

SMART LOCATIONS

Update on Business Developments in New York's Hudson Valley

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President's Message

Empire Zones: Better than Ever With Flexible, Floating Zones

New York State's Empire Zones have always been a powerful tool for attracting new business, but now the program is stronger than ever thanks to new legislation.

The beauty of the legislation is that it essentially allows the creation of "floating zones" for regionally significant projects. Any projects that meet the following requirements may qualify for Empire Zone benefits even if the company wants to locate outside of an existing zone:

- Any high-tech business, bio-business or agri-business making a new investment of at least \$10 million and creating at least 20 new jobs.
- Any financial, insurance or distribution company that generates 300+ new jobs.
- Any manufacturer that creates at least 50 new jobs.

The Empire Zone benefits remain much the same: a 10% investment tax credit with another 9% as an employee investment tax credit; a wage tax credit for a five-year period; sales tax exemptions and other measures that allow incoming companies to operate virtually tax-free for 10 years. The legislation does simplify some things, including receiving the benefits of real property tax credits.

This is smart legislation that opens up new opportunities for companies to look at every available location in our nine counties. It also puts the Hudson Valley on the forefront of potent new economic incentives that will allow us to be highly competitive for projects worldwide.

All in all, the new Empire Zone program is a beautiful thing for business.

Anthony Campagiorni, President and CEO

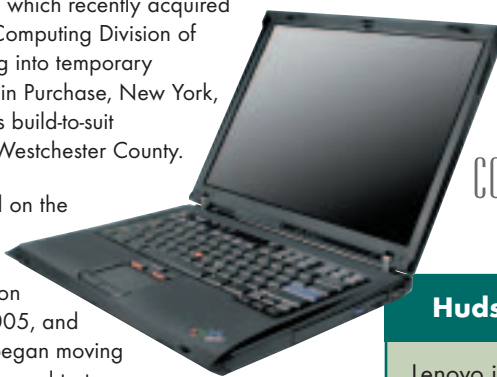
Lenovo Moves Global Headquarters from China to Hudson Valley

Lenovo Group Ltd., the world's third largest personal computer maker, is moving its global headquarters from China to the Hudson Valley. The company, which recently acquired the Personal Computing Division of IBM, is moving into temporary headquarters in Purchase, New York, while it studies build-to-suit properties in Westchester County.

Lenovo closed on the \$1.25 billion purchase of the IBM division on May 1, 2005, and immediately began moving executive personnel to temporary headquarters located in 38,798 square feet of subleased space at Old Manhattanville Road in Purchase. According to a Lenovo spokesman, the company is currently looking to house about 50 executive staff at the site in Purchase with the goal of employing 150 people by 2008 at its permanent worldwide headquarters.

The Westchester County Industrial Development Agency and Empire State Development Corporation have offered at least \$366,000 in financial assistance to Lenovo to move its global headquarters to the region.

Founded in 1984, Lenovo was the first company to introduce the home computer concept in the People's Republic of China. Since 1997, the company has been the leading PC brand in China and across Asia with annual revenues of approximately \$3 billion. IBM's PC business generated over \$9 billion in revenues in 2003 through a full range of desktop and notebook PC systems.



ACQUISITION OF IBM PC DIVISION
MAKES LENOVO THE
WORLD'S THIRD LARGEST
COMPUTER MAKER

Hudson Valley Global HQs

Lenovo is in good company when it comes to global headquarters. Here are just a few of the others located in the Hudson Valley:

- Bayer Diagnostics**
- Consumer Reports**
- IBM**
- Lillian Vernon**
- MasterCard**
- MBIA**
- Nine West**
- PepsiCo**
- Pepsi Bottling Group**
- Reader's Digest**
- Starwood Hotels & Resorts**
- Triarc**

Short Takes

Companies On the Move

Kawaski Rail Car Inc., in Yonkers, will double its workforce to fulfill a \$449 million contract to build 340 rail cars for the Port Authority of New York and New Jersey. The cars will replace the entire aging PATH fleet and will go into service between 2008 and 2011. The company now employs about 280 people and expects that number to grow by another 250 to 300 workers.

Praxair is building a new 45,000 square foot facility in Poughkeepsie to help meet demand for its electrostatic chucks used in the microelectronics industry.

Sony recently announced that IBM will make the next generation Playstation microprocessor. Playstation 3 will go on sale in 2006 with a Cell processor capable



of 2.18 teraflops (or 2.18 trillion operations per second – a speed akin to a supercomputer.) The chip will be made at IBM's East Fishkill 300 mm facility, where Sony invested \$325 million in a plant expansion that would ensure the entertainment giant's share of its capacity.

