

---

***REVENUE BOND***

**AND**

***TAX LEASE PROGRAM***

***APPLICATION***

**for assistance through**

**the  
County of Chautauqua  
Industrial Development Agency**

**County of Chautauqua Industrial Development Agency  
200 Harrison Street  
Jamestown, New York 14701**

**Phone: 716-664-3262**

**Fax: 716-664-4515**

---

**Application for Financial Assistance  
through the  
County of Chautauqua  
Industrial Development Agency**

The information listed on this form is necessary to determine the eligibility of the project applicant. Please fill in all blanks, using "NONE" or "NOT APPLICABLE" where necessary. If an estimate is given, put "EST" after the figure. Attach additional sheets if necessary. All information completed with this form will be treated confidentially. This application is only for the purpose of determining whether the applicant is eligible for consideration by the Board of Directors of the County of Chautauqua Industrial Development Agency. Return eight (8) copies of this application to the County of Chautauqua Industrial Development Agency at the address listed on the cover of this document.

**PART 1**

**A. APPLICANT**

Federal ID # 231-04-3740

Company Name: **SKF Aeroengine North America, a unit of SKF USA Inc.**

Office Address: **One Maroco Road  
PO Box 263  
Falconer, NY 14733**

Telephone: 716-661-2600

**Company officer completing this application:**

Name: Terry J Papincak

Title: Controller

**1. Number of locations of present business facilities:**

- a. County of Chautauqua: 4
- b. New York State: 4
- c. Outside New York State: 3

2. Business Organization (check appropriate categories):

Corporation  Partnership

Sole Proprietorship  Subchapter S

Other (Specify)

3. Is business publicly or privately held?  Public  Private

4. List principal stockholders and percentage of ownership if applicable:

Name Percentage Home Address

See attached annul report.

5. Is the business a subsidiary of, or affiliated directly or indirectly with any other organization?   Yes  No If "Yes" indicate relationship and name and address of the related organization(s) on a separate sheet.

SKF Aeroengine North America is a Unit of SKF USA Inc.

6. Complete the following information:

<u>Officers</u>	<u>Name</u>	<u>Address</u>	<u>Social Security Number</u>	<u>Other Principal Business Affiliations</u>
-----------------	-------------	----------------	-------------------------------	--

**B. References (these will be contacted):**

1. Banking (List names of banks, account officers address and telephone number):  
**Skandinaviska Enskilda Banken**  
245 Park Avenue  
New York, NY 10167  
Alan Palmer  
212-907-4807
  
2. Business Suppliers (List three largest accounts – names, addresses, telephone numbers, and list suppliers' terms of sale):  
**D&E Machining Inc**  
150 Industrial Drive  
Corry, PA 16407  
814-664-3531  
Terms : Net 10  
  
**Jasco Tools**  
1390 MT Read Boulevard  
PO Box 60620  
Rochester, NY 14606  
585-254-7000  
Terms : Net 30  
  
**Stuart Tool & Die Inc**  
600 North Work Street  
Falconer, NY 14733  
716-488-1975  
Terms : Net 30
  
3. Major customers (List three largest – names, addresses, telephone numbers, and show percentage (%) of gross business obtained from each):  
**GE Aviation: ( 17 % )**  
Michael Villari  
Contract Administrator  
Bearings CoE  
GE Aviation  
1 Neumann Way, Mail Drop: K31  
Cincinnati, OH 45215  
Office: 513-243-7088  
  
**Boeing: ( 12 % )**  
Vincent A DiRocco

SCPA Dynamic Parts  
Integrated Defense Systems  
Philadelphia Rotorcraft  
The Boeing Company  
Route 291 and Stewart Ave  
MC 33-31 BLDG 3-12  
Ridley Park, PA 19078  
Phone 610-591-2972

U.S Government ( 11 % )  
Julia Roquemore  
Deputy Director, Supplier Operations  
Defense Supply Center Richmond  
8000 Jefferson Davis Highway  
Richmond, VA 23297  
Phone: (804) 279-6389

4. What are your terms of sale? Net 30 on domestic, Net 60 on International
5. Current Landlord (List name, address and telephone number):

Windstream Communications  
4001 Rodney Parham  
Little Rock, AR 72212  
Ph: 501-748-6388

Jamestown Develop Co.  
333 Ganson Street  
Buffalo, NY  
Ph: 716-856-3333

6. Legal Counsel (List name, address and telephone number):  
SKF In House Counsel

Tim Gifford  
Vice President & General Counsel  
SKF USA Inc  
890 Forty Foot Road  
Lansdale, PA 19446

**C. Business Description**

1. Describe type of business:  
**Manufacturing**
2. Describe the principal products and services:  
**High Precision Ball and Roller Bearings**
3. Describe the market(s) served:  
**Aerospace / Aeroengine**

