

FOR CONSIDERATION

October 20, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Montgomery (Mid-Hudson Region – Orange County) – Taylor Biomass Energy DRF Capital – Downstate Revitalization Fund – Business Investment (Capital Loan)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-r 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: Taylor Biomass Energy, LLC (“Taylor Biomass” or the “Company”)

ESD* Investment: A loan of up to \$2 million to be used for a portion of the capital costs associated with site work, construction and related soft costs of a recyclables handling and recovery building.

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

Project Location: 336 Neeleytown Road, Montgomery, Orange County

Proposed Project: Design, permitting, site work and construction of a recyclables handling and recovery building.

ESD Incentive Offer Accepted: September 24, 2009 (initial offer); November 27, 2009 (revised offer)

Project Completion: August 2011

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer: 21*

Current employment level: 40*

Minimum employment on January 1, 2014: 71*

*Includes 21 employees of Taylor Recycling Facility, LLC, an affiliated company at the Project Location.

Loan Financing: The loan will provide permanent financing for a 15-year term at an annual interest rate of 2%, increasing to Prime +2% for any year in which employment commitments are not met.

Security: Second lien on land with an appraised value of \$10.25 million in 2005 and improvements.

Borrower Contact: James W. Taylor, Jr., President
336 Neeleytown Road
Montgomery, NY 12549
Phone: (845) 457-4021
Fax: (845) 457-1917

Anticipated
Appropriation

Source: Downstate Revitalization Fund

ESD Project No.: W873

Project Team:	Origination	Paul Taxter
	Project Management	Brendan Healey
	Legal	Antovk Pidedjian
	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>
Design	\$11,313
Consultant Fees for Solid Waste and SEQRA Permits	950,000
Permitting Fees	125,537
Construction Interest	215,000
Site Work	121,847
Building Construction	<u>826,303</u>
Total Project Costs	<u>\$2,250,000*</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Loan	\$2,000,000	89%	2%/15 yrs./2 nd lien on land
Company Equity	<u>250,000</u>	<u>11%</u>	
Total Project Financing	<u>\$2,250,000</u>	<u>100%</u>	

*The first phase will cost \$2,250,000. Construction of the first phase will allow the \$145 million biomass expansion project to proceed.

III. Project Description

A. Background

Taylor Biomass Energy, LLC is a private company that was established in April 2005 in order to develop a facility to accept municipal solid waste that will recover recyclables and biomass mix. Since its inception, Taylor Biomass has identified the technical and regulatory path necessary to implement the project. Once the biomass expansion project is operational, Taylor Biomass plans to gasify the biomass mix extracted from municipal solid waste in the Taylor Gasification System (the "System"), which is Taylor Biomass' patented gasification process featuring a unique gas conditioning step that results in a cleaner synthetic gas and more efficient process than competing biomass gasification technologies. The synthetic gas that is produced will then be used in a combined cycle power plant to produce renewable energy. Taylor Biomass is an affiliate of Taylor Recycling Facility, LLC, which is a waste recovery company that was established in 1995 and converts over 95% of the waste it receives into usable products such as mulch, crushed stone and a wide array of common household products.

The limited amount of land available for landfill space in New York State and other northeastern states has focused interest on the disposal of construction and demolition materials and municipal solid waste. Fees for disposal of this waste at landfills continue to rise. In addition, disposal of waste at landfills produces negative impacts on the environment. Diverting the waste stream away from landfills produces numerous environmental and cost benefits.

Taylor Biomass sought assistance in financing the project through the competitive Downstate Revitalization Fund Request for Proposals. Taylor Biomass needed ESD's financing in order to allow the project to proceed, and will use ESD's commitment to fund the project as collateral in order to obtain financing for its biomass expansion project. Based on the merits of the project, ESD offered Taylor Biomass a \$2 million loan to assist with the project, which the Company accepted in November 2009. Without ESD's assistance, this project would not likely have proceeded.

B. The Project

The project is the first phase of the construction of a biomass gasification facility and involves the construction of a 20,000-square-foot recyclables handling and recovery facility. The new recyclables handling and recovery facility will initially allow Taylor to process some construction and demolition debris that is currently done outdoors. This will greatly improve the efficiency of the current operation and will reduce any potential risks and exposure for environmental pollution and contamination.

The project is a component of a \$145 million biomass expansion project (the "Expansion Project") that will include the construction of the Taylor Gasification System. Taylor Biomass plans to remove recyclable material with the Taylor Gasification System, and this material will be further processed in the new recyclables handling and recovery facility. The Expansion Project will create the world's first commercial biomass gasification facility and will allow for the conversion of waste into renewable electricity to supply power to homes. The Expansion Project will include manual and mechanical sorting and separating equipment including picking stations, air blown separators, optical sorters, crushers, sizing screens, and two silo storage facilities. The 20,000-square-foot recyclables handling and recovery facility will allow the Expansion Project to progress.

