the Facility to add and include the construction of a $\pm 48,600$ square foot addition and the acquisition and installation of equipment, all for the warehousing of educational music books (collectively, the "Additional Structure") (the Original Facility and the Additional Structure referred to collectively as the "Facility");

The Agency proposes to lease the Additional Structure to the Company, and the Company desires to lease the Additional Structure from the Agency upon the terms and conditions set forth in an Amendment #1 to Lease Agreement dated as of February 1, 2001 (the "Amendment #1 to Lease Agreement") by and between the Agency and the Company; and

The Agency and the Company entered into a Payment-in-Lieu-of-Tax Agreement dated as of February 24, 1994 (the "PILOT Agreement") in order to make provisions for payments in lieu of taxes with respect to the Facility; and

The Agency deems it necessary and proper to amend the PILOT Agreement in order to make provisions for payments-in-lieu-of-taxes and such assessments with respect to the Facility as now defined to add and include the Additional Structure.

NOW THEREFORE, in consideration of the mutual covenants expressed herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. **Description of Facility.** By way of the Amendment #1 to Lease Agreement, the description of the Facility has been revised to add and include the Additional Structure.

2. **Payments In Lieu of Taxes.**

(a) Commencing March 1, 2001, with respect to the Original Facility the Company shall pay to each Taxing Authority as set forth in the PILOT Agreement an amount in lieu of the Exempt Taxes during each Exemption Year equal to:

(i) two-thirds of such taxes from the first through and including the third Exemption Year; and

(ii) one hundred percent of such taxes from the fourth through and including the tenth Exemption Year.

(b) Commencing March 1, 2001, with respect to the Additional Structure, the Company shall pay to each Taxing Authority as set forth in the PILOT Agreement an amount in lieu of the Exempt Taxes during each Exemption Year equal to:

(i) one-third of such taxes from the first through and including the fifth Exemption Year;

(ii) two-thirds of such taxes from the sixth through and including the tenth Exemption Year; and

(iii) one hundred percent of such taxes after the tenth Exemption Year.

(c) The payments in lieu of taxes and similar assessments as set forth in the PILOT Agreement pertaining to the Facility shall remain in full force and effect.

3. **Effect of Amendment.** This Amendment #1 to Payment In Lieu of Tax Agreement serves only to revise the description of the Facility to add and include the Additional Structure and to provide for PILOT payments for the Additional Structure. All terms, conditions, representations and covenants of the PILOT Agreement remain in full force and effect and are hereby restated with respect to the description of the Facility as now defined.

4. **Counterparts.** This Amendment #1 to Payment In Lieu of Tax Agreement may be executed in several counterparts and all so executed shall constitute one Agreement, binding on all the parties hereto even though all the parties are not signatories to the original or to the same counterpart.

5. **Definitions.** All capitalized terms not defined herein shall have the same definitions assigned to them in the PILOT Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this
Amendment #1 to Payment-in-Lieu-of-Tax Agreement as of February 1, 2001.

ONEIDA COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____

Robert R. Calli
Its Chairman

ALFRED PUBLISHING CO., INC.

By: _____

John H. Handlos
Its Vice President of Finance

STATE OF CALIFORNIA)

: ss.:

COUNTY OF

Los Angeles

On the *26th* day of February 2001 before me, the undersigned a notary public in and for said state, personally appeared **John H. Handlos**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

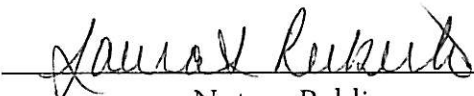


Kathryn M. Delancey
Notary Public

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

On the 28th day of February 2001 before me, the undersigned a notary public in and for said state, personally appeared **Robert R. Calli**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

LAURA S. RUBERTO
Notary Public, State of New York
ONEIDA COUNTY
Commission Expires Aug. 1, 2002



Notary Public

PAYMENT IN LIEU OF TAX AGREEMENT

THIS AGREEMENT, dated as of February 24, 1994 by and between ONEIDA COUNTY INDUSTRIAL DEVELOPMENT AGENCY, a New York public benefit corporation having an office at Oneida County Airport Terminal Building, Oriskany, New York 13423 (the "Agency"), and ALFRED PUBLISHING CO., INC. having an office at 16380 Roscoe Blvd., Van Nuys, CA 91406 (the "Company").

WHEREAS, the Agency is authorized and empowered by the provisions of Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended, (the "Enabling Act"), and Chapter 372 of the 1970 Laws of New York, as amended, constituting Section 901 of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of, among others, industrial facilities for the purpose of promoting, attracting and developing economically sound commerce and industry in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, by resolution adopted October 22, 1993 (the "Resolution"), the Agency indicated its intent: (i) to acquire the Project Facility described in the following paragraph and (ii) to lease (with an obligation to purchase) 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, the Project Facility consists of the acquisition of land (the "Land") located in the Town of Whitestown, County of Oneida, State of New York, as described on Schedule A attached hereto and made a part hereof, and a 55,000 sq. ft. building (the "Facility") constructed on the Land, (the Land and the Facility being hereinafter referred to as the "Project Facility"), all for the use as a warehouse and related use facility; and

WHEREAS, the Agency has agreed to accept title to the Project Facility pursuant to a deed of even date herewith;

WHEREAS, the Agency will simultaneously lease the Project Facility to the Company pursuant to a lease agreement (the "Lease") dated the date hereof by and between the Agency and the Company; and

WHEREAS, the Agency has agreed to accept title to, and execute the Lease of, the Project Facility in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York.