**D. Present Location**

1. If you rent:
  - a. What is the present annual rent (state whether firm has a gross or net lease):  
**Windstream Office - \$128 Tusd**  
**Jamestown Plant - \$253 Tusd**
  - b. When does the lease expire?  
**Windstream Office - Feb 2012**  
**Jamestown Plant - Feb 2012**
2. If you own:
  - a. What is the current annual mortgage payment?  
**Current Falconer Plant is 100% owned – no mortgage**
  - b. When does the mortgage terminate?
3. Describe present location (include square footage, number of buildings, number of floors, etc.)  
**Falconer Plant - 216,700 sq feet, One building, One floor**
4. List the current annual taxes by respective taxing jurisdictions:
  - a. Building(s): \$  
**Town of Ellicott : \$29.1 Tusd ( \$29,062.66 )**  
**Town of Poland : \$ .1 Tusd ( \$ 670.28 )**  
**Village of Falconer : \$20.7 Tusd ( \$20,676.46 )**  
**Falconer School : \$43.7 Tusd ( \$43,740.75 )**
  - b. Land: \$

**E. Previous Financial Activities**

1. What were your company's estimated capital expenditures in Chautauqua County, New York, during the past three (3) years? (Specify by place, year and amount.)  
2009 – Falconer : \$ 1402 TUSD  
2008 - Falconer : \$ 5150 TUSD  
2007 - Falconer : \$ 3578 TUSD
2. Has your company ever been a recipient of funds obtained through tax-exempt or taxable bonds?  Yes  No If "Yes" give details below:
3. Describe your company's effort to secure assistance or financing in the County of Chautauqua, or any other area, on a separate sheet.  
New York MAP grant  
Upstate Regional Blueprint fund grant

**F. Types of Financial Assistance Requested**

(Cross out those which are not applicable.)

1. ~~Industrial Development Revenue Bonds~~  
~~A. Tax Exempt~~  
~~B. Taxable~~
2. Tax Lease –  
A tax Lease / PILOT freezing taxes on current property for ten years, abating 100% of the property taxes on the proposed expansion for 10 years, and reducing the property tax abatement 20% per year on the entire property for years 11 thru 15.  
Also Sales Tax abatement on construction material  
Abatement of mortgage recording tax
3. ~~Other loan(s). Describe:~~

## Part 2

### A. Describe the Project

(Include a general, functional description and prospective location.)

#### 1. Summary:

The main purpose of this project is to replace the hardening and carburizing furnaces in the Aeroengine Heat Treat facility with the purchase of new modular Heat Treat equipment that is uniquely suited to the low volume, high precision aerospace product produced at the Falconer facility. The new equipment will be placed in a new leased building. As part of this project, we will also consolidate additional manufacturing and office locations.

SKF Aeroengine's Minganti Hard Turning Department was moved to the building housing the SKF Aero Bearing Service Center in Charleston, SC as step one in closing the Jamestown facility and selling the building to an outside developer. Since then Falconer Aerospace product has been shipped 811 miles (1305 Km) to Charleston, SC for one hard turning operation and then shipped 811 miles (1305Km) back to Falconer for the second hard turning operation and final grinding and assembly. The trucking back and forth has added two weeks to our lead time. Additional inventory is also required to support the added lead time.

At present we lease three sites in the Jamestown area: offices in one location (the former Windstream Building in downtown Jamestown), the Heat Treat area in the former Jamestown Plant in the industrial section of Jamestown, and warehouse and shipping facilities in a third building on East Second Street in Jamestown. The Windstream Building and the East Second street location were needed to accommodate the sale of the former Jamestown plant and office building. Heat Treat was left in the former Jamestown Plant due to the high cost of tearing out the old equipment and the huge amount of lost production that would have been incurred if the equipment was moved. Our customers also consider heat treat as our most critical process, and maintain strict frozen process controls that require a very lengthy testing and approval process for any changes. The lease expires in February 2012.

This project includes leasing of new buildings to be directly connected to the Falconer Plant to house the new Heat Treat equipment, offices from the Windstream building, Shipping, Research and Development facilities and the Hard Turning equipment required for Falconer. SKF Aeroengine Research & Development supports aerospace companies worldwide with product research, materials testing and life testing. The Aeroengine Research & Development group is presently housed in two steel-sided temporary structures erected in 1958 and a third facility erected in 2004 to house a special Rolls Royce Trent 500 test rig moved here from England after SKF purchased the Stonehouse facility. The two older buildings are in a very poor state of repair, requiring major electrical, roof, wall, door, window, and insulation repairs to remain habitable.

All of the new facilities will be leased under an operating lease from a local developer. No SKF owned real estate will be used for the new facilities.

