

FOR CONSIDERATION

March 23, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Henrietta (Monroe County) – Brinkman Precision 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: Brinkman Precision, Inc.

ESD* Investment: A grant of up to \$500,000 to be used for a portion of the cost of construction 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: 100 Park Centre Drive, West Henrietta, Monroe County

Proposed Project: Construction of a new facility to increase manufacturing capacity.

ESD Incentive Offer Accepted: August 25, 2008

Project Completion: July 2009

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	99
Current employment level:	101
Minimum employment on January 1, 2014:	154

Grantee Contact: Andrew Laniak, President
 100 Park Centre Drive
 West Henrietta, NY 14586
 Phone: (585) 235-4545
 Fax: (585) 235-6568

Anticipated
 Appropriation
 Source: Empire State Economic Development Fund

ESD Project No.: W453

Project Team:	Origination	Kevin Hurley
	Project Management	Edward Muszynski
	Affirmative Action	Helen Daniels
	Finance	Ross Freeman
	Environmental	Rachel Shatz

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Land Purchase	\$ 438,555
Building Construction	4,130,664
Electrical Infrastructure	727,593
Machinery & Equipment	4,559,879
Furnishings	83,903
Soft Costs	<u>159,406</u>

Total Project Costs \$10,100,000

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$ 500,000	5.0%
Rochester Gas & Electric Co. Grant	550,000	5.0%
Monroe County Grant	75,000	1.0%
Company Equity	<u>8,975,000</u>	<u>89.0%</u>

Total Project Financing \$10,100,000 100.0%

III. Project Description

A. Background

Incorporated in 2002, Brinkman Precision, Inc. (“BPI” or the “Company”) is a high-value added precision machining operation serving the aviation, controls and power-generation industries. BPI’s customers are primarily located in North Carolina, California, Iowa, Arizona, and Mexico. Major customers include Parker Hannifin, Goodrich and Eaton Aerospace. Major competitors include Accutec, Precision Machining, Lee’s Grinding, and ARC Drilling. The Company is affiliated with Brinkman Products, Inc., Gates Albert, Inc. and MSK Precision Products, Inc. which, like BPI, are all 100% owned by Brinkman International Group, Inc. (the “Parent”).

In 2008, opportunities arose for BPI to expand its base of business to Europe. However, these opportunities required significant investment in new space, manufacturing equipment, employee training, and process re-mapping. The Company approached ESD, indicating that it had outgrown its facility in the Town of Gates, and was considering constructing a new building in the Rochester area. Also under consideration were Tennessee, North Carolina and Florida, where operating costs were lower and many customers were located. In order to help the Company reduce costs and make the project feasible in New York, ESD offered a \$500,000 capital grant, which BPI accepted in August 2008. As a result, the Company built a new facility in the Town of Henrietta, approximately 10 miles away. Without ESD’s assistance and Empire Zone benefits, the project would have likely gone to another state and 99 jobs would have been lost.

In 2003, ESD approved a \$250,000 grant to the Parent for renovation of its Rochester facility, where it is still located. The project was completed and the grant was disbursed.

B. The Project

In July 2009, BPI completed construction of a new 42,500-square-foot manufacturing facility in the Town of Henrietta, approximately 10 miles from its original location. The Company has purchased precision turning centers, vertical machining centers and grinding centers, and expect to purchase horizontal/palletized machining centers. To date, BPI has incurred over \$6,500,000 of the project costs. The project will result in the doubling of BPI’s manufacturing capacity and be a great benefit in increasing its presence in the European market.

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$500,000 capital grant (\$5,000) and 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.
3. Brinkman International Group, Inc., will guarantee the grant repayment obligation of its subsidiary, Brinkman Precision Inc., in the event of an Employment Shortfall or other

default, as defined in these materials or the Grant Disbursement Agreement.

4. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Company's 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.
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 \$500,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$250,000) upon documentation of real estate / machinery and equipment project costs totaling \$6,500,000, and documentation of the employment of at least 99 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 (\$125,000) will be disbursed upon documentation of the employment of at least 127 Full-time Permanent Employees at the Project Location (Employment Increment of 28), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$125,000) will be disbursed upon documentation of the employment of at least 154 Full-time Permanent Employees at the Project Location (Employment Increment of 27), 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 August 25, 2008 to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

7. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$500,000, 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	99
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A	B
Reporting Date	Employment Goals
February 1, 2012	99+X+Y
February 1, 2013	99+X+Y
February 1, 2014	99+X+Y
February 1, 2015	99+X+Y
February 1, 2016	99+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=28, and Employment Goals shall equal $[99 + X = 127]$ 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=27, and Employment Goals shall equal $[99 + X + Y = 154]$ 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 99 jobs, which were at risk of relocation to another state. In addition, the Company will create 55 new jobs.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.

Without ESD assistance to lower costs and make the Company's facility competitive with one in Tennessee, North Carolina or Florida, the cost would have been too high to 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 \$6,551,772;
- Fiscal cost to NYS government is estimated at \$500,000;
- Project cost to NYS government per direct job is \$4,272;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$2,325;
- Ratio of project fiscal benefits to costs to NYS government is 13.10:1;
- Fiscal benefits to all governments (state and local) are estimated at \$11,058,443;
- Fiscal cost to all governments is \$500,000;
- All government cost per direct job is \$4,272;
- All government cost per total job is \$2,325;
- The fiscal benefit to cost ratio for all governments is 19.23:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$61,584,402, or \$286,394 per job (direct and indirect);
- The economic benefit to cost ratio is 54.74:1;
- Project construction cost is \$5,017,663 which is expected to generate 48 direct job years and 34 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.84 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. The lead agency issued a Negative Declaration on October 17, 2009. ESDC 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.

VI. Affirmative Action

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

Henrietta (Monroe County) – Brinkman Precision 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 Brinkman Precision 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 President 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 President 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 President and Chief Executive Officer – Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Brinkman Precision Inc. a grant for a total amount not to exceed Five Hundred Thousand Dollars (\$500,000) from the , for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President 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 President 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 President 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 23, 2011

Henrietta (Monroe County) – Brinkman Precision 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 Brinkman Precision Capital Brinkman Precision 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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