



BOARD OF DIRECTORS MEETING

March 27, 2017

3:00 PM

NFE 2107

AGENDA

1. Call to order
2. Chair's Report:
 - Resolution 154 – Authorization to enter into a contribution and collaboration agreement, enter into a sublease, and take related actions
3. New Business
4. Public Comment
5. Next quarterly Board of Directors meeting: June 15, 2017
6. Adjournment

RESOLUTION OF THE BOARD OF DIRECTORS OF
FORT SCHUYLER MANAGEMENT CORPORATION

MARCH 27, 2017

RESOLUTION NO: 154

AUTHORIZATION TO ENTER INTO A CONTRIBUTION AND COLLABORATION
AGREEMENT, ENTER INTO A SUBLEASE, AND TAKE RELATED ACTIONS

WHEREAS, the Fort Schuyler Management Corporation (the “Corporation”) was formed for the purpose of helping facilitate research and economic development activities related to the research and educational mission of the State University of New York (“SUNY”) and SUNY Polytechnic Institute (“SUNY Poly”) by purchasing, constructing, developing, and managing facilities; and

WHEREAS, the Corporation entered into a ground lease (the “Ground Lease”) on May 1, 2010 with SUNY for portions of land designated as SUNY Poly’s Marcy Campus (the “Marcy Campus”) located in Oneida County for the purposes of constructing, operating, subleasing, and otherwise developing the Marcy Campus for use as a technology-oriented industrial park, to be used for purposes related to SUNY Poly’s research and educational mission; and

WHEREAS, the Ground Lease includes the Computer Chip Commercialization Center (“Quad-C”) and approximately 12.5 acres of land (together with Quad-C, the “Property”); and

WHEREAS, the Corporation, in connection with the financing of the Quad-C facility, created a limited liability company, the QUAD-C PHASE 1 LLC (“LLC”), of which the Corporation is the sole member, to sublease its leasehold interest in the Property and limit the bank encumbrance related to the borrowing to this Property; and

WHEREAS, the Corporation now wishes to enter into a Contribution and Collaboration Agreement with Danfoss Silicon Power LLC (“Danfoss”) and General Electric Global Research (“GEGR”) to establish the New York Power Electronics Manufacturing Consortium Packaging Center located at Quad-C and, pursuant to such Contribution and Collaboration Agreement, the Corporation and LLC wish to sublease the Property to Danfoss for consideration that is below the fair market value of the property based on the significant economic development benefits to New York State and the region, including the creation and retention of intellectual and physical resources to execute advanced packaging research programs, the commitment by Danfoss to use commercially reasonable efforts to employ 300 personnel, most of whom will be recruited from the Utica area, and the likelihood that Danfoss will attract other qualified businesses to the area to support their operations; and

WHEREAS, the President and Chief Executive Officer of Empire State Development consents to the sublease of the Property to Danfoss on the terms and conditions set forth in the materials presented to the Board of Directors;

NOW, THEREFORE, BE IT RESOLVED BY THE DIRECTORS AS FOLLOWS:

SECTION 1: The Directors hereby authorize the Corporation and LLC to enter into the Contribution and Collaboration Agreement (the “CCA”) with Danfoss and GEGR substantially on the terms and conditions as set forth in the materials presented to this meeting (the “Materials”).

SECTION 2: The Directors hereby authorize the Corporation and LLC to enter into a sublease (the “Lease”) with Danfoss for the Property substantially on the terms and conditions as set forth in the Materials.

SECTION 3: The Directors hereby determine that there is no reasonable alternative to the proposed transfer of the Property for below fair market value that would achieve the same purposes as set forth in the Materials.

SECTION 4: The Directors hereby authorize the President of the Corporation or his or her designee(s), in the name and on behalf of the Corporation and LLC, to execute and deliver the CCA, the Lease, and any and all related documents and to take all actions as he or she may in his or her discretion consider to be necessary or proper to effectuate the foregoing resolutions.

SECTION 5: This Resolution shall take effect immediately.

CERTIFICATION

FORT SCHUYLER MANAGEMENT CORPORATION
RESOLUTION NO: 154

The undersigned, being a duly elected and qualifying officer of Fort Schuyler Management Corporation ("Corporation"), DOES HEREBY CERTIFY that the attached resolution constitutes a true and correct copy of a resolution adopted by the Board of Directors of the Corporation on _____, 2017, as it appears in the records of the Corporation in my possession as of the date hereof.

I FURTHER CERTIFY that, as of the date hereof, the attached resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, I have signed this Certification on this _____ day of _____, 2017.

