

E. County of Chautauqua IDA - SKF Heat Transfer Capital (X064)

March 23, 2011

General Project Plan

Grantee: County of Chautauqua Industrial Development Agency (the “CCIDA”)

Beneficiary

Company: SKF USA Inc. d/b/a SKF Aeroengine North America (“SKF” or the “Company”)

ESD Investment: A grant of up to \$250,000 to be used for a portion of the costs for the acquisition and installation of machinery and equipment.

Project Location: One Maroco Road, Falconer, Chautauqua County

Project Completion: April 2011

Grantee Contact: Richard E. Dixon, Chief Financial Officer
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Jamestown, NY 14701
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Beneficiary Contact: Terry Papincak, Controller
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Falconer, NY 14733
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Project Team: Project Management Jean Bly
Affirmative Action Helen Daniels
Environmental Rachel Shatz

Project Description:

Grantee Background

The CCIDA, established in 1972, is the principal force attracting new business and industry to Chautauqua County (the “County”). The CCIDA’s primary objective is to position the County as an outstanding environment for both large and small businesses to locate or expand by providing financial incentives and low-interest loans, allowing for increased employment, a greater infusion of capital into the local economy, and an increased tax base.

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Beneficiary Background

SKF, founded in 1903, is a manufacturer of high-precision, custom-engineered ball and roller bearings for critical aeroengine and specialty applications. The Company manufactures bearings to tolerances from 10 to 50 millionths of an inch (approximately 1% of the thickness of a human hair). The aerospace business includes ball and roller bearings for helicopters, mainshaft and gearboxes for jet engines and for all types of aircraft power assemblies. Specialty products are custom-designed bearings for technically and environmentally demanding applications, such as pumps, motors and power transmission assemblies. SKF facilities include aerospace, specialty and remanufacturing businesses in Falconer, NY (formerly known as MRC Bearings Division) and Jamestown, NY (formerly known as Marlin Rockwell Corporation); a high-precision, specialty steel and ceramic ball manufacturing facility at SKF Specialty Balls (Colebrook, CT); and a bearing repair facility at SKF Aero Bearing Service Center (North Charleston, SC). The Company is a unit of SKF Industrial Division, which is a subsidiary of Aktiebolaget SKF (the "Parent"), publicly traded as "AB SKF", headquartered in Gothenburg, Sweden, and a global supplier of products, solutions and services in the roller bearings and seals business. The Parent employs nearly 39,000 people in more than 130 countries.

Previously, the ESD Directors approved a \$550,000 capital grant to SKF on March 20, 2008 to assist with the acquisition and installation of new machinery and equipment at the Falconer facility. ESD disbursed \$275,000 of the grant in April 2009, with the remainder to be disbursed following increased production achievements. The Company is in compliance with the terms of grant, and has exceeded the projected employment of 395.

The Project

The \$17.928 million project involves the construction of a 82,000-square-foot facility, the acquisition and installation of machinery and equipment including heat, washer, cooler and chiller systems, and equipment relocation and installation, plus design/professional fees necessary to relocate the heat treat facility from Jamestown and establish additional research and development and office space. McGuire Development Company (Buffalo, NY), a development and property management firm, will construct the building, which SKF will lease for a term of twenty years. The project began in May 2010 and is scheduled for completion in April 2011. ESD offered SKF an incentive package on August 14, 2009, which includes a \$1.375 million MAP grant and a \$1.375 million Upstate Regional Blueprint Fund grant to assist in financing the project. The subject request is for a \$250,000 New York State Economic Development Program ("NYEDP") grant. There is also a request for the \$250,000 Empire State Economic Development Fund ("EDF") grant at today's meeting. The remainder of the ESD assistance will be brought before the ESD Directors at a later date.

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Financing Uses	Amount	Financing Sources	Amount	Percent
Facility Construction	\$ 10,633,000	ESD Grant (X064)	\$ 250,000	1%
Machinery & Equipment	5,220,000	ESD EDF Grant (X188)	250,000	1%
Relocation & Soft Costs	2,075,000	ESD MAP Grant -EDF (W768)*	1,375,000	8%
		ESD Upstate Regional Blueprint Fund Grant (W769)*	1,375,000	8%
		McGuire Development Company Contribution	10,633,000	59%
		Beneficiary Equity	4,045,000	23%
Total Project Costs	\$ 17,928,000	Total Project Financing	\$ 17,928,000	100%

*this assistance has not yet been approved.

Financial Terms and Conditions:

1. The Grantee will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Grantee will be obligated to advise ESD of a materially adverse change in its financial condition prior to disbursement.
3. Up to \$250,000 will be disbursed to Grantee in a lump sum upon completion of the project as described in these materials and documentation of eligible project costs totaling \$17,928,000 incurred by the Beneficiary and McGuire Development Company, and assuming that all project approvals have been completed and funds are available.

Payment will be made upon presentation to ESDC of such documentation as ESDC may reasonably require. Expenses must be incurred on or after September 3, 2009 to be considered eligible project costs. Disbursements may be requested simultaneously.

4. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$250,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Grantee 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.

Environmental Review:

The Chautauqua County Industrial Development Agency, 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 a Type I Action, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on May 21, 2010. ESD staff reviewed the Negative

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Declaration and supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

**Statutory Basis – Section 10 Findings - New York State Economic Development Program:
Land Use Improvement**

1. That the area in which the project is to be located is a substandard or unsanitary area, or is in danger of becoming a substandard or unsanitary area and tends to impair or arrest the sound growth and development of the municipality:
The area to be redeveloped currently has an old unused truck depot on it that has been vacant for fifteen years and is in disrepair.
2. That the project consists of a plan or undertaking for the clearance, replanning, reconstruction and rehabilitation of such area and for recreational and other facilities incidental or appurtenant thereto:
The project will clear an old truck depot and construct an 82,000-square-foot facility, including 66,000 square feet of manufacturing space. Additionally, existing research and development buildings will be refurbished.
3. That the plan or undertaking affords maximum opportunity for participation by private enterprise, consistent with the sound needs of the municipality as a whole:
The project is being developed by private enterprise, and is consistent with the sound needs of the community.
4. That the proposed facilities or project is consistent with any existing local or regional comprehensive plan:
The area being developed is currently designated as a Recovery Zone in the American Recovery and Reinvestment Act. This project is consistent with the plan for Recovery Zones.
5. The requirements of Section 10(g) of the Act are satisfied.
No residential relocation required as there are no families or individuals residing on the site.

Disclosure and Accountability Certifications:

The Grantee has provided ESD with the required Disclosure and Accountability Certifications. Grantee's certifications indicate that Grantee has no conflict of interest or good standing violations and, therefore, staff recommends that the Corporation authorize the grant to the Grantee as described in these materials.

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Falconer (Chautauqua County) – County of Chautauqua IDA – SKF Heat Transfer Capital
– New York State Economic Development Program (Capital Grant) – Determination of
No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the County of Chautauqua IDA – SKF Heat Transfer Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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