

FOR CONSIDERATION

July 15, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Painted Post (Steuben County) – Corning Incorporated Diesel Expansion Capital and Corning Incorporated Diesel Expansion Training – Empire State Economic Development Fund – General Development Financing (Capital Grant) and Competitiveness Improvement Program (Training 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 Grants and to Take Related Actions; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Grantee: Corning Incorporated (The “Company”)

ESD* Investment: Grants totaling up to \$300,000 to be used for a portion of the cost of construction, purchase of machinery and equipment, and training.

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

Project Location: 890 Addison Road, Painted Post, Steuben County

NYS Empire Zone
(or equivalent): N/A

Proposed Project: Construction, purchase of machinery and equipment, and training associated with the expansion of operations.

ESD Incentive Offer Accepted: April 11, 2006

Project Completion: May 2008

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	375
Current employment level:	617
Minimum employment on January 1, 2012:	475**

** New jobs cannot be filled by transferring employees from other New York State locations.

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Anticipated
Appropriation

Source: Empire State Economic Development Fund

ESD Project No(s): U144, U145

Project Team:	Origination	Michael Morse
	Project Management	Glendon McLeary
	Affirmative Action	Denise Ross
	Finance	Amit Nihalani
	Environmental	Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Construction	\$19,000,000
Machinery and Equipment	96,000,000
Utility Extension	1,500,000
Engineering	7,000,000
Training	<u>1,000,000</u>

Total Project Costs	<u>\$124,500,000</u>
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<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-EDF Capital Grant (U144)	\$200,000	.2%
ESD-EDF Training Grant (U145)	100,000	.1%
Company Equity	<u>124,200,000</u>	<u>99.7%</u>
Total Project Financing	<u>\$124,500,000</u>	<u>100.0%</u>

III. Project Description

A. Background

Corning Incorporated is a publicly-held company (NYSE Ticker: GLW) that traces its origins to a glass business established in 1851. The present corporation was incorporated in the State of New York in December 1936 and its name was changed from Corning Glass Works to Corning Incorporated on April 28, 1989. Corning is a diversified global technology-based corporation that operates in the telecommunications (optical fiber and cable), technologies (active matrix liquid crystal display) and environmental products (gasoline and diesel substrate filter) business segments.

Diesel fuel regulations introduced in 2004 in the United States, Europe and Asia created a major market opportunity for Corning to expand its operations and capture a greater share of the market. The new diesel regulations required that all diesel vehicles, from passenger cars to heavy-duty trucks, have diesel emission control products installed by 2008. In anticipation of the demand for these products, Corning embarked on a plan to start production of these control products. However, Corning's automotive plant in Painted Post did not allow for the efficient manufacturing of these larger products beyond limited pilot production quantities. The diesel substrates and filters, particularly for heavy duty vehicles, require specific, large-scale manufacturing operations that necessitated a new specially designed facility.

Corning considered several locations for the construction of the new manufacturing facility for diesel products. The Company received offers from Pennsylvania, North Carolina, South Carolina, and Virginia to locate the facility in those states. In August, ESD offered a \$250,000 capital grant (T620) and \$50,000 training grant (T621) to encourage the Company to proceed with the project in New York State. The Company completed construction of the 145,000-square-foot expansion of its existing manufacturing facility, acquired the new machinery and equipment, and completed the requisite training and the grants were approved in December 2008 and subsequently disbursed. As a July 2010, the Company has fulfilled its requirement by retaining 300 existing employees and creating 75 new jobs.

In March 2006, ESD also offered an incentive package inclusive of the two grants for today's consideration: a \$200,000 capital grant (U144) and \$100,000 training grant (U145) for additional site expansion, new machinery and equipment, and additional training to meet the demand for its diesel particulate control devices. The Company accepted the offer on April 11, 2006, has completed construction of the additional 25,000-square-foot expansion of its existing manufacturing facility, acquired the new machinery and equipment, fully equipped the new and existing facilities and completed the requisite training. Without ESD's assistance the creation of 100 new jobs could have been lost to New York State.

Since 1997, ESD has approved approximately \$8.6 million in loans and grants to or for the benefit of Corning Incorporated for a variety of capital, training, and flood recovery projects. The Company did not meet the employment goals for several of these projects due in part to the sale of its Photonics business and the closure and restructuring of several plants. ESD's Workout Committee employed an array of resolutions including repayment, interest rate increases and waivers. Corning Incorporated has since invested over \$500 million in New York State for its diesel project and its

current employment exceeds its employment commitment. The Company has also recently invested over \$300 million in expanding its research and development facility known as Sullivan Park and has hired an additional 300 engineers and scientists.

