

FOR CONSIDERATION

March 26, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Buffalo (Erie County) – Robinson Home Products Oneida 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

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General Project Plan

I. Project Summary

Grantee: Robinson Home Products, Inc.

ESD\* Investment: A grant of up to \$400,000 to be used for a portion of the cost of the acquisition and installation of new and used equipment.

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

Project Locations: 500 Bailey Avenue, Buffalo\*  
2615 Walden Avenue, Cheektowaga  
41 Madison Avenue, Manhattan

\*Project activity site; others are job-retention sites

NYS Empire Zone  
(or equivalent): Buffalo Empire Zone

Proposed Project: Acquisition of inventory, acquisition and installation of new and used equipment, and office renovations associated with the acquisition of Oneida, Ltd.

ESD Incentive Offer Accepted: July 31, 2009

Project Completion: December 2009

Number of Employees at Project Locations:  
Initial employment at time of ESD Incentive Offer: 79  
Current employment level: 112  
Minimum employment on January 1, 2013: 167

Grantee Contact: Mr. John R. Fancher, Chief Financial Officer  
2615 Walden Avenue  
Buffalo, NY 14225  
Phone: 716-206-1104  
Fax: 716-685-4916

Anticipated  
Appropriation  
Source: Empire State Economic Development Fund

ESD Project No.: W623

Project Team: Origination Ray Witzleben  
Project Management Jean Bly  
Affirmative Action Helen Daniels  
Finance Ross Freeman  
Environmental Soo Kang

## II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Oneida Inventory	\$15,000,000
Office Renovation	500,000
New & Used Equipment	1,000,000
Soft Costs	<u>1,250,000</u>
Total Project Costs	<u>\$17,750,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$ 400,000	2%	
M&T Bank Loan	7,375,000	42%	LIBOR +600/5 yrs/1 <sup>ST</sup> on Co. Assets
ECIDA RDC Loan	2,000,000	11%	4%/5yrs/2 <sup>nd</sup> on Co. Assets
Oneida Ltd. Loan	5,625,000	32%	LIBOR +400/8 mos/3 <sup>rd</sup> on Co. Assets
Company Equity	<u>2,350,000</u>	<u>13%</u>	
Total Project Financing	<u>\$17,750,000</u>	<u>100%</u>	

### III. Project Description

#### A. Background

Robinson Home Products Inc. (“Robinson” or the “Company”), established in 1921 as Robinson Knife Co., evolved from a manufacturer of cutlery, kitchen tools, scissors, and fine-edged industrial components into an innovative developer and marketer of branded houseware products under licensing agreements with Oneida, Chip Clip, Sunbeam, and Joy of Cooking. Today, Robinson markets more than 1,000 items, including cookware, bakeware, cutlery, and utensils to retailers and wholesalers based in North America, shipping over one million pieces weekly from its warehouse in Buffalo, NY. The Company’s headquarters are located in Cheektowaga, NY. Driven by consumer demands, Robinson’s innovation provides a steady stream of new products solving America’s food preparation needs. All products undergo extensive pre-introduction prototype testing and all products are inspected at their source whether made in the United States, Europe, or Asia. Major customers include Wal-Mart (Bentonville, AK); Dolgencorp (Nashville, TN) and Target (Minneapolis, MN). Major competitors include Lifetime Hoan (New York, NY); World Kitchen (Roseland, IL), and Bradshaw (Seattle, WA).

In mid-2009, Robinson, in an effort to remain competitive, advised ESD of an opportunity to purchase Oneida, Ltd. (Syracuse, NY), a manufacturer and distributor of Oneida flatware and dinnerware. Robinson was the only New York company competing in the Oneida purchase and if successful in acquiring this iconic product line, including the exclusive rights to sell and market Oneida flatware and dinnerware, it was considering relocating product manufacturing and distribution operations to either China or Buffalo. On July 31, 2009, Robinson accepted ESD’s offer of a \$400,000 capital grant resulting in the Company’s successful acquisition of the Oneida product line and its decision to relocate its operations from Syracuse to the Buffalo Empire Zone. As a result 79 jobs will be retained and 88 new jobs will be created by January 1, 2013. Without ESD assistance, these jobs would have likely been relocated out of state.

