

## **B. Reserve Supply Capital (W153)**

December 16, 2010

### General Project Plan

**Grantee:** Reserve Supply of Central New York, Inc. d/b/a  
ONETree Distribution, LLC (“Reserve Supply” or the “Company”)

**ESD Investment:** A grant of up to \$100,000 to be used for a portion of the cost of machinery and equipment acquisition and installation.

**Project Locations:** 7707 Henry Clay Boulevard, Town of Clay, Onondaga County\*  
200 Midler Park, East Syracuse, Onondaga County

\* Project activity site; other is job-retention site

**ESD Incentive Offer Accepted:** March 25, 2008

**Project Completion:** March 2010

#### **Number of Employees at Project Locations:**

Initial employment at time of Application to ESD:	29
Current employment level:	48
Minimum employment through January 1, 2013*:	48

\*At least 19 Full-time employees at the Project Activity site, including up to 5 Full-time Contract Employees.

**Grantee Contact:** David Brown, Vice President  
200 Midler Park  
East Syracuse, New York 13206  
Phone: (315) 463-4557 Fax: (315) 463-7212

<b>Project Team:</b>	Origination	James Fayle
	Project Management	Jessica Hughes
	Affirmative Action	Helen Daniels
	Environmental	Soo Kang

#### **Project Description:**

##### Background

Reserve Supply, a wholesale lumber distribution center and building supplier, was established in 1949 by a small group of independent lumber dealers in order to achieve the buying power necessary to compete with bigger national chains. Today, the Company is owned by 49 independent lumber dealers and provides a full line of building materials and lumber products, including engineered flooring systems and building trusses, to more than 100 lumber dealers and retail stores in New York and New England. Through a partnership with Weyerhaeuser Company (“Weyerhaeuser”), one of the world’s largest pulp and paper

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companies, Reserve Supply has exclusive distribution rights for Weyerhaeuser iLevel products (engineered wood products) for all of New England and New York. Reserve Supply's headquarters are located at 200 Midler Park Drive in East Syracuse, which also serves as a distribution center for building materials. The Company also has locations in Assonet, Massachusetts, which primarily deals in the manufacture of building trusses, and in Lancaster, New York.

In order to take advantage of continuing sales growth, particularly in its building truss operation, the Company decided to expand its building truss production capabilities. Its Midler Park operation could not handle such an expansion, so the Company began looking for another location. The Company found a suitable site in the Town of Clay, but the costs associated with improvements needed at the site and acquisition of machinery and equipment were too cost prohibitive for the Company to handle on its own. In addition to its own resources, Reserve Supply secured a \$1.6 million loan from M&T Bank, but a funding gap remained. During this time, Weyerhaeuser began putting pressure on Reserve to locate its planned truss manufacturing expansion within an existing Weyerhaeuser facility in Pittsburgh, Pennsylvania. ESD made an offer of a \$100,000 capital grant to close the funding gap, and the offer was accepted by the Company in March 2008. ESD's funding was an important factor in Reserve Supply's ability to expand in New York versus Pennsylvania. The project will result in 19 new jobs at the Town of Clay site.

### The Project

The Company acquired its new facility in June 2008. Renovation costs entailed the construction of 700 linear feet of wall framing, structural repairs to a new end wall, new insulation, roofing, siding, installation of overhead doors and new entry doors, new heating and air conditioning systems, new concrete flooring, and electrical upgrades. Equipment purchases included shop, warehouse, office, and transport equipment. A new entity was formed to operate the Town of Clay facility, Empire Building Products & Distribution, LLC, which also does business as ONEtree Distribution, LLC. The new location was ready for production in March 2010.

The Company anticipates \$2 million in revenue in the new facility for part-year production in 2010 with an additional \$3 to \$4 million of added revenue for 2011. Employment at both Central New York locations is currently 48.

Financing Uses	Amount	Financing Sources	Amount	Percent
Building Renovations	\$1,600,000	ESD Grant	\$100,000	3%
Machinery & Equipment	1,500,000	M&T Bank*	1,600,000	52%
		Company Equity	1,400,000	45%
Total Project Costs	\$3,100,000	Total Project Financing	\$3,100,000	100%

\* 10-year term/6.62% interest rate/secured by real property

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### **Financial Terms and Conditions:**

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$100,000 capital grant (\$1,000) and reimburse ESD for all out-of-pocket expenditures 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. The Company will be required to contribute at least 10% of the total project cost in the form of equity contributed after the Company's written acceptance of ESD's offer. 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 \$100,000 will be disbursed to the Grantee in three installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$50,000) upon completion of the project substantially as described in these materials and as evidenced by a certificate of occupancy, documentation of \$1,000,000 in machinery and equipment expenditures, and documentation of the employment of at least 29 Full-time Permanent Employees at the Project Locations, 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 (\$25,000) will be disbursed upon documentation of the employment of at least 39 Full-time Permanent Employees at the Project Locations (Employment Increment of 10), of which 10 must be at the Project Activity site, provided Grantee is otherwise in compliance with program requirements;
  - c) a Third Disbursement of an amount equal to 25% of the grant (\$25,000) will be disbursed upon documentation of the employment of at least 48 Full-time Employees at the Project Locations (Employment Increment of 9), of which 19 must be at the Project Activity site (including up to 5 Full-time Contract Employees),

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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. Expenditures must be incurred on or after March 25, 2008, to be considered eligible project costs. All disbursements must be requested by April 1, 2012.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$100,000, 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.

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Baseline Employment	29
<b>A</b>	<b>B</b>
Reporting Date	Employment Goals
February 1, 2012	29+X+Y
February 1, 2013	29+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  $[29 + X = 39^*]$  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=9, and Employment Goals shall equal  $[29 + X + Y = 48^{**}]$  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.

\*Includes 10 Full-time Permanent Employees at the Project Activity site.

\*\*Includes 19 Full-time Employees at the Project Activity site, of which 5 may be Full-time Contract Employees.

### Environmental Review:

The Onondaga 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 an Unlisted Action, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on April 2, 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.

### Statutory Basis – Empire State Economic Development Fund:

1. The 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 29 and create 19 new jobs.
2. The project would be unlikely to take place in New York State without the requested assistance.  
Without ESD assistance, this project's specific product line would likely have been relocated to an existing facility in Pennsylvania.

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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, project fiscal benefits to New York State government are expected to be \$631,701, which exceed the cost to the State.
4. The requirements of Section 10(g) of the Act are satisfied.  
See cover memo.

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Liverpool (Onondaga County) – Reserve Supply Capital – Empire State Economic Development Fund – General Development Financing – Determination of No Significant Effect on the Environment

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RESOLVED, that based on the materials submitted to the Directors with respect to the Reserve Supply Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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