

FOR CONSIDERATION

December 18, 2009

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Schenectady (Schenectady County) – GE Energy Capital – JOBS Now Program – Capital Grant

REQUEST FOR: Findings and Determinations Pursuant to Section 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Grantee: General Electric Company, acting through its GE Energy Division (“GE” or the “Company”)

ESD* Investment: A grant of up to \$5,000,000 to be used for a portion of the cost of renovations of Building #53 in Schenectady.

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

Project Location: One River Road, Schenectady

NYS Empire Zone
(or equivalent): N/A

Proposed Project: Facility renovations associated with the consolidation and expansion of operations.

ESD Incentive Offer
Accepted: September 21, 2007

Project Completion: October 2009

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer: 0

Current employment level: 640

Minimum employment on January 1, 2011: 500

Grantee Contact: Victor Abate, Vice President
One River Road, Building #53
Schenectady, NY 12345
Phone: (518) 385-9478
Fax: (518) 385-7335

Anticipated
Appropriation
Source: JOBS Now Program

ESD Project No.: V819

Project Team:	Origination	Arnold Will
	Project Management	Glendon McLeary
	Affirmative Action	Laverne Poole
	Finance	Amit Nihalani
	Environmental	Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Materials Costs	\$22,000,000
Construction management & renovation	18,000,000
Furniture & Fixtures	2,100,000
Engineering, Architecture & Remediation	<u>4,000,000</u>

Total Project Costs \$46,100,000

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$5,000,000	11%
Company Equity	<u>41,100,000</u>	<u>89%</u>
Total Project Financing	<u>\$46,100,000</u>	<u>100%</u>

III. Project Description

A. Background

Established in 1892, General Electric Company is a publicly traded company (New York Stock Exchange: GE) that operates in the global infrastructure, finance and media markets. GE offers diversified services in energy, water, transportation, health, finance and information and serves customers in more than 100 countries. GE employs over 300,000 people worldwide.

GE Energy, a division of GE, is a world leader in the supply of power generation and energy delivery technologies. Based in Atlanta Georgia, with a large operation in Schenectady, New York, GE Energy works in all areas of the energy industry including coal, oil, natural gas and nuclear energy. GE Energy has numerous products that are certified under “ecomagination,” GE’s corporate-wide initiative to aggressively bring new technologies to the market that will help customers meet pressing environmental challenges. GE Energy also operates in renewable resources such as water, wind, solar, biogas and alternative fuels. GE Energy’s renewable energy division is one of the world’s leading suppliers of renewable energy technology. With manufacturing and assembly facilities in United States, Germany, Spain, China and Canada, GE Energy’s renewable product portfolio includes 1.5 and 2.5 megawatt wind turbines, offshore wind direct drive technology and solar electric power systems for on- and off-grid appliances.

Since 1888, GE has maintained a manufacturing campus (the “Campus”) in Schenectady, New York, which currently contains about 40 buildings on over 600 acres. In 2007, GE embarked on a plan to expand multiple functions of the GE Energy division and create a new headquarters. This plan would allow for significant cost savings as well as other benefits that would result from the co-location of related activities. GE could have considered facilities in Atlanta, Georgia or Greenville, South Carolina, which already housed other renewable activities. However, the New York campus was GE’s first choice and GE considered renovating an existing 200,000 plus-square-foot facility (“Building #53”) at the Schenectady, New York Campus; this required a significant investment by GE. ESD offered an incentive package inclusive of a \$5,000,000 grant. On September 21, 2007, the Company accepted the offer and has subsequently completed renovations to Building #53. As of October 2009, the Company has created 640 new jobs at the Campus, exceeding its employment commitment of 500 new jobs and bringing the total number of jobs to over 2,800 at the Campus. Without ESD’s assistance, the creation of over 600 new jobs may have been lost to New York State.

Since 2000, ESD has made five accepted grant offers, inclusive of this grant, totaling \$28,000,000 to or for the benefit of GE or GE-affiliated companies. The offers include a variety of attraction and retention projects projected to create 943 jobs and retain 499 jobs throughout New York State. \$250,000 of the \$28,000,000 was approved by the ESD Directors in 2003 for an attraction project in Orange County. The project is complete and the employment goals have been met. The other projects are projected to be completed between 2010 and 2011.