B. The Project

The project included a capital investment by Corning Incorporated to expand its existing manufacturing plant to produce both a heavy duty and light weight filter line in New York. This project is a part of a larger initiative that commenced with the opening of the Company's \$200 million clean-air products manufacturing plant in Steuben County in 2004. Project activities included the construction of a 25,000-square-foot expansion of its facility, acquisition of new machinery and equipment, equipping of the new and existing facilities and training. Approximately 100 finishing operators and 25 maintenance and plant engineering support staff were trained on-site by the suppliers of the specialized equipment and the Company's manufacturing, technology and engineering group. Staff was trained on how to operate and control the equipment and on preventative maintenance. As of July 2010, the Company has 617 jobs at the Project Location, exceeding its employment commitment of 475.

As a result of the project, the Company expects to meet the global demand for innovative, environmental-friendly particulate filters that will help manufacturers meet new emission requirements in the diesel fuel marketplace.

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$200,000 capital grant (\$2,000) 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. The Company or the Company's shareholders will contribute at least 10% in equity to the Project. Equity is defined as any non-debt source of capital, and should be auditable through Company financial statements or Company accounts, if so requested by ESD.
4. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.

5. Funds will be disbursed according to the following:

EDF Capital Grant (Project #U144)

Up to \$200,000 will be disbursed to the Grantee in two installments as follows:

- a) an Initial Disbursement of an amount equal to 50% of the grant (\$100,000) upon documentation of machinery and equipment project costs totaling \$50,000,000, and documentation of the employment of at least 375 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 50% of the grant (\$100,000) will be disbursed upon documentation of additional construction and/or machinery and equipment cost totaling \$50,000,000 (\$100,000,000 cumulatively), completion of the project, as evidenced by a certificate of occupancy, and the employment of at least 475 Full-time Permanent Employees at the Project Location (Employment Increment of 100), provided Grantee is otherwise in compliance with program requirements.

Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after April 11, 2006 to be considered eligible project costs.

EDF Training Grant (Project #U145)

Up to \$100,000 will be disbursed to the Grantee upon documentation of eligible training costs totaling at least \$300,000, assuming that all project approvals have been completed and funds are available.

Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after April 11, 2006 to be considered eligible project costs.

6. 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.
7. In consideration for the making of the Grants, 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 one hundred percent (100%) 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 the total amount of any disbursements received for the Grants.

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	375
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A	B
Reporting Date	Employment Goals
February 1, 2011	375+X
February 1, 2012	375+X
February 1, 2013	375+X
February 1, 2014	375+X

X = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant (U144) as described in section C.5 above (i.e. X=100, and Employment Goals shall equal [375 + X = 475] if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then X=0.

IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.
As a result of this project, the Company will create 100 new jobs.
2. The proposed project would be unlikely to take place in New York State without the requested assistance.
The Company considered locating the new manufacturing operation in Pennsylvania, North Carolina, South Carolina, or Virginia. 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 \$16,674,031;
 - Fiscal cost to NYS government is estimated at \$550,361;
 - Project cost to NYS government per direct job is \$1,582;
 - Project cost to NYS government per job (direct plus indirect) is estimated at \$993;
 - Ratio of project fiscal benefits to costs to NYS government is 30.30:1;
 - Fiscal benefits to all governments (state and local) are estimated at \$27,898,845;
 - Fiscal cost to all governments is \$800,721;
 - All government cost per direct job is \$2,301;
 - All government cost per total job is \$1,445;
 - The fiscal benefit to cost ratio for all governments is 34.84:1;

- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$164,268,462, or \$296,501 per job (direct and indirect);
- The economic benefit to cost ratio is 205.15:1;
- Project construction cost is \$27,500,000 which is expected to generate 314 direct job years and 134 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.59 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 1 year.

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

4. The requirements of Section 10(g) of the Act are satisfied.

No residential relocation is required because there are no families or individuals residing on the site.

V. Environmental Review

ESD staff has determined that, although the funding of this project by ESD may constitute an "action" as defined by the State Environmental Quality Review Act ("SEQRA"), the project itself has been previously completed. ESD's action in the funding decision will not alter the adverse environmental impacts, if any, of the project as completed. ESD staff accordingly believes that funding the completed project will not have any significant adverse impacts on the environment.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. Corning Incorporated 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

July 15, 2010

Painted Post (Steuben County) – Corning Incorporated Diesel Expansion Capital and Corning Incorporated Diesel Expansion Training – Empire State Economic Development Fund - General Development Financing (Capital Grant) and Competitiveness Improvement Program (Training 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 Grants 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 Corning Incorporated Diesel Expansion Capital and Corning Incorporated Diesel Expansion Training -- Empire State Economic Development Fund (Capital Grant) and Competitive Improvement Program (Training Grant) Projects (the “Projects”), 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 Projects submitted to this meeting, together with such changes therein as the Chairman 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 Chairman 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 Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Corning Incorporated two grants for a total amount not to exceed Three Hundred Thousand Dollars (\$300,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the Chairman and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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July 15, 2010

Painted Post (Steuben County) – Corning Incorporated Diesel Expansion Capital and Corning Incorporated Diesel Expansion Training – Empire State Economic Development Fund - General Development Financing (Capital Grant) and Competitiveness Improvement Program (Training Grant) – Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Corning Incorporated Diesel Expansion Capital and Training Projects, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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