

FOR CONSIDERATION

August 18, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: White Plains (Mid-Hudson Region – Westchester County) – Towers Watson 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

General Project Plan

I. Project Summary

Grantee: Towers Watson Pennsylvania Inc. (“Towers Watson PA”)

ESD* Investment: A grant of up to \$500,000 to be used for a portion of the cost of renovations.

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

Project Location: 44 South Broadway, White Plains, Westchester County

Proposed Project: Lease and renovate new office space and purchase machinery and equipment.

ESD Incentive Offer Accepted: October 6, 2009

Project Completion: November 2010

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	140
Current employment level:	160
Minimum employment through January 1, 2016:	140

Grantee Contact: Denise M. DeAngelis, Tax Planning & Compliance Manager
 1500 Market Street, Centre Square East
 Philadelphia, PA 19102-4790
 Phone: (215) 246-6818
 Fax: (215) 246-6529

Anticipated
 Appropriation
 Source: Empire State Economic Development Fund

ESD Project No.: W785

Project Team:

Origination	Paul Taxter
Project Management	Brendan Healey
Affirmative Action	Denise Ross
Finance	Ross Freeman
Environmental	Soo Kang

Regional Council: The Mid-Hudson Regional Council has been made aware of this item.

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Renovations	\$2,500,000
Furniture and Equipment	1,280,000
Soft Costs	<u>535,000</u>
Total Project Costs	<u>\$4,315,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$500,000	12%
Towers Watson PA Equity	<u>3,815,000</u>	<u>88%</u>
Total Project Financing	<u>\$4,315,000</u>	<u>100%</u>

III. Project Description

A. Background

Towers Watson Pennsylvania Inc. is a wholly-owned subsidiary of Towers Watson & Co (“Towers Watson” or the “Company”), a publicly traded global consulting firm that provides services for benefits, risk and financial services and talent and rewards. Towers, Perrin, Forster & Crosby, Inc. (“Towers Perrin”), which is the predecessor company of Towers Watson PA, was incorporated in Philadelphia, Pennsylvania in 1934. Towers Perrin initially operated a reinsurance division and a life division. Over the years, Towers Perrin has diversified and globalized, specializing in pensions and other employee benefit plans.

Today, Towers Watson operates 146 offices in 36 countries throughout North America, Europe, Asia Pacific and Latin America. The Company helps clients enhance business performance by improving their ability to attract, retain and motivate qualified employees and focuses on delivering consulting services that help organizations anticipate, identify and capitalize on emerging opportunities in human capital management. Its clients include large and mid-sized companies operating in a wide variety of industries and the Company performs services for the majority of Fortune 500 companies. Its major competitors include Booz Allen, Hewitt Associates, and Price Waterhouse Coopers.

In 2009, Towers Perrin considered relocating from Valhalla to Stamford, Connecticut, which was home to Towers Perrin’s world headquarters and would have produced economies of scale. In addition, Connecticut and the City of Stamford offered substantial financial incentives to Towers Perrin to move to Stamford. To broaden its options, Towers Perrin management approached ESD for financial assistance to consider relocating to White Plains. In order to induce Towers Perrin to proceed with the project in New York State, ESD offered a \$500,000 capital grant to assist with the project in White Plains. Towers Perrin accepted the offer in October 2009. Without ESD’s assistance, it is likely that the office would have been relocated to Connecticut.

On January 1, 2010, Towers Perrin and Watson Wyatt Worldwide, Inc., entered into a merger of equals; each legacy company became a wholly-owned subsidiary of Towers Watson. In connection with the merger, Towers Perrin changed its name to Towers Watson Pennsylvania Inc. Towers Watson PA and Watson Wyatt Worldwide, Inc., perform all the services that Towers Watson provides.

B. The Project

The project entailed the relocation of Towers Watson PA from Valhalla to 45,000 square feet of leased space in White Plains. The interior space was built out to Towers Watson PA’s specifications and new office furniture and equipment was purchased. Furniture and equipment consisted primarily of new work stations and office computer equipment. The project began in June 2010, and renovations and equipment installation were completed in November 2010. As a

result of the project, Towers Watson PA will retain 140 jobs through January 1, 2016. While the grant does not require job creation, Towers Watson PA has created 20 new jobs.

