

FOR CONSIDERATION

December 16, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Village of Ilion (Herkimer County) – Remington Arms 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; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Grantee: Remington Arms Company, Inc. (“Remington” or the “Company”)

ESD* Investment: A grant of up to \$1,655,000 to be used for a portion of the cost of building upgrades, infrastructure costs and machinery and equipment purchase.

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

Project Location: 14 Hoefler Avenue, Village of Ilion, Herkimer County

Proposed Project: Relocation of a production line from Connecticut to New York State.

ESD Incentive Offer Accepted: May 3, 2010

Project Completion: January 2011

Number of Employees at Project Location:
 Initial employment at time of ESD Incentive Offer : 892
 Current employment level: 938
 Minimum employment by April 1, 2011: 970

Grantee Contact: Mr. Joseph Gross.
 870 Remington Drive
 PO Box 1776
 Madison, North Carolina 27025-1776
 Phone: (336) 548-8940
 Fax: (336) 548-7940

Anticipated
 Appropriation
 Source: Empire State Economic Development Fund

ESD Project No.: X070

Project Team:	Origination	Jane Thelen
	Project Management	Jill Wolfeld
	Affirmative Action	Denise Ross
	Finance	Ross Freeman
	Environmental	Rachel Shatz

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Construction/Renovation	\$1,000,000
Machinery & Equipment	3,150,000
Training	500,000
Engineering, Legal, and other professional fees	250,000
Relocation and Moving	<u>1,000,000</u>
Total Project Costs	<u>\$5,900,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$1,655,000	28%
CDBG Grant	734,000	12%
Company Equity	<u>3,511,000</u>	<u>60%</u>
Total Project Financing	<u>\$5,900,000</u>	<u>100%</u>

III. Project Description

A. Background

Remington Arms Company, Inc., is a C corporation, wholly owned by Cerberus Capital Management, L.P., a New York-based private equity investment firm. Headquartered in Madison, N.C., Remington designs, produces and sells sporting goods products for the hunting and shooting sports markets as well as the military, government and law enforcement markets. Founded in 1816 in upstate New York, the Company is one of the nation's oldest continuously operating manufacturers. Remington is the only U.S. manufacturer of both firearms and ammunition products and one of the largest domestic producers of shotguns and rifles. The Company distributes its products throughout the U.S. and in over eighty foreign countries.

Customers of the Company include Bass Pro Shops, Dicks Sporting Goods, Gander Mountain and Wal-Mart. Consumers of Remington's products include people of all ages, genders, educational backgrounds and income levels. The industry is experiencing broadening and renewing consumer interest in hunting and shooting sports. Additionally, the Company believes that an emerging area of interest among consumers is the accessories market which creates significant opportunities for revenue growth.

ESD's most recent approved grants to the Company include a \$750,000 capital grant in 1999 to modernize the rifle barrel manufacturing operation in Ilion, and, in 2001, a \$250,000 training grant. In 2009, Remington was approved for both a JOBS Now Program grant of \$1,500,000 and a New York State Economic Development Assistance Program grant of \$1,500,000. These funds were used for facility consolidation and renovations and upgrade and purchase of machinery and equipment. All projects are complete, funds are fully disbursed, and job requirements are in compliance.

Remington approached ESD in 2010 when the Company was interested in relocating a portion of its Connecticut production facility in order to remain competitive globally and to maximize efficiency and lower costs. Relocation options included Kentucky, Missouri or Massachusetts, where Remington owns facilities that have extra capacity, or the Company's Village of Ilion facility. ESD offered the Company a \$1,500,000 capital grant to encourage the Company to continue to flourish in New York, which it accepted in May 2010 and was subsequently increased to \$1,655,000 in December 2010. Remington will retain 892 existing full-time employees and create 78 new jobs in New York State that would have been lost to Kentucky, Missouri or Massachusetts.

B. The Project

The project began in May 2010 with the generation of floor plans to accommodate the Marlin Lever Action Firearms Line (the "Line") at the project location followed by the implementation of infrastructure changes which included adding additional electrical equipment and upgrades as well as the purchase and installation of new metal machining for milling and drilling operations. June 2010, Remington relocated the Line, which included 350 pieces of equipment from North Haven, Connecticut, to the project location. Employees will be fully trained on the use of the new Line as of December 2010, and the project will be completed fully in January 2011. The Company already hired 38 new Full-time Permanent Employees at the project location.

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall 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 will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed. Equity is defined as cash injected into the project by the Company or by investors and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
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 \$1,655,000 will be disbursed to the Grantee in two installments as follows:
 - a) an Initial Disbursement of an amount equal to 56% of the grant (\$927,500) upon documentation of project costs totaling \$2,950,000 and documentation of the employment of at least 931 Full-time Permanent Employees (Employment Increment of 39) at the Project Location, assuming that all project approvals have been completed and funds are available;
 - b) a Second Disbursement of an amount equal to 44% of the grant (\$727,500) will be disbursed upon documentation of additional project costs totaling \$2,950,000 (\$5,900,000 cumulative), and upon documentation of the employment of at least 970 Full-time Permanent Employees at the Project Location (Employment Increment of 39), 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 May 3, 2010 to be considered eligible project costs.

All disbursements must be requested by July 1, 2011.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1,655,000, 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) 75% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 50% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 25% of the disbursed amount if the Employment Shortfall occurred in the fourth 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	892
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A	B
Reporting Date	Employment Goals
February 1, 2012	$892+X+Y$
February 1, 2013	$892+X+Y$
February 1, 2014	$892+X+Y$
February 1, 2015	$892+X+Y$

X = Grantee's Employment Increment that will be the basis of the First Disbursement of the Grant as described in section C.5 above (i.e. $X=39$, and Employment Goals shall equal $[892 + X = 931]$ if the First Disbursement is made, in the year such disbursement is made and for each year thereafter). If the First 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. $Y=39$, and Employment Goals shall equal $[892 + X + Y = 970]$ 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 $Y=0$.

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 has relocated a product line in New York State and will retain 892 jobs and create 78 new jobs.

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

The Company considered locating its product line to Kentucky, Missouri or Massachusetts. 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 \$23,939,084;
- Fiscal cost to NYS government is estimated at \$1,649,000;
- Project cost to NYS government per direct job is \$2,688;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$1,692;
- Ratio of project fiscal benefits to costs to NYS government is 14.52:1;
- Fiscal benefits to all governments (state and local) are estimated at \$40,029,118;
- Fiscal cost to all governments is \$1,649,000;
- All government cost per direct job is \$2,688
- All government cost per total job is \$1,682;
- The fiscal benefit to cost ratio for all governments is 24.27:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$222,729,733, or \$228,598 per job (direct and indirect);
- The economic benefit to cost ratio is 135.07:1;
- Project construction cost is \$2,250,000 which is expected to generate 28 direct job years and 12 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.59 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.)

V. Environmental Review

ESDC 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 for 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

December 16, 2010

Village of Ilion (Herkimer County) – Remington Arms Capital – Empire State Economic Development Fund Capital – 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 Remington Arms 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 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 Remington Arms, Inc. a grant for a total amount not to exceed One Million Six Hundred and Fifty-Five Thousand Dollars (\$1,655,000) 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 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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