

FOR CONSIDERATION

August 19, 2009

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Plattsburgh (Clinton County) – Westinghouse Air Brake Technologies Corporation Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

General Project Plan

I. Project Summary

Grantee: Westinghouse Air Brake Technologies Corporation d/b/a WABTEC (“WABTEC” or the “Company”)

ESD* Investment: A grant of up to \$200,000 to be used for a portion of the cost of the purchase of machinery and equipment and leasehold improvements.

* The New York State Urban Development Corporation doing business as the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Location: 72 Arizona Ave., Plattsburgh, Clinton County

NYS Empire Zone
(or equivalent): Clinton County Empire Zone

Proposed Project: Leasehold improvements and purchase of machinery and equipment needed to consolidate two of WABTEC’s affiliated operations.

ESD Incentive Offer Accepted: March 19, 2007

Project Completion: September 2009

Number of Employees at Project Location:

Initial employment (at time of ESD Incentive Offer):	45
Current employment level:	109
Minimum employment through January 1, 2011:	65

Grantee Contact: Cindy Green, HR Coordinator
72 Arizona Ave.
Plattsburgh, NY 12903
Phone: (518)-561-0044
Fax: (518)-563-6786

Anticipated
Appropriation
Source:

Empire State Economic Development Fund

ESD Project No.: V119

Project Team:	Origination	Rosemary Redmond
	Project Management	Ron Stanton
	Affirmative Action	Laverne Poole
	Environmental	Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Leasehold improvements	\$ 60,403
Machinery and equipment	407,300
Soft costs	25,000
Training and recruiting costs	<u>78,944</u>

Total Project Costs \$571,647

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$200,000	35%
Company Equity	<u>371,647</u>	<u>65%</u>
Total Project Financing	<u>\$571,647</u>	<u>100%</u>

III. Project Description

A. Background

Westinghouse AirBrake Technologies Corporation d/b/a WABTEC, a publicly traded company on the New York Stock exchange, is a global provider of value-added technology-based

products and services for the rail and transit industry. Through its division, Vapor Stone Rail Systems, and through Vapor Rail, which is a division of Wabtec's subsidiary, Wabtec Canada Inc., WABTEC manufactures a range of products for locomotives, freight cars and passenger transit vehicles. WABTEC is a major supplier to transit authorities in New York, Chicago, San Francisco, Miami and Washington as well as rail car builders such as Bombardier, Alstom and Kawasaki.

Vapor Rail, which was established in Montreal, Canada in 1914, provides door operators, heating, ventilation and air conditioning systems for the mass transit railway cars. Vapor Rail is WABTEC's center of excellence for all engineering and technological development of management of the contracts, the purchases and production of door operating systems. The technology includes systems of pneumatic and electric doors and systems of electronic or electric controls.

Stone Air was established in Plattsburgh, NY in 1997 as a manufacturer of heating, ventilating and air conditioning ("HVAC") units for railcars. The sale of HVAC units, however, has been in steady decline for the past few years and the forecast is for the decline to continue. The current slowing economy is also affecting sales at Vapor Rail in Montreal. WABTEC's plan to reorganize the manufacturing of door operator systems in Montreal created a great opportunity to benefit the Plattsburgh site. In an incentive offer dated March 19, 2007, ESD offered WABTEC a \$200,000 capital grant to encourage it to consolidate Vapor Rail and Stone Air into the Plattsburgh facility. The incentive offer was accepted on March 23, 2007. Considering the interest of Empire State Development and benefit of the incentive offer on lowering the cost of doing the project in Plattsburgh, WABTEC and Vapor Rail decided to relocate the door operator systems production in Plattsburgh, creating a new operating division - Vapor Stone Rail Systems ("Vapor Stone").

In May 1998 Vapor Stone received a \$33,000 grant from ESD for training new employees in its manufacturing process.

B. The Project

To support the increase production requirements created by the consolidation of Vapor Rail and Stone Air, additional support equipment and facility upgrades were required. The new machinery and equipment included: the purchase of a coordinate measuring machine ("CMM") and additional software to allow precise measuring of parts, additional inspection equipment to support the higher volume of material, specialized shipping software to improve the efficiency of shipping to support the higher volume, and additional computers. The consolidation also required the relocation of several production lines from the Montreal facility. The facility upgrades included the addition of a climate controlled room for the new CMM equipment, aftermarket supervisor's office, a new upgraded electronic repair lab, additional lighting, electrical and air connections and general painting and cleanup. Vapor Stone also undertook a lean-manufacturing study to analyze and reconfigure the floor layout for improved production flow. To support the increase in manpower, Vapor Stone also implemented an extensive training program, which included on-the-job training and class room training. As a result of the consolidation, Vapor Stone moved production cells from Montreal to Plattsburgh, greatly increasing production and adding new products lines. Total project cost where \$596,647. The project will facilitate the retention of 45 jobs and creation of 20 new jobs by January 2011. The current employment is 109 exceeding job projections.

