

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

Wednesday

July 18, 2012 – 9:15 a.m.

AGENDA

FOR CONSIDERATION

1. Approval of the Minutes of the June 26, 2012 Directors' Meeting

UPSTATE REGIONAL BLUEPRINT FUND

2. Rochester (Finger Lakes Region – Monroe County) – American Aerogel 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
3. Pulaski (Central New York Region - Oswego County) – Fulton Thermal Corporation 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

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

June 26, 2012

MINUTES

**In Attendance
Directors:**

Julie Shimer (Chair)
Kenneth Adams

**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
James Fayle, Director – Central New York Regional Office
Justin Ginsburgh, Chief of Staff
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 10:15 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 May 17, 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 MAY 17, 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 May 17, 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 Audubon Machinery Upstate Regional Blueprint Fund Capital loan item for the Directors’ consideration.

Ms. Orsi explained that the Directors were being asked to approve a \$300,000 blueprint loan at 2% interest to the Audubon Machinery Corporation to support an expansion of a new product line in the small wind turbine production.

Ms. Orsi explained that the funds will be used to assist in the costs associated with machinery and equipment and building renovations.

Ms. Orsi noted that the total project costs are almost \$1.3 million and that the project will help to retain 44 jobs and create several new jobs.

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

North Tonawanda (Western New York Region – Niagara County) – Audubon Machinery URB Capital – Upstate Regional Blueprint Fund – Business Investment (Capital 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

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 Audubon Machinery Capital – Upstate Regional Blueprint 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 Audubon Machinery Corporation 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 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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DRAFT – SUBJECT TO REVIEW AND REVISION

There being no further business, the meeting was adjourned at 10:18 a.m.

Respectfully submitted,

Eileen McEvoy
Corporate Secretary

FOR CONSIDERATION

July 18, 2012

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Rochester (Finger Lakes Region – Monroe County) – American Aerogel 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: American Aerogel Corporation (“AAC” 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: 460 Buffalo Road, Rochester, Monroe County

Proposed Project: Engineering, purchase of machinery and equipment, infrastructure upgrades and related soft costs for expansion of production.

Project Type: Business expansion involving job retention and creation

Regional Council: The Finger Lakes Regional Council has been made aware of this item and the project is consistent with the Regional Plan. The Incentive Offer was accepted in November 2010 and revised in January 2011, predating the Regional Council Initiative.

Employment: Initial employment at time of ESD Incentive Offer: 33
 Current employment level: 33
 Minimum employment on anniversary of loan closing in 2015: 61

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>
Engineering Design/System Planning	\$515,000
Machinery & Equipment	2,135,000
Infrastructure Upgrades	350,000
Consulting/Programming/ Software	<u>250,000</u>
 Total Project Costs	 <u>\$3,250,000</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
Venture Capital Firms*	2,250,000	70%	
Company Equity	<u>700,000</u>	<u>21%</u>	
 Total Project Financing	 <u>\$3,250,000</u>	 <u>100%</u>	

*\$1,125,000 from VIMAC Venture LLC; \$1,125,000 from Mount Royal Ventures I LLC

III. Project Description

A. Company

Industry: American Aerogel designs and manufactures high-grade insulation materials known as aerogels, used to keep temperature-sensitive products cool during shipping. Aerocore® is the name of the insulating panels that AAC manufactures, providing high insulating “R” values, about R-50 per inch. In contrast, a typical R value for polystyrene is two, and for polyurethane approximately seven. To ship a very small item, such as a pharmaceutical or organ, those traditional containers need 20 pounds of dry ice, which may last 24 hours. In contrast, Aerocore® keeps products at a desired temperature for

over a week.

- Company History:** The Company was formed in 1999, when it received its first patents for the production of organic (i.e., carbon-based) aerogel. AAC relocated from Connecticut to Rochester in 2002.
- Ownership:** Privately owned.
- Size:** All facilities are located in Rochester, NY.
- Market:** To date, the Company has focused on the biomedical and pharmaceutical industries. It expects to move into the food processing industry, for insulation in refrigerated tractor trailers, and other markets. Customers include Advanced BioHealing, All Pak, Litron Laboratories, and Fare Tech. Competitors include NanoPore, Entropy Green Box, Saf-T-Pack, and Thermosafe. AAC's product is not petroleum based, is biodegradable and is produced with a low carbon emissions footprint.
- ESD Involvement:** AAC needed to expand its production capability in order to meet customer demand while reducing its per board-foot production costs. While the Company preferred to remain and expand in Rochester, it considered an out-of-state location. The Company responded to ESD's Upstate Regional Blueprint Request for Proposals in March 2010, requesting assistance to help finance its project in Rochester, where it leases facilities. 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 moved outside of New York State. As part of the same incentive proposal, AAC is eligible to qualify for up to \$200,000 in Excelsior Jobs Credits.
- Competition:** Worcester, MA, which is closer to the Company's venture capital sources and current customers.
- Past ESD Support:** In 2010, ESD awarded an Environmental Investment Program grant of \$186,410 to the Company to research uses of its products in insulated trucks. The project is underway, and funds will be disbursed upon completion.

