FOR CONSIDERATION  
April 15, 2010

TO:  
The Directors

FROM:  
Dennis M. Mullen

SUBJECT:  
Rye Brook (Westchester County) – RNN News 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:  
RNN News LLC (“RNN News” or the “Company”) a new venture of Regional News Network (“RNN”)

ESD* Investment:  
A grant of up to $200,000, pending passage of the New York State budget, to be used for a portion of the cost of purchase of equipment and construction costs.

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

Project Location:  
800 Westchester Avenue, S-640, Rye Brook, Westchester County

NYS Empire Zone (or equivalent):  
N/A

Proposed Project:  
The purchase of new equipment and construction costs associated with the an expansion of RNN’s operations that will deliver cable network content and production services for third parties, including Verizon FiOS.
ESD Incentive Offer Accepted: April 24, 2009 (initial offer); May 8, 2009 (revised offer)

Project Completion: December 2009

Number of Employees at Project Location:

<table>
<thead>
<tr>
<th>Employment Period</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial employment at time of ESD Incentive Offer</td>
<td>0*</td>
</tr>
<tr>
<td>Current employment level</td>
<td>59</td>
</tr>
<tr>
<td>Minimum employment on January 1, 2013</td>
<td>45</td>
</tr>
</tbody>
</table>

*There are 45 existing jobs at WRNN-TV Associates, LP, an associated company located at the same address. New positions may not be filled by transferring employees from other New York State locations/entities, including WRNN-TV Associates, LP.

Grantee Contact: Christian French, COO
800 Westchester Avenue, Suite S640
Rye Brook, New York 10573
Phone: (914) 417-2700
Fax: (914) 696-0275

Anticipated Appropriation
Source: Empire State Economic Development Fund

ESD Project No.: W609

Project Team:
- Origination: Paul Taxter
- Project Management: Gregory E. Fitzgerald
- Affirmative Action: Denise Ross
- Environmental: Soo Kang

II. Project Cost and Financing Sources

<table>
<thead>
<tr>
<th>Financing Uses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction and Renovation</td>
<td>$75,000</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>713,000</td>
</tr>
<tr>
<td>Equipment Lease</td>
<td>550,000</td>
</tr>
</tbody>
</table>

Total Project Costs $1,338,000

<table>
<thead>
<tr>
<th>Financing Sources</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESD-Grant</td>
<td>$200,000</td>
<td>15%</td>
</tr>
<tr>
<td>Company Equity</td>
<td>1,138,000</td>
<td>85%</td>
</tr>
</tbody>
</table>

Total Project Financing $1,338,000 100%
III. Project Description

A. Background
Originally launched in 1985, Regional News Network, a family-owned business, is one of the largest independent television broadcast stations in the country, reaching over 5 million households in the NY/NJ/CT tri-state area on Cable, Satellite, over-the-air and FiOS. RNN’s primary production facilities are located in Rye Brook, Westchester County and RNN also has state-of-the-art studios in Kingston, Ulster County and Philadelphia, Pennsylvania. RNN produces Emmy award winning news and talk programming and airs syndicated programming such as Inside Edition, Cheers, & Frasier. RNN now reaches 10 million households in the northeast. RNN owns and operates two television stations: WRNN-TV and WTVE-TV and a cable network: RISE, with coverage from Connecticut to Delaware. Its competitors are other large and sophisticated networks, such as, CNN, NBC, ABC and CBS.

RNN News LLC, a new venture of RNN, is now expanding its role in the media world to include content creation and news production for third parties. To this end, RNN has signed an agreement with Verizon’s FiOS TV, a new national competitor for all nationwide cable and satellite operators, to produce three local cable networks servicing Long Island, New Jersey and Washington DC. RNN will capitalize on the infrastructure it owns throughout its coverage areas to produce these channels.

