

Application Title
Tax Incentive Application

Section I: Applicant Background Information	
<u>Applicant Information - Company Receiving Benefit</u>	
Total Project Cost	\$47.2 million (First 5 years; \$41.1 million in year 1)
Applicant Name	Welded Tube USA, Inc.
Applicant Address	c/o Phillips Lytle, LLP Attn: Douglas Dimitroff 3400 HSBC Center, Buffalo, NY 14203
Phone	(716) 218-4465
Fax	(716) 852-6100
E-mail	ddimitroff@phillipslytle.com
Website	N/A
Fed ID#	Not Yet Applied For
<u>Individual Completing Application</u>	
Name	Robert Pike
Title	Vice President, Capital Project Manager
Address	111 Rayette Road, Concord, Ontario Canada L4K 2E9
Phone	(905) 669-1111 x 249
Fax	(905) 669-8570
E-Mail	bigfish@weldedtube.com
<u>Company Contact (if different from individual completing application)</u>	
Name	
Title	
Address	
Phone	
Fax	
E-Mail	
<u>Company Counsel</u>	
Name of Attorney	Douglas Dimitroff
Firm Name	Phillips Lytle, LLP
Address	3400 HSBC Center, Buffalo, NY 14203
Phone	(716) 218-4465
Fax	(716) 852-6100
E-Mail	ddimitroff@phillipslytle.com

Identify the assistance being requested of the Agency

Exemption from Sales Tax	Yes
Tax Exempt Financing	No
Exemption from Mortgage Tax	Yes
Exemption from Real Property Tax	Yes
Assignment/Assumption of existing PILOT benefits	No

Business Organization

Type of Business C Corporation
Year Established 2012
State of Organization Delaware

List all stockholders, members, or partners with % of ownership greater than 20%

Please include name and % of ownership. 100% owned by Welded Tube of Canada, Inc.

Business Description

Describe in detail company background, products, customers, goods and services

Estimated % of sales outside Erie County SEE ATTACHMENT
Estimated % of sales outside New York State
Estimated % of sales outside the U.S.

What percentage of your total annual supplies, raw materials and vendor services are purchased from firms in Erie County? (You may be asked to provide supporting documentation of the estimated percentage of local purchases) SEE ATTACHMENT

Section II: Project Description & Details

Location of proposed project facility

SBL Number Unknown

Town/City/Village Lackawanna

School District Lackawanna City School District

Present Project Site Owner Unknown

Please provide a brief narrative of the project

SEE ATTACHMENT

Site Characteristics

Is the proposed Project located on a site where the known or potential presence of contaminants is complicating the development/use of the property? Yes

If yes, please explain It is a Brownfield site

Has a Phase I Environmental Assessment been prepared, or will one be prepared with respect to the proposed Project Site? (If yes, please provide copy) Unknown

If yes, please provide a copy.

Have any other studies, or assessments been undertaken with respect to the proposed Project Site that indicate the known or suspected presence of contamination that would complicate the site's development? Unknown

If yes, please provide copies of the study.

Will project include leasing any equipment? No

If yes, please describe equipment and lease terms

If you are purchasing new machinery and equipment, does it provide demonstrable energy efficiency benefits? Yes SEE ATTACHMENT

If yes, please attach additional documentation describing the efficiencies achieved.

Does or will company perform substantial research and development activities on new products/services at the project location? No

If yes, please explain

What percentage of annual operating expenses are attributed to the above referenced research and development activities? N/A

Explain why IDA participation is necessary for this project to proceed. Focus on competitiveness issues, project shortfalls, etc. SEE ATTACHMENT

Project Information

Estimated costs in connection with project (5 year budget all 4 phases)

Land and/or Building Acquisition	N/A
New Building Construction	14,600,000
New Building addition(s)	N/A
Renovation	N/A
Manufacturing Equipment	31,550,000
Non-Manufacturing Equipment: (furniture, fixtures, etc.)	700,000
Soft Costs: (professional services, etc.)	350,000
Other Cost	
Explain Other Costs	
Total Cost	\$47,200,000
Project Refinancing (est. amount)	

See Exhibit B for budget details by phase

Select Project Type (check all that apply)

<input checked="" type="checkbox"/> Industrial	Multi-Tenant	Mixed Use
Acquisition of Existing Facility	Commercial	Facility for the Aging
Housing	Back Office	Civic Facility (not for profit)
Equipment Purchase	Retail	Other
SIC Code		
NAICS Code 331200		

For proposed facility please include # of sq ft for each of the uses outlined below

Manufacturing/Processing Phase 1 - 100,000 sq. ft. Phase 2 30,000 sq. ft.

