

**A. Steel & O'Brien Manufacturing Capital (X072)**

March 23, 2011

General Project Plan

**Grantee:** Steel & O'Brien Manufacturing, Inc. ("S & O" or the "Company")

**ESD Investment:** A grant of up to \$100,000 to be used for a portion of the cost of construction and the purchase of machinery and equipment.

**Project Location:** 7196 Route 98, Arcade, Wyoming County

**ESD Incentive Offer Accepted:** June 23, 2010

**Project Completion:** January 2011

**Number of Employees at Facility:**

Initial employment at time of ESD Incentive Offer:	47
Current employment level:	63
Minimum employment on January 1, 2014:	57

**Grantee Contact:** Pete Beyette, VP Operations  
7196 Route 98  
Arcade, NY 14009  
Phone: (585) 492-5800 Fax: (585) 492-5812

<b>Project Team:</b>	Origination	Helen Blum
	Project Management	Edward Muszynski
	Affirmative Action	Helen Daniels
	Environmental	Soo Kang

**Project Description:**

Background

Incorporated in 1990, Steel & O'Brien Manufacturing, Inc. ("S & O" or the "Company") manufactures stainless steel fittings for the food processing, pharmaceutical and other industries. The Company specializes in custom fittings, highly competitive prices and quick turnarounds. Having already survived several industry changes, the Company decided to change its business model during the height of the recession in 2009. Instead of supplying manufacturers directly, it decided to sell through distributors. Major customers include Rubberfab, Parker, Feldmeier, CFR, and Swagelok. Competitors include Alfa Laval, Dixon and VNE, all three located in Wisconsin.

In 2010, the Company, which is a significant employer in this rural area, approached ESD and the NYS Office of Community Renewal ("OCR") because it could not grow in its current space to keep up with demand for its products. In order to help the Company reduce

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costs and make the expansion project feasible in New York, ESD offered a \$100,000 capital grant which was matched by OCR's grant to Wyoming County. S & O accepted the offer in June 2010. As a result, the Company was able to expand at its present location, on adjacent land it had previously acquired. Without ESD's and OCR's assistance, the Company would have lost business and 23 existing jobs, because customers would have gone to its competitors in Wisconsin.

### The Project

The Company constructed a 20,000-square-foot manufacturing and office addition, thereby doubling the size of its facility. S & O also purchased a new CNC lathe, forklift, orbital welder, hand welder, racking systems, computers and other equipment for its production shop. The Company is also in the process of becoming ISO 9001 certified, and has hired High Tech Rochester to assist it in this process. S & O has already exceeded the number of its projected new jobs by 6 positions.

Financing Uses	Amount	Financing Sources	Amount	Percent
Construction & Site Work	\$603,830	ESD Grant	\$100,000	13%
Machinery & Equipment	204,756	Wyoming County Grant*	33,000	4%
		Wyoming County Loan*. <sup>1</sup>	66,000	8%
		Company Equity	609,586	75%
Total Project Costs	\$808,586	Total Project Financing	\$808,586	100%

\*Source of funds is the NYS Office of Community Renewal

<sup>1</sup> 3%, 10 years, 2<sup>nd</sup> lien on RE

### **Financial Terms and Conditions:**

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$100,000 capital grant (\$1,000) 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. The Company will be required to contribute at least 10% of the total project cost in the form of equity contributed after the Company's written 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.

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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 \$100,000 will be disbursed to the Grantee in two installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$50,000) upon documentation of real estate / machinery and equipment project costs totaling \$808,586, and documentation of the employment of at least 47 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 50% of the grant (\$50,000) will be disbursed upon documentation of the employment of at least 57 Full-time Permanent Employees at the Project Location (Employment Increment of 10), provided Grantee is otherwise in compliance with program requirements.

Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after June 23, 2010, to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$100,000, 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

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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	47
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<b>A</b>	<b>B</b>
Reporting Date	Employment Goals
February 1, 2012	47+X
February 1, 2013	47+X
February 1, 2014	47+X
February 1, 2015	47+X
February 1, 2016	47+X

X = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section 5 above (i.e. X=10, and Employment Goals shall equal  $[47 + X = 57]$  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.

**Environmental Review:**

ESD staff has determined that, although the funding of this project by ESD may constitute an "action" as defined by the State Environmental Quality Review Act ("SEQRA"), the project itself has been previously completed. ESD's action in the funding decision will not alter the adverse environmental impacts, if any, of the project as completed. ESD staff accordingly believes that funding the completed project will not have any significant adverse impacts on the environment.

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### **Statutory Basis – Empire State Economic Development Fund:**

1. The 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 47, including retention of 23 jobs which were at risk of elimination because business would have been lost to competitors in Wisconsin. In addition, the Company will create 10 new jobs.
2. The project would be unlikely to take place in New York State without the requested assistance.  
Without ESD assistance to facilitate construction of additional space, the Company would have lost business to its competitors.
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, project fiscal benefits to New York State government are expected to be \$892,788, which exceed the cost to the State.
4. The requirements of Section 10(g) of the Act are satisfied.  
See cover memo.

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Arcade (Wyoming County) – Steel & O’Brien Manufacturing Capital – Empire State  
Economic Development Fund – General Development Financing (Capital Grant) –  
Determination of No Significant Effect on the Environment

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RESOLVED, that based on the material submitted to the Directors with respect to the Steel & O’Brien Manufacturing 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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