In January 2008, ESD Directors approved a \$250,000 capital grant to assist the Company with relocating and expanding its warehousing and distribution facility to the Buffalo Empire Zone, retaining 55 jobs and creating 30 new jobs by January 1, 2009. In August 2009, ESD agreed to reduce the total employment requirement from 85 to 70 jobs and reduce the grant proportionately to \$200,000. Robinson is in compliance with the terms of the previous grant.

B. The Project

The \$17,750,000 project involves the acquisition of the exclusive rights to manufacture and distribute Oneida flatware and dinnerware; office renovations; and the acquisition and installation of new and used equipment necessary to establish the production of the Oneida product line in Buffalo. Think Solutions Inc. ("TS"), formerly Advantage Housewares, Inc., Robinson's real estate holding company, purchased a vacant facility from Oneida, Ltd., after it ceased Buffalo operations in 2005. TS currently leases 230,000 square feet of that building to Robinson and will lease an additional 86,000 square feet for the new Oneida product line. The project was completed in December 2009 and the Company has already created thirty-three jobs.

C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the \$400,000 capital grant (\$4,000) 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 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 Locations 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 Locations 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 \$400,000 will be disbursed to the Grantee in three installments as follows:
  - a) an Initial Disbursement of 50% of the grant (\$200,000) will be disbursed upon completion of the project as described in these materials, including the Oneida acquisition; documentation of approximately \$15 million in project expenditures and documentation of the employment of at least 109 Full-time Permanent Employees at the Project Locations (Employment Increment of 30), assuming that all project approvals have been completed and funds are available;
  - b) a Second Disbursement of 25% of the grant (\$100,000) will be disbursed upon documentation of an additional expenditure of \$750,000 (aggregate total of \$15.75

million), and documentation of the employment of at least 139 Full-time Permanent Employees at the Project Locations (Employment Increment of 30), provided Grantee is otherwise in compliance with program requirements;

- c) a Third Disbursement of 25% of the grant (\$100,000) will be disbursed upon documentation of an additional expenditure of \$750,000 (aggregate total of \$16.5 million), and documentation of the employment of at least 167 Full-time Permanent Employees at the Project Locations (Employment Increment of 28), 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 July 31, 2009 to be considered eligible project costs. Disbursements may be requested simultaneously and must be requested no later than April 1, 2013.

- 6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$400,000, 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	79
<b>A</b>	<b>B</b>
Reporting Date	Employment Goals
February 1, 2011	79+X+Y+Z
February 1, 2012	79+X+Y+Z
February 1, 2013	79+X+Y+Z
February 1, 2014	79+X+Y+Z
February 1, 2015	79+X+Y+Z

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=30, and Employment Goals shall equal  $[79 + X = 109]$  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=30, and Employment Goals shall equal  $[79 + X + Y = 139]$  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=28, and Employment Goals shall equal  $[79 + X + Y + Z = 167]$  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 Z=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 maintain its employment level of 79 jobs, all 79 of which were at risk of relocation out-of-state, and create 88 new jobs by January 1, 2013.

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 China. 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 \$3,699,067;
- Fiscal cost to NYS government is estimated at \$400,000;
- Project cost to NYS government per direct job is \$6,098;
- Project cost to NYS government per job (direct plus indirect ) is estimated at \$2,801;
- Ratio of project fiscal benefits to costs to NYS government is 9.25:1;
- Fiscal benefits to all governments (state and local) are estimated at \$6,322,848;
- Fiscal cost to all governments is \$400,000;
- All government cost per direct job is \$6,098;
- All government cost per total job is \$2,801;
- The fiscal benefit to cost ratio for all governments is 15.81:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$34,491,041, or \$241,563 per job (direct and indirect);
- The economic benefit to cost ratio is 86.23:1;
- Project construction cost is \$500,000 which is expected to generate 5 direct job years and 4 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 1.18 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.)

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. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. Robinson Home Products, Inc. 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

March 26, 2010

Buffalo (Erie County) – Robinson Home Products Oneida 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

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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 Robinson Home Products Oneida 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 Robinson Home Products Inc. a grant for a total amount not to exceed Four Hundred Thousand Dollars (\$400,000) 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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