

UPSTATE EMPIRE STATE DEVELOPMENT CORPORATION

THURSDAY

February 16, 2012

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PLEASE NOTE - We welcome public comment on the items on the following agenda. To ensure maximum opportunity for participation, speakers representing themselves may speak for up to 2 minutes each, and those representing groups may speak for up to 4 minutes (1 speaker per group). Speakers' comments may address only items considered at today's meeting. Materials relating to matters that are scheduled for discussion in open session will be available at the meeting and will be posted on ESD's website prior to the meeting in accordance with the Public Officers Law

UPSTATE EMPIRE STATE DEVELOPMENT CORPORATION

at the offices of
Empire State Development – Buffalo Regional office
95 Perry Street – Suite 500
Buffalo, New York 14203

Meeting of the Directors

Thursday

February 16, 2012 – 10:00 a.m.

PROPOSED AGENDA

FOR CONSIDERATION

1. Approval of the Minutes of the December 14, 2011 Directors' Meeting

UPSTATE REGIONAL BLUEPRINT FUND

2. Ballston Spa (Capital Region – Saratoga County) – Albatros North America URB Capital - Upstate Regional Blueprint Fund – Business Investment (Convertible Loan) – Findings and Determinations Pursuant to Sections 16-q and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Loan and to Take Related Actions; Determination of No Significant Effect on the Environment
3. Rochester (Finger Lakes Region – Monroe County) - Cannon Tube Fabrication URB Capital - Upstate Regional Blueprint Fund – Business Development (Convertible Loan) – Findings and Determinations Pursuant to Sections 16-q and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Loan and to Take Related Actions

DRAFT – SUBJECT TO REVIEW AND REVISION

UPSTATE EMPIRE STATE DEVELOPMENT CORPORATION

Meeting of the Directors
Held at the New York City Regional Office
633 Third Avenue
New York, New York 10017

and

Buffalo Regional Office
95 Perry Street
Buffalo, New York 14203

and

Syracuse Regional Office
620 Erie Boulevard West
Syracuse, New York 13204

December 14, 2011

MINUTES

**In Attendance
Directors:**

Julie Shimer (Chair)
Kenneth Adams
Sam Hoyt

**Present for Upstate
ESD:**

Stephen Gawlik, Deputy General Counsel
Eileen McEvoy, Secretary
Frances A. Walton, Chief Financial Officer

Present for ESD:

Maria Cassidy, Deputy General Counsel
Robert Godley, Treasurer
Edwin Lee, Senior Project Manager – Loans and Grants
Sherri Lippowitsch, Vice President – Loans and Grants
Kathleen Mize, Controller
Susan Shaffer, Vice President – Loans and Grants

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Also Present:

Robert McNary, Director - Finger Lakes Regional Office
James Fayle, Director – Central New York Regional Office
ED Muszynski, Finger Lakes Regional Office
Kenneth Tompkins, Director – Mohawk Valley Regional
Office
The Press
The Public

The meeting of the Upstate Empire State Development Corporation, a wholly-owned subsidiary of the New York State Urban Development Corporation d/b/a Empire State Development (“ESD”), was called to order at 12:33 p.m. by Chairperson Shimer. It was noted for the record that notices to the public and news media of the time and place of the meeting had been given in compliance with the New York State Open Meetings Law.

First, Chairperson Shimer noted that the public is free to comment on any matters on the Agenda.

The Chairperson then called for a motion to approve the Minutes of the November 21, 2011 Directors’ meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE NOVEMBER 21,
2011 MEETING OF THE DIRECTORS OF THE CORPORATION FOR UPSTATE EMPIRE STATE
DEVELOPMENT CORPORATION

RESOLVED, that the Minutes of the meeting of the Corporation held on November 21, 2011, as presented to this meeting, are hereby approved and all actions taken by the Directors

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present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Corporation.

* * *

Chairperson Shimer then asked Mr. McNary to present the Constellation Brand Upstate Regional Blueprint item for the Directors' consideration.

Mr. McNary provided a detailed outline of the background information with regard to the item. Mr. McNary explained, in part, that the Directors were being asked to approve a \$476,000 capital grant to Constellation Brands, a publicly traded industry leader in premium wines and spirits. The funds, he added, will be used for facility renovations and the purchase of machinery and equipment to relocate the Witmer Winery to the Company's Canandaigua facility. The project, Mr. McNary noted, will retain 188 jobs, including 23 from the Witmer Winery.

