

FOR CONSIDERATION

July 23, 2009

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Rochester (Monroe County) – Getinge Sourcing 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: Getinge Sourcing LLC

ESD\* Investment: A grant of up to \$550,000 to be used for a portion of the cost of renovations and 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 Location: 1777 East Henrietta Road, Rochester, Monroe County

NYS Empire Zone  
(or equivalent): N/A

Proposed Project: Modernize manufacturing and distribution buildings and purchase equipment to improve productivity and make facilities ready for consolidation of manufacturing in Rochester

ESD Incentive Offer Accepted: August 16, 2006

Project Completion: December 2008

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	288
Current employment level:	280
Minimum employment through January 1, 2014:	265

Grantee Contact: Scott Lesnick, Senior Facilities and Manufacturing Support Manager  
1777 East Henrietta Road  
Rochester, NY 14623  
Phone: (585) 272-5280  
Fax: (585) 272-5299

Anticipated  
Appropriation  
Source:

Empire State Economic Development Fund

ESD Project No.: T542

Project Team:	Origination	Kevin Hurley
	Project Management	Edward Muszynski
	Affirmative Action	Helen Daniels
	Finance	Yang Song
	Environmental	Soo Kang

## II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Renovations	\$4,655,540
Machinery & Equipment	1,065,000
Soft Costs	<u>344,460</u>

Total Project Costs \$6,065,000

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$550,000	9%
Company Equity	<u>5,515,000</u>	<u>91%</u>

Total Project Financing \$6,065,000 100%

## III. Project Description

### A. Background

Getinge Sourcing LLC (“Getinge” or the “Company”), a publicly traded company based in

Stockholm, Sweden, is focused primarily on products dealing with sterilization and disinfection. The Company dates to 1883, when a Rochester, NY entrepreneur sold pressure cookers to households. These cookers were later used to sterilize hospital instruments, thus launching infection control as a systematic practice using specialized tools. Close collaboration with customers and users contributed to the development of new products. The late 1950s saw the advent of electrically controlled chamber doors and ethylene processes for heat-sensitive goods. Then known as Castle, the company produced a wide range of sterilizers for doctors, dentists and hospitals, and also grew through acquisitions. The early 1980s saw the advent of microprocessors for monitoring and control of sterilizers. In 1987, Castle was acquired by MDT Corporation, which in 1996 was acquired by Getinge. The Swedish company had become publicly traded in 1993 and was growing rapidly. The acquisition gave Getinge access to North American markets. Rochester serves as its North American headquarters. In 2004, the Company launched a major investment in China by building a manufacturing plant in Suzhou City. The Company has continued its acquisitions with the purchase of the cardiac surgery and vascular surgery divisions of Boston Scientific Corporation. The parent company, Getinge AB, has over 10,000 employees worldwide.

Two separate companies comprise the Rochester operations, Getinge Sourcing (manufacturing) and Getinge USA (marketing, sales and distribution). Getinge evaluated facilities in the U.S. for consolidation of manufacturing. The company determined that its aging Rochester facilities, located in the suburb of Henrietta, were no longer viable. The only question was whether the company would renovate in Rochester or shut down the Rochester operations and consolidate with facilities in another state. Getinge hired a site selection consultant, which compared the Rochester location with one in Charleston, SC. The Port of Charleston is where Getinge receives almost all of its imported raw materials and fabricated parts that are made in its European facilities. Additionally, Getinge has a manufacturing facility in Charleston. The SC plant has built-in advantages in lower energy costs and substantially lower cost of transportation due to their proximity to the port.

Getinge approached ESD, making it clear that to maintain its presence in Rochester, it needed to lower costs through incentives. ESD responded with an offer of a \$550,000 capital grant on August 16, 2006, which the Company accepted on September 18, 2006. Based on ESD's incentives, the company decided to renovate and modernize its Rochester manufacturing and distribution facilities. The project will retain 265 employees. It is expected that the company will maintain a slightly higher number, but due to its work in lean manufacturing it could not commit to added jobs. If the project hadn't happened in New York, all 288 jobs existing at the time would have been lost.

## B. The Project

The Company has completed renovations of two buildings and the acquisition of machinery and equipment. The project consisted of renovating a 140,000 square-foot factory, building 18,000 square feet of new manufacturing support offices in the existing factory, renovating an 8,000 square-foot product showroom/reception area, and renovating 52,000 additional square feet of existing offices. The factory renovation include installation of major new utilities, high-efficiency lighting and flexible and efficient product test stations that recycle 50% of water used. By initiating lean manufacturing, the Company freed up 20,000 square feet of factory space for new

growth as well as a similar amount of space for marketing, sales and customer showroom areas. The Company also purchased a new state-of-the-art laser cutting machine for greater efficiency, new ergonomically friendly material-handling equipment, work benches and safety equipment. The project will make the Company more efficient and productive, more conducive to customer visits and a candidate for new product lines or consolidation of manufacturing from outside of New York.