The project began in November 2009, and work to obtain necessary permits continued throughout 2010 and 2011. Construction began in December 2010 and was completed in August 2011. Site preparation work for the Expansion Project is currently underway and construction is anticipated to be complete in the Fall 2013. As a result of the project and the Expansion Project, Taylor Recycling Facility, LLC will retain 21 jobs and Taylor Biomass will create 50 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 \$3,670,645;
- Fiscal cost to NYS government is estimated at \$2,060,000;
- Project cost to NYS government per direct job is \$43,396;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$27,524;
- Ratio of project fiscal benefits to costs to NYS government is 1.78:1;
- Fiscal benefits to all governments (state and local) are estimated at \$5,274,090;
- Fiscal cost to all governments is \$2,060,000;

- All government cost per direct job is \$43,396;
- All government cost per total job is \$27,524;
- The fiscal benefit to cost ratio for all governments is 2.56:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$21,493,983, or \$287,181 per job (direct and indirect);
- The economic benefit to cost ratio is 10.43:1;
- Project construction cost is \$1,900,000 which is expected to generate 14 direct job years and seven indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.57 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is five years.

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

This is a Downstate Revitalization Fund project. The current \$2 million in project assistance was offered in the context of the consideration of the larger, \$145 million Expansion Project.

C. Financial Terms and Conditions

1. The Borrower shall pay a commitment fee of 1% of the \$2 million loan (\$20,000). 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 20% or more of the Borrower, including James W. Taylor, Jr. Third party guaranty is required from Taylor Holding Group LTD.
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 \$2 million will be disbursed to the Borrower upon completion of the project substantially as described in these materials as evidenced by a certificate of occupancy on the new, approximately 20,000-square-foot recyclables handling and recovery building, documentation of \$2.25 million in capital costs associated with site work, construction and related soft project costs, and documentation of the employment of at least 21 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 November 27, 2009, to be considered eligible project costs. Disbursement of the loan must be requested by April 1, 2013.

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 \$2 million, 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: 2% interest rate over 15 years (180 months), increasing to Prime + 2% for any year in which employment commitments are not met. Loan becomes immediately due and payable if Borrower sells or closes the Project Location. Term of the loan is not to exceed term of senior financing on the project. Loan will become due immediately if Borrower has not commenced the larger, approximately \$145 million waste and energy project within four (4) years after disbursement of the loan.
9. Repayment Term: One hundred eighty (180) equal monthly installments of principal and interest, fully amortizing, beginning after disbursement of the loan.

10. Job Commitments:

Baseline Employment	21
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A	B
Reporting Date	Employment Goals
February 1, 2012	21
February 1, 2013	40
February 1, 2014	71
February 1, 2015	71
February 1, 2016	71
February 1, 2017	71
February 1, 2018	71
February 1, 2019	71
February 1, 2020	71
February 1, 2021	71
February 1, 2022	71
February 1, 2023	71
February 1, 2024	71
February 1, 2025	71
February 1, 2026	71
February 1, 2027	71

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: Second lien on land with an appraised value of \$10.25 million in 2005 and improvements.
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-r 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 Downstate Revitalization Fund Program. No residential relocation is required as there are no families or individuals residing on the site.

V. Environmental Review

The Town of Montgomery 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 and the implementing regulations of the New York State Department of Environmental Conservation. This review found the project to be an Unlisted Action, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on May 10, 2010. ESD staff reviewed the Negative Declaration and supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

Due to ESD's mortgage position on the loan, a Phase I Environmental Site Assessment must be submitted to ESD for review and approval prior to closing on the loan.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. The Company 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

October 20, 2011

Montgomery (Mid-Hudson Region – Orange County) – Taylor Biomass Energy DRF Capital – Downstate Revitalization Fund – Business Investment (Capital Loan) – Findings and Determinations Pursuant to Sections 16-r 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 Taylor Biomass Energy DRF Capital – Downstate Revitalization Fund – Business Investment (Capital 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 Taylor Biomass Energy, LLC a loan for a total amount not to exceed Two Million Dollars (\$2 million) from the Downstate Revitalization 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 each of them hereby is, authorized to take such actions and make such modifications to the terms of the loan 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.

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October 20, 2011

Montgomery (Mid-Hudson Region – Orange County) – Taylor Biomass Energy DRF
Capital – Downstate Revitalization Fund – Business Investment (Capital Loan) –
Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Taylor Biomass Energy DRF Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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