Following the full presentation, Chairperson Shimer called for questions or comments. Hearing none, and upon motion duly made and seconded, the following resolution was unanimously adopted:

Canandaigua (Finger Lakes Region – Ontario County) – Constellation Brands URB Capital – Upstate Regional Blueprint Fund – Business Investment (Capital Grant) – Findings and Determinations Pursuant to Sections 16-q 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 Constellation Brands

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URB Capital – Upstate Regional Blueprint Fund – Business Investment (Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that 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 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 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 of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Constellation Brands, Inc. a grant for a total amount not to exceed Four Hundred Seventy-Six Thousand Dollars (\$476,000) from the Upstate Regional Blueprint 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 President and Chief Executive Officer 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 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 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.

* * *

Canandaigua (Finger Lakes Region – Ontario County) – Constellation Brands URB Capital – Upstate Regional Blueprint Fund – Business Investment (Capital Grant) – Determination of No Significant Effect on the Environment

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

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Constellation Brands URB Capital – Upstate Regional Blueprint Fund – Business Investment (Capital Grant) Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

* * *

The Chair noted that she would introduce the next item and then recuse herself as the project relates to Welch Allyn, and she is Chief Executive Officer of that Company.

Chair Shimer further noted that Director Adams will call for the vote on this item.

Mr. Fayle then asked the Directors to authorize the Corporation to make a \$350,000 Upstate Regional Blueprint Fund Capital Grant to Welch Allyn, a leading manufacturer of medical diagnostic equipment and healthcare products. The grant will be used, Mr. Fayle explained, to assist the Company with a portion of the machinery and equipment costs associated with Welch Allyn’s acquisition of Trimline Medical Products Corporation as part of its plan to expand its product line. Mr. Fayle explained that the project was completed in October of 2011 and that the Company retained 732 jobs and created 60 jobs.

Following the full presentation, Director Adams called for questions or comments. Hearing none, and upon motion duly made and seconded, the following resolution was adopted (It was noted for the record that Chair Shimer recused herself from the vote on the following resolution.):

Skaneateles (Central New York – Onondaga County) – Welch Allyn URB Capital – Upstate Regional Blueprint Fund – Business Investment (Capital Grant) – Findings and Determinations Pursuant to Sections 16-q and 10 (g) of the Act; Authorization to Adopt

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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 Welch Allyn URB Capital -- Upstate Regional Blueprint Fund Business Investment (Capital Grant) Project (the "Project"), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the "Act"), that 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 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 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 of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Welch Allyn, Inc. a grant for a total amount not to exceed Three Hundred Fifty Thousand Dollars (\$350,000) from the Upstate Regional Blueprint 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 President and Chief Executive Officer 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 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 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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The Directors were then asked by Mr. Tompkins to authorize the Corporation to make a \$500,000 Upstate Regional Blueprint Capital Grant to Premier Aviation, a jet maintenance and repair and overall facility based at Purchase International Airport in Rome, New York.

Mr. Tompkins explained that the funds will be used to purchase machinery and equipment that will allow Premier to expand the number and type of aircraft it can work on and to bring its painting capabilities and facilities in line with its existing operations in Canada.

Following the full presentation, the Chair called for questions or comment. Hearing none, and upon motion duly made and seconded, the following resolution was unanimously adopted:

Rome (Mohawk Valley Region – Oneida County) – Premier Aviation URB Capital – Upstate Regional Blueprint Fund – Business Investment (Capital Grant) – Findings and Determinations Pursuant to Sections 16-q 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 Premier Aviation URB Capital - Upstate Regional Blueprint Fund - Business Investment (Capital Grant) Project (the "Project"), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the "Act"), that 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 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

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RESOLVED, that upon written finding of the President and Chief Executive Officer 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 of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Premier Aviation Overhaul Center, Ltd. a grant for a total amount not to exceed Five Hundred Thousand Dollars (\$500,000) from the Upstate Regional Blueprint 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 President and Chief Executive Officer 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 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 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.

* * *

There being no further business, the meeting was adjourned at 12:41 p.m.