WHEREAS, it is the intention of, and anticipated by, the Agency and the Company that the Project Facility will be exempt from real property taxes, general property taxes, general school district taxes, general assessments, service charges or other governmental charges of a similar nature levied and/or assessed upon the Project Facility or the interest therein of the Company or the occupancy thereof by the Company (the "Exempt Taxes"), commencing March 1, 1994, because the Project Facility is, or will be, under the jurisdiction, supervision and/or control of the Agency and used for a purpose within the meaning of the applicable Constitutional and statutory provisions, including Section 874 of the New York State Industrial Development Agency Act, Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of the State of New York, as amended (the "Enabling Act"), provided, however, such exemption will not extend to special assessments or ad valorem levies; and

WHEREAS, the Company understands that it, as lessee of the Project Facility leased by the Agency, will, in fact, have no Exempt Taxes to pay under the provisions of the Lease from March 1, 1994 through the term of the Lease (the "Exemption Term") (each year measured by the twelve month period commencing with March 1, 1994 herein referred to as an "Exemption Year"); and

WHEREAS, the Agency has indicated a reluctance for the taxing authorities (the "Authorities" or an "Authority") to lose all tax revenues from the Exempt Taxes during the Exemption Term which would otherwise be received by the Authorities if the Project Facility were owned by the Company.

NOW THEREFORE, to provide for certain payments to the Authorities, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. The Company shall pay to each Authority all special assessments and ad valorem taxes coming due and payable during the term of the Lease for which the Project Facility is not exempt, no later than the last day during which such payments may be made without penalty.

2. The Company shall pay to each Authority as set forth on Schedule B attached hereto and made a part hereof an amount in lieu of the Exempt Taxes (the "Pilot Payments") during each Exemption Year equal to (i) one third ($1/3$) of such taxes during the first through the fifth year of the Exemption Term; (ii) two third ($2/3$) of such taxes during the fifth through the tenth year of the Exemption Term; and (iii) from and after the tenth year of the Exemption Term, the full amount of such taxes that would be payable to each such Authority as if the Company, and not the Agency, owned the Project Facility, for so long as the Agency is the owner of the Project Facility.

This Agreement shall terminate on the date on which the Lease shall terminate and the Agency shall reconvey title to the Project Facility to the Company pursuant to the Lease.

3. The Company will make Pilot Payments to each Authority hereunder for each Exemption Year by making the required payment to such Authority no later than the last day during which such Exempt Taxes could otherwise be made without penalty as if the Project Facility was owned by the Company.

4. The Pilot Payments to be made by the Company pursuant to this Agreement are intended to be in lieu of all Exempt Taxes that would have to be paid on the Project Facility leased to the Company by the Lease.

5. If by reason of a change in the Constitution or laws of the State of New York, or an interpretation of the Constitution or laws of the State of New York by the Court of Appeals (or such lower court from which the time to appeal has expired) of the State of New York, or for any other reason, the Company is required to pay any tax which the payments specified herein are intended to be in lieu of, the Company may deduct the aggregate of any such payments made by it from the amount herein agreed to be paid in lieu of such taxes and need only pay the difference. Furthermore, inasmuch as the Pilot Payments herein agreed to be made by the Company are intended to be in lieu of all Exempt Taxes, it is agreed that said payments shall not, as to any year, be in an amount greater than would be payable for such year for such Exempt Taxes, in the aggregate, by a private corporation on account of its ownership of the Project Facility.

6. This Agreement shall be binding upon the successors and assigns of the parties.

7. It is the intent of the parties that the Company will have all the rights and remedies of a taxpayer with respect to any real property or other tax, service charge, special benefit, ad valorem levy, assessment or special assessment or service charge because of which, or in lieu of which, the Company is obligated to make a payment hereunder, as if and to the same extent as if the Company were the owner of the Project Facility. It is the further intent of the parties that the Company will have all of the rights and remedies of a taxpayer as if and to the same extent as if the Company were the owner of the Project Facility with respect to any proposed assessment or change in assessment concerning the property, or any portion thereof, whether through an assessor, board of assessment review, court of law, or otherwise and likewise will be entitled to protest before and be heard by such assessor, board of assessment review, court of law or otherwise and will be entitled to take any and all appropriate appeals or initiate any proceedings to review the validity or amount of any assessment or the validity or amount of any taxes that would have been payable

but for the provisions hereof. In the event, however, that a court of competent jurisdiction shall enter an order or judgment determining or declaring that, by reason of the Agency's ownership of the Project Facility, the Company does not have the right to bring a proceeding to review such assessment under the Real Property Tax Law or any other law, then the Company shall have the right to contest such assessment in the name and as agent of the Agency, and the Agency agrees to cooperate with the Company in all respects in any such proceeding. Alternatively, the Company shall have the right to contest such assessment in the name and as agent of the Agency, and the Agency agrees to cooperate with the Company in all respects in any such proceeding.