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, Towers Watson PA shall pay a commitment fee of 1% of the \$500,000 capital grant (\$5,000) and 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. Towers Watson & Co will guarantee the grant repayment obligation of its subsidiary, Towers Watson Pennsylvania Inc., in the event of an Employment Shortfall or other default, as defined in these materials or the Grant Disbursement Agreement.
4. Towers Watson PA will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after October 6, 2009. Equity is defined as cash injected into the project by Towers Watson PA or by investors, and should be auditable through Towers Watson PA financial statements or Towers Watson PA accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
5. Prior to disbursement, Towers Watson PA 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 \$500,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$250,000) will be disbursed upon documentation of renovation project costs totaling \$2,165,000, completion of the project substantially as described in these materials, and documentation of the employment of at least 140 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 25% of an amount equal to the grant (\$125,000) will be disbursed no sooner than 12 months after the date the Initial Disbursement was

made, upon documentation of the employment of at least 140 Full-time Permanent Employees at the Project Location, provided Grantee is otherwise in compliance with program requirements;

- c) a Third Disbursement of an amount equal to 25% of the grant (\$125,000) will be disbursed no sooner than 24 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 140 Full-time Permanent Employees at the Project Location, provided Grantee is otherwise in compliance with program requirements.

Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after October 6, 2009, 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 \$500,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of Towers Watson PA 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	140
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A	B
Date	Employment Goals
February 1, 2012	140
February 1, 2013	140
February 1, 2014	140
February 1, 2015	140
February 1, 2016	140

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, Towers Watson PA will maintain its employment level of 140. In addition, Towers Watson PA has created 20 new jobs.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.

Towers Watson PA’s predecessor company considered relocating its operations to Connecticut. ESD’s assistance helped to reduce costs and 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 \$5,809,793;
- Fiscal cost to NYS government is estimated at \$500,000;
- Project cost to NYS government per direct job is \$6,002;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$4,104;
- Ratio of project fiscal benefits to costs to NYS government is 11.62:1;
- Fiscal benefits to all governments (state and local) are estimated at \$10,084,633;
- Fiscal cost to all governments is \$500,000;
- All government cost per direct job is \$6,002;
- All government cost per total job is \$4,104;
- The fiscal benefit to cost ratio for all governments is 20.17:1;

- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$63,998,668, or \$525,242 per job (direct and indirect);
- The economic benefit to cost ratio is 128.00:1;
- Project construction cost is \$3,035,000 which is expected to generate 20 direct job years and nine indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.46 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.)

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

ESD staff has determined that the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act ("SEQRA") 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. Towers Watson 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
- Cost-Benefit Analysis

August 18, 2011

White Plains (Mid-Hudson Region – Westchester County) – Towers Watson 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

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 Towers Watson 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 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 Towers Watson Pennsylvania Inc. a grant for a total amount not to exceed Five Hundred Thousand Dollars (\$500,000) 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 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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FINANCE MEMORANDUM

TO: Frances Walton
CC: Sheila Robinson
FROM: Ross Freeman
DATE: July 26, 2011
RE: Towers Watson & Company

Grantee:

- Name: Towers Watson
- Corporate Location: New York, NY
- Corporate Form: public company (ticker: TW on NYSE exchange)
- Nature of Business: Provider of human resource and financial consulting services.
- Major Customers: 85% of the Fortune Global 500 Companies and 75% of the world's leading insurance companies.
- Major Competitors: Mercer HR Consulting, Aon Consulting, Guy Carpenter, Willis, Deloitte, Accenture and PricewaterhouseCoopers.

Financial Information:

- Debt Rating: Not Rated
- Stock Price:
 - July 26, 2011: \$63.29
 - 52 week range: \$43.34 - \$66.84
- Market Capitalization: \$4.32B as of July 26, 2011
- Revenue: 6/2010: \$2.39B; 6/2009: \$1.68B; 6/2008: \$1.76B
- Earnings: 6/2010: \$120.6MM; 6/2009: \$146.5MM; 6/2008: \$155.4MM
- Analyst Recommendations: Reuters on May 5, 2011: Outperform

Additional Information:

- On January 1, 2010 Watson Wyatt acquired Towers Perrin to form Towers Watson.
- The Company reported revenues for the nine months ending March 31, 2011 of \$2.41B a 47% increase over the same period the previous year, while profits increased by 141%.
- Net income declined during fiscal year ending June 30, 2010, primarily due to the integration costs associated with the merger.
- 48% of Company revenue is generated outside the US, which subjects Towers to currency exchange risk, foreign tax change risk and foreign country economic and political risk.