Respectfully submitted,

Eileen McEvoy
Corporate Secretary

FOR CONSIDERATION

February 16, 2012

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Ballston Spa (Capital Region – Saratoga County) – Albatros North America URB Capital – Upstate Regional Blueprint Fund – Business Investment (Convertible Loan)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-q and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Loan and to Take Related Actions; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Borrower: Albatros North America, Inc. d/b/a SEPSA North America (“SEPSA” or the “Company”)

UESD* Investment: A convertible loan of up to \$400,000 to be used for a portion of the cost of the purchase of machinery and furniture, fixtures and equipment.

* The Upstate Empire State Development Corporation (the “Corporation”), a subsidiary of the New York State Urban Development Corporation doing business as Empire State Development (“ESD”)

Project Location: 6 McCrea Hill Road, Ballston Spa, Saratoga County

Proposed Project: Acquisition of property, construction of a 36,000-square-foot facility and purchase of machinery and furniture, fixtures and equipment to relocate and expand a rail car equipment manufacturing operation including retaining and creating jobs.

Project Type: Business relocation and expansion involving job retention and creation

Regional Council: The Capital Regional Council has been made aware of this item. The project predates the Regional Council Initiative. The Incentive Offer accepted in November 2010.

Employment: Initial employment at time of ESD Incentive Offer: 46*
 Current employment level: 48*
 Minimum employment on anniversary of loan closing in 2017: 80*

* May include up to 8 NYS Full-time Employees that work off site conducting field work

Loan Financing: The loan will provide permanent financing for a five year term at an annual interest rate of three percent (3%), convertible to a grant over that term if required job levels are maintained.

Security: Unsecured

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Real Estate Acquisition	\$384,000
Planning /Feasibility	14,400
Construction	2,490,446
Furniture, Fixtures, M&E	466,492
Soft Costs	160,776
Solar PVC System	<u>471,583</u>
Total Project Costs	<u>\$3,987,697</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Loan	\$400,000	10%	3% / 5yrs. / unsecured
BOA – Construction Loan ¹	1,060,000	27%	Bank's cost of funds +2.25% / 7 yrs / first lien on all business assets
BOA – Construction Loan ²	1,565,000	39%	One month LIBOR + 2.25% / 36 months / first lien on all business assets
BOA – Revolving Credit Facility Converting to Term Loan ³	116,114	3%	Bank's five-year cost of funds + 2.5% / 60 months / first lien on all business assets
NYSERDA-Grant ⁴	375,000	9%	
Company Equity	<u>471,583</u>	<u>12%</u>	
Total Project Financing	<u>\$3,987,697</u>	<u>100%</u>	

¹12 month construction loan converting to an 84 month term loan

²12 month construction loan converting to a 36 month Reducing Revolving Credit loan

³12 month revolving period with interest at one month LIBOR + 2.25% converting to 60 month term loan

⁴NYSERDA Renewal, Clean Energy and Energy Efficiency Product Manufacturing Incentive Program

III. Project Description

A. Company

- Industry: Design, manufacture and repair of power conversion, security, control and communications systems for rail car and subway manufacturing industry.
- Company History: The Company is owned by Albatros Corporation, a Spain-based company that was formed in 1920. North American operation started in Albany in 1999 and moved to Schenectady in 2005.
- Ownership: Privately held
- Size: Manufacturing facilities in Spain, Brazil, China, the United Kingdom and North America, products and services sold in over 30 countries, employing approximately 900 people worldwide.
- Market: Rail car builders and transit authorities; rail car builders include Alstom Transportation, Bombardier Transportation and CAF; transit authorities include the Metropolitan Transit Authority, the Long Island Railroad and the Metro-North Railroad in New York, and the Washington Metro and South Pennsylvania Transportation Authorities. Major competitors include Mitsubishi, TransTechnik, Interalia, Microphor and MTM Power.
- ESD Involvement: Consistent sales growth and product demand resulted in the need for additional space. The Company applied to ESD's Upstate Regional Blueprint Program for a project that would include exercising a buy option on its lease agreement and purchasing machinery and equipment to expand the Schenectady facility. Shortly thereafter, the Company determined that contamination by previous operators to certain areas of the adjacent property on which the Schenectady operation would expand presented far too great a risk for the investment. To remain in NYS, the Company's only option would be to move the facility to a different location. Without ESD's assistance, the project would likely not have taken place in New York State.
- Competition: The Company considered undertaking the project in existing facilities in Spain, or increasing subcontracts to companies operating in lower cost areas of the U.S.
- Past ESD Support: This is the Company's first project with ESD.