B. The Project

- Completion:** June 2012
- Activity:** The Company has completed engineering design/system planning, process-related infrastructure, the acquisition of machinery and equipment ("M&E") and soft costs for consulting, programming and software. M&E included mixer,

dryers, ovens, and cutting, bagging and box assembly equipment. Process infrastructure included piping, HVAC, electrical, plumbing, and structural improvements.

Results: The project has doubled AAC's production capacity and provides a flexible lean-manufacturing environment that can be readily scaled up. The Company will retain 33 existing jobs and create 28 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 \$2,438,110;
- Fiscal cost to NYS government is estimated at \$274,953;
- Project cost to NYS government per direct job is \$6,432;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$3,045;
- Ratio of project fiscal benefits to costs to NYS government is 8.87:1;
- Fiscal benefits to all governments (state and local) are estimated at \$4,109,508;
- Fiscal cost to all governments is \$274,953;
- All government cost per direct job is \$6,432;
- All government cost per total job is \$3,045;
- The fiscal benefit to cost ratio for all governments is 14.95:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$21,617,584, or \$239,389 per job (direct and indirect);
- The economic benefit to cost ratio is 78.62:1;
- Project construction cost is \$865,000, which is expected to generate eight direct job years and five indirect job years of employment;
- For every permanent direct job generated by this project, an additional 1.12 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: Peter Los, Vice President, Business Development
460 Buffalo Road, Suite 250
Rochester, NY 14611
Phone: (585) 328-2140 Fax: (585) 785-8624

ESD Project No.: X120

Project Team:	Origination	Merideth Andreucci
	Project Management	Edward Muszynski
	Legal	Stephen Gawlik
	Contractor & Supplier Diversity	Vikas Gera
	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 materially 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. Corporate Guarantees are required from any entity or commonly controlled entities together owning 50% or more of the Borrower.
4. The Borrower will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after ESD's announcement of the project. 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 \$3,250,000 in engineering/machinery and equipment project costs, and documentation of the employment of at least 33 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 21, 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 in 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	33
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A	B
Reporting Date	Employment Goals
Anniversary Date of Loan Closing 2013	43
Anniversary Date of Loan Closing 2014	51
Anniversary Date of Loan Closing 2015	61
Anniversary Date of Loan Closing 2016	61
Anniversary Date of Loan Closing 2017	61

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
14. Due Diligence: Appraisals, 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 ("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. Non-Discrimination and Contractor & Supplier Diversity

Pursuant to New York State Executive Law Article 15-A, ESD recognizes its obligation under the law to promote opportunities for maximum feasible participation of certified minority-and women-owned businesses in the performance of ESD contracts. For purposes of this project, however, project performance has already been completed, and therefore, MWBE project goals cannot be established.

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

July 18, 2012

Rochester (Finger Lakes Region – Monroe County) – American Aerogel 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 American Aerogel 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 American Aerogel Corporation 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 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.

* * *

FOR CONSIDERATION

July 18, 2012

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Pulaski (Central New York Region – Oswego County) – Fulton Thermal Corporation URB Capital – Upstate Regional Blueprint – 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: Fulton Thermal Corporation (Fulton or the Company)

USESD* Investment: A convertible loan of up to \$1,500,000 to be used for a portion of the cost to construct a new building and purchase of machinery and equipment.

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

Project Location: 972 Centerville Road, Pulaski, Oswego County

Proposed Project: Construct and equip a new 85,000 square foot manufacturing facility in order to expand company manufacturing in NYS.

Project Type: Business facility expansion and job creation

Regional Council: The Central New York Regional Council has been made aware of this item and the project is consistent with the Regional Plan. The Project predates

the Regional Council Initiative. The Incentive Offer was accepted in January, 2010.

Employment: Initial employment at time of ESD Incentive Offer: 76
Current employment level: 100
Minimum employment through January 1, 2017: 126

Loan Financing: The loan will provide permanent financing for a 5 year term at an annual interest rate of 3%, convertible to a grant over that term if required job levels are maintained.

Security: Corporate Guarantee

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Planning/feasibility study	\$68,400
Hard Costs (inc. contingency)	10,474,800
Machinery & Equipment	1,735,000
Furniture, Fixtures, and Equipment	415,000
Soft Costs (inc. contingency)	<u>776,300</u>

Total Project Costs \$13,469,500

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD - Loan	\$1,500,000	10%	3%/5yrs./unsecured
Oswego IDA Bond	10,000,000	75%	
Company Equity	<u>1,969,500</u>	<u>15%</u>	
Total Project Financing	<u>\$13,469,500</u>	<u>100%</u>	

III. Project Description

A. Company

Industry: Fulton Thermal Corporation manufactures industrial steam boilers used for heating.

Company History: Fulton Thermal Corporation started in 1949 and is a wholly owned by Fulton Group NA, Inc. The Oswego County plant is located in Pulaski.

Ownership: Private ownership, 100% owned by Fulton Group NA Inc.