Name:

Title:

March 23, 2017

Mr. Robert Samson, Chair
Fort Schuyler Management Corporation
257 Fuller Road
Albany, New York 12203

Dear Mr. Samson:

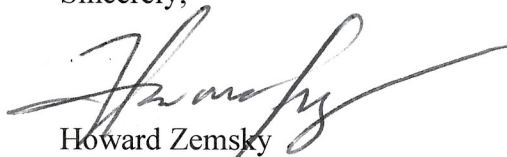
Pursuant to the Guidelines and Procedures for the Acquisition and Disposition of Real Property, the Fort Schuyler Management Corporation ("FSMC") may not enter into a disposition of real property for less than fair market value without my consent.

The materials presented to this meeting (the "Materials") describe a transaction (the "Transaction") by which FSMC would sublease a parcel of land and improvements thereon in Marcy, New York to Danfoss Silicon Power LLC for consideration that is below fair market value.

After reviewing the Materials, I believe that the purpose of the Transaction is within the purpose and mission of FSMC and that there is no reasonable alternative to the transaction that would achieve such a purpose.

Accordingly, I hereby consent to the Transaction.

Sincerely,



Howard Zemsky
President and CEO
Empire State Development



To: Fort Schuyler Management Corporation Board of Directors

Re: Contribution and Collaboration Agreement between Fort Schuyler Management Corporation (FSMC), General Electric Global Research (GEGR), and Danfoss Silicon Power LLC (Danfoss), and a lease agreement between FSMC, QUAD-C PHASE I LLC and Danfoss.

Contribution and Collaboration Agreement

Danfoss and GEGR will collaborate with FSMC to establish the New York Power Electronics Manufacturing Consortium (NY-PEMC) Packaging Center located at the Quad-C facility on the SUNY Poly's campus in Marcy. The Packaging Center, in combination with the NY-PEMC SiC Process Line in Albany, will help support Danfoss and GEGR business operations while also creating the intellectual and physical resources to execute advanced packaging research programs, leading to a maximum return on investment for New York State and its partners.

The Packaging Operation will include five packaging manufacturing lines, including a chip packaging preparation lab (Prep Lab). The Prep Lab will be managed by GEGR with remaining lines managed by Danfoss. The chips fabricated by GEGR in the SiC process line in Albany will be packaged into modules and power blocks by Danfoss in Marcy.

As part of this collaboration, FSMC will contribute \$100M funded by grants from New York State towards the retrofit of the Quad-C facility and the purchase, installation, and qualification of the equipment necessary to undertake the NY-PEMC operation. FSMC will also lease the Quad-C facility and purchased equipment to Danfoss and provide limited functional support services at the facility.

Danfoss will use commercially reasonable efforts to employ at least three hundred (300) personnel in Quad-C by the fifth anniversary of the operational commencement date. It is anticipated that these jobs will include management, skilled manufacturing jobs, and engineers. Danfoss is also expected to utilize college interns to support its technical and business operation. While a limited number of these jobs may be filled by internal transfer, most will be recruited from the Utica area. It is also anticipated that Danfoss will attract other qualified businesses to the area to support their ongoing operations.

Lease

The lease provides for Danfoss to lease the entire Quad-C facility and 12.5 acres of land for the creation of the NY-PEMC Packaging Center. Key provisions related to the lease are set forth below.

- 1) Description of Property and Ownership - SUNY Polytechnic Institute's Computer Chip Commercialization Center (Quad-C), a 201,907 square foot building, together with



approximately 12.5 acres of land, located at 100 Seymour Road, Utica, New York. FSMC is the owner of the Quad-C facility and has a ground lease with the State University of New York for the land. In 2014, FSMC, in connection with a borrowing, subleased its leasehold interest in the 12.5 acres to QUAD-C PHASE I LLC (“LLC”) to limit the encumbrance of the ground lease related to the borrowing to this parcel of land. FSMC is the sole member of the LLC and may manage its affairs without restriction.