Olympus Surgical and Industrial America Inc. is the new name of the optics company headquartered in Orangeburg, New York. The name change reflects the transfer of the company's surgical products business to the existing Olympus Industrial

America, which opened a state-of-the-art headquarters facility in February 2003 (photo above).

ENAP Inc., a premium lumber and building materials cooperative, is moving its headquarters into a new building First Columbia is constructing at New York International Plaza, adjacent to the Stewart International Airport in New Windsor, New York. First Columbia plans to build another 100,000 square foot building in the 260-acre business park, with groundbreaking slated for this summer.

Panasonic Plasma Display Laboratories Stays At Forefront of Plasma Technology

It was over a beer in a Kingston, New York pub that the Hudson Valley company that helped advance plasma display technology for high-definition television got its start. The year was 1987 and IBM had decided to get out of the plasma business at its Kingston plant. Two employees, Everton Henriques and Jim Kehoe, were meeting with Larry Weber, a professor at the University of Illinois, where plasma displays were invented. On a handshake, the three agreed to try to buy the equipment from IBM and set up their own company to be called Plasmaco.

"OUR JAPANESE VISITORS LOVE HOW CLOSE WE ARE TO NEW YORK CITY, BUT THEY ARE JUST AS FASCINATED BY EVERYTHING ELSE THE HUDSON VALLEY HAS TO OFFER."

- Everton Henriques
Vice President
Panasonic Plasma Display
Laboratories

By late that year, the fledgling company had inked a deal with IBM, identified an empty building in nearby Highland, New York and brought in 80 truckloads of equipment. They set

up a pilot line and produced the company's first plasma display for exhibition at a trade show in 1988. From that, the company was able to secure additional investment funds, purchased their building and set up the factory.

By 1992, the company was making 640 x 400 monochrome displays, but the competition from Japan was fierce. Plasmaco, however, developed a 21-inch color plasma display that attracted the attention of Matsushita Electrical Industrial Co., the parent company of Panasonic. The Japanese company purchased Plasmaco in 1996.

The infusion of more capital allowed the Hudson Valley company to keep on the forefront of plasma technology and in 1999, it demonstrated the world's first 60-inch diagonal full-color high-definition plasma display television.

The company, which changed its name to Panasonic Plasma Display Laboratories of America earlier this year, continues to focus on R&D, particularly in the areas of cost reduction and efficiency, according to Everton Henriques, who now serves as the company's

Vice President. The company today employs about 50 people at its new 85,000 square foot building, nearly half of which is a cleanroom.



"The Hudson Valley has been a great place to do business," Henriques commented. "There is a very skilled workforce here, there are excellent local colleges and it's rich in culture and outdoor recreation. Our Japanese visitors love how close we are to New York City, but they are just as fascinated by everything else the Hudson Valley has to offer."



Coxsackie Firm Transforms Historic Firehouse Into Home for Thriving Technology Business

When Joseph Wolodkevich decided it was time to move his growing technology solutions company out of his garage, he tackled one of the biggest projects of his career: transforming an 1870's firehouse in historic downtown Coxsackie, New York into offices.

The eight-month-long renovation turned the once rundown building into a technology haven and was less expensive and more interesting than building an office from scratch, according to Wolodkevich. Today, his company, Intelligent Technology Solutions, has seven employees and is a full-service technology solutions provider with the ability to provide graphic and web design for both home and business users.

Understanding the importance of off-site secure data storage, Intelligent Technology plans to offer a new service: providing a co-location to facilitate and store companies' back-up records. The company will be offering the physical storage of tapes and hard drives as well as server-based storage. In addition, it will offer disaster recovery and network/system monitoring for clients.

Intelligent Technology has worked with a variety of clients on a range of projects big and small. Wolodkevich describes the company's way of doing business as being very "customer centric." He noted, "Our company is about providing value beyond just fixing your computer, printer or server. We are the people our clients rely on for direction on how technology could improve their business."

In the Spotlight

Sono-Tek Grows by Finding New Markets for Ultrasonic Spray Technology

It has been anything but business as usual for Sono-Tek for the past few years. The 30-year-old company has been on a tear from its base in Milton, New York, finding profitable new applications for its ultrasonic spray technology and expanding exports worldwide. As a result, the company's sales and workforce have both doubled since 2003.

Although the company's traditional line of gear for spraying flux on printed circuit boards in the electronics industry is still its "bread and butter," what gets Sono-Tek President and CEO Christopher Coccio excited is the potential of new applications in the glass, fabric and medical coatings industries. The company's MicroMist sprayers, for example, are used to coat arterial stents with medicines that help prevent the regrowth of plaque. On the other end of the spectrum, the company's Wide-Track system sprays stain-resistant protective chemicals on sheets of glass as they are being made.

