

FOR CONSIDERATION

«Approval_Date»

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: «Project_Town» («Project_County» County) – «Project_Name» –
«Fund_Source» – «Project_Type»

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: «Orgn_Name_Client» (“ITT” or the “Company”)

ESD* Investment: A grant of up to «Grant_Amt» to be used for a portion of the cost of the
purchase of machinery and equipment.

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

Project Locations: 1500 New Horizons Boulevard, «Project_Town»
1250 New Horizons Boulevard, Amityville

NYS Empire Zone
(or equivalent): N/A

Proposed Project: «Project_Summary»

ESD Incentive Offer Accepted: April 13, 2010

Project Completion: August 2010

Number of Employees at Project Locations:

Initial employment at time of ESD Incentive Offer: 511*
 «Jobs_Initial»
 Current employment level: 511*
 «Jobs_Current»
 Minimum employment through January 1, 2016: 511*

«Jobs_Projected»

*May include up to 17% Contract Employees.

Grantee Contact: «Contact_Name_Client», «Contact_Title_Client»
 «Street_Address_Client»
 «CitySTZip_Client»
 Phone: «Phone_Client»
 Fax: «Fax_Client»

Anticipated
 Appropriation
 Source: «Fund_Source»

ESD Project No.: «Project_Number»

Project Team: Origination «Originator»
 Project Management «Project_Manager»
 «Attorney»
 Affirmative Action Laverne Poole«Affirmative_Action»
 Finance Jonevan Hornsby«Financial_Analyst»
 Environmental «Environmental»

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Construction	\$477,815
Machinery & Equipment	1,030,000
Relocation Cost of Additional Machinery & Equipment	<u>308,075</u>

Total Project Costs \$1,815,890

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	«Grant_Amt»	22%
Company Equity	<u>1,415,890</u>	<u>78%</u>
Total Project Financing	<u>\$1,815,890</u>	<u>100%</u>

III. Project Description

A. Background

ITT Corporation, which is publicly owned, designs, manufactures, and sells a range of industrial machinery, aerospace and military equipment products. The Company was founded in 1920, is headquartered in White Plains and provides services worldwide. ITT has approximately 40,200 employees and 580 locations worldwide, including approximately 4,186 employees and 26 locations in New York State. Its major customers are the U. S. Army, U.S. Air Force and U.S. Naval Research Laboratory. ITT's significant competitors are Northrop Grumman, Boeing, Honeywell International, Lockheed Martin and Raytheon Corporation.

ITT acquired EDO Corporation in 2007. Shortly after this acquisition, ITT conducted a strategic evaluation of its global footprint in order to maximize value on behalf of its clients and shareholders. Achieving maximum facility efficiency and cost was a key factor to this process and determined where certain projects, existing operations and future growth would be allocated in the years ahead. One of the results of this strategic evaluation was the decision to relocate the bomb rack related operations that were based in Warminster, Pennsylvania. ITT considered relocating this operation to existing ITT facilities in New Jersey. ITT approached ESD in an effort to make the project more financially viable in Amityville. In order to induce the Company to proceed with the project in New York State, ESD offered a \$400,000 capital grant to assist with the project in Amityville. ITT accepted the offer in April 2010. As a result of the project, ITT will retain 511 jobs. Without ESD's assistance, the long-term viability of these facilities would have been weakened and a significant number of the 511 jobs would have been put at risk of relocation from New York State.

Since 2005, the ESD Directors have approved a total of \$3,790,000 worth of grants to assist with various retention and expansion projects to ITT and its subsidiaries. ITT and its subsidiaries are compliant with the terms of these grants. In addition, in 2005 and 2006, the ESD Directors approved grants totaling \$600,000 to Success Enterprises, LLC ("Success"). Goulds Pump, Inc., a subsidiary of ITT, was one of the joint venture partners of Success. On September 25, 2009, Success ceased manufacturing operations at its Newark, New York facility and it repaid ESDC \$150,000, the maximum penalty under the Grant Disbursement Agreement, on May 3, 2010.

B. The Project

The project was conducted to relocate ITT's bomb and munitions rack construction operations from Pennsylvania. The project involved renovations to the Company's existing 1500 New Horizons Boulevard facility that it leases. A small amount of renovations also occurred at ITT's existing 1250 New Horizons Boulevard facility that it leases. In addition, the project included the purchase and installation of new machinery and equipment as well as the relocation of some existing machinery and equipment from Pennsylvania.

The project will be completed in August 2010 and will allow these facilities to conduct bomb and munitions rack production. It has also strengthened the viability of these facilities and resulted in the Company's commitment to retain 511 jobs through January 1, 2016. As a result, the grant under consideration today is being held to more stringent recapture measures.

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the «Grant_Amt» capital grant (\$4,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will demonstrate no material adverse change in its financial condition prior to disbursement.
3. 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.
4. 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 Locations 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 Locations 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.
5. Up to \$400,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$200,000) will be disbursed upon documentation of machinery and equipment project costs totaling \$1,030,000, total project costs totaling \$1,800,000, and documentation of the employment of at least 511 Full-time Permanent Employees, up to 17% of which may be Contract Employees, at the Project Locations, assuming that all project approvals have been completed and funds are available;
 - b) a Second Disbursement of 25% of an amount equal to the grant (\$100,000) will be disbursed no sooner than 12 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 511 Full-time Permanent Employees, up to 17% of which may be Contract Employees, at the Project Locations, provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$100,000) will be disbursed no sooner than 24 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 511 Full-time Permanent Employees, up to 17% of which may be Contract Employees, at the Project Locations, provided Grantee is otherwise in compliance with program requirements.

Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after

April 13, 2010 to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than «Grant_Amt», 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.
7. 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 one hundred percent (100%) 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. Verification of Contract Employees may require a letter from the provider of Contract Employees detailing the names of the employees, hours worked, salaries paid, and starting and ending dates.

Baseline Employment	511
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A	B
Date	Employment Goals
February 1, 2011	511
February 1, 2012	511
February 1, 2013	511
February 1, 2014	511
February 1, 2015	511
February 1, 2016	511

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 511 and the viability of these facilities will be strengthened.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.

Without ESD assistance to lower costs and make the Company's facilities competitive with existing ITT facilities in New Jersey, the cost would have been too high to 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 \$19,674,813;
- Fiscal cost to NYS government is estimated at \$400,000;
- Project cost to NYS government per direct job is \$1,256;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$714;
- Ratio of project fiscal benefits to costs to NYS government is 49.19:1;
- Fiscal benefits to all governments (state and local) are estimated at \$35,814,389;
- Fiscal cost to all governments is \$400,000;
- All government cost per direct job is \$1,256;
- All government cost per total job is \$714;
- The fiscal benefit to cost ratio for all governments is 89.54:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$206,018,752, or \$367,815 per job (direct and indirect);
- The economic benefit to cost ratio is 515.05:1;

- Project construction cost is \$785,890 which is expected to generate 6 direct job years and 4 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.78 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
- Project Finance Memorandum
- Cost-Benefit Analysis

«Project_Town» («Project_County» County) – «Project_Name» – «Fund_Source» – «Project_Type» – 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 «Project_Name» -- «Fund_Source» – «Project_Type» 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 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 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, the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to «Orgn_Name_Client» a grant for a total amount not to exceed Four Hundred Thousand Dollars («Grant_Amt») from the «Fund_Source», 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 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 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 of the Corporation 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.

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