B. The Project

Completion: July 2011

Activity: Acquisition of a 4.6-acre parcel in the Corporate Technology Industrial Park in Ballston Spa; construction of a new 36,000-square-foot facility including a 178kw roof-mounted photovoltaic solar system to provide energy efficient electricity to achieve LEED Silver Standards; purchase and installation of machinery, furniture, fixtures and equipment to expand production of power converting and other rail car systems. The Company also negotiated a PILOT agreement with the Saratoga County Industrial Development Agency that will result in projected savings of \$515,430 over ten years July 2011.

Results: Create 34 jobs and retain 46 existing jobs. The Company has already created 2 jobs.

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 \$3,259,874;
- Fiscal cost to NYS government is estimated at \$420,422;
- Project cost to NYS government per direct job is \$7,126;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$3,564;
- Ratio of project fiscal benefits to costs to NYS government is 7.75:1;
- Fiscal benefits to all governments (state and local) are estimated at \$5,422,280;
- Fiscal cost to all governments is \$779,739;
- All government cost per direct job is \$13,216;
- All government cost per total job is \$6,610;
- The fiscal benefit to cost ratio for all governments is 6.95:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$29,122,053, or \$246,875 per job (direct and indirect);
- The economic benefit to cost ratio is 37.35:1;
- Project construction cost is \$3,137,205, which is expected to generate 29 direct job years and 17 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 1.0 indirect job is anticipated in the state's economy;
- The payback period for NYS costs is one year.
(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

Borrower Contact: William Kolberg, Director of Finance & Resources
6 McCrea Hill Road
Ballston Spa, NY 12020
Phone: (518) 381-7100

ESD Project No.: X161

Project Team:	Origination	Arnie Will
	Project Management	Linda Dillon
	Legal	Eunice Jackson
	Affirmative Action	Denise Ross
	Finance	Jonevan Hornsby
	Environmental	Soo Kang

C. Financial Terms and Conditions

1. The Borrower shall pay a commitment fee of 1% of the \$400,000 loan (\$4,000). In addition, at the time of closing, the Borrower will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Borrower will demonstrate no material or adverse changes in its financial condition prior to closing.
3. Guarantees: A letter of credit for \$400,000 with a financial institution that ESD finds acceptable will be required. The letter of credit must be maintained for the term of the loan; however it may be reduced annually to conform to remaining principal, should the loan be reduced consistent with Section III.C.9 below. Corporate Guarantees are required from any entity or commonly controlled entities together owning 50% or more of the Borrower, including: Albatros S.L. Corporation.
4. The Borrower will be required to contribute a minimum of 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.
5. Up to \$400,000 will be disbursed to the Borrower upon completion of the project substantially as described in these materials including documentation of \$3,000,000 in project expenditures, and documentation of the employment of at least 46 Full-time Permanent Employees at the Project Location (may include up to 8 NYS Full-time Employees that work off site conducting field work), assuming that all project approvals have been completed and funds are available. Expenses reimbursed by

ESD's loan must be incurred on or after November 11, 2010, to be considered eligible project costs. Disbursement of the loan must be requested by April 1, 2014.

6. Prior to disbursement, the Borrower 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 Borrower'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 Borrower to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Borrower'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 Borrower to other employees with comparable rank and duties.
7. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$400,000, 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. Rate/Term: 3% interest rate over 5 years (sixty months). Loan becomes immediately due and payable if Borrower sells or closes the Project Location.
9. Repayment Term: Sixty (60) monthly interest-only payments beginning after disbursement of the convertible loan, with outstanding principal due in the full on the 60th month, subject to any incremental reductions in principal based upon Borrower's achievement of Job Commitments and Loan Compliance (See Conversion Terms below).
10. Conversion Terms: The loan principal may be subject to incremental reductions of 20% annually over the five-year term of the loan for each respective year of the loan. Upon timely submission by Borrower of an annual Principal Reduction Request Form verifying Job Commitments and Loan Compliance as approved by ESD, the principal balance of the loan shall be reduced for such year by \$80,000. Each such approved reduction shall be deemed a prepayment of the Borrower's Promissory Note to ESD pursuant to the terms contained therein. If during the term of the loan, Job Commitments and/or Loan Compliance are not submitted and approved for any particular year, principal reduction will not occur for that year and the corresponding amount of principal, when added to any other unconverted principal, shall remain payable upon maturity. (See Job Commitments below.)