Warehouse

Research & Development

Commercial

Retail

Office

Other

Specify Other

Utilities and services presently serving site. Provide name of utility provider

Gas		NATIONAL FUEL
Electric	Size	NATIONAL GRID & NYPA
Water	Size	ERIE COUNTY WATER AUTHORITY
Sewer	Size	
Other (Specify)		

If you are undertaking new construction or renovations, are you seeking LEED certification from the US Green Building Council? Unknown

If you answered yes to question above, what level of LEED certification do you anticipate receiving? (Check applicable box) N/A

What is your project timetable (Provide dates)

Start date : acquisition of equipment 7/1/2012

End date : Estimated completion of project 6/30/2013

Project occupancy : estimated starting date of operations 7/1/2013

Have site plans been submitted to the appropriate planning department for approval? No, property acquisition is still in negotiations.

Have any expenditures already been made by the company? No

If yes, indicate particulars (benefits do not apply to expenses incurred prior to Board approval)

Is project necessary to expand project employment?

Yes, there is currently no facility located in the area.

Is project necessary to retain existing employment?

No, there is currently no facility located in the area.

Employment Plan (project location)

	Current Jobs	If project is to retain jobs, number of jobs to be retained	Total # of jobs 2 years after project completion
Full time	SEE ATTACHMENT FOR JOBS DETAIL UNDER "PROJECT ROLL-OUT PHASES"		
Part time			
Current Full Time Jobs in other Erie county locations	0		
Current Part Time Jobs in other Erie county locations	0		

Payroll Information

Annual payroll

N/A, no current employment

Estimated average annual salary of jobs to be retained

N/A, no current employment

Average estimated annual salary of jobs to be created

\$40,000

Estimated salary range of jobs to be created

From \$30,000 To \$110,000

Is the project reasonably necessary to prevent the project occupant from moving out of New York State?

There is currently no location in New York State.

If yes, please explain and identify out-of-state locations investigated

Were you offered financial assistance to locate outside of New York State?

Yes. Alabama has offered large incentives including a potential building site for the price of only \$1 and long term property tax relief and employment grants. Management has also been in discussions with the Ontario government regarding available incentives.

If yes, from whom and what type of assistance was offered

What competitive factors led you to inquire about sites outside of New York State?

Proximity to the current plant in Welland, Ontario and low cost of operations in Alabama.

Have you contacted or been contacted by other economic or governmental agencies regarding this project?

Yes, Empire State Development, NYPA and National Grid

If yes, please indicate the Agency and nature of inquiry below

Section III: Adaptive Reuse Projects

Are you applying for a tax incentive under the Adaptive Reuse Program?

No

What is the age of the structure (in years)? N/A

If yes, number of years vacant? N/A

Has the structure been vacant or underutilized for a minimum of 3 years? (Underutilized is defined as a minimum of 50% of the rentable square footage of the structure being utilized for a use for which the structure was not designed or intended) N/A

Is the structure currently generating insignificant income? (Insignificant income is defined as income that is 50% or less than the market rate income average for that property class) N/A

Does the site have historical significance? N/A

Briefly summarize the financial obstacles to development that this project faces without or other public assistance. Please provide the with documentation to support the financial obstacles to development (cash flow projections documenting costs, expenses and revenues indicating below average return on investment rates compared to regional industrial averages) N/A

Briefly summarize the demonstrated support that you intend to receive from local government entities. Please provide the with documentation of this support in the form of signed letters from these entities N/A

Please indicate other factors that you would like the to consider such as: structure or site presents significant public safety hazard and or environmental remediation costs, site or structure is located in a distressed census tract, structure presents significant costs associated with building code compliance, site or structure is presently delinquent in property tax payments N/A

Section IV: Retail Determination

Will project involve the sales of goods or services to customers who personally visit the facility? No

If yes, complete the Retail Questionnaire Supplement below.

Will any portion of the project consist of facilities or property that is primarily used in making sales of goods or services to customers who personally visit the project site? N/A

If the answer is yes, please continue.

What percentage of the cost of the project will be expended on such facilities or property primarily used in making sales of goods or services to customers who personally visit the project? N/A

If the answer to this is less than 33% do not complete the remainder of the page and proceed to the next section (Section V: Inter-Municipal Move Determination).

Will the project be operated by a not-for-profit corporation? N/A

Is the project likely to attract a significant number of visitors from outside the economic development region in which the project will be located? N/A

If yes, please provide a market analysis or other documentation supporting your response.

Would the project occupant, but for the contemplated financial assistance from the industrial development agency, locate the related jobs outside the State of New York? N/A

If yes, please provide documentation regarding investigation of sites outside New York State.