In 1998, GE Silicones, a former operation of GE (GE Silicones was sold in August of 2007 and is no longer a GE operation), was awarded a \$500,000 grant for an expansion project in Albany County. GE Silicones did not meet the employment goals from 2001 to 2004. GE Silicones repayed

a portion of the grant and the job requirement was reduced. GE Silicones then successfully completed the project under these new terms. ESD's recapture policy has been recently amended to limit the time during which a company that has previously defaulted on job commitments is subjected to more stringent recapture terms, thus GE will be subject to the regular recapture terms for this grant.

B. The Project

The project included a \$46.1 million capital investment by General Electric Company to consolidate its renewable energy operations at the Campus, which also contains GE's steam turbine and generator manufacturing, GE Energy executive offices, and significant support functions, such as finance, legal, sales, compliance, commercial operations, and HR. Project activities included the renovation of Building #53 to establish the global headquarters for GE Energy renewable division and locate many employees at one location, build a state-of-the-art remote monitoring center for GE wind turbine products, and improve the building's functionality as a demonstration site. As of December 2009, the project is complete and GE exceeded its job goals with the creation of 640 new jobs.

As a result of the project, the Company expects to increase operational efficiency by reducing fixed and variable costs and enhance its position through the introduction of innovative new products into the global marketplace.

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 \$28,780,803;
- Fiscal cost to NYS government is estimated at \$6,030,000;
- Project cost to NYS government per direct job is \$16,270;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$9,895;
- Ratio of project fiscal benefits to costs to NYS government is 4.77:1;
- Fiscal benefits to all governments (state and local) are estimated at \$48,603,375;
- Fiscal cost to all governments is \$7,060,000;
- All government cost per direct job is \$19,049;
- All government cost per total job is \$11,585;
- The fiscal benefit to cost ratio for all governments is 6.88:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$314,162,734, or \$515,514 per job (direct and indirect);
- The economic benefit to cost ratio is 44.50:1;
- Project construction cost is \$40,000,000 which is expected to generate 405 direct job years and 232 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.65 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 2 years.

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

C. Financial Terms and Conditions

1. The Company will 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 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.
5. Up to \$5,000,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$2,500,000) upon documentation of renovation and construction material project costs for Building #53 totaling \$20,000,000, and documentation of the employment of at least 100 Full-time Permanent Employees at the Project Location (Employment Increment of 100), assuming that all project approvals have been completed and funds are available;
 - b) a Second Disbursement of an amount equal to 25% of the grant (\$1,250,000) will be disbursed upon documentation of the employment of at least 300 Full-time Permanent Employees at the Project Location (Employment Increment of 200), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$1,250,000) will be disbursed upon documentation of the employment of at least 500 Full-time Permanent Employees at the Project Location (Employment Increment of 200), 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 September 21, 2007 to be considered eligible project costs. Disbursements may be requested simultaneously. All disbursements must be requested by April 1, 2011.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$5,000,000, 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.

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 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	0
A	B
Reporting Date	Employment Goals
February 1, 2011	0+X+Y+Z
February 1, 2012	0+X+Y+Z
February 1, 2013	0+X+Y+Z

X = Grantee's Employment Increment that will be the basis of the Initial Disbursement of the Grant as described in section C.5 above (i.e. X=100, and Employment Goals shall equal $[0 + X = 100]$ if the Initial Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Initial Disbursement has not yet been made then X=0.

Y = Grantee’s Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section C.5 above (i.e. Y=200, and Employment Goals shall equal $[0 + X + Y = 300]$ 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 Y=0.

Z = Grantee's Employment Increment that will be the basis of the Third Disbursement of the Grant as described in section C.5 above (i.e. Z=200, and Employment Goals shall equal $[0 + X + Y + Z = 500]$ 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

The project meets the statutory requirement of a JOBS Now Project because the Company will create at least 300 new full-time permanent private sector jobs. No residential relocation is required as there are no families or individuals residing on the site.

V. Environmental Review

The Schenectady County Industrial Development Agency, as lead agency, has completed an environmental review of the proposed project, pursuant to the requirements of the State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. This review found the project to be a Type I Action, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on June 11, 2008. ESD staff reviewed the Negative Declaration and supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

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

December 18, 2009

Schenectady (Schenectady County) – GE Energy Capital – JOBS Now Program - Capital Grant – Findings and Determinations Pursuant to Section 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 GE Energy Capital - JOBS Now Program - Capital Project (the “Project”), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that 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, the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to General Electric Company, acting through its GE Energy Division a grant for a total amount not to exceed Five Million Dollars (\$5,000,000) from the JOBS Now Program, 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 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.

December 18, 2009

Schenectady (Schenectady County) – GE Energy Capital – JOBS Now Program - Capital Grant – Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the GE Energy Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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