#### 2. Background & History:

The Aeroengine Heat Treat facility, presently located in the old MRC Bearings building in Jamestown, New York, provides heat-treated inner rings, outer rings, and cages to support the production of Aerospace product in Falconer, New York, Specialty Bearings product produced in Falconer and Charleston, SC and the SKF-GE joint venture, Venture Aerobearings, in Ladson, SC. It also heat-treats aerospace balls for our SKF Specialty Ball plant in Colebrook, Connecticut and supports the SKF Remanufacturing business at the SKF Aero Bearing Service center in North Charleston, SC with heat-treated rings.

In addition to the physical equipment used to heat treat product, the Jamestown facility houses the Metallurgical Laboratory required to monitor and control the heat treat process to the strict Aerospace requirements, manager's and supervisor's offices and a small staff of maintenance personnel needed to calibrate and maintain the heat treat equipment.

The Heat Treat department is the last SKF activity remaining in the Jamestown facility: the grinding and assembly equipment for the Specialty Bearings manufacturing unit was moved to Falconer as Channel #2 in 2008 and all office



personnel were moved to Falconer or into leased office space in the Windstream Building in downtown Jamestown, NY. The Jamestown manufacturing building and the connected office building was sold to a private developer; the portion housing the Heat Treat department has been leased back for several years. The lease expires in February 2012.

The present heat treating equipment in this facility is mainly obsolete from technology and electronics point of view and consists of a variety of different furnaces and support equipment purchased over a span of many decades going back to the 1960s. (See attachment 1.) The equipment is used to provide through hardening for a variety of different materials, SKF-3, 52100, M-50, stainless steels and 4340 cage material. It also processes case hardening for specialized aerospace materials. The existing equipment experiences frequent downtime due to its age and condition. Up to 25% of the product has to be reprocessed to meet the stringent aerospace requirements. Mechanical fixturing is used to help reduce distortion during processing but the old equipment still results in high levels of warp and out-of-round in the thin section rings typical of aerospace product. The warp and out-of-round add to the costs of machining the already difficult-to-machine materials.

The Heat Treat process runs 24 hours per day, seven days a week for 50 weeks out the year. (Two shutdowns are required per year for periodic maintenance.) The heat treat area is shared for multiple channels and multiple locations and is bottleneck operations for future growth. Currently we must outsource a significant amount of product to meet production schedules. The need for additional outsourcing will grow as they ramp up production in Venture Aerobearings. Our current facility is not capable of heat treating product at a rate which will sustain the expected future production levels for Falconer and Venture Aerobearings.

### 3. Heat Treat:

The present primary heat treating equipment will be replaced with a new state of the art Infracarb Vacuum Carburizing and Hardening Furnace System manufactured by ECM Technologies of France and marketed and serviced by their US subsidiary. The unit consists of up to 12 module stations connected to a central tunnel. We will initially only buy stations for 9 of the possible 12 locations. Six of the nine stations are through hardening and/or carburizing stations. Three stations will remain available for future expansion of the system by adding heating and carburizing stations. Stations may be added one at a time as needed for up to a 50% expansion of capacity for around \$300K per unit. Lead time for a new station is 10-12 weeks which is well within our lead time and can be added for incremental growth with little or no disruption and in time to meet the business up turns

One of the modules is a load/unload station, the others are heating and/or carburizing stations that can be programmed to various temperatures and atmospheres. After a load is put into the load station, the load station is sealed and brought under a vacuum to match the tunnel. From then on, the load is maintained in a vacuum as it passes through various heating and/or carburizing stations as required for that recipe. This configuration provides the very high level of flexibility required for the aerospace business. It will allow us to process different materials and recipes at the same time. Through hardening and carburizing may be accomplished in any processing station as required by the schedule. The control system processes the various loads and passes them from module to module to ensure proper processing.

All of our existing furnaces must be cycled through a complete heating and cooling cycle for each load, wasting time and energy. On the new system, the individual modules stay at their assigned temperature and do not have to be cooled and reheated with each load, the processing is more efficient and the results more predictable. Since the parts move from one station to another, only the parts are heated and cooled as they are processed. Parts produced in the new system will come out cleaner, eliminating the need to remove scale from lubricating holes and grooves. The flexibility of the new system and quench chamber will generate less distortion of the piece parts, providing a better part to the grinding operations and the potential for reduced stock at grind.

The new system will replace six (6) existing furnaces, of three different styles, simplifying operator and maintenance training. The lack of moving parts in the hot zones means there are fewer parts requiring high frequency periodic

maintenance. We will also be changing from gas carburizing to vacuum carburizing, a significant time savings in the order of 50% times savings per cycle.