Size: Fulton Thermal Corporation is wholly owned by The Fulton Group NA Inc., which is a \$100 million business with operations worldwide and

employs about 800 worldwide. Affiliated manufacturing and distribution facilities are located in, Ohio, Texas, Canada, England, and China. Fulton Thermal Corporation located in Pulaski, employs 76.

Market: Fulton sells industrial steam boilers and related equipment in the U.S. and Canada and also exports worldwide. The customers are industrial facilities that use steam for heating or production purposes.

ESD Involvement: Fulton has requested ESD assistance as part of company plan to expand production of specialized steam boilers at the Fulton facility. The company has also sought assistance from Oswego County IDA, which committed to Industrial Revenue Bond financing for the Fulton expansion project. The company requested ESD assistance to help finance it's plant expansion in Pulaski in order to make the project feasible in New York State. Fulton submitted an application to the ESD Upstate Regional Blueprint Fund. The Fulton application was reviewed and recommended for funding by ESD regional staff. Without assistance from ESD and Oswego County IDA the expansion project would not be done in New York.

Competition: Fulton considered a company owned facility in Alliance, Ohio for it's expansion project. Without assistance from ESD and Oswego County IDA the expansion project could not be done in NYS. The company competes for business worldwide and also with other Fulton facilities outside of New York State.

Past ESD Support: This is the Company's first project with ESD.

B. The Project

Completion: December 2011

Activity: The Company owns and has constructed and equipped a new 85,000 square-foot manufacturing building in Pulaski. The facility will support business expansion and additional manufacturing of specialized industrial boilers. The project cost was \$13,469,500.

Results: The Company will retain 76 jobs and create 50 new jobs over 5 years as a result of the expansion project. The company has already created 24 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 \$4,963,084;
- Fiscal cost to NYS government is estimated at \$1,679,107;
- Project cost to NYS government per direct job is \$20,518;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$9,060;
- Ratio of project fiscal benefits to costs to NYS government is 2.96:1;
- Fiscal benefits to all governments (state and local) are estimated at \$8,384,929;
- Fiscal cost to all governments is \$3,361,404;
- All government cost per direct job is \$41,075;
- All government cost per total job is \$18,136;
- The fiscal benefit to cost ratio for all governments is 2.49:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$41,860,053, or \$225,853 per job (direct and indirect);
- The economic benefit to cost ratio is 12.08:1;
- Project construction cost is \$11,251,100, which is expected to generate 111 direct job years and 72 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 1.27 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: Kevin LaMontagne, Chief Financial Officer
 972 Centerville Road
 Pulaski NY 13142
 Phone: (315) 298 7157
 Fax: (315) 298 7194

ESD Project No.: W963

Project Team:	Origination	John Vandello
	Project Management	John Vandello
	Contractor & Supplier Diversity	Diane Kinnicutt
	Finance	Ross Freeman
	Environmental	Soo Kang

C. Financial Terms and Conditions

1. The Borrower shall pay a commitment fee of 1% of the \$1,500,000 loan (\$15,000). 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 materially adverse changes in its financial condition prior to closing.
3. Guarantees: Corporate Guarantees are required from any entity or commonly controlled entities together owning 50% or more of the Borrower including, Fulton Group NA, Inc. Personal Guarantees are required from any individual or family members together owning 50% or more of Borrower
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 \$1,500,000 will be disbursed to the Borrower upon completion of the project substantially as described in these materials including documentation of \$13,469,500 in building construction and machinery and equipment project costs, and documentation of the employment of at least 76 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 January 2010, to be considered eligible project costs. Disbursement of the loan must be requested by April 1, 2017.
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 \$1,500,000, 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 in 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 \$300,000. 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	76
A	B
Reporting Date	Employment Goals
Anniversary Date of Loan Closing 2013	76
Anniversary Date of Loan Closing 2014	88
Anniversary Date of Loan Closing 2015	100
Anniversary Date of Loan Closing 2016	113
Anniversary Date of Loan Closing 2017	126

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: Corporate Guarantee and Personal Guarantee
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

The Town of Richland 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. Non-Discrimination and Contractor & Supplier Diversity

Pursuant to New York State Executive Law Article 15-A, Fulton Thermal Corporation recognizes its obligation under the law to promote opportunities for maximum feasible participation of certified minority- and women-owned business in the performance of Fulton Thermal Corporation contracts. For purposes of this Contract, however, goals will not be established due to the unavailability of minority and women-owned businesses for performance of this Contract.

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

July 18, 2012

Pulaski (Central New York Region – Oswego County) – Fulton Thermal Corporation 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 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, relating to the Fulton Thermal Corporation URB Capital - 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 Fulton Thermal Corporation a loan for a total amount not to exceed One Million Five Hundred Thousand Dollars (\$1,500,000) from the Upstate Regional Blueprint, 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.

* * *

July 18, 2012

Pulaski (Central New York Region – Oswego County) – Fulton Thermal Corporation URB Capital – Upstate Regional Blueprint Expansion – Determination of No Significant Effect on the Environment

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

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