8. All amounts payable by the Company hereunder will be paid to the respective Authority and will be payable in such lawful money of the United States of America as at the time of payment is legal tender for the payment of public and private debts, including a check payable in such money.

9. (a) If any term or provision hereof should be for any reason held or adjudged to be invalid, illegal or unenforceable by any court of competent jurisdiction, such term or provision will be deemed separate and independent and the remainder hereof will remain in full force and effect and will not be invalidated, impaired or otherwise affected by such holding or adjudication.

(b) This Agreement may not be effectively amended, changed, modified, altered or terminated except by an instrument in writing executed by the parties hereto.

(c) All notices, certificates or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, to the Agency or the Company, as the case may be, addressed as follows: IF TO THE AGENCY:

Oneida County Industrial Development Agency
Oneida County Airport Terminal Building
Oriskany, New York 13424
Attention: Chairman

WITH A COPY TO:

Groben, Gilroy, Oster & Saunders
185 Genesee Street
P.O. Box 423
Utica, NY 13503-0423
Attn: James C. Oster, Esq.

IF TO THE COMPANY:

Alfred Publishing Co., Inc.
Attention: President
16380 Roscoe Blvd.
Van Nuys, CA 91406

WITH A COPY TO:

Jerry Fine
Suite 850
1901 Avenue of the Stars
Los Angeles, CA 90067

provided, that the Agency or the Company may, by notice given hereunder to the other, designate any further or different addresses to which subsequent notices, certificates or other communications to them shall be sent.

(e) This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ONEIDA COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: 

Andrew J. Ryan,
Vice Chairman

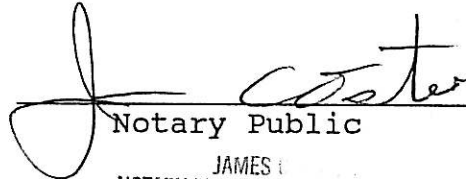
ALFRED PUBLISHING CO., INC.

By: 

Morton Manus, President

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

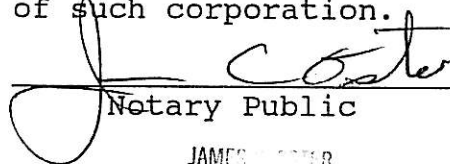
On this 24th day of February, 1994, before me personally came Andrew J. Ryan, to me known, who being by me duly sworn did depose and say that he resides at Rome, NY, that he is Vice Chairman of the ONEIDA COUNTY INDUSTRIAL DEVELOPMENT AGENCY, the public benefit corporation described in the above instrument, and acknowledged that he executed the same by order of the members of such public benefit corporation.


Notary Public

JAMES E. COSTER
NOTARY PUBLIC, STATE OF NEW YORK
APPOINTED IN ONEIDA COUNTY
MY COMMISSION EXPIRES SEPT. 30, 1994

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

On this 24th day of February, 1994, before me personally came Morton Manus, to me known, who being by me duly sworn, did depose and say that he resides at Beverly Hills, California, that he is President of Alfred Publishing Co., Inc., the corporation described in the above instrument, and acknowledged that he executed the same by order of the Board of Directors of such corporation.


Notary Public

JAMES E. COSTER
NOTARY PUBLIC, STATE OF NEW YORK
APPOINTED IN ONEIDA COUNTY
MY COMMISSION EXPIRES SEPT. 30, 1994

SCHEDULE A

ALL THAT PIECE OR PARCEL OF LAND SITUATE IN THE Town of Whitestown, Oneida County, New York, in the Airport Industrial Park in the vicinity of Oneida County Airport, designated as Lots 42, 43 & 44 in Block 3 as shown on a map entitled "Development Phase III, Airport Industrial Park, Town of Whitestown, Oneida County, New York", dated Apr. 8, 1966 as revised and filed in the Oneida County Clerk's Office June 3, 1966 (Map Roll #726).

SCHEDULE B

COUNTY OF ONEIDA
Office of the Treasurer
800 Park Ave.
Utica, NY 13501

TOWN OF WHITESTOWN
8 Park Ave.
Whitesboro, NY 13492

ORISKANY CENTRAL SCHOOL DISTRICT
Oriskany, NY 13424-0539

ALL PAYMENTS HEREUNDER SHALL BE DUE AND PAYABLE TO THE RESPECTIVE AUTHORITY ON OR BEFORE THE DATE THAT SUCH TAX WOULD BE DUE AND PAYABLE IF THE PROJECT FACILITY WAS OWNED BY THE COMPANY AND NOT THE AGENCY. ANY PAYMENTS DUE HEREUNDER WHICH ARE NOT PAID BY THE AFORESAID DATE SHALL BE DEEMED TO BE DELINQUENT.