Maintenance of the system will be reduced compared to the existing furnaces due to the elimination of thermal cycling, since the quench operation occurs in a dedicated station rather than the hot zone. A single cell can be overhauled without shutting down the rest of the system

#### 4. Consolidation:

This project will consolidate Heat Treat, Metallurgical Laboratory, Management Offices, Hard Turning, Shipping and the Research and Development offices and test labs into new buildings at the Falconer, NY campus. These are presently housed in three leased sites remote from the Falconer campus or in old buildings on the campus. These operations will be put into newly constructed leased buildings on property next to the SKF property and connected to the existing Falconer plant via a short connector. The buildings will be leased from a local developer under an operating lease with no SKF capital commitment for the land or buildings. SKF capital will be restricted to purchase of the product processing equipment. The developer is responsible for construction of buildings suitable for the intended purposes as determined by SKF and its consulting engineering firm. No SKF real estate will be used except to connect the new buildings to the Falconer Plant.

#### 5. Financial benefits:

- 40% cost reduction from eliminating outsourcing heat treat processing
- Reduced freight for shipping to and from outsourced Heat treating and to and from South Carolina for hard turning
- 50% reduction in Carburizing cycle time
- Elimination of leases for:
  - \* Heat Treat and Metallurgical lab in the old Jamestown plant
  - \* Offices in the Windstream Facility
  - \* Second Street warehouse and Shipping facility
- Reduced Maintenance and spare parts
- 100% elimination of methanol for heat treat and replacement with acetylene
- Reduced manpower in Heat Treat
- Reduced utility cost by eliminating natural gas in the heat treat process
- 40% reduction in hard turning operations due to improved roundness and warp and from reduced stock on the parts
- 20% reduction in heat-treat related scrap
- 25% reduction in rework at heat-treat

#### 6. Other Benefits

- Shorter manufacturing lead time due to reduced travel and faster process cycles
- Reduced inventory needed to support long travel distances
- Improved coordination of activities with all functions in one campus
- Shorter training time for new heat treat operators, since they will have fewer types of machines to learn
- Reduced downtime and flow interruptions
- Increased on-time deliveries to customer
- Reduced CO2 emissions from lower electric and natural gas usage.
- improved sustainability, since the system uses no methanol.
- Improved customer image resulting from state of the art Heat Treating and R&D facilities.
- Increased capacity with increased scheduling flexibility
- Easy and relatively low cost expandability of the heat treat capacity if needed in the future.

#### 7. Deliverables:

Leased Facilities:

- (1) 66,000 sq. ft. building to house 1st and 2nd operation Hard Turning and Heat Treat
- (1) 16,000 sq. ft. office building attached to the heat treat building
- (1) 14,000 sq. ft. building to house Research and Development

## Capital Equipment

### Heat treat building:

- (1) ECM Modular Heat Treating system, installation and support equipment
- (1) Oil quench pit
- (1) Gas quench cell hoist
- (1) Load station bridge crane
- (2) Load data packs for heat treat control
- Load baskets and trays
- Recommended spare parts for furnace system
- ECM chiller system with installation and initial coolant charge
- (2) ECM parts washer systems (1 pre-heat treat and one post processing)
- (1) Overhead crane for Homo tempering furnaces
- Task lighting for various work areas in Heat Treat and Hard Turning
- (1) 2,500 Gallon coolant system with tramp oil removal for Hard Turning equipment
- (1) Used coolant and transfer pump station
- (1) Acetylene Gas storage house and header piping system with fire protection
- Potable, process and waste water piping for heat treat building
- (1) three ton overhead bridge crane for Minganti Lathes
- Sump pumps for Hard Surface & OD grinders, and lathes moved from existing Falconer plant
- Battery charging stations and storage racks for the crib

### Research and Development

- New partitions and office furniture
- (2) Fume abatement system in test area
- Chilled waters system for large test rig

### Office Building:

Office partitions and work stations for the office build (additional only – existing units will be used as much as possible)

### Relocate Shipping:

- Truck access and roadway improvements
- (2) new truck wells
- Building modifications
- Overhead doors, docks, and dock levelers

### Other:

- Engineering costs and permits
- Site preparation and temporary structures
- Parking lots and driveways
- New fencing and gates for DMA area

## 8. Uncertainties and Risk Factors:

- a. There is some technical risk associated with the new heat treating system,
  - but there already systems in full operation for similar product
  - We are working with a commercial heat-treat company with close relationship to ECM using an identical system to develop basic processes ahead of the purchase.
  - We are planning for up to one year of process development schedule with the vendor during which we will maintain full existing capacity. Working with the commercial heat-treat company can help to expedite this.