Job Commitments:

Baseline Employment	46*
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A	B
Reporting Date	Employment Goals
Anniversary Date of Loan Closing 2013	53*
Anniversary Date of Loan Closing 2014	60*
Anniversary Date of Loan Closing 2015	67*
Anniversary Date of Loan Closing 2016	74*
Anniversary Date of Loan Closing 2017	80*

*May include up to 8 NYS Full-time Employees that work off site conducting field work.

- 11. The Borrower will submit to ESD annual reviewed financial statements and quarterly internal financial statements certified by an officer of the Borrower.
- 12. Financial Disclosure: Updated financial disclosure on Borrower and all guarantors acceptable to ESD must be provided prior to closing.
- 13. Lien/Collateral: Unsecured

IV. Statutory Basis

This project is authorized under Section 16-q of the New York State Urban Development Corporation Act (the “Act”) and satisfies the eligibility criteria in the Act and the rules and regulations for the Upstate Regional Blueprint Fund Program. No residential relocation is required as there are no families or individuals residing on the site.

V. Environmental Review

The Town of Ballston 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 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. The Borrower agrees to use

its best efforts to include minorities and women in any job opportunities created by the Project; and to solicit and utilize M/WBE firms 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
Benefit-Cost Analysis

February 16, 2012

Ballston Spa (Capital Region – Saratoga County) – Albatros North America URB Capital – Upstate Regional Blueprint Fund - Business Investment (Convertible Loan) – Findings and Determinations Pursuant to Sections 16-q and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Loan and 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 Upstate Empire State Development Corporation (the “Corporation”), relating to the Albatros North America URB Capital -- Upstate Regional Blueprint Fund - Business Investment (Convertible Loan) Project (the “Project”), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that 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 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 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 of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Albatros North America d/b/a SEPSA North America a loan for a total amount not to exceed Four Hundred Thousand Dollars (\$400,000) from the Upstate Regional Blueprint 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 President and Chief Executive Officer 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 of the Corporation or his designee(s) be, subsequent to the making of the loan and grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the loan or grant or collateral securing the loan as he or she may deem necessary or appropriate in the administration of the loan and 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 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.

* * *

February 16, 2012

Ballston Spa (Capital Region – Saratoga County) – Albatros North America URB Capital –
Upstate Regional Blueprint Fund – Business Investment (Convertible Loan) –
Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Albatros North America URB Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

* * *

FOR CONSIDERATION

February 16, 2012

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Rochester (Finger Lakes Region – Monroe County) – Cannon Tube Fabrication URB Capital – Upstate Regional Blueprint Fund – Business Investment (Convertible Loan)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-q and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Loan and to Take Related Actions

General Project Plan

I. Project Summary

Borrower: 545 Colfax, Inc. d/b/a Cannon Tube Fabrication (“Cannon Tube” or the “Company”)

UESD* Investment: A convertible loan of up to \$300,000 to be used for a portion of the cost of the purchase of machinery and equipment

* The Upstate Empire State Development Corporation (the “Corporation”), a subsidiary of the New York State Urban Development Corporation doing business as Empire State Development (“ESD” or the “Corporation”)

Project Location: 1121 Lexington Avenue, Rochester, Monroe County

Proposed Project: Acquisition of land and building, renovations and purchase of machinery and equipment to add a new product line.

Project Type: Business expansion involving job retention and creation

Regional Council: The Finger Lakes Regional Council has been made aware of this item. The Project predates the Regional Council Initiative. The Incentive Offer accepted in September 2010.

Employment:	Initial employment at time of ESD Incentive Offer:	14*
	Current employment level:	29
	Minimum employment on anniversary of loan closing in 2017:	84

* Fourteen existing full-time jobs will be retained and relocated from Cannon Industries, Inc., an affiliated company. New positions may not be filled by transferring employees from other New York locations.

Loan Financing: The loan will provide permanent financing for a five-year term at an annual interest rate of 3%, convertible to a grant over that term if required job levels are maintained.