Is the predominant purpose of the project to make available goods or services which would not otherwise be reasonably accessible to the residents of the project municipality? N/A

If yes, please provide a market analysis supporting your response.

Will the project preserve permanent, private sector jobs or increase the overall number of permanent private sector jobs in the State of New York?

N/A

Is the project located in a Neighborhood Redevelopment Area? N/A

Section V: Inter-Municipal Move Determination

Does this project involve relocation or consolidation of a project occupant from another municipality or abandonment of an existing facility?

Within New York State No

Within Erie County No

IF EITHER IS YES, please complete the following. If BOTH ARE NO, please 'save and continue' to the next section (Section VI: Facility Type - Single or Multi Tenant).

The Agency is required by state law to make a determination that Agency assistance is required to prevent the project occupant from relocating out of the state, or to preserve the project occupant's competitive position in its respective industry.

Will the project result in a relocation of an existing business operation from the City of Buffalo? N/A

If yes, please explain the factors which require the project occupant to relocate (For example, present site is not large enough, or owner will not renew leases etc.)

What are some of the key requirements the project occupant is looking for in a new site? (For example, minimum sq. ft., 12 foot ceilings, truck loading docs etc...) N/A

If the project occupant is currently located in Erie County and will be moving to a different municipality, has the project occupant attempted to find a suitable location within the municipality? N/A

Is the project reasonably necessary to preserve the project occupant's competitive position in its industry? N/A

If yes, please explain and provide supporting documentation

What factors have lead the project occupant to consider remaining or locating in Erie County? N/A

What is going to happen to the current facility that project occupant is located in? N/A

Please provide a list of properties considered, and the reason they were not adequate. (Some examples include: site not large enough, layout was not appropriate, did not have adequate utility service, etc.) Please include full address for locations. N/A

Section VI: Facility Type - Single or Multi Tenant

Is this a Single Use Facility or a Multi-Tenant Facility? Single Use Facility

For Single Use Facility

Occupant Name Welded Tube USA, Inc.

Federal ID # Not yet applied for

SIC/NAICS Code 331200

Multi-Tenant Facility

Please explain what market conditions support the construction of this multi-tenant facility N/A

Have any tenant leases been entered into for this project? N/A

If yes, please list below and provide square footage (and percent of total square footage) to be leased to tenant and NAICS Code for tenant and nature of business

Section VII: Environmental Questionnaire

General Background Information

Address of Premises Tecumseh Business Park, Lakewinds Site Parcel 3
Intersection of Route 5 and Ridge Road, Lackawanna, NY 14218

Name and Address of Owner of Premises Unknown

Describe the general features of the Premises (include terrain, location of wetlands, coastlines, rivers, streams, lakes, etc.) SEE ATTACHMENT

Describe the Premises (including the age and date of construction of any improvements) and each of the operations or processes carried out on or intended to be carried on at the Premises SEE ATTACHMENT

Describe all known former uses of the Premises Bethlehem Steel

Does any person, firm or corporation other than the owner occupy the Premises or any part of it?

Unknown

If yes, please identify them and describe their use of the property

Have there been any spills, releases or unpermitted discharges of petroleum, hazardous substances, chemicals or hazardous wastes at or near the Premises?

Unknown

If yes, describe and attach any incident reports and the results of any investigations

Has the Premises or any part of it ever been the subject of any enforcement action by any federal, state or local government entity, or does the preparer of this questionnaire have knowledge of: a) any current federal, state or local enforcement actions; b) any areas of non-compliance with any federal, state or local laws, ordinances, rules or regulations associated with operations over the past 12 months?

No

If yes, please state the results of the enforcement action (consent order, penalties, no action, etc.) and describe the circumstances

Has there been any filing of a notice of citizen suit, or a civil complaint or other administrative or criminal procedure involving the Premises?

No

If yes, describe in full detail

Solid And Hazardous Wastes And Hazardous Substances

Does any activity conducted or contemplated to be conducted at the premises generate, treat or dispose of any petroleum, petroleum-related products, solid and hazardous wastes or hazardous substances?

No

If yes, provide the Premises' applicable EPA (or State) identification number

Have any federal, state or local permits been issued to the Premises for the use, generation and/or storage of solid and hazardous wastes?

No

If yes, please provide copies of the permits.

Identify the transporter of any hazardous and/or solid wastes to or from the Premises N/A

Identify the solid and hazardous waste disposal or treatment facilities which have received wastes from the Premises for the past two (2) years

N/A

Does or is it contemplated that there will occur at the Premises any accumulation or storage of any hazardous wastes on-site for disposal for longer than 90 days?