b. Financial risk has been reduced via leasing the facilities rather than buying them. A relatively small amount of capital will be leveraged to generate world class aerospace heat treating and research and development facilities.

c. The market risk for aerospace product is minimal due to the world-wide nature of the market and the fact that our product is used for both US government applications and civil aircraft. These two markets rarely go down at the same time. The long time span and expense required to gain customer acceptance and product qualification means new players almost never enter the aerospace market. While we can expect a downturn in our order rate some time in the near future, the long acquisition and development time for the new heat treat facility means the forthcoming downturn is likely to be over by the time the new equipment comes on line. Now is the right time to make an investment of this nature. Any delay in investment would cause us to miss an upturn in aerospace business. The current demand for new aircraft may drop temporarily, but history shows the aircraft market typically has a steep upslope when it returns.

d. There are both up-side and down-side volume risks for the heat treat system. If the volume drops significantly, the excess capacity can be used to support other SKF facilities or take on outside heat treating work. In a down turn we can simply turn off cells one at a time to match the volume and save considerable energy unlike our current furnaces which must be idled or shut down completely. Should the volume increase beyond our expectations, the three additional stations can be purchased and installed with minimal investment (\$300K per station) and work flow disruptions.

e. The greatest risk is doing nothing or delaying this investment. The age and condition of the present facilities and equipment can only mean increasing operating costs, decreasing capacity, decreasing customer support, and decreasing profits. Delays may result in increased lease costs.

**B. Reasons for Project**

1. Briefly describe the reasons why this project is necessary and what effect it will have on your business:

**Modernize Heat Treat facility allowing us to be more competitive. Also consolidate various operations and offices at the Falconer site.**

2. If your business is unable to arrange suitable financing for this project, what will be the impact on your company and the County of Chautauqua? Would your company proceed with the project without Agency assistance and / or financing? Describe in detail:

**Without the incentives from Chautauqua County and New York State, SKF will re-evaluate where to do this expansion, putting at risk 600+ jobs in Western New York.**

**C. Type of Project**

1. Check category which best describes your project:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Manufacturing | <input type="checkbox"/> Warehousing       |
| <input type="checkbox"/> Industrial Assembly      | <input type="checkbox"/> Pollution Control |
| <input type="checkbox"/> Research                 | <input type="checkbox"/> Other (Specify)   |

2. If pollution control, check appropriate items below:

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Air       | <input type="checkbox"/> Noise           |
| <input type="checkbox"/> Water     | <input type="checkbox"/> Solid Waste     |
| <input type="checkbox"/> Air/Water | <input type="checkbox"/> Other (Specify) |

**D. Proposed Location**

1. Does the project consist of (check appropriate categories):

- |  |   |                             |
|--|---|-----------------------------|
| a. Construction of a new building                      | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| b. Renovations to an existing building                 | <input type="checkbox"/> Yes            | <input type="checkbox"/> No |
| c. Construction of an addition to an existing building | <input type="checkbox"/> Yes            | <input type="checkbox"/> No |
| d. Acquisition of an existing building                 | <input type="checkbox"/> Yes            | <input type="checkbox"/> No |

If the Company is to acquire an existing plant, attach a photograph and indicate if it is in operation, about to be abandoned or abandoned. If in operation, describe present products.

List costs or orders made by Company for the project, at the date of this application, on a separate sheet. NA

2. Describe the proposed location(s) of this project, including square footage, number of floors, address, etc. (If new construction is involved or expansion of existing plant, attach proposed floor plan):

**96,000 Sq foot building to house new Heat Treat Equip, R&D facility, and Offices.**



3. List the present owner of the project site and the owner's name, address, and phone number. (If currently owned by the applicant, indicate date of purchase, reason for purchase and current use of the site):

**Gary Lynn**  
**Community Development Associates, LLC**  
**1883 Lyndon Boulevard**  
**Falconer, NY 14733**  
**716-665-6620**

4. Does the project site currently have existing occupant(s)?  
 Yes  No

If "Yes", list all lessees, the amount of space occupied by each, and the date of termination of such leases on a separate sheet.

5. Is there a relationship legally or by virtue of common control between the applicant or present owner?  
 Yes  No

If "Yes", provide details on a separate sheet.

6. Does the Company have an option to purchase the project site or has a contract of sale been executed for such purchase? (If so, attach particulars.)  
 Yes  No

7. Has the Company placed any purchase orders or entered into any other agreements or contracts with respect to proposed project costs? (If so, attach particulars.)  
 Yes  No

**E. Location Maintenance Costs**

1. What are the real estate taxes on the land and the building? (If current rate is not available, give assessed value for each and so state.)