Security: Unsecured

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Land and Building Acquisition	\$800,000
Building Renovations	360,000
Machinery, Equipment and Furnishings	1,703,500
Soft Costs Incl. Contingency	104,500
Working Capital	<u>500,000</u>
Total Project Costs	<u>\$3,468,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Loan	\$300,000	9%	3%/5 yrs/unsecured
HSBC Bank-Loan	540,000	15%	3.25%/7 yrs/first lien on RE
HSBC Bank-Loan	719,500	21%	3.55%/5 yrs/first lien on M&E
Community Savings Bank-Loan	430,500	12%	4.75%/5 yrs/first lien on M&E
City of Rochester-Grant	200,000	6%	
City of Rochester-Loan	200,000	6%	1%/10 yrs/interest only yrs 1 and 2/2nd lien on RE
County of Monroe-Loan	100,000	3%	1%/10 yrs/unsecured
County of Monroe-Loan	50,000	2%	Prime-3%/10 yrs/unsecured
Company Equity	<u>928,000</u>	<u>26%</u>	
Total Project Financing	<u>\$3,468,000</u>	<u>100%</u>	

III. Project Description

A. Company

- Industry:** (1) Tube fabrication for products such as small diameter fuel-transfer tubes, large diameter exhaust components, hand rails, and engine fluid suction tube; and (2) Automated powder coating, a process which applies an electrostatic coating to metal to create a finish more durable than paint. The Company coats components such as construction and mining equipment, engine parts, and specialty brackets.
- Company History:** Cannon Tube Fabrication, an affiliate of Cannon Industries, Inc., was formed in 2010 to undertake tube fabrication and automated power coating. Cannon Industries, Inc. ("Cannon"), a New York State certified minority-owned business enterprise, was established in 1979 by Jack Cannon, it's CEO. Cannon is one of the leading sheet metal and custom weld fabricators in the contract manufacturing industry. In 2009, Cannon earned the ISO/TS16949-2002 certification due to its quality management system.
- Ownership:** Cannon Industries and Cannon Tube are 100% owned by Jack Cannon.
- Size:** All facilities located in Rochester, NY
- Market:** Heavy-duty construction, transportation and defense sectors. Cannon Tube's customers include Volvo, Caterpillar and Navistar. Competitors for tube fabrication include JAE Custom Tube, National Tube Form and Detroit Tube. Competitors for automated powder coating include Tompkins Metal Finishing, Triple Cities Finishing and WW Custom Clad.
- ESD Involvement:** Cannon established Cannon Tube in response to its customers' requests to return tube fabrication to the U.S. from abroad. While the Company preferred to locate in Rochester, it considered out-of-state locations. The Company responded to ESD's Upstate Regional Blueprint Request for Proposals in July 2010, requesting assistance to help finance its project in Rochester, where a building was available. Its application was reviewed and recommended for funding by ESD regional staff. ESD's \$300,000 convertible loan filled a gap to make the project feasible. Without ESD's assistance, the Company would likely have been established outside of New York State.
- Competition:** The Company considered undertaking this project in Ohio or the Carolinas where costs are lower.
- Past ESD Support:** This is the Company's first project with ESD.

B. The Project

Completion: May 2011

Activity: The Company has purchased, renovated and equipped a 35,000-square-foot building in Rochester. The facility will support new customer demand for tube fabrication and continued demand for automated powder coating.

Results: Retain 14 existing jobs and create 70 new jobs. The Company has already created 15 new jobs.

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 \$2,055,822;
- Fiscal cost to NYS government is estimated at \$274,953;
- Project cost to NYS government per direct job is \$5,531;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$3,010;
- Ratio of project fiscal benefits to costs to NYS government is 7.48:1;
- Fiscal benefits to all governments (state and local) are estimated at \$3,456,702;
- Fiscal cost to all governments is \$274,953;
- All government cost per direct job is \$5,531;
- All government cost per total job is \$3,010;
- The fiscal benefit to cost ratio for all governments is 12.57:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$16,466,724, or \$180,265 per job (direct and indirect);
- The economic benefit to cost ratio is 59.89:1;
- Project construction cost is \$464,500, which is expected to generate four direct job years and three 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 one year.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

Borrower Contact: Jack Cannon, President
525 Lee Road
Rochester, NY 14606
Phone: (585) 254-8080 Fax: (585) 254-1352

ESD Project No.: X200

Project Team:	Origination	Robert McNary
	Project Management	Edward Muszynski
	Legal	Eunice Jackson
	Affirmative Action	Helen Daniels
	Finance	Amit Nihalani
	Environmental	Soo Kang

