

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

Tuesday

May 17, 2012 – 10:00 a.m.

AGENDA

FOR CONSIDERATION

1. Approval of the Minutes of the April 17, 2012 Directors' Meeting

UPSTATE REGIONAL BLUEPRINT FUND

2. Auburn (Central New York Region – Cayuga County) – Owens Brockway 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

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

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

and

Buffalo Regional Office
95 Perry Street
Buffalo, New York 14203

April 17, 2012

MINUTES

**In Attendance
Directors:**

Julie Shimer (Chair)
Kenneth Adams
Sam Hoyt

**Present for Upstate
ESD:**

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

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

DRAFT – SUBJECT TO REVIEW AND REVISION

Also Present:

Christine Orsi, Director – Western New York
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 10:02 a.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 March 27, 2012 Directors’ meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 27, 2012 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 March 27, 2012, as presented to this meeting, are hereby approved and all actions taken by the Directors present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Corporation.

DRAFT – SUBJECT TO REVIEW AND REVISION

* * *

Chair Shimer then asked Ms. Orsi to present the SKF Heat Transfer Upstate Regional Blueprint Fund item for the Directors' consideration.

Ms. Orsi explained that the Directors were being asked to approve a \$1,375,000 grant to SKF, a Chautauqua County based manufacturer of custom engineered ball and roller bearings, primarily for the aerospace market.

Ms. Orsi further noted that the Company is a significant employer in that area with over 600 employees. She added that this grant will be matched by a \$1,375,000 EDF grant from ESD that will require board approval at the ESD meeting to be held later this morning.

Ms. Orsi explained that in 2008 SKF, a Swedish based company, informed ESD that they were consolidating their U.S. operations and that their facilities in Jamestown and Falconer in Chautauqua County were not large enough to accommodate the consolidation.

The Company, Ms. Orsi continued, also has facilities in South Carolina and has a history of moving some operations from New York to South Carolina thus making this a project for ESD to aggressively pursue in order to keep the facility in the State.

Ms. Orsi noted that the Company ultimately chose New York and constructed a brand new \$18 million, 82,000 square foot facility with machinery and equipment. Ms. Orsi further noted that SKF relocated its heat treating facility from Jamestown to Falconer. Ms. Orsi then

DRAFT – SUBJECT TO REVIEW AND REVISION

explained that this project was done with assistance from ESD and Upstate ESD as well as from several member item grants.

Ms. Orsi then noted that the project will assist in retaining 600 jobs. She added that the Company presently employs 610 individuals.

Following the full presentation, Chair Shimer called for questions or comments.

Director Hoyt commented favorably with regard to the project.

There being no further questions or comments, and upon motion duly made and seconded, the following resolution was unanimously adopted:

Falconer (Western New York Region – Chautauqua County) – SKF Heat Transfer 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 SKF Heat Transfer 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

DRAFT – SUBJECT TO REVIEW AND REVISION

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 SKF USA Inc. d/b/a SKF Aeroengine North America a grant for a total amount not to exceed One Million Three Hundred Seventy-Five Thousand Dollars (\$1,375,000) 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 10:05 a.m.

Respectfully submitted,

Eileen McEvoy
Corporate Secretary

FOR CONSIDERATION

May 17, 2012

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Auburn (Central New York Region - Cayuga County) - Owens Brockway URB Capital - Upstate Regional Blueprint Fund - Business Investment (Capital Grant)

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

General Project Plan

I. Project Summary

Grantee: Owens Brockway Glass Container Inc. ("Owens Brockway" or the Company)

USED* Investment: A grant of up to \$525,000 to be used for a portion of the cost to rebuild an existing glass furnace.

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

Project Location: 7134 County House Road, Auburn, Cayuga County

Proposed Project: Purchase and install machinery and equipment for product cooling, quality control, and packaging.

Project Type: Expand business capacity and increase production efficiency including job retention

Regional Council: The Central New York Regional Council has been made aware of this project. The Incentive Proposal was accepted in January 2011. The project predates the Regional Council initiative. The

project is consistent with the Regional Plan.

Employment:	Initial employment at time of ESD offer:	230
	Current employment level:	250
	Minimum employment on January 1, 2016:	260

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Glass Furnace Rebuild	\$27,215,000
Fixtures and Equipment	<u>483,000</u>

Total Project Costs	<u>\$27,698,000</u>
---------------------	---------------------

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	525,000	2%
Company Equity	<u>27,173,000</u>	<u>98%</u>

Total Project Financing	<u>\$27,698,000</u>	<u>100%</u>
-------------------------	---------------------	-------------

III. Project Description

A. Company

Industry: Owens Brockway is a worldwide producer of glass containers used for beverages, food and pharmaceuticals.

Company History: Owens Brockway is a wholly-owned subsidiary of Owens-Illinois, Inc. ("OI"). The Cayuga County plant located in Auburn (Town of Sennett) is owned and operated by Owens-Brockway Glass Container Inc.

Ownership: Owens Brockway is wholly-owned by OI which is publicly traded on the New York Stock Exchange.

Size: OI operates in 22 countries with 80 glass container manufacturing facilities around the world, with 21 of these facilities located in North America. The Owens-Brockway facility in Cayuga County is approximately 544,000 square feet which includes two warehouses.

Market: OI produces glass bottles for leading brands such as, Anheuser-Busch, InBev, Miller-Coors, Nestle, Heinz, Pepsi and micro brewers.