Existing building:  
\$94,150.15

**Land \$ .3 musd ( estimate assessed value )**

**Building \$ 10.3 musd ( estimate assessed value )**

2. What is the estimated useful life of the:
- a. Facility : 40 years
  - b. Equipment : 20 years

3. Is proposed Project site served by:
- a. Transportation     Rail     Truck     Air  
                                   Water
- b. Utilities             Sewer     Water     Gas  
                                   Electric Power

**F. Employment**

1. Employment at present time, if Company is now in existence within Chautauqua County, and an estimate of such employment at the proposed location at the end of one and two years:

	<u>Present</u>	<u>First Year</u>	<u>Second Year</u>
Full Time	608	600	640
Part Time*			
Seasonal*			

\*Estimate percent that total part time or seasonal working time bears to total annual full working time NA%.

Total        \$

2. Estimate the annual payroll:

At present    \$ 36,300 TUSD ( Excludes Social costs & benefits )

In one year    \$ 36,540 TUSD

**G. Project Costs**

1. List the costs necessary for the construction, acquisition or renovation of the project. (The project costs should **not** include working capital needs or moving expenses.)

<u>Description</u>	<u>Amount</u>
Land	\$ 350 TUSD
Building(s)	\$ 7785 TUSD
Renovation	\$
Machinery and Equipment (Do <b>not</b> include furniture costs)	\$ 6800 TUSD



Installation \$

*(G. Continued)*

Fees (Do **not** include your own counsel fees) } \$ 1385 TUSD

Architectural Fees } \$

Financial Charges (specify) \$

Other (specify)  
Perf bond \$ 185 TUSD  
Underground Util, Paving & fencing \$ 930 TUSD  
**Subtotal** \$

**Agency Administrative Fee** \$

**Total Project Cost** \$ 17435 TUSD

2. What is the amount of funds and term requested for financing through the County of Chautauqua Industrial Development Agency?

\$                      Years

**H. Project Schedule**

1. Indicate the estimated days for:
  - a. Financing of the project 7/31/10 or 90-120 days
  - b. Commence of construction **Q1, 2010 (6/20/10)**
  - c. Completion of construction **Q4, 2010 (Total completion may be 2011)**
2. List the date(s) and in what amount(s) the estimated funds will be required:  
Tax Lease/Pilot Agreement through completion.

**I. Other Agency Involvement**

1. Have you contacted any other governmental agency in reference to this project?  
 Yes  No

If "Yes", please indicate the agency and the nature of the inquiry below:  
**NY State EDA – Request for Grants,**

2. Have you contacted any financing institutions or other industrial development agencies in New York State, or elsewhere, for financial assistance in reference to this project or one of a similar nature?  
 Yes  No

If "Yes", please indicate below the institution and / or agency and the present status of the inquiry:  
**NY State EDA – Grants approved.  
South Carolina Dept of Commerce.**

**J. Financial Information** (attach the following)

1. Certified financial statements for the last three (3) fiscal years.

**For Industrial Development Bonds (IDB) complete Questions 2, 3 & 4. NA**

2. Pro forma sheet as at start of operations at project site.  
3. Project profit and loss statements for first two (2) years of operation at projected site.  
4. Projected "cash flow" statement, by quarters, for first year of operation at project site.

## Certification

Paul Bourgon

(Name of chief executive officer of company submitting application)

deposed and says that he/she is the Aeroengine Operations Director  
(Title)

of **SKF USA Inc** , the corporation named in attached application;  
(Company name)

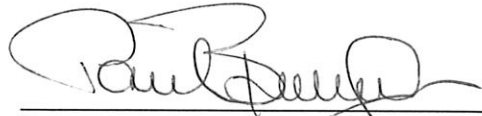
that he has read the foregoing application and attachments and knows the contents thereof; that the same is true to his knowledge, contains no information or data that is false or incorrect and is truly descriptive of the project which is intended as security for the requested financing.

Deponent further says the reason for this verification is made by the deponent and not by **SKF USA Inc**  
(Company name)

is because the said company is a corporation. The grounds of deponent's belief relative to all matters in the said application which are not stated upon his own personal knowledge, are investigations which deponent has caused to be made concerning the subject matter of this application as well as information required by deponent in the course of his duties as an officer of and from the books and papers of said corporation.

As an officer of said corporation (hereinafter referred to as the "applicant") deponent acknowledges and agrees that applicant shall be and is responsible for all costs incurred by the non-profit County of Chautauqua Industrial Development Agency (hereinafter referred to as the "Agency") acting in connection with the attendant negotiations and ultimately the closing of the project and (or) financing. If, for any reason whatsoever, the applicant fails to conclude or consummate necessary negotiations or fails to act within a reasonable or specified period of time to take reasonable, proper, or requested action or withdraws, abandons, cancels, or neglects the application, then upon presentation of invoice, applicant shall pay to the Agency, its agents or assigns all actual costs involved in conduct of the application and the drafting of documents up to that date and time, including fees of counsel for the Agency.