- 2) Tenant - Danfoss Silicon Power LLC, a New York subsidiary of Danfoss Silicon Power GmbH, a corporation with headquarters in Flensburg, Germany, supplies electric power modules for industrial, automotive, and renewable applications. Danfoss Silicon Power GmbH operates as a wholly owned subsidiary of the privately held Danish corporation Danfoss A/S.
- 3) Rent and Term - Rent will be one hundred fifty thousand dollars (\$150,000) per year, with three percent (3%) annual increases, for a term of fifteen (15) years. There are provisions to extend the lease for an additional ten years. The rent will cover FSMC’s ongoing costs associated with the facility, including accounting, environmental, safety/health, and facilities oversight costs.
- 4) Associated Costs for Site Preparation - New York State has invested approximately \$125 million into the construction of the facility. As a part of this collaboration, FSMC will invest an additional \$100 million to retrofit the facility and purchase, install, and qualify equipment, which FSMC will continue to own throughout the lease term.
- 5) Associated Costs of Lease - The lease is a triple net lease where the tenant is responsible for all property taxes or PILOT agreements that may be assessed on the property, insurance, and maintenance. This includes all heating, ventilation and air conditioning, telephone service, security and janitorial services, interior and exterior building maintenance, and grounds maintenance.
- 6) Use of Space - The tenant will use the property for offices, warehouse, manufacturing, assembly, research and development facilities and laboratories related to commercial product fabrication for packaging power electronic components into power modules. It is anticipated that Danfoss will use some of the property for other incidental business and commercial purposes including marketing, sales, consulting and customer services, displays, engineering, education, and training. Danfoss will also sublease a portion of the property to GEGR for the operation of the Prep Lab.

Compliance with Acquisition and Disposition of Real Property Policy

The Acquisition and Disposition of Real Property Policy (the Policy), adopted by the FSMC Board in Resolution No. 145 on February 22, 2017, requires that certain information be provided for the disposition of real property through a negotiation and for less than fair market value. This information is set forth below.



1) Full Description of Asset – A 201,907 square foot Computer Chip Commercialization Center (Quad-C) facility housing cleanrooms and office space and 12.5 acres of land at 100 Seymour Road, Utica, NY.

2) Appraisal of the Fair Market Value of the Facility – The Quad-C Facility is new and has never been occupied. There are no modern cleanroom facilities in the area, let alone any of similar size. Therefore, while the Policy typically requires an appraisal of the fair market value of real property before FSMC makes a disposition of such property, staff determined that in this instance, an appraisal was not practical or feasible and would not be a useful expenditure.

3) Description of the Transfer and a Reasonable Statement of the Kind and Amount of Benefit to the Public Resulting from the Transfer – The Lease requires Danfoss to use commercially reasonable efforts to employ at least 300 personnel in Quad-C by the fifth anniversary of the operational commencement date. The Packaging Center, along with the NY-PEMC silicon carbide (SiC) process line in Albany, will help create and retain across New York State the intellectual and physical resources and capabilities, including clusters of technical and engineering units from equipment, materials and component suppliers, research and development teams, and manufacturing groups necessary to ensure optimum execution of advanced packaging research programs, leading to maximum return on investment for FSMC and its partners, including New York State.

4) Statement of the Value to be Received Compared to the Fair Market Value – FSMC will receive rental payments of \$150,000 per year, plus 3% annual increases. Further, Danfoss will begin to pay all costs associated with the building that FSMC currently pays, such as insurance, maintenance, and utilities. There will also be other significant benefits to the region and State from this use of the facility. Danfoss is committed to creating 300 jobs located at Quad-C, including management, skilled manufacturing jobs, and engineers. Danfoss will seek to recruit candidates for these jobs from the Utica area. Danfoss will also utilize college interns on the Marcy Campus to support its technical and business operations. It is also expected that Danfoss will attract other qualified businesses to the area to support its ongoing operations.

5) Names of Private Parties Participating in the Transfer – Danfoss Silicon Power LLC.

6) Names of Other Parties who have made an Offer for such Asset – No other offer has been received.

7) Statement of Disposal by Negotiation – FSMC has been actively engaged in seeking tenants for the Quad-C Facility that will utilize the specialized nature of the facility for commercial product fabrication and stimulate economic development in the region. Through collaboration with GEGR at its NY-PEMC silicon carbide (SiC) process operation at the SUNY Polytechnic Institute campus in Albany, an opportunity emerged to explore the potential for Danfoss to lease a portion of the Quad-C facility to establish the Packaging Center. As negotiations progressed, Danfoss further assessed its needs and determined that it would like to lease the entire facility.

8) Approvals – FSMC President Robert Megna and Contracting Officer Scott Bateman approve



this proposed transfer. In addition, Howard Zemsky, President and Chief Executive Officer of Empire State Development, consents to the transfer, finding that the purpose of the transfer is within the purposes or mission of FSMC and that there is no reasonable alternative to the proposed below market transfer that would achieve the same purpose of the transfer.

Requested Action:

The Board is requested to approve a resolution authorizing the President to enter into a Contribution and Collaboration agreement with GEGR and Danfoss and, on behalf of the Corporation and LLC, enter into a lease agreement with Danfoss, and to take related actions necessary or appropriate to implement the resolution.