FOR CONSIDERATION
November 19, 2009

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Amsterdam (Montgomery County) – Breton Industries 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

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General Project Plan

I. Project Summary

Grantee: Breton Industries, Inc. ("Breton" or the "Company")

ESD* Investment: A grant of up to $200,000 to be used for a portion of the cost of construction of a 20,000-square-foot addition to an existing 60,000-square foot-facility and related infrastructure improvements.

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

Project Location: One Sam Stratton Road, Amsterdam, Montgomery County

NYS Empire Zone (or equivalent): Amsterdam Empire Zone

Proposed Project: Expand facility, purchase and installation of machinery and equipment, and renovations associated with expansion.

ESD Incentive Offer Accepted: November 16, 2007 (initial offer); April 27, 2009 (revised offer)

Project Completion: December 10, 2008

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	106
Current employment level:	117
Minimum employment on January 1, 2011:	116

Grantee Contact: G. Richard Lewis, President/CEO
One Sam Stratton Road
Amsterdam, NY 12010
Phone: 518-842-3030
Fax: 518-842-1031

Anticipated Appropriation Source: Empire State Economic Development Fund

ESD Project No.: V889

Project Team:

Origination	Jane Kulczycki
Project Management	Medina Napier
Affirmative Action	Denise Ross
Environmental	Soo Kang

II. Project Cost and Financing Sources

Financing Uses	Amount
Machinery & Equipment	$318,066
Construction/Renovation/Upgrades	$825,616
Logistics/Administration/Fees/Utilities	$156,716
Total Project Costs	$1,300,398

Financing Sources	Amount	Percent	Rate/Term/Lien
ESD-Grant	$200,000	15.4%	
M&T Bank Loan	$675,676	51.9%	4%/10 yrs/1st lien on RE & ME
Montgomery County Department of Economic Development and Planning & Industrial Development Agency	$200,000	15.4%	1%/5 yrs/2nd lien on RE & ME
Company Equity	$224,722	17.3%	
Total Project Financing	$1,300,398	100.00%	

III. Project Description

A. Background

Breton Industries, Inc., a privately owned manufacturing company in Amsterdam, Montgomery County, was incorporated in May 1972. Breton is a leader in the design and manufacture of custom sewn and heat sealed fabric items for use by the US military. It also provides engineering research and development services to the Department of Defense. The two primary Department of Defense facilities that the Company is contracted by are located in Michigan and Ohio. More than 20% of the Company's sales are derived from General Dynamics, Martin Marietta and TEXTRON.

The Company made two efforts to increase its production space by adding to its original location at 10 Leonard Street in Amsterdam. First, in 1991, the Company built a new facility at One Sam Stratton Road and then leased nearby space at 7 Dandreano Drive in 2004. In 2007, Breton was facing the challenge of not being able to effectively meet its outstanding contracts and remain competitive with a Canadian supplier. The 10 Leonard Street facility was built in 1895 and did not have the capacity to house newer technologies, so it became necessary for Breton to abandon the old facility to pursue the use of modern equipment and facilities to enhance production and remain nationally competitive. Additionally, the Company saw the opportunity to lower transportation costs by abandoning the 10 Leonard Street facility and geographically consodliating its production space near Sam Stratton Road in Amsterdam.

Breton qualified for loans for the project from its bank and Montgomery County, but was still facing a financing gap. The Company approached ESD in 2007 for assistance. Shortly thereafter, ESD offered the Company a $200,000 capital grant, which it accepted in May 2009. Without the grant, the Company was facing erosion of its market share and the eventual loss of 106 jobs in New York.

B. The Project

The project involves a 20,000-square-foot expansion of the facility purchased by Breton in 1991 located on One Sam Stratton Road, and the purchase and installation of machinery and equipment to aid in the expansion and consolidation of all of its locations.

The expanded facility at One Sam Stratton Road consists of a manufacturing room occupying 70-80% of the total building space, office space, cafeteria, hyperbaric testing room, maintenance shop, electrical and compressor room, loading and receiving dock, and storage rooms. Upgrades related to the expanded facility include installation of a security system, installation of weatherguard, concrete floor sealing and purchase of computers to upgrade the Company's network.

Construction of the addition to the One Sam Stratton Road facility was completed in December 2008 and the Company has hired 11 new full-time employees to date. Operations, and machinery and equipment have been transferred from the 10 Leonard Street location to the

expanded facility at One Sam Stratton Road. The Company plans to relocate remaining machinery and equipment from 10 Leonard Street to the expanded facility by January 2010 and sell the 10 Leonard Street facility to the City of Amsterdam.

C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the $200,000 capital grant ($2000) 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 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 $200,000 will be disbursed to the Grantee in two installments as follows:
   a) an Initial Disbursement of an amount equal to 40% of the grant ($80,000) upon completion of the 20,000-square-foot expansion, documentation of the employment of at least 106 Full-time Permanent Employees and submission of documentation verifying project expenditures of $1,000,000, assuming that all project approvals have been completed and funds are available;
   b) a Second Disbursement of an amount equal to 60% of the grant ($120,000) will be disbursed upon documentation of the employment of at least 116 Full-time Permanent Employees at the Project Location (Employment Increment of 10) , assuming that all project approvals have been completed and funds are available;.

   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 December 3, 2007 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 $200,000, 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	106

A	B
Reporting Date	Employment Goals
February 1, 2011	106 + X
February 1, 2012	106 + X
February 1, 2013	106 + X

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=10, and Employment Goals shall equal [106+ X = 116] 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.

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 retain its employment level of 106 and create 10 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 Canada, 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 $2,949,959;
   - Fiscal cost to NYS government is estimated at $200,000;
   - Project cost to NYS government per direct job is $2,454;
   - Project cost to NYS government per job (direct plus indirect) is estimated at $1,130;
   - Ratio of project fiscal benefits to costs to NYS government is 14.75:1;
   - Fiscal benefits to all governments (state and local) are estimated at $4,796,762;
   - Fiscal cost to all governments is $200,000;
   - All government cost per direct job is $2,454;
   - All government cost per total job is $1,130;
   - The fiscal benefit to cost ratio for all governments is 23.98:1;
   - Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at $21,271,589, or $120,205 per job (direct and indirect);
   - The economic benefit to cost ratio is 106.36:1;
   - Project construction cost is $1,000,000 which is expected to generate 13 direct job years and 5 indirect job years of employment;
   - For every permanent direct job generated by this project, an additional 1.17 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 Montgomery County Industrial Development Agency has completed an environmental review of the 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 9, 2008. ESD 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. The grantee 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

November 19, 2009

Amsterdam (Montgomery County) – Breton Industries 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 Breton Industries 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, Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Breton Industries a grant for a total amount not to exceed Two Hundred Thousand Dollars ($200,000) 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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November 19, 2009

Amsterdam (Montgomery County) – Breton Industries 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 Breton Industries Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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