C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the \$550,000 capital grant (\$5,500) 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 demonstrate no material adverse change in its financial condition prior to disbursement.
3. Getinge AB will guarantee the grant repayment obligation of its subsidiary, Getinge Sourcing LLC, 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 owners 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 \$550,000 will be disbursed to the Grantee in three installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$275,000) will be disbursed upon documentation of facility renovation and machinery and equipment project costs totaling \$5,000,000, as evidenced by a certificate of occupancy and documentation of the employment of at least 265 Full-time Permanent Employees at the Project Location, 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 (\$137,500) will be disbursed no sooner than 12 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 265 Full-time Permanent Employees

at the Project Location, provided Grantee is otherwise in compliance with program requirements;

- c) a Third Disbursement of an amount equal to 25% of the grant (\$137,500) will be disbursed no sooner than 24 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 265 Full-time Permanent Employees at the Project Location, 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 18, 2006 to be considered eligible project costs. 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 \$550,000, 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	265
---------------------	-----

A	B
Date	Employment Goals
February 1, 2010	265
February 1, 2011	265
February 1, 2012	265
February 1, 2013	265
February 1, 2014	265

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 265, all of which were at risk of relocation to another state.
  
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 facilities in South Carolina. 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 \$9,529,034;
  - Fiscal cost to NYS government is estimated at \$636,145;
  - Project cost to NYS government per direct job is \$4,016;
  - Project cost to NYS government per job (direct plus indirect ) is estimated at \$1,922;
  - Ratio of project fiscal benefits to costs to NYS government is 14.98;
  - Fiscal benefits to all governments (state and local) are estimated at \$16,080,808;
  - Fiscal cost to all governments is \$722,290;
  - All government cost per direct job is \$4,560;
  - All government cost per total job is \$2,182;
  - The fiscal benefit to cost ratio for all governments is 22.26:1;
  - Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$90,389,631, or \$273,061 per job (direct and indirect);
  - The economic benefit to cost ratio is 125.14:1;
  - Project construction cost is \$5,000,000 which is expected to generate 50 direct job years and 36 indirect job years of employment;

- For every permanent direct job generated by this project, an additional 1.10 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.

#### VI. 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.

#### VII. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. Getinge Sourcing LLC 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.

#### VIII. 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.

#### IX. Additional Submissions to Directors

Resolutions  
New York State Map  
Project Finance Memorandum  
Cost-Benefit Analysis

July 23, 2009

Rochester (Monroe County) – Getinge Sourcing 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 Getinge Sourcing 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, 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 Getinge Sourcing LLC a grant for a total amount not to exceed Five Hundred Fifty Thousand Dollars (\$550,000) 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 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.

\* \* \*

**Project Summary  
Benefit-Cost Evaluation<sup>1</sup>**

**Getinge USA**

**Initial Jobs: 288**  
**Retained Jobs: 288**

**Construction Job Years (Direct): 50**  
**Construction Job Years (Indirect): 36**

<b>Evaluation Statistics</b>	<b>Project Result NYS Govt.</b>	<b>NYS Govt. Benchmarks for ESD Projects<sup>2</sup></b>	<b>Project Results State &amp; Local Governments</b>	<b>State &amp; Local Government Benchmarks for ESD Projects</b>
<b>Fiscal Costs<sup>3</sup></b>	\$636,145	\$ 794,250	\$722,290	\$ 1,020,500
<b>Fiscal Benefits<sup>4</sup></b>	\$9,529,034	\$ 2,085,600	\$16,080,808	\$ 4,271,980
<b>Fiscal Cost /Direct Job</b>	\$4,016	\$ 3,000	\$4,560	\$ 4,110
<b>Fiscal Cost/Total Jobs</b>	\$1,922	\$ 1,424	\$2,182	\$ 1,964
<b>Fiscal B/C Ratio</b>	14.98	7.00	22.26	10.60
		<b>Benchmarks for ESD Projects</b>		
<b>Economic Benefits<sup>5</sup></b>	\$90,389,631	\$ 119,468,000		
<b>Econ. Benefits/Total Jobs</b>	\$273,061	\$ 147,600		
<b>Economic B/C Ratio</b>	125.14	50.00		

1 Dollar values are present value calculated over a 7-year period. Separate evaluations are made and reported for New York State government assistance alone and for State and Local government.

2 The current project evaluation results (both fiscal and economic) are compared to performance measure benchmarks based on results of a sample of ESD non-retail projects.

3 Fiscal cost includes the value of grants, loans and associated default risks, and discretionary subsidies (such as tax exemptions or abatements on sales, property, and interest income).

4 Fiscal benefits are the loan repayments and tax revenues to New York State and Local governments generated by project activity. This includes estimated taxes on personal incomes from project direct and indirect employment, corporate and business incomes, excise and user taxes, property taxes, and other taxes.

5 Economic benefits are estimated project benefits measuring fiscal flows to government plus net resident disposable income from project direct and indirect employment.