C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the \$200,000 capital grant (\$2,000) upon execution of the grant disbursement agreement. In addition, at the time of disbursement, the Company will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
3. WABTEC will guarantee the grant repayment obligation of its division, Vapor Stone Rail Systems, in the event of an Employment Shortfall or other default, as defined in these materials or the Grant Disbursement Agreement.
4. The Company or the Company's shareholders will contribute at least 10% in equity to the project. Equity is defined as any non-debt source of capital, and should be auditable through Company financial statements or Company accounts, if so requested by ESD.
5. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.
6. Up to \$200,000 will be disbursed to Grantee in three installments as follows:
 - a. an Initial Disbursement of an amount equal to 35% of the grant (\$70,000) upon documentation of leasehold improvements and machinery and equipment project costs totaling \$300,000, completion of the project substantially as described in these materials, and documentation of at least 45 Full-time Permanent Employees at the Project location, assuming that all project approvals have been completed and funds are available;
 - b. Second Disbursement of an amount equal to 35% of the grant (\$70,000) upon documentation of additional machinery and equipment project costs totaling \$121,000 and documentation of employment of at least 55 Full-time Permanent Employees at the Project location (Employment Increment of 10), assuming that all project approvals have been completed and funds are available.
 - c. Third Disbursement of an amount equal to 30% of the grant (\$60,000) upon documentation of employment of at least 65 Full-time Permanent Employees at Seaway (Employment Increment of 10), assuming that all project approvals have

been completed and funds are available.

Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonable require. Only expenditures incurred on or after March 23, 2007 may be considered eligible project costs. Disbursements may occur simultaneously. All disbursements must be requested by April 1, 2011.

7. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$200,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.
8. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an Employment Shortfall”), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee’s number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	45
---------------------	----

A	B
Reporting Date	Employment Goals
February 1, 2010	45+X+Y
February 1, 2011	45+X+Y
February 1, 2012	45+X+Y
February 1, 2013	45+X+Y

X = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in Section 5 above (i.e. X=10, and Employment Goals shall equal [45 + X = 55] if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then X=0.

Y = Grantee's Employment Increment that will be the basis of the Third Disbursement of the Grant as described in Section 5 above (i.e. Y=10, and Employment Goals shall equal [45 + X + Y = 65] if the Third Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Third Disbursement has not yet been made then Y=0.

IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.
As a result of this project, the Company will maintain its employment level of 45 and create 20 new jobs.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.
The Company considered relocating its operations to Montreal, Canada. ESD's assistance helped to reduce costs and make the project feasible in New York.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$1,549,087;
- Fiscal cost to NYS government is estimated at \$200,000;
- Project cost to NYS government per direct job is \$3,903;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$2,637;
- Ratio of project fiscal benefits to costs to NYS government is 7.75:1;
- Fiscal benefits to all governments (state and local) are estimated at \$2,559,581;
- Fiscal cost to all governments is \$200,000;
- All government cost per direct job is \$3,903;
- All government cost per total job is \$2,637;
- The fiscal benefit to cost ratio for all governments is 12.80:1;

- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$13,079,920, or \$172,473 per job (direct and indirect);
- The economic benefit to cost ratio is 65.40:1;
- Project construction cost is \$85,403 which is expected to generate 1 direct job year and 1 indirect job year of employment;
- For every permanent direct job generated by this project, an additional 0.48 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 1 year.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

4. The requirements of Section 10(g) of the Act are satisfied.
 No residential relocation is required because there are no families or individuals residing on the site.

V. Environmental Review

ESD staff has determined that the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

VI. Affirmative Action

ESD's Non-discrimination and Affirmative Action policy will apply. The Company is encouraged to include minorities and women in any job opportunities created by the project, and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

VII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

VIII. Additional Submissions to Directors

Resolutions
 New York State Map
 Cost-Benefit Analysis

August 19, 2009

Plattsburgh (Clinton County) – Westinghouse Air Brake Technologies Corporation Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Westinghouse Air Brake Technologies Corporation Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, Chairman and Chief Executive Officer-Designate of the Corporation or her designee(s) be, and each of them hereby is, authorized to make to Westinghouse Air Brake Technologies Corporation d/b/a WABTEC a grant for a total amount not to exceed Two Hundred Thousand Dollars (\$200,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the Chairman and Chief Executive Officer-Designate or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

* * *