Regardless of the application, Sono-Tek nozzles utilize high-frequency ultrasonic vibrations to resist clogging, reduce waste and environmental impact, and achieve a more precise film coating than other spray systems.

A dramatic increase in exports has also played a key role in Sono-Tek's growth. Although the company has sold products internationally since it was founded in 1975, it recently moved beyond its customer base in the U.S. and Mexico. Exports now account for over 40% of sales, more than double the level in recent years. For its efforts, Sono-Tek won a 2005 Averell Harriman International Trade Award as Exporter of the Year in the under \$10 million category.

Dr. Coccio, who holds a doctorate in mechanical engineering, took the reigns at Sono-Tek in 2001, after retiring from a 30-year career with General Electric. He and his wife restored a Victorian home overlooking the Hudson River. With no trace of regret, he remarked: "We love gazing over the

splendor of the Hudson River Valley, but my so-called 'retirement' is turning out to be a lot more active than we envisioned."



Sono-Tek CEO Chris Coccio enjoys the Hudson Valley lifestyle.

NYSERDA Helps Hudson Valley Companies Develop Energy-Efficient Products

When Solid State Cooling Systems in Pleasant Valley, New York, decided to develop a new energy-efficient chiller for the semiconductor industry, it found a willing partner in the New York State Energy Research and Development Authority (NYSERDA). The agency provided \$150,000 in matching development funds to help the company design, engineer and build its first units.



Steve Nador, electromechanical assembler, works on a ThermoRack chiller at Solid State Cooling.

Solid State Cooling worked with Philips Semiconductors in nearby East Fishkill as a beta site and made improvements to the chiller based on the manufacturer's feedback. The resulting ThermoRack system, which has been selling briskly since its commercial introduction, can reduce energy costs up to 93% compared to a Freon-based chiller for plasma etch. It also minimizes environmental impact by eliminating Freons, chemical refrigerants and replacement chemicals.

"IT HAS BEEN INVALUABLE BEING ABLE TO REIMBURSE THOSE FUNDS ON A ROYALTY BASIS AS WE SELL CHILLERS."

- Donna Logan
Vice President
Solid State Cooling

"The matching funds from NYSERDA were very helpful at a time when things were leaner for Solid State Cooling," said Donna Logan, the company's Vice President.

"It has been invaluable being able to reimburse those funds on a royalty basis as we sell chillers," she added.

Solid State Cooling received an additional boost from NYSERDA in May 2005 when it announced a purchase incentive in the form of an energy-saving rebate for New York customers that purchase the ThermoRack chillers.

Other Hudson Valley Projects

NYSERDA has been active with a number of other Hudson Valley companies. Most recent projects include:

Philips Semiconductors: NYSERDA provided approximately \$300,000 to fund the development of an integrated circuit with real-time power management at Philips Semiconductors in East Fishkill, New York. Power management chips are used in cell phones, digital cameras and other microdevices. The new battery management integrated circuits increase charge life and dramatically reduce charge time.

Selux: Based in Highland, New York, this manufacturer of high-end architectural lighting has partnered with NYSERDA on three projects. The company has developed energy-efficient fluorescent tube lamps, photovoltaic-powered exterior light fixtures and LED pedestrian walkway lighting with funds from NYSERDA.

MPI: Using NYSERDA funding and working in collaboration with Rensselaer Polytechnic Institute, this Poughkeepsie, New York manufacturer of wax extrusion machinery developed a new machine for investment casting foundries that improves the efficiency and precision of attaching wax pattern parts.

Prime Properties

From the hot suburban markets of Westchester County to more rural Columbia County settings within striking distance of the Capital District, the Hudson Valley offers companies plenty of prime properties for business. Here are two examples:

100 Hillside Greenburgh, New York



Built in 2003 and distinguished by stunning modern architecture, this 137,000 square foot, three-story building recently became U.S. headquarters for Dannon. The building has 60,000 square feet available and offers fiber optic redundancy an on-site generator, along with a state-of-the-art fitness center and cafeteria. LaGuardia Airport is less than 20 miles from the building.

Route 20 New Lebanon, New York

Ideal for a growing company that needs a combination of office and manufacturing space, this 1977 building offers 45,980 square feet on two floors. With 18-foot ceiling heights for manufacturing and municipal water and sewer, the building combines Berkshires beauty with easy access to the Albany region via I-90.

Thornwillow Press Consolidates Worldwide Operations in Newburgh

Drawn to the city's history, architecture and sense that his company could be part of its rebirth, Luke Pontifell is in the process of consolidating worldwide operations of his Thornwillow Press in two historic buildings a block from George Washington's Revolutionary War headquarters in Newburgh, New York.