No

If yes, please identify the substance, the quantity and describe how it is stored

Discharge Into Waterbodies

Briefly describe any current or contemplated industrial process discharges (including the approximate volume, source, type and number of discharge points). Please provide copies of all permits for such discharges N/A

Identify all sources of discharges of water, including discharges of waste water, process water, contact or noncontact cooling water, and stormwater. Attach all permits relating to the same. Also identify any septic tanks on site N/A

Is any waste discharged into or near surface water or groundwaters? No

If yes, please describe in detail the discharge including not only the receiving water's classification, but a description of the type and quantity of the waste

Air Pollution

Are there or is it contemplated that there will be any air emission sources that emit contaminants from the Premises?

If yes, describe each such source, including whether it is a stationary combustion installation, process source, exhaust or ventilation system, incinerator or other source

Are any of the air emission sources permitted?

If yes, attach a copy of each permit.

All local standards will be met regarding air emissions and possible contaminants.
If necessary, any applicable permits will be obtained.

Storage Tanks

List and describe all above and under ground storage tanks at the Premises used to store petroleum or gasoline products, or other chemicals or wastes, including the contents and capacity of each tank. Please also provide copies of any registrations/permits for the tanks N/A, if any tanks exist on the premises they will be removed and a Phase I environmental study will be done.

Have there been any leaks, spills, releases or other discharges (including loss of inventory) associated with any of these tanks? N/A

If yes, please provide all details regarding the event, including the response taken, all analytical results or reports developed through investigation (whether internal or external), and the agencies which were involved

Polychlorinated Biphenyls ("PCB" or "PCBs") And Asbestos

Provide any records in your possession or known to you to exist concerning any on-site PCBs or PCB equipment, whether used or stored, and whether produced as a byproduct of the manufacturing process or otherwise.

Have there been any PCB spills, discharges or other accidents at the Premises? Unknown. If PCB is discovered a specialized vendor will be brought in to contain or remove it in accordance with all local regulations and standards.

If yes, relate all the circumstances

Do the Premises have any asbestos containing materials?

Unknown. If asbestos is discovered a specialized vendor will be brought in to contain or remove it in accordance with all local regulations and standards.

If yes, please identify the materials

Attachment to ECIDA Tax Incentive Application

SECTION I:

Business Description

Describe in detail, company background, products, customers, goods and services

Welded Tube USA, Inc. is a start-up company with no operating history but will be producing the same product and performing the same manufacturing process as one of the product lines offered by the parent company, Welded Tube of Canada, Inc. Welded Tube of Canada, Inc. is a multi-faceted cold formed carbon and HSLA tubular steel producer, headquartered in Concord (Toronto) Ontario.

Estimated % of sales outside Erie County 100%

Estimated % of sales outside New York State 20% (pending legislation to lift NY moratorium on horizontal drilling and hydraulic fracturing)

Estimated % of sales outside the U.S. 50%

What percentage of your total annual supplied, raw materials and vendor services are purchased from firms in Erie County?

Required Consumables for Mill Operations:

To support a 100,000 ton pipe operation (one day shift), the following local community consumables will be required:

- Cutting tools- \$42,000
- Cleaning Supplies- \$23,000
- Impeders- \$25,000
- Safety Supplies- \$42,000
- Lubricants and Greases - \$170,000
- Cutting tools - \$140,000
- Paint - \$65,000
- Steel Strapping - \$92,000
- Nylon Crane Slings - \$30,000
- Mill Coolant - \$116,000
- Printer Ribbons - \$33,000
- Office Supplies - \$4,000
- Lumber - \$90,000
- Protective Coating - \$46,000

The annual total cost for supplies is approximately \$917,000.

Required Trades and Services for Mill Operation

- HVAC and Electrical Contractors
- Tool and Die Shop
- Professional Services including Lawyers, Accountants, etc.

SECTION II:

Please provide a brief narrative of the project

Welded Tube USA, Inc.'s project involves the purchase and installation of a new, high speed, efficient steel tube production line and related equipment which will produce pipe for the energy tubular industry which will be further processed at other pipe processing facilities before being shipped to distributors and end user customers who drill for oil and gas in various locations in Canada and the United States. How the product will be used is illustrated in a presentation found at: <http://www.northernoil.com/drilling>.

Project Roll-out Phases

Phase One

Once the mill has been installed and is operating on one shift (May 2013), it will employ 19 people. In addition, 6 administrative staff will be required for a total number of 25 employees.

