

FOR CONSIDERATION

March 26, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Henrietta (Monroe County) – Alleson Athletic 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: Alleson of Rochester Inc. (“Alleson or the “Company”)

ESD* Investment: A grant of up to \$150,000 to be used for a portion of the cost of 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: 2921 Brighton-Henrietta Town Line Road, Town of Henrietta, Monroe County

NYS Empire Zone (or equivalent): N/A

Proposed Project: Building addition and purchase of equipment to expand distribution and customer service capacity

ESD Incentive Offer Accepted: October 21, 2005

Project Completion: December 2006

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	76
Current employment level:	101
Minimum employment on January 1, 2011:	126

Grantee Contact: Michael J. Kretovic, Vice President of Finance
 2921 Brighton-Henrietta Town Line Road
 Rochester, NY 14623
 Phone: (585) 272-0606 x107
 Fax: (585) 272-9639

Anticipated
 Appropriation
 Source: Empire State Economic Development Fund

ESD Project No.: T706

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

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Building Construction	\$ 1,800,000
Sitework	200,000
Machinery & Equipment	<u>1,162,000</u>
Total Project Costs	<u>\$3,162,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$ 150,000	4.7%
Company Equity	<u>3,012,000</u>	<u>95.3%</u>
Total Project Financing	<u>\$3,162,000</u>	<u>100.0%</u>

III. Project Description

A. Background

Alleson manufactures and imports athletic apparel such as team uniforms, shorts and outerwear, which it distributes under the name Alleson Athletic. The Company distributes athletic apparel for all major sports and sells through large sports stores and catalogs. It has been headquartered in Rochester since 1933. Largest customers include Dick's Sporting Goods, Sports

Inc. and Sport Supply. Largest competitors are Rawlings, Wilson and Russell Sports.

Though Alleson maintains one manufacturing center in Geneva, NY, where apparel is sewn, most of the manufacturing is subcontracted out to lower-cost contractors near the Mexican border. Several years ago, in order to lower distribution costs, the Company built an 85,000-square-foot warehouse in Memphis, TN. With the rapid growth in new products, including cheerleading and lacrosse apparel, the Company's manufacturing and distribution space in New York is at full capacity. In 2005, Alleson needed to expand its distribution center and customer service department. The options were to expand in Rochester, or move some operations to locations in Memphis or to McAllen, TX, near its two largest subcontractors. ESD offered Alleson a \$150,000 capital grant on October 17, 2005, which the Company accepted on October 21, 2005. ESD assistance and tax abatements through the Monroe County Industrial Development Agency made the project feasible in New York, thus saving 30 jobs that were at risk of relocation and potentially creating 50 new jobs at the Company's facility in Rochester.

B. The Project

Alleson completed construction of a 52,140-square-foot addition for warehouse, distribution and customer service and installed machinery and equipment, including a new carton-racking system, forklifts, order-pick trucks, carousels, and order packing stations. The Company currently has 101 employees.

C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the \$150,000 (\$1,500) 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 be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement. 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 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 \$150,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$75,000) upon documentation of construction/machinery and equipment project costs totaling \$3,162,000, and documentation of the employment of at least 76 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 an amount equal to 25% of the grant (\$37,500) will be disbursed upon documentation of the employment of at least 101 Full-time Permanent Employees at the Project Location (Employment Increment of 25), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$37,500) will be disbursed upon documentation of the employment of at least 126 Full-time Permanent Employees at the Project Location (Employment Increment of 25), 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 October 21, 2005 to be considered eligible project costs. All disbursements must be requested by April 1, 2011.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$150,000, 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	76
A	B
Reporting Date	Employment Goals
February 1, 2011	76+X+Y
February 1, 2012	76+X+Y
February 1, 2013	76+X+Y

X = 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. X=25, and Employment Goals shall equal $[76 + X = 101]$ 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 C.5 above (i.e. Y=25, and Employment Goals shall equal $[76 + X + Y = 126]$ 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 maintain its employment level of 76 jobs, including 30 that were at risk, and create 50 new jobs.
2. The proposed project would be unlikely to take place in New York State without the requested assistance.
The Company considered expanding its operations to Tennessee or Texas. 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 \$1,706,903;
 - Fiscal cost to NYS government is estimated at \$186,016;
 - Project cost to NYS government per direct job is \$3,538;

- Project cost to NYS government per job (direct plus indirect) is estimated at \$2,058;
- Ratio of project fiscal benefits to costs to NYS government is 9.18:1;
- Fiscal benefits to all governments (state and local) are estimated at \$3,494,753;
- Fiscal cost to all governments is \$421,051;
- All government cost per direct job is \$8,009;
- All government cost per total job is \$4,658;
- The fiscal benefit to cost ratio for all governments is 8.30:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$12,460,816, or \$137,861 per job (direct and indirect);
- The economic benefit to cost ratio is 29.59:1;
- Project construction cost is \$2,000,000 which is expected to generate 20 direct job years and 15 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.72 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

The Town of Henrietta Planning Board, 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. ESD staff reviewed the supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. Alleson 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

Cost-Benefit Analysis

March 26, 2009

Henrietta (Monroe County) – Alleson Athletic 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 Alleson Athletic 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 Alleson of Rochester, Inc. a grant for a total amount not to exceed One Hundred Fifty Thousand Dollars (\$150,000) 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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March 26, 2010

Henrietta (Monroe County) – Alleson Athletic Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Alleson Athletic 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.

* * *

**Project Summary
Benefit-Cost Evaluation¹**

Alleson of Rochester, Inc.

Initial Jobs:	76	Construction Job Years (Direct):	20
New Jobs:	50 over 5 years	Construction Job Years (Indirect):	15
Retained Jobs:	30		

Evaluation Statistics	Project Result NYS Govt.	NYS Govt. Benchmarks for ESD Projects²	Project Results State & Local Governments	State & Local Government Benchmarks for ESD Projects
Fiscal Costs³	\$186,016	\$ 794,250	\$421,051	\$ 1,020,500
Fiscal Benefits⁴	\$1,706,903	\$ 2,085,600	\$3,494,753	\$ 4,271,980
Fiscal Cost /Direct Job	\$3,538	\$ 3,000	\$8,009	\$ 4,110
Fiscal Cost/Total Jobs	\$2,058	\$ 1,424	\$4,658	\$ 1,964
Fiscal B/C Ratio	9.18	7.00	8.30	10.60
		Benchmarks for ESD Projects		
	Project Results			
Economic Benefits⁵	\$12,460,816	\$ 119,468,000		
Econ. Benefits/Total Jobs	\$137,861	\$ 147,600		
Economic B/C Ratio	29.59	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 net of transfers, without adjusting for individual income earners' opportunity cost of employment.