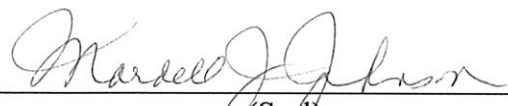
The costs incurred by the Agency and paid by the applicant, including the Agency's counsel's fees and the administrative fee, may be considered as a cost of the project and included as part of any resultant bond issue, subject to the limitations imposed by law.

  
\_\_\_\_\_  
(Chief Executive Officer of  
company submitting application)

**Notary**

Sworn to before me this

29<sup>th</sup> day of April, 20 10

  
\_\_\_\_\_  
(Seal)

MARDELL J. JOHNSON, #01JO479134P  
Notary Public, State of New York  
Qualified in Chautauqua County  
My Commission Expires Sept. 30, 2013

TO: Project Applicants  
 FROM: County of Chautauqua Industrial Development Agency  
 RE: Cost/Benefit Analysis Questionnaire

-----

In order for the County of Chautauqua Industrial Development Agency (the "Agency") to prepare a Cost/Benefit Analysis for a proposed project (the "Project"), the Applicant must answer the questions contained in this Project Questionnaire (the "Questionnaire") and complete the attached Schedules. This Questionnaire and the attached Schedule will provide information regarding various aspects of the Project, and the costs and benefits associated therewith.

Since we need this Questionnaire to be completed before we can finalize the Cost/Benefit Analysis, please complete this Questionnaire and forward it to us at your earliest convenience.

**PROJECT QUESTIONNAIRE**

Estimates

1. Name of Project Beneficiary ("Company"):	SKF Aeroengine North America
2. Brief Identification of the Project:	Heat Treat Building project
3. Estimated Amount of Project Benefits Sought:	
A. Amount of Bonds Sought:	\$_____NA_____
B. Value of Sales Tax Exemption Sought	\$_____340 Tusd_____
C. Value of Real Property Tax Exemption Sought	\$2 M_approx._____
D. Value of Mortgage Recording Tax Exemption Sought	\$ 200,000 approx.

**PROJECTED PROJECT INVESTMENT**

**ESTIMATES**

A. Land-Related Costs	
1. Land acquisition	\$___350 Tusd_____
2. Site preparation	\$_____

3. Landscaping	\$ _____
4. Utilities and infrastructure development	\$__930 Tusd
5. Access roads and parking development	\$ _____
6. Other land-related costs (describe)	\$ _____
B. Building-Related Costs	
1. Acquisition of existing structures	\$ _____
2. Renovation of existing structures	\$ _____
3. New construction costs	\$____4305 Tusd_____
4. Electrical systems	\$____2090_Tusd_____
5. Heating, ventilation and air conditioning	\$____1390_Tusd_____
6. Plumbing	\$ _____
7. Other building-related costs (describe)	\$ _____
C. Machinery and Equipment Costs	
1. Production and process equipment	\$____6800 Tusd _____
2. Packaging equipment	\$ _____
3. Warehousing equipment	\$ _____
4. Installation costs for various equipment	\$ _____
5. Other equipment-related costs (describe)	\$ _____
D. Furniture and Fixture Costs	
1. Office furniture	\$ _____
2. Office equipment	\$ _____
3. Computers	\$ _____
4. Other furniture-related costs (describe)	\$ _____

E.	Working Capital Costs	
1.	Operation costs	\$ _____
2.	Production costs	\$ _____
3.	Raw materials	\$ _____
4.	Debt service	\$ _____
5.	Relocation costs	\$ _____
6.	Skills training	\$ _____
7.	Other working capital-related costs (describe)	\$ _____
F.	Professional Service Costs	
1.	Architecture and engineering	\$__1385_____
2.	Accounting/legal	\$ _____
3.	Other service-related costs (describe)	\$ _____
G.	Other Costs	
1.	_Performance Bond_____	\$__185_____
2.	_____	\$ _____
H.	Summary of Expenditures	
1.	Total Land Related Costs	\$__1280 TUSD_____
2.	Total Building Related Costs	\$__7785 TUSD _____
3.	Total Machinery and Equipment Costs	\$__6800 TUSD _____
4.	Total Furniture and Fixture Costs	\$ _____
5.	Total Working Capital Costs	\$ _____
6.	Total Professional Service Costs	\$__1385 TUSD _____
7.	Total Other Costs	\$__185 TUSD _____

**PROJECTED CONSTRUCTION EMPLOYMENT IMPACT**

I. Please provide estimates of total construction jobs at the Project:

Year	Construction Jobs (Annual wages and benefits \$40,000 and under)	Construction Jobs (Annual wages and benefits over \$40,000)
Current Year	120	90
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		