As a result of this new venture, the Company began to examine where it should locate its core hub facilities and employees. Due to the high cost of doing business in New York State, RNN considered locating in Reading, Pennsylvania where it owns a large building or in northern New Jersey where it has a relationship with a number of colleges and universities that have communication schools. In order for the Company to be competitive and fulfill its contract terms with Verizon FiOS TV, it sought a location that would allow it to minimize costs without jeopardizing quality. The Company approached ESD for assistance in filling a financing gap for the needed capital improvements. In April 2009, ESD responded with an incentive offer of a $200,000 capital grant. The grant helped induce the Company to renovate part of RNN’s corporate facilities and purchase machinery and equipment that may ultimately lead to expansion into additional markets. Without ESD’s grant assistance, this venture would likely have taken place in either Pennsylvania or New Jersey.

B. The Project
The Project involved the construction and renovation of an existing 5,000-square-foot space within one of RNN’s current offices, into a state-of-the-art studio and production facility in Rye Brook, Westchester County. Additionally, the Company purchased and leased with an option to purchase new machinery and equipment, including studio/broadcast equipment, software, furniture and fixtures. The project began in spring 2009 and was completed in July 2009. As a result of the project, the Company has created 59 jobs, already surpassing its stated employment goals of this grant.
C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the $200,000 ($2,000) 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 guarantee its ability to repay all or a portion of ESD’s grant, should there be a default on the Company’s employment commitment, by placing the amount of ESD’s assistance in escrow, to be released over 5 years assuming continued compliance with the terms of the grant.

3. 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.

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 $200,000 will be disbursed to the Grantee in two installments as follows:
   a) an Initial Disbursement of an amount equal to 50% of the grant ($100,000) upon completion of the project substantially as described in these materials, and documentation of construction and renovation and purchase and lease of machinery and equipment project costs totaling $1,000,000, and documentation of the employment of at least 15 Full-time Permanent Employees at the Project Location (Employment Increment of 15), assuming that all project approvals have been completed and funds are available;
   b) a Second Disbursement of an amount equal to 50% of the grant ($100,000) will be disbursed upon documentation of the employment of at least 45 Full-time Permanent Employees at the Project Location (Employment Increment of 30), 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 March 2, 2009, the initial date equipment was ordered to fulfill the requirements of the Verizon FiOS contract for the new state-of-the-art facilities, to be considered eligible project costs. All disbursements must be requested by April 1, 2013.
6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than $200,000, 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.

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Reporting Date</td>
<td>Employment Goals</td>
</tr>
<tr>
<td>February 1, 2011</td>
<td>0+X+Y</td>
</tr>
<tr>
<td>February 1, 2012</td>
<td>0+X+Y</td>
</tr>
<tr>
<td>February 1, 2013</td>
<td>0+X+Y</td>
</tr>
<tr>
<td>February 1, 2014</td>
<td>0+X+Y</td>
</tr>
<tr>
<td>February 1, 2015</td>
<td>0+X+Y</td>
</tr>
</tbody>
</table>
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=15, and Employment Goals shall equal \[0 + X = 15\] 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 Third Disbursement of the Grant as described in section C.5 above (i.e. Y=30, and Employment Goals shall equal \[0 + X + Y = 45\] 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

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 create 45 new jobs.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.
The Company considered locating this new venture at either its New Jersey or Pennsylvania office. 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 $2,128,483;
   - Fiscal cost to NYS government is estimated at $200,000;
   - Project cost to NYS government per direct job is $7,407;
   - Project cost to NYS government per job (direct plus indirect) is estimated at $2,757;
   - Ratio of project fiscal benefits to costs to NYS government is 10.64:1;
   - Fiscal benefits to all governments (state and local) are estimated at $3,814,657;
   - Fiscal cost to all governments is $200,000;
   - All government cost per direct job is $7,407;
   - All government cost per total job is $2,757;
   - The fiscal benefit to cost ratio for all governments is 19.07:1;
   - Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at $22,477,537, or $309,892 per job (direct and indirect);
   - The economic benefit to cost ratio is 112.39:1;
   - Project construction cost is $75,000 which is expected to generate 1 direct job year and 1 indirect job year of employment;
   - For every permanent direct job generated by this project, an additional 1.76 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. 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.

VII. Additional Submissions to Directors

Resolutions
New York State Map
Cost-Benefit Analysis
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 RNN News 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 RNN News LLC a grant for a total amount not to exceed Two Hundred Thousand Dollars ($200,000) 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.

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