Thornwillow specializes in the design and manufacture of fine paper and stationery sold in upscale stores and at www.thornwillow.com. The company also hand-prints and binds limited-edition books. The Smithsonian and White House Historical Association are among Thornwillow's list of prestigious clients and the company's leather-bound books have found their way to collections at the Vatican, the Morgan Library and other libraries around the world.

Pontifell founded Thornwillow Press in 1985 while still in high school, inspired by old books in his parents' library and a course in printing and binding. During his summer vacations from Harvard College, he continued to hone his craft. "What started as a labor of love, evolved into a small business," he said.

The company grew steadily, acquiring a paper mill in Prague, an engraving and letterpress operation in Florida and warehouses in Massachusetts and New Jersey. When it became

increasingly difficult to manage the Eastern European operation long-distance, Pontifell began looking for a place to move the mill and consolidate other operations.

Although he looked at industrial sites in New Jersey and Connecticut, he fell in love with the two historic red brick buildings in the oldest part of Newburgh: a former coat factory and a carriage house joined by an underground tunnel. They have beautiful old wood floors and beams, but more important to Pontifell was their location in an area that he feels is on the brink of rebirth. "The whole riverfront here and across the Hudson in Beacon is being revitalized. We wanted to be part of that," he said.

The area also offered the workforce the company needs, Pontifell remarked. "This business is all about craftsmanship, but we also need people versed in the latest technology in graphic design and typesetting. We needed a perfect balance of old world and new world skills," he noted.

Newburgh also proved to be the ideal location due to its close proximity to New York City. "I can be at my offices in Manhattan in the morning and in Newburgh in the afternoon," he commented.



Catskill Mountain Foundation Brings Culture and Vitality to the Catskills

It's no secret that the Catskill Mountains are chock full of gorgeous views and acres of well-preserved land, but what is not as well-known is that the region is now becoming vibrant with the arts and culture thanks in part to the work of the Catskill Mountain Foundation.

Founded in 1998 to promote arts, education and sustainable living, the not-for-profit organization is supported with public funds from the New York State Council on the Arts, the Greene County Legislature, Greene County Promotion and by corporate and private donations. The foundation has already completed a \$500,000 renovation of a performing arts center on the site of an abandoned barn, as well as a \$1 million renovation and expansion of Hunter Village Cinemas. Future projects include a \$1.6 million investment in the foundation's Natural Agricultural Farm as well as a \$7.4 million renovation on five buildings to develop a new arts and education center.

The foundation sponsors a wide range of arts programs, including performances of classical, folk and pop music, dance and theatre, exhibitions of fine art and crafts featuring works by artists with ties to the region, as well as artists from afar. It also runs an arts-oriented bookstore with one of the largest offerings of books related to the Catskill area and mountain regions around the world. Readings by nationally recognized poets, book signings and storytelling add to the bookstore's offerings.

The main focus of the foundation's sustainable living initiative is the development of an organic farm and farm market. The working organic farm serves as an experimental and educational facility, using renewable energy sources for greenhouse heating and farm electricity. Continuously open to tours, the farm delivers fresh produce right to the farm market.

The organization provides free community programs celebrating holidays and other special times of the year with films, hay rides and games for children and families. It hosts an Elderhostel educational program geared to adults who are 55 and older and offers a series of career development workshops for local artists and craftspeople. On top of all that, the foundation manages the region-wide Catskill Mountain Crafts Collective. Now that's community service.



Best-Kept Secret: Chatham, New York



Located in the rolling hills of the upper Hudson River Valley, Chatham, New York has the small town charm and comfort where everybody knows your name. This old railroad town's tallest establishment is its clock tower, which is a mere five stories. The Dutch settlers built mills along Kinderhook Creek in the 1700's, giving the town a distinct characteristic reflective of its rural and agricultural heritage.

The town's rich history and pleasant ambiance have long had some "Manhattan-ites" who rent summer homes in Chatham making it their permanent residence. Chef Michael Cohen, formerly of the Four Seasons Hotel's restaurant in New York City, commented, "I returned to the Hudson Valley because the availability of fresh, farm-grown foods compliments both my style and philosophy."

Cohen now heads the kitchen at Lipperra's, which is moving next door to the Chatham House Galleria. The building is currently being renovated to increase the size of the restaurant and make room for a number of upscale retail shops, artist and handcrafters' studios and a common gallery.

An historical staple in town is the Shaker Museum and Library, which showcases Shaker furniture, oval boxes, textiles, art, tools and agricultural machinery. Chatham is also home to numerous working farms, most famous of which is The Old Chatham Shepherding Company (www.blacksheepcheese.com). Since 1994, the company has grown from 150 sheep to a flock of more than 1,000 East Friesian crossbred sheep, helping them produce some of the best handcrafted sheep's milk cheeses and yogurt in America.

Shhh...don't tell anyone.



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