II. Please provide estimates of total annual wages and benefits of total construction jobs at the Project:

Year	Total Annual Wages and Benefits	Estimated Additional NYS Income Tax
Current Year	\$4,500,000_____	\$_____
Year 1	\$_____	\$_____
Year 2	\$_____	\$_____
Year 3	\$_____	\$_____
Year 4	\$_____	\$_____
Year 5	\$_____	\$_____



**PROJECTED PERMANENT EMPLOYMENT IMPACT**

- I. Please provide estimates of total existing permanent jobs to be preserved or retained as a result of the Project:

Year	Existing Jobs (Annual wages and benefits \$40,000 and under)	Existing Jobs (Annual wages and benefits over \$40,000)
Current Year		608
Year 1		600
Year 2		640
Year 3		690
Year 4		690
Year 5		690

- II. Please provide estimates of total new permanent jobs to be created at the Project:

Year	New Jobs (Annual wages and benefits \$40,000 and under)	New Jobs (Annual wages and benefits over \$40,000)
Current Year	NA	NA
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		

- III. Please provide estimates of total annual wages and benefits of total permanent construction jobs at the Project: **N/A**

Year	Total Annual Wages and Benefits	Estimated Additional NYS Income Tax
Current Year	\$_____	\$_____
Year 1	\$_____	\$_____
Year 2	\$_____	\$_____

Year 3	\$ _____	\$ _____
Year 4	\$ _____	\$ _____
Year 5	\$ _____	\$ _____

IV. Please provide estimates for the following:

A. Creation of New Job Skills relating to permanent jobs. Please complete Schedule A. NA

**PROJECTED OPERATING IMPACT**

I. Please provide estimates for the impact of Project operating purchases and sales:

	Retention Not Expansion
Additional Purchases (1 <sup>st</sup> year following project completion)	\$ _____ NA _____
Additional Sales Tax Paid on Additional Purchases	\$ _____ NA _____
Estimated Additional Sales (1 <sup>st</sup> full year following project completion)	\$ _____ NA _____
Estimated Additional Sales Tax to be collected on additional sales (1 <sup>st</sup> full year following project completion)	\$ _____ NA _____

II. Please provide estimates for the impact of Project on existing real property taxes and new payments in lieu of taxes ("Pilot Payments"):

Year	Existing Real Property Taxes	New Pilot Payments	Total
Current Year	94 TUSD	94 TUSD	
Year 1	94 TUSD	94 TUSD	
Year 2	94 TUSD	94 TUSD	
Year 3	94 TUSD	94 TUSD	
Year 4	94 TUSD	94 TUSD	
Year 5	94 TUSD	94 TUSD	
Year 6	94 TUSD	94 TUSD	
Year 7	94 TUSD	94 TUSD	
Year 8	94 TUSD	94 TUSD	
Year 9	94 TUSD	94 TUSD	
Year 10	94 TUSD	94 TUSD	

III. Please provide estimates for the impact of other economic benefits expected to be produced as a result of the Project:

Retention of approx 600+ well paying jobs, plus the economic impact of having SKF Aeroengine in Chautauqua County.

CERTIFICATION

I certify that I have prepared the responses provided in this Questionnaire and that, to the best of my knowledge, such responses are true, correct and complete.

I understand that the foregoing information and attached documentation will be relied upon, and constitute inducement for, the Agency in providing financial assistance to the Project. I certify that I am familiar with the Project and am authorized by the Company to provide the foregoing information, and such information is true and complete to the best of my knowledge. I further agree that I will advise the Agency of any changes in such information, and will answer any further questions regarding the Project prior to the closing.

Date Signed: <u>4/20/10</u> , 20 <u>10</u> .	<b>Name of Person Completing Project Questionnaire on behalf of the Company.</b>  Name: <u>Terry J Papincak</u> Title: <u>Controller</u> Phone Number: <u>716-661-2676</u>  Signature: <u>Terry Papincak</u>
--	--




Should you need additional space, please attach a separate sheet.

**County of Chautauqua  
Industrial Development Agency**

FINANCIAL FEE  
STRUCTURE

**REVOLVING LOAN FUNDS**

1% of total loan

**CIVIC FACILITIES BONDS**

1% of total IDA project cost

**INDUSTRIAL REVENUE BONDS**

1% of total IDA project cost

**TAX LEASES**

1% of total IDA project cost

AN APPLICATION FEE OF \$250 IS DUE UPON SUBMISSION OF ALL LOAN APPLICATIONS  
AN APPLICATION FEE OF \$1,000 IS DUE UPON SUBMISSION OF ALL BOND AND TAX  
LEASE APPLICATIONS