C. Financial Terms and Conditions

1. The Borrower shall pay a commitment fee of 1% of the \$300,000 loan (\$3,000). In addition, at the time of closing, the Borrower will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Borrower will demonstrate no material or adverse changes in its financial condition prior to closing.
3. Guarantees: Personal Guarantees are required from any individual or family members together owning 50% or more of the Borrower, including Jack Cannon. Additionally, corporate guarantees are required from any entity or commonly controlled entities together owning 50% or more of the Borrower, including Cannon Industries, Inc.
4. The Borrower will be required to contribute a minimum of 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.
5. Up to \$300,000 will be disbursed to the Borrower upon completion of the project substantially as described in these materials including documentation of \$2,863,500 in land and building acquisition, renovations, machinery and equipment, and soft project costs, including a certificate of occupancy, and documentation of the employment of at least 14 Full-time Permanent Employees at the Project Location, assuming that all project approvals have been completed and funds are available. Expenses reimbursed by ESD's loan must be incurred on or after September 27, 2010, to be considered eligible project costs. Disbursement of the loan must be requested by April 1, 2014.

6. Prior to disbursement, the Borrower 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 Borrower'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 Borrower to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Borrower'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 Borrower to other employees with comparable rank and duties.
7. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$300,000, 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. Rate/Term: 3% interest rate over 5 years (sixty months). Loan becomes immediately due and payable if Borrower sells or closes the Project Location.
9. Repayment Term: Sixty (60) monthly interest-only payments beginning after disbursement of the convertible loan, with outstanding principal due in full on the 60th month, subject to any incremental reductions in principal based upon Borrower's achievement of Job Commitments and Loan Compliance (See Conversion Terms below).
10. Conversion Terms: The loan principal may be subject to incremental reductions of 20% annually over the five-year term of the loan for each respective year of the loan. Upon timely submission by Borrower of an annual Principal Reduction Request Form verifying Job Commitments and Loan Compliance as approved by ESD, the principal balance of the loan shall be reduced for such year by \$60,000. Each such approved reduction shall be deemed a prepayment of the Borrower's Promissory Note to ESD pursuant to the terms contained therein. If during the term of the loan, Job Commitments and/or Loan Compliance are not submitted and approved for any particular year, principal reduction will not occur for that year and the corresponding amount of principal, when added to any other unconverted principal, shall remain payable upon maturity. (See Job Commitments below.)

Job Commitments:

Baseline Employment	14
A	B
Reporting Date	Employment Goals
Anniversary Date of Loan Closing 2013	26
Anniversary Date of Loan Closing 2014	38
Anniversary Date of Loan Closing 2015	54
Anniversary Date of Loan Closing 2016	68
Anniversary Date of Loan Closing 2017	84

- 11. The Borrower will submit to ESD annual reviewed financial statements and quarterly internal financial statements certified by an officer of the Borrower.
- 12. Financial Disclosure: Updated financial disclosure on Borrower and all guarantors acceptable to ESD must be provided prior to closing.
- 13. Unsecured
- 14. Due Diligence: Appraisals and engineering and environmental reviews acceptable to ESD must be provided prior to closing, if applicable.

IV. Statutory Basis

This project is authorized under Section 16-q of the New York State Urban Development Corporation Act (the “Act”) and satisfies the eligibility criteria in the Act and the rules and regulations for the Upstate Regional Blueprint Fund Program. No residential relocation is required as there are no families or individuals residing on the site.

V. Environmental Review

ESD staff has determined that the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

VI. Affirmative Action

ESD’s Non-Discrimination and Affirmative Action policy will apply. Cannon Tube 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

Benefit-Cost Analysis

February 16, 2012

Rochester (Finger Lakes Region – Monroe County) – Cannon Tube Fabrication URB Capital – Upstate Regional Blueprint Fund – Business Investment (Convertible Loan) – Findings and Determinations Pursuant to Sections 16-q and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Loan 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 Cannon Tube Fabrication URB Capital -- Upstate Regional Blueprint Fund – Business Investment (Convertible Loan) Project (the “Project”), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that 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 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 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 of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to 545 Colfax, Inc. d/b/a Cannon Tube Fabrication a loan for a total amount not to exceed Three Hundred Thousand Dollars (\$300,000) from the Upstate Regional Blueprint 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 President and Chief Executive Officer 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 of the Corporation or his designee(s) be, subsequent to the making of the loan and grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the loan or grant or collateral securing the loan as he or she may deem necessary or appropriate in the administration of the loan; 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 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.

* * *