ESD Involvement: OI performs an annual analysis to determine which glass furnaces are to be rebuilt and evaluates the costs and value of each rebuild. At the Owens Brockway Auburn facility the “A” furnace had no substantial repair since 1989 and the furnace control system of the “A” furnace was the last of its kind in OI’s U.S. factories. Finding replacement parts and knowledgeable technicians to work on the outdated furnace was difficult and costly to maintain. The “A” furnace accounts for 44% of the Auburn plant’s capacity and a shutdown of the furnace would put the future of the Auburn plant and its 230 jobs in jeopardy. The Company requested assistance to help finance its project. ESD offered to provide assistance under the Upstate Regional Blueprint program. Its application was reviewed and recommended for funding by ESD regional staff. The need to obtain an incentive was an important factor in OI’s consideration of the Auburn facility for a furnace rebuild.

Competition: The Company competes with Anchor Glass, Saint-Gobain Container, Ball Corp. and other firms located in Mexico, as well as OI facilities outside of New York State.

Past ESD Support: In 2009 ESD approved a \$1.25 million capital grant to Owens Illinois for rebuilding glass furnace “B”. This project was successfully completed.

B. The Project

Completion: December 2011

Activity: The Company has rebuilt glass furnace “A” with upgraded machinery and equipment for cooling, quality control and packaging for production of glass containers at its Auburn facility. The project cost \$27,698,000 million.

Results: The Company will retain 230 jobs and create 30 new jobs as a result of the project.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$6,010,158;
- Fiscal cost to NYS government is estimated at \$525,000;
- Project cost to NYS government per direct job is \$4,852;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$2,590;

- Ratio of project fiscal benefits to costs to NYS government is 11.45:1;
- Fiscal benefits to all governments (state and local) are estimated at \$10,207,343;
- Fiscal cost to all governments is \$525,000;
- All government cost per direct job is \$4,852;
- All government cost per total job is \$2,590;
- The fiscal benefit to cost ratio for all governments is 19.44:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$58,755,710, or \$289,824 per job (direct and indirect);
- The economic benefit to cost ratio is 111.92:1;
- There is no construction activity related to this project;
- For every permanent direct job generated by this project, an additional 0.88 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is four years.

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

Grantee Contact: James Seiwert, Director, Grants & Incentives
 One O-I Plaza
 Perrysburg, OH 43551-2999
 Phone: (567) 336-1443 Fax: (567) 336-1308

ESD Project No.: X321

Project Team:	Origination	Ray Lawrence
	Project Management	John Vandello
	Contractor & Supplier Diversity	Vikas Gera
	Finance	Amit Nihalani
	Environmental	Soo Kang

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$525,000 capital grant (\$5,250) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will demonstrate no materially adverse changes in its financial condition prior to disbursement.

3. Owens-Illinois, Inc. will guarantee the grant repayment obligation of its subsidiary, Owen Brockway Glass Container Inc., in the event of an Employment Shortfall or other default, as defined in these materials or the Grant Disbursement Agreement.
4. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Company's acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
5. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.
6. Up to \$525,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$262,500) upon documentation of machinery and equipment project costs totaling \$27,698,000, and documentation of the employment of at least 230 Full-time Permanent Employees at the Project Location, assuming that all project approvals have been completed and funds are available;
 - b) a Second Disbursement of an amount equal to 25% of the grant (\$131,250) will be disbursed upon documentation of the employment of at least 245 Full-time Permanent Employees at the Project Location (Employment Increment of 15), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$131,250) will be disbursed upon documentation of the employment of at least 260 Full-time Permanent Employees at the Project Location (Employment Increment of 15), 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 reimbursed by ESD's grant must be incurred on or after January 7, 2011, to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

7. ESD may reallocate the project funds to another form of assistance, at an amount

no greater than \$525,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

8. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee's number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	230
---------------------	-----

A	B
Date	Employment Goals
February 1, 2013	230+X+Y
February 1, 2014	230+X+Y
February 1, 2015	230+X+Y
February 1, 2016	230+X+Y
February 1, 2017	230+X+Y

X = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section C.5 above (i.e. X=15, and Employment Goals shall equal $[230 + X=245]$ if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then X=0.

Y = Grantee's Employment Increment that will be the basis of the Third Disbursement of the Grant as described in section C.5 above (i.e. Y=15, and Employment Goals shall equal $[230 + X+Y =260]$ if the Third Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Third Disbursement has not yet been made then Y=0.

IV. Statutory Basis

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 Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental. No further environmental review is required in connection with the project

VI. Non-Discrimination and Contractor Diversity

ESD's Non-Discrimination and Contractor Diversity policy will apply. The Grantee is encouraged to use good faith efforts 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

May 17, 2012

Auburn (Central New York Region - Cayuga County) - Owens Illinois URB Capital - Upstate Regional Blueprint Fund - Business Investment (Capital Grant); Findings and Determinations Pursuant to Sections 16q, 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 Owens Illinois URB - Capital - Upstate Regional Blueprint Fund - Business Investment (Capital Grant) Project, (the "Project"), the Corporation hereby determines pursuant to Sections 16q and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the "Act"), that

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 Owens Brockway Glass Container Inc. a grant for a total amount not to exceed Five Hundred Twenty-Five Thousand Dollars (\$525,000) 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.

* * *