Phase Two

An addition of 30,000 sq.ft. at an approximate cost of \$2.4 million will be necessary to house a Hydrotester which is needed to test the pipe for defects. High pressure water is inserted into the pipe up to 10,000 psi to detect for leaks in the product. The cost to supply and install the Hydrotester is approximately \$4,000,000. Additional professional staff and trades similar to those in the installation of the mill will need to be hired for this installation as well. The addition of the hydrotester will result in 8 new staff being hired per shift. With the addition of the Hydrotester, a second mill shift will automatically come on line employing another 19 people. **Under the current business plan this phase will be completed within five years; however, the timing of the completion of this phase within the five year period will be determined by market conditions.**

Phase 3- Relocation of the Port Colborne Ontario Facility

The relocation of our Port Colborne operation will require the construction of its own 30,000 sq.ft. building costing approximately \$2.1 million dollars. This operation will employ 14 new staff per shift. The function of this facility is to thread and couple the raw pipe in preparation of its use in the oil and gas industry. **Under the current business plan this phase will also be completed within five years; however, the timing of the completion of this phase within the five year period will be dependent on market conditions.** When in full operation (three shift operation), this plant will employ 42 new staff.

Phase 4

Market demand will determine when the two additional shifts for the hydrotester and the third mill shift will be brought **on-line**. We are hopeful that this phase will also be completed within five years and this is a goal of the current business plan. This action will account for an additional 27 new staff being hired.

Based on the size and scope of the investment, the current business plan is to have the plant fully operational, including the first 3 phases utilizing 3 shifts per day within 5 years or sooner. The completion of Phases 2 and 3 during the five year period will depend on market demand. Phase 4 may not be completed within five years; however, we are hopeful it will be completed within five years.

All in all, after five years, under the current business plan, the plant will employ at least 94 staff, with the additional 27 staff identified under Phase 4 being hired dependent on market demand. It is our hope that the plant will be fully operational and employ 121 people in less than 5 years.

There is a significant freight disadvantage as a result of locating the pipe production in Western New York and the applicant is requesting financial assistance to offset this extra freight and other higher operating costs. A location in Alabama is also being considered due to large incentives offered by the State of Alabama, including a potential building site for the price of \$1.00 and long term property tax relief and employment grants. The cost of employing

individuals in Alabama would be considerably lower than hiring workers in New York or Canada due to the lower cost of living.

In addition to hiring local employees for this new operation, the applicant intends on working with local contractors for the building modifications, equipment installation and supplies. As well the applicant would like to work with local trucking companies. It is expected this project will generate work for not only direct employees but also electrical, mechanical, hydraulic and machine shop contractors, transport companies and their related fuel, maintenance and other suppliers.

Please describe the energy efficiencies achieved as a result of purchasing new machinery and equipment.

Energy efficiencies are planned for the facility but have not yet been determined in detail at this time due to the early stage of the planning process.

Explain why IDA participation is necessary for this project to proceed.

There are several alternative sites being considered, two in Ontario, Canada and one in Alabama. One of the Canadian alternatives is a property that is currently owned by Welded Tube of Canada, the other is a neighboring property to the current Canadian plant. The Canadian locations offer the benefit of proximity to the existing plant in Welland, Ontario. The project anticipates production of approximately 100,000 tons of pipe per year and would incur significant amounts of additional freight costs as well as other costs in order to relocate operations to the Western New York area. The Alabama location offers attractive incentives such as a building purchase price of only \$1, long term property tax relief and employment grants. While the freight costs would be much higher in the Alabama location the cost of labor is significantly less than in New York or Ontario due to the low cost of living in Alabama.

Section VII:

Describe the general features of the premises

The property is located at the Lakewinds Site at the intersection of Route 5 and Ridge Road in Lackawanna, New York. This is along the Lake Erie shoreline. The property spans over 400 acres.

Describe the premises

The property is an industrial business park located on the former Bethlehem Steel site. This site is in the NYSDEC Brownfields Cleanup Program and Environmental Zone. There is rail service as well as close access to waterways and major interstates. The intended use of the property is manufacturing of steel pipe to be used in the energy industry.

EXHIBIT B
ECIDA APPLICATION - PROJECT BUDGET DETAILED BY PHASES

WELDED TUBE USA, INC.

Phase 1:

Machinery & Equipment (more particularly set forth on attached Exhibit C) - \$27,550,000

Building (including site work, yard, electric and other utility infrastructure and rail siding) -
\$12,500,000

Phase 2:

Machinery & Equipment (Hydrotester and related equipment) - \$ 4 MILLION _____

30,000 sf Building expansion - \$ 2.1 MILLION _____

Phase 3:

Machinery & Equipment - \$ RELOCATE AND INSTALATION _____

Construction of new 30,000 sf building (including related site work) - \